

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES ACT OF 1934

For the fiscal year ended December 31, 2015

OR

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

Commission File Number: 333-196735

MassRoots

MASSROOTS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
Incorporation or organization)

46-2612944
(IRS Employer Identification No.)

1624 Market Street, Suite 201, Denver, CO 80202
Address, including zip code, of principal executive offices)

(720) 442-0052
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

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

Title of Each Class
Common Stock, \$0.001 par value per share

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). **Yes** **No**

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

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

Large accelerated filer
Non-accelerated filer
(Do not check if a smaller reporting company)

Accelerated filer
Smaller reporting company

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

As of June 30, 2015, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$18,862,120 based on the price at which stock was last sold on that date.

As of March 30, 2016, there were 47,766,466 shares of the Registrant's common stock outstanding issued and outstanding.

Documents incorporated by reference: None.

MASSROOTS, INC.
FORM 10-K ANNUAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015
TABLE OF CONTENTS

	Page
PART I	
Item 1. Business	2
Item 1A. Risk Factors	16
Item 1B. Unresolved Staff Comments	16
Item 2. Properties	16
Item 3. Legal Proceedings	17
Item 4. Mine Safety Disclosures	17
PART II	
Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters	18
Item 6. Selected Financial Data	19
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	24
Item 8. Financial Statements and Supplementary Data	24
Item 9. Changes in and/or Disagreements with Accountants on Accounting and Financial Disclosure	24
Item 9A. Controls and Procedures	24
Item 9B. Other Information	25
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	26
Item 11. Executive Compensation	29
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	36
Item 13. Certain Relationships and Related Transactions and Director Independence	39
Item 14. Principal Accountant Fees and Services	40
PART IV	
Item 15. Exhibits and Financial Statement Schedule	42

FORWARD-LOOKING STATEMENTS
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements in this report may be "forward-looking statements." Forward-looking statements include, but are not limited to, statements that express our intentions, beliefs, expectations, strategies, predictions or any other statements relating to our future activities or other future events or conditions. These statements are based on current expectations, estimates and projections about our business based, in part, on assumptions made by management. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may, and are likely to, differ materially from what is expressed or forecasted in the forward-looking statements due to numerous factors, including those described above and those risks discussed from time to time in this report, including the risks described under "Risk Factors" in our most recent registration statement and any risks described in any other filings we make with the SEC. Any forward-looking statements speak only as of the date on which they are made, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this report.

Management's discussion and analysis of financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an on-going basis, we evaluate these estimates, including those related to useful lives of real estate assets, cost reimbursement income, bad debts, impairment, net lease intangibles, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. There can be no assurance that actual results will not differ from those estimates.

NOTE REGARDING KEY METRICS

We review a number of metrics, including active users ("Users"), User interactions ("Interactions"), and other metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions. See the section entitled "Business – Definitions of Key Metrics."

While these numbers are based on what we believe to be reasonable estimates for the applicable period of measurement, there are inherent challenges in measuring usage and user engagement across our user base around the country. For example, we treat multiple accounts held by a single person or organization as multiple users for purposes of calculating our active users because we permit people and organizations to have more than one account. Additionally, some accounts used by organizations are used by many people within the organization. As such, the calculations of our active users may not accurately reflect the actual number of people or organizations using our platform.

[Table of Contents](#)

PART I

ITEM 1. BUSINESS

Unless we have indicated otherwise or the context otherwise requires, references in this Annual Report on Form 10-K to “MassRoots,” the “Company,” “we,” “us” and “our” or similar terms are to MassRoots, Inc. Unless otherwise indicated, all share and per share information relating to our common stock in this Annual Report on Form 10-K has been adjusted to reflect the “Exchange” which occurred during our “Reorganization”. See the section entitled “Fundraising During the Year and Our Reorganization” contained in this “Item 1” for additional discussion of the Exchange and Reorganization.

Organization

We were incorporated in the state of Delaware on April 26, 2013 as a social network for the cannabis community.

Our principal executive office is located at MassRoots, Inc., 1624 Market Street, Suite 201, Denver, CO 80202, and our telephone number is (720) 442-0052.

For the year ended December 31, 2015, we raised an aggregate of \$3,617,663 from the sale of our securities (including the exercise of previously issued warrants for the purchase of our common stock). For the year ended December 31, 2015, we had a net loss of \$8,472,898.

Our independent registered public accounting firm has issued an audit opinion for our Company, which includes an explanatory paragraph expressing substantial doubt as to our ability to continue as a going concern.

Emerging Growth Company

We are an "emerging growth company," as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies.

Section 107(b) of the JOBS Act provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an “emerging growth company” can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably opted out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act.

We could remain an “emerging growth company” for up to five years, or until the earliest of (i) the last day of the first fiscal year in which our annual gross revenues are \$1 billion, as adjusted, or more, (ii) the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which would occur if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter, or (iii) the date on which we have issued more than \$1 billion in non-convertible debt during the preceding three-year period.

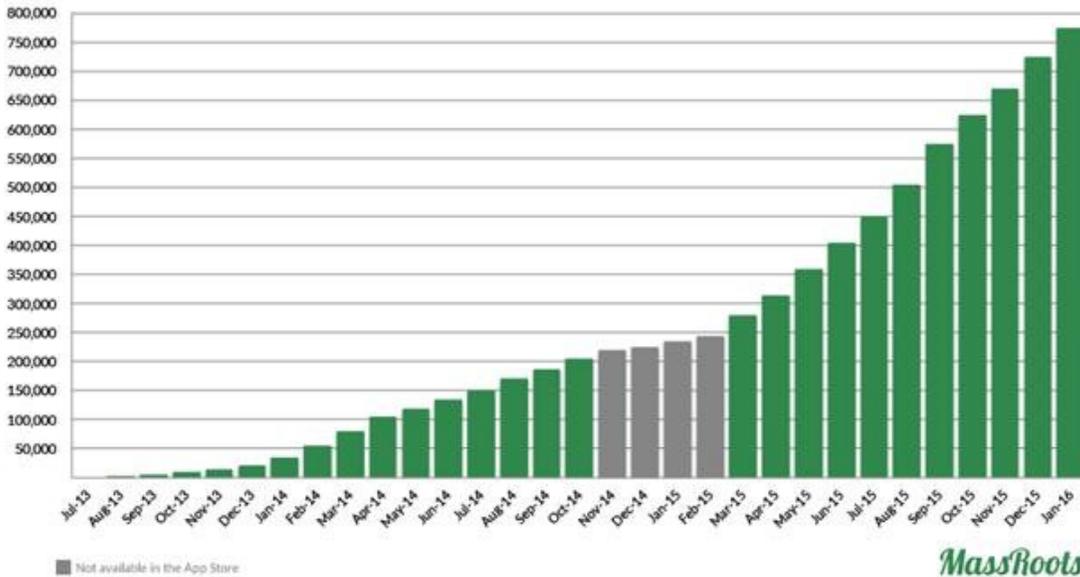
Background

MassRoots was formed in April 2013 as a social network for the cannabis community. In July 2013, we launched in the App Store and since that time, have grown into a community of more than 775,000 cannabis consumers. Our users utilize MassRoots to share their cannabis experiences, follow their favorite dispensaries, and stay informed of legalization updates. Businesses use MassRoots to advertise their products directly to cannabis consumers. Our growth has been primarily driven by MassRoots’ increasing popularity as one of the first national cannabis brands and word of mouth virility from our users. We believe that by creating a central community of hundreds of thousands of cannabis consumers, we are creating a valuable marketing channel for cannabis and its ancillary products.

[Table of Contents](#)

MassRoots' User Growth

July 2013 - Present



As a technology company, MassRoots is able to rapidly scale its products and services with minimal marginal costs – each additional user or business that we add to our platform adds negligible server hosting costs. It also allows us to have exposure to every regulated cannabis market without establishing a physical presence in each state. This minimizes the costs of scaling and required capital while, at the same time, offering a direct role in the cannabis industry without ever touching the plant itself.

MassRoots has strong relationships in both the technology and cannabis industries. As a semi-finalist for the Extreme Tech Challenge, MassRoots was introduced to some of the leading technology investors and developers in Silicon Valley and became one of the first cannabis-related companies to present on stage at the Consumer Electronics Show (CES) in early 2016. At the same time, MassRoots raised much of its seed-stage capital from the ArcView Group, the largest network of cannabis investors and businesses in the industry, enabling the Company to develop relationships with the key players in the cannabis sector.

Definitions of Key Metrics

Total users ("Users") is defined as every user who currently has an account with MassRoots. It does not include users who have deleted their account. It does not reflect active usage over any set period of time.

User interactions ("Interactions") is defined as anytime a User follows another User, posts a status, comments on a status, or likes a status.

Our Products and Services

Our technology platform consists of: our consumer-facing social network (accessible through our Android application, iOS application, and web portal) and our business-facing advertising portal, MassRoots for Business.

[Table of Contents](#)



Examples showing the current user interface of our iOS application.

The MassRoots network is accessible as a free mobile application through the iOS App Store, the Google Play Marketplace, and as a website at www.MassRoots.com. These applications and services work in a similar manner as other social networks, such as Facebook, Instagram, Twitter and Vine:

Users may create a profile by choosing a username, setting their password and agreeing to our Terms and Conditions. We do not require users' real names, email address or phone numbers.

- Users have the ability to follow other users on the network. By “following” an account, users are essentially “opting-in” to their posts, allowing them to be displayed on their newsfeed.
- A users' newsfeed displays all the posts from users in which they follow in reverse-chronological order, with the most recent posts being at the top. A users' profile page displays all the posts from that particular user.
- Users have the ability to like, comment and report statuses from other users. By “liking” a status, a user is indicating their approval of the posts' content. By commenting on a status, users are free to voice their opinions or comments on the posts' content. By reporting a status, users can flag content that violates our Terms and Conditions, including spam, harassing content and posts about other drugs.
- Users have the ability to tag other users and use hashtags to categorize posts. By using the “@” symbol followed by a username, users can tag other users in posts they want them to see or if they are included in the picture or post. By using the “#” followed by a categorical word, users can categorize posts based on their content.
- Users have the ability to post pictures with text captions or just text statuses.
- Users have the ability to search for users based on their username and the ability to search by hashtag to display all results within a particular category. Users can sort hashtag searches by their popularity or when they were posted.

- Users have the option to provide their phone number to MassRoots (but is not required) so their friends can search their contacts for friends with a MassRoots profile. Users also have the ability to invite their contacts that are not on MassRoots to join via text message.
- Whenever an Interaction takes place involving a user (follow, like, comment, tag), they are sent a push notification on their mobile device notifying them of the action.
- Users have the ability to set their profile to public and private, as well as enabling and disabling web-access. By setting their profile to public, any user on MassRoots' apps will be able to see the public profile's posts and follow the account. When a profile is private, another user must request to follow their account and the account owner must grant permission before they can view any of the account's posts. By setting an account to web-enabled, it allows public profiles to be visible via the MassRoots website. By setting an account to web-disabled, both public and private profiles are not viewable through www.MassRoots.com.

In early December, MassRoots released a new web platform, indexing the public content on MassRoots on Google for the first time. Alexa ratings are a public measure of a website's popularity and are used by advertising agencies to gauge websites' advertising value – similar to a Nielsen rating for television broadcast. During the month of January 2016, MassRoots.com experienced its highest ever Alexa ratings 21 out of the 31 days of the month, reflecting increasing amounts of web traffic. Over the coming months, MassRoots plans to introduce new features to our network to accelerate our user growth, boost retention, and open additional revenue streams.

MassRoots for Business

We launched MassRoots for Business in early March 2015 as an online portal for dispensaries to schedule posts, view analytics and gain insights into their followers. The basic service is available to businesses for no cost. Over 1,000 cannabis businesses were utilizing MassRoots for Business as of December 31, 2015, including 62% of the dispensaries in Colorado.

MassRoots for Business operates in a manner similar to the one described herein:

- A business can register for the MassRoots for Business portal with their name, business name, email address, phone number, MassRoots username and password (to verify ownership of a particular page).
- A MassRoots employee will then review the account to ensure they are in full compliance with state law. This may involve requiring the dispensary to provide their state dispensary license.
- The business can then access the MassRoots for Business portal, which will consist of five main pages: Dashboard, Posts, Profile, Billing and Contact.
- On the Dashboard, a business can view all the main analytics regarding their account: their follower count, likes per post, total reach of their posts and advertising, and balance on their account. Interactive graphs will allow businesses to track these metrics over time.
- On the Posts page, businesses can schedule posts, view analytics, and promote popular content.
- On the Profile page, businesses can edit their description, username, profile picture, URL, address, contact email, contact phone number and schedule future posts.
- On the Billing page, businesses can enter their credit card information and view past receipts of payment. The advertising portal will operate on a pre-paid basis.
- On the Contact page, businesses can contact a MassRoots employee with any questions or issues.

Table of Contents

We started monetizing MassRoots' network in August 2015 through advertising. We currently offer businesses the ability to sponsor posts through widely-followed MassRoots accounts run by our employees, have their products featured in our weekly email newsletter to over 500,000 opt-in email subscribers, and sponsor content on the MassRoots blog. We generated over \$150,000 in revenue through these channels in the last 4 months of 2015. We believe the revenue MassRoots is generating will continue cutting the Company's monthly negative cash flow.

MassRoots' business model is designed to scale as marijuana legalization continues to spread; every state that legalizes the medicinal or adult-use of cannabis expands the number of licensed businesses in the industry, increasing our potential customer base and potential revenues.

Monetization of Our Network and Other Long Term Plans

While MassRoots does not collect Users' names or phone numbers, we still collect a sufficient amount of information to effectively monetize our network. For instance:

- Based on the nature of someone downloading and using MassRoots, we know they are an active cannabis consumer or enthusiast.
- When a user accesses MassRoots' apps and websites, we are able to collect users' location information down to the zip code.
- Based on the pictures and hashtags a user posts, we can determine what type of cannabis they prefer to consume; how they prefer to consume it; what time of day they are most active.
- Based on the usertags that a user posts, we can determine who their friends are and who is within their social circle of influence.

Because we do not collect personally-identifiable information, this data has relatively little value outside of our network, so MassRoots has no intention of selling or disclosing this information to third parties for use outside of our network. However, it has significant value when used to target advertising and services directly to users within the MassRoots network; therefore, it is of the highest importance that MassRoots is able to build out products and services that keep our users engaged and on the network for extended periods of time. The amount of revenue MassRoots may be able to generate per User is directly correlated to the time they spend on the network, their engagement with other users and the quality of posts they put on the network. Additionally, the number of Apps, Websites and Services built using MassRoots' APIs will also significantly impact the value per User – so long as MassRoots is integrated with these 3rd party applications, we will be able to collect data, serve advertising and boost engagement to, from and between our Users, increasing their value.

Integration with Dispensary Point of Sale Systems

During Q3 2016, we expect to begin integrating MassRoots with dispensary point of sale systems, enabling businesses to target advertising to users based on their purchasing history. For example, if a particular user goes to a dispensary every week for a month and purchases a chocolate brownie edible and then does not come back for two weeks, the dispensary would be able to send them a targeted ad offering them 20% off their next chocolate brownie edible purchase. The dispensary would be able to control the advertising offer, the targeting options, and all other relevant information. This will enable cannabis-related businesses to use data to target advertising directly to the consumers most likely to take action based on them, very similar to other social networks.

To facilitate this integration with dispensary point of sale systems, during the second quarter of 2015, MassRoots invested \$175,000 in exchange for preferred shares of Flowhub LLC ("Flowhub"), a seed-to-sale system, equal to 8.95% of the then outstanding equity of Flowhub. Since that time, we have been working with Flowhub to integrate their system with our network. We believe that Flowhub has developed the "next generation" of seed-to-sale software and believe there is tremendous amount of synergies between the data both MassRoots and Flowhub collect. We believe that by consolidating data from such cannabis point of sale systems, grow operations, and our consumer-facing social network, we will have some of the most important data available in the cannabis industry.

[Table of Contents](#)

Users Growth and Product Distribution Channels

The MassRoots app is distributed free of charge through the iOS App Store and the Google Play Marketplace. Prospective users can search for MassRoots on these platforms, read user-reviews and make a decision on whether to download and utilize the MassRoots app. The MassRoots network is also accessible on through desktop and mobile web browsers by navigating to www.MassRoots.com. Our MassRoots for Business portal is distributed at Business.MassRoots.com where businesses may request access.

MassRoots has primarily gained users through organic growth - users telling their friends to join the network. This is supported by the number of endorsements MassRoots receives on Instagram and Twitter, viewable by searching “#MassRoots”.

MassRoots also retains the owners of several widely-followed Instagram, Facebook and Twitter accounts as independent contractors. We estimate there are over 6,000,000 people actively posting about cannabis or following cannabis-related pages on Instagram – our team viewed this as the easiest market for us to capture as these users were already discussing cannabis in a social environment on a mobile application.

Apple App Store Removal, User Support and Restatement, and Similar Matters

On November 4, 2014, the MassRoots App was removed from Apple’s iOS App Store due to what we originally believed was a compliance issue with the App Store review team. Existing iOS users were still able to access and use the MassRoots App, however new users were prohibited from downloading it. We discovered that this was a result of the App Store review team changing their app enforcement guidelines to prohibit all social cannabis applications.

When we learned of the true nature of this policy change, we immediately began organizing the cannabis community and industry against it. In early January 2015, we co-signed a letter to Apple’s CEO, Tim Cook, along with several cannabis business leaders, arguing that the App Store’s policies were stifling innovation in the cannabis industry. Over 10,000 of our users sent personal emails to Apple advocating why MassRoots should return to the App Store – with their arguments ranging from freedom of speech and expression to cannabis patients suffering from anxiety who need social support networks.

In early February 2015, an App Store representative informed us Apple had revised their enforcement guidelines – social cannabis applications that were geo-restricted to the 23 states with medical cannabis laws were once again permitted. On February 12, 2015, MassRoots returned to the App Store after we implemented the geo-restrictions.

While we are grateful to Apple for reversing its decision, we cannot guarantee this policy will remain in place. The iOS App Store is one of the largest content distribution channels in the world and is the only way to effectively distribute software to the 41.6% of the United States population who own iPhones and iPads. The iOS App Store review team is essentially a regulator for our product – they decide what rules all applications in the iOS App Store must operate by and how to enforce those regulations. The rules related to cannabis-related apps are not published, are arbitrarily enforced, and the App review and appeal processes are conducted in secret without public oversight. MassRoots will continue to push for a more open and transparent app review process – especially when such policies and decisions directly impact a large portion of the population – but there is no guarantee we will be successful in those efforts.

MassRoots has not encountered any regulatory issues with the Google Play Store nor have any of our competitors. Under their respective developer license agreements, Apple, Inc. and Google, Inc. have the right to update their iOS App Store and Play Store policies, respectfully, to prohibit cannabis-related applications at any time. This could result in many prospective users being unable to access and join our network and existing users being unable to access our App.

[Table of Contents](#)

Our activities outside of the application stores have also faced backlash and resistance due to our status as a cannabis-related company. For example, our Instagram account has a wide following of over 380,000 followers, the most of any cannabis related company per social media research website, Awesomepova.com and we utilize this following to help expand our user base. However, in a situation similar App Store removal, our Instagram account (along with several other cannabis related accounts) was suspended in January 2016 without notice or explanation from Instagram. The account was later reinstated on February 26, 2016. While we feel that our platform is at the point where any potential suspension will not affect our user growth, we expect to continue to face similar situations in the future that may cause disruptions, if only temporary, to our business plan.

MassRoots Store

MassRoots also operates MassRoots.com/shop, an e-commerce platform built on the Shopify Platform. Visitors are able to order MassRoots t-shirts, jars and stickers by selecting the products they would like to order, entering their shipping and billing information and confirming the order. MassRoots.com/shop is not part of the Company's primary business plan and we do not expect it to be a main focus of the Company as we grow – it is primarily meant to distribute marketing collateral to our fan base to help raise awareness and accelerate our user growth.

Market Conditions

MassRoots is poised to take advantage of two rapidly growing industries: cannabis and mobile technology.

Cannabis Market Growth and Current Trends

Since the MassRoots app first launched in July 2013, there have been a series of events that have help further shape the development of the cannabis and mobile technology industries:

- On August 29, 2013, Deputy Attorney General James Cole issued a memo (“The Cole Memo”) in response to certain states passing measures to legalize the medical and adult-use of cannabis. The Cole Memo does not alter the Department of Justice's authority to enforce Federal law, including Federal laws relating to cannabis, regardless of state law, but does recommend that U.S. Attorneys to focus their time and resources on certain priorities, rather than businesses legally operating under state law. These guidelines focus on ensuring that cannabis does not cross state lines, keeping dispensaries away from schools and public facilities, strict-enforcement of state laws by regulatory agencies, among other priorities.
- On January 1, 2014, the first sales of cannabis for adult-use permissible under state law took place in Colorado. This event resulted in significant media coverage for the industry. Since that time, three other states and the District of Columbia have made adult-use permissible under their state law and several states have ballot proposals pending at upcoming elections.

On February 14, 2014, the Departments of Justice and Treasury issued a joint memo allowing banks and financial institutions to accept deposits from dispensaries operating legally under state law. In most cases, dispensaries had been forced to operate on a cash basis, presenting significant security and accounting issues. This was a major step in legitimizing and accepting the cannabis industry on a national level. Further, the passing of the Rohrabacher Farr Amendment (defined below) in 2014 and 2015 indicates some level of support in Congress for medicinal cannabis, even if its actual effect is still undetermined. See additional discussion on government regulations in the “Government Regulation” section below.

Current States With Laws Permitting the Medical or Adult Use of Cannabis

As of December 31, 2015, 23 states and the District of Columbia have passed laws allowing some degree of medical use of cannabis, while four of those states and the District of Columbia have also legalized the adult-use of cannabis. The states which have enacted such laws are listed below:

[Table of Contents](#)

State	Year Passed
1. Alaska*	1998
2. Arizona	2010
3. California	1996
4. Colorado*	2000
5. Connecticut	2012
6. District of Columbia*	2010
7. Delaware	2011
8. Hawaii	2000
9. Illinois	2013
10. Maine	1999
11. Maryland	2014
12. Massachusetts	2012
13. Michigan	2008
14. Minnesota	2014
15. Montana	2004
16. Nevada	2000
17. New Hampshire	2013
18. New Jersey	2010
19. New Mexico	2007
20. New York	2014
21. Oregon*	1998
22. Rhode Island	2006
23. Vermont	2004
24. Washington*	1998

* State has enacted laws permitting the adult use of cannabis, in addition to medical use.

Public Support for Legalization Increasing

A Gallup poll conducted in October 2013 found that 58% of the American people supported legalizing the adult-use of cannabis, an increase of 22% from 2005 alone. This is the first time in American history the majority of registered voters support the full legalization of cannabis for adult-use. Moreover, of 67% participants aged 35 and below voted in support of recreational adult-use, setting the trend for years to come.

A 2016 ArcView Market Research report predicts an additional 14 states will legalize the adult-use of cannabis and two states will legalize medical-use within the next five years. If public support for cannabis legalization continues to increase, we believe it is likely that Federal policies towards marijuana will be reformed. The combination of additional states legalizing adult-use under state law, expansion of medical-use provisions in states where it is currently permitted under state law and increased public awareness is projected to cause marijuana sales permitted under state law to grow from \$1.43 billion in 2013 to \$10.2 billion in 2018, according to ArcView Market Research.

Market Conditions that Could Limit Our Business

Cannabis is a Schedule I Controlled Substance under Federal law and, as such, there are several factors that could limit our market and our business. They include, but are not limited to:

- The Federal government and many private employers prohibit drug use of any kind, including cannabis, even where it is permissible under state law. Random drug screenings and potential enforcement of these employment provisions significantly reduce the size of the potential cannabis market;
- Enforcement of Federal law prohibiting cannabis occurs randomly and often without notice. This could scare many potential investors away from cannabis-related investments and makes it difficult to make accurate market predictions;

[Table of Contents](#)

- There is no guarantee that additional states will pass measures to legalize cannabis under state law. In many states, public support of legalization initiatives is within the margin of error of pass or fail. This is especially true when a supermajority is needed to pass measures, like in Florida where a state constitutional amendment permitting medical cannabis has been proposed, but requires 60% approval to pass. Changes in voters' attitudes and turnout have the potential to slow or stop the cannabis legalization movement and potentially reverse recent cannabis legalization victories;
- There has been some resistance and negativity as a result of recent cannabis legalization at the state level, especially as it relates to drugged driving. The lack of clearly defined and enforced laws at the state level has the potential to sway public opinion against marijuana legalization; and
- Even if the Federal government does not enforce the Federal law prohibiting cannabis, the legality of the state laws regarding the legalization of cannabis are being challenged through lawsuits. Oklahoma and Nebraska recently sued Colorado over the legalization of cannabis, and other lawsuits have been brought by private groups and local law enforcement officials. If these lawsuits are successful, state laws permitting cannabis sales may be overturned and significantly reduce the size of the potential cannabis market and affect our business.

Additional discussion of government regulations is available in the “Government Regulation” section below.

Technology Industry

Mobile Devices Dominate the Industry

Over the past five years, mobile devices have redefined the technology industry. Smartphones were owned by two-thirds of U.S. mobile subscribers as of the fourth quarter of 2013, according to a February 2014 Nielsen Research Report. Smartphone sales worldwide increased 38.4% worldwide in 2013 according to a January 2014 IDC’s Worldwide Quarterly Mobile Phone tracker report. Additionally, 195 million mobile tablets were sold in 2013, an increase of 67.9% year over year, according to a March 2014 Gartner Research Report.

When the rapidly-growing smartphone and tablet market size is combined with the development fast, reliable and relatively inexpensive data plans from wireless carriers, it becomes clear why mobile applications “Apps” have surged in popularity and value over recent years.

The Rise of Mobile-First Networking

The popularity, market share and value of mobile-first networks are increasing, especially if focused on a niche market.

- In August 2012, Facebook acquired Instagram for \$521 million, a network without significant revenue, but a user base of approximately 100 million.
- In late 2013, Facebook bid a reported \$3 billion to purchase SnapChat, which was rejected by SnapChat’s Board of Directors.
- In early 2014, Facebook acquired WhatsApp for a reported \$18 billion in cash and stock.

Additionally, there has been rapid growth in other mobile user driven niche networks, such as: Whisper (anonymous confessions) recently raised \$30 million at a reported \$200 million valuation; Vine (short videos) was acquired pre-launch by Twitter for \$30 million; and Badoo (adventurers) has a reported valuation of \$2 billion.

The Intersection of Mobile, Niche-Networking and Cannabis

Table of Contents

MassRoots' top priority will remain expanding our user-base and increasing engagement on the network. In addition to strengthening MassRoots' standing within the cannabis community, public markets have placed significant value on rapidly expanding networks, as seen by the market capitalizations and price-to-earnings ratios (where applicable) in the social networking industry. As a mobile-first network focused on the cannabis industry where permitted under state laws, MassRoots is poised to take advantage of the increasing popularity of mobile devices, the emergence of a multi-billion dollar cannabis industry and the decelerating growth of Twitter and Facebook.

Fundraising and Previous Offerings

Since our inception, we have spent considerable effort on fundraising to support the operations of the Company. This included the following:

In connection with an offering that occurred in October 2013, the Company filed an Amended and Restated Certificate of Incorporation which authorized the issuance of 21 shares of preferred stock (6,397,958 common shares post-Exchange, defined below) with a par value of \$1.00 per share, 17.65 shares (5,377,332 common shares post-Exchange) of which were designated as Series A Preferred Stock. Among other rights and privileges, holders of Series A Preferred Stock are entitled to a cumulative dividend of 7% annually, preferential payments over common stock in liquidation and other events, and the ability to convert their Series A Preferred Stock to common stock on a one to one basis (taking into account any unpaid dividends).

In October 2013, the Company entered into agreements to issue 5.88, 5.88, and 5.89 Series A Preferred shares (1,791,428, 1,791,428, and 1,791,475 common shares post-Exchange) to Bass Point Capital, LLC, WM18 Finance LTD, and Rother Investments, LLC, respectively, in exchange for a \$50,000 investment from each. In addition, the Company entered into an agreement to issue as compensation for services provided a total of 2.94 Series A Preferred shares (895,715 common shares post-Exchange) to Douglas Leighton for financial consulting services (collectively, the "Original Offering").

The Reorganization, March 2014 Offering and Registration Rights

In preparation for the March 2014 Offering (as defined herein) and the Company's intention of becoming a publicly traded entity, on March 18, 2014 the Company entered into an Agreement and Plan of Reorganization with its shareholders in which the following was effected: (i) on March 21, 2014, the Company's Amended and Restated Certificate of Incorporation was amended to allow for the issuance of 200,000,000 shares of the Company's common stock and amended the par value of the Company's common stock to \$0.001 per share; (ii) on March 24, 2014, each of the Company's preferred shareholders converted their shares into common stock on a one for one basis (including the accrued dividend); and (iii) on March 24, 2014, each of the Company's shareholders surrendered their shares of the Company's common stock in exchange for the pro-rata distribution of 36,000,000 newly issued shares of Company's common stock, based on the percentage of the total shares of common stock held by the shareholder immediately prior to the exchange (the "Exchange").

In March 2014, we raised gross proceeds of \$475,000 through an offering of our securities to certain accredited and non-accredited investors consisting of: (i) \$269,100 face amount of convertible debentures convertible into up to 2,691,000 shares of the Company's common stock at \$0.10 per share (the "Debentures"), together with warrants, exercisable into an amount of our common stock equal to fifty percent (50%) of the common stock underlying the Debentures, at \$0.40 per share; and (ii) 2,059,000 shares of our common stock at \$0.10 per share with a warrant, exercisable into an amount of our common stock equal to fifty percent (50%) of the common stock purchased, at \$0.40 per share (collectively, the "March 2014 Offering"). Five investors received Debentures and warrants, while 36 accredited and unaccredited investors received the common stock and warrants. In July 2015, one investor exchanged 1,000,000 shares of Common Stock for a warrant exercisable into 1,000,000 shares of our common stock at \$0.001 per share, with materially the same terms as the \$0.001 Consulting Warrants, defined below.

In connection with the March 2014 Offering, we entered into certain registration rights agreements (the "Registration Rights Agreement"), whereby we agreed to use our commercially reasonable efforts to prepare and file a registration statement with the SEC within forty-five (45) days after March 24, 2014, covering all outstanding shares of common stock (including all shares of Common Stock sold in the March 2014 Offering), in addition to all shares of common stock underlying the Debentures, Debenture Warrants, and Common Stock Warrants.

[Table of Contents](#)

Additionally, as payment for consulting services provided in relation to the March 2014 Offering, we issued Dutchess Opportunity Fund, II LP (“Dutchess”) a warrant exercisable into 4,050,000 shares of our common stock at \$0.001 per share, and a warrant exercisable into 2,375,000 shares of our common stock at \$0.40 per share. The Company also granted certain registration rights to Dutchess covering all shares of common stock issuable upon the excise of each of the warrants it received in connection to the March 2014 Offering.

On September 15, 2014 our resale registration statement on Form S-1 covering 50,400,000 shares of common stock outstanding or shares of common stock underlying warrants or debentures received in connection to the March 2014 Offering (“2014 Registration Statement”) became effective.

In March 2016, holders of the Debentures agreed to revise the maturity date of the Debentures to be March 24, 2018 from March 24, 2016.

Additional Offerings of our Securities

From September 15, 2014 to March 11, 2015, we completed an offering of \$861,000 of our securities to certain accredited and non-accredited investors consisting of 1,722,000 shares of our common stock at \$0.50 per share and warrants to purchase up to 861,000 shares of common stock at \$1 per share.

From April 1, 2015 through April 17, 2015, we completed an offering of 960,337 shares of the Company’s common stock to certain accredited and unaccredited investors, pursuant to which, the Company received gross proceeds of \$576,200. The Company terminated this offering as of April 17, 2015. The Company compensated Chardan Capital Markets, LLC, its placement agent for the offering, \$20,000 in cash and 262,560 shares of common stock as commission for this placement.

From June 10, 2015 through July 13, 2015, MassRoots sold 1,540,672 shares of unregistered common stock to certain accredited investors for gross proceeds of \$1,140,502. In connection with this offering, Chardan Capital, its placement agent for the offering, received \$27,200 in cash and 80,560 shares of the Company’s common stock as commission for this placement.

On November 9, 2015, MassRoots sold 815,500 shares of common stock, with warrants to purchase 407,475 shares of common stock, in a registered offering to certain unaccredited and accredited investors for gross proceeds of \$1,019,375 to the Company. MassRoots did not utilize a placement agent in this transaction.

In December 2015, MassRoots issued 146,200 three year warrants with an exercise price of \$1.06 to our holders of outstanding warrants issued in conjunction with our September 15, 2014 to March 11, 2015 offering. These warrants were issued in exchange for the holder agreeing to waive certain provisions providing price protection of the warrant received in the September 15, 2014 to March 11, 2015 offering.

In March 2016, MassRoots completed a private offering (“March 2016 Note Offering”) to certain accredited investors of six (6) month secured convertible notes with a principal amount of \$1,514,667 along with together with five year warrants to purchase an amount of shares of the Company’s common stock equal to the number of shares of common stock issuable upon the conversion of the notes in full and having an exercise price of \$1.00 per share. The notes may be convertible into shares of the Company’s common stock at a price per share equal to the lower of (i) one dollar (\$1.00), and (ii) a 25% discount to the price at which the Company next conducts an offering after the issuance date of the note; provided, however, if any part of the principal amount of the note remains unpaid at its maturity date, the conversion price would be equal to 65% of the average of the three trading days with the lowest daily weighted average prices of the Company’s common stock occurring during the fifteen days prior to the notes’ maturity date. If the note is not repaid by the maturity date, the investors will receive, in aggregate but calculated pro rata to the principal amounts remaining outstanding at the time of maturity, up to five hundred thousand (500,000) shares of the Company’s common stock. Gross proceeds received by MassRoots in this offering was \$1,420,000, while net proceeds were \$1,271,600 (excluding any legal fees). In connection with this offering, Chardan Capital, its placement agent for the offering, received \$123,400 in cash as commission for this placement.

Employees and Consultants

MassRoots has 33 full-time employees, two part time employees, and one full time independent contractor.

[Table of Contents](#)

Amount Spent on Research and Development

MassRoots invests a significant portion of its operating budget in developing new mobile communications tools, location-based services and in cross-platform compatibility software. We expect to spend approximately \$1,500,000 during fiscal year ended December 31, 2016 on development-related payroll and expenses. We spent \$651,000 on research and development-related salaries for the year ended December 31, 2015.

Insurance

In December 2015, MassRoots began offering health, dental and vision insurance to its employees at an estimated monthly cost of \$10,000. MassRoots also carries general liability and worker's compensation insurance for its employees. We do not currently hold any other forms of insurance. Because we do not have any insurance, if we are made a party of a legal action, we may not have sufficient funds to defend the litigation. If that occurs a judgment could be rendered against us that could cause us to cease operations.

Government Regulation

Marijuana is categorized as a Schedule I controlled substance by the Drug Enforcement Agency and the United States Department of Justice and is illegal to grow, possess and consume under Federal law. However, 23 states and the District of Columbia have passed state laws that permit doctors to prescribe cannabis for medical-use and four states and the District of Columbia have enacted laws that legalize the adult-use of cannabis for any reason. This has created an unpredictable business-environment for dispensaries and collectives that legally operate under certain state laws but in violation of Federal law.

Cole Memo

On August 29, 2013, United States Deputy Attorney General James Cole issued the Cole Memo to United States Attorneys guiding them to prioritize enforcement of Federal law away from the cannabis industry operating as permitted under certain state laws, so long as:

- cannabis is not being distributed to minors and dispensaries are not located around schools and public buildings;
- the proceeds from sales are not going to gangs, cartels or criminal enterprises;
- cannabis grown in states where it is legal is not being diverted to other states;
- cannabis-related businesses are not being used as a cover for sales of other illegal drugs or illegal activity;
- there is not any violence or use of fire-arms in the cultivation and sale of marijuana;
- there is strict enforcement of drugged-driving laws and adequate prevention of adverse health consequences; and
- cannabis is not grown, used, or possessed on Federal properties.

The Cole Memo is meant only as a guide for United States Attorneys and does not alter in any way the Department of Justice's authority to enforce Federal law, including Federal laws relating to cannabis, regardless of state law. We believe and have implemented procedures and policies to ensure we are operating in compliance with the "Cole Memo". However, we cannot provide assurance that our actions are in full compliance with the Cole Memo or any other laws or regulations. Per MassRoots' Terms and Conditions:

- Users must agree that they are located in a state where medical-use or adult-use of cannabis is legal;
- Users must be of legal age to consume cannabis in their particular state (18 or 21 years old, depending on the state);
- Users may only post content that is in compliance with their state's laws;
- Users may not solicit or distribute cannabis through MassRoots unless they are a licensed dispensary; we also do not currently facilitate in-app messaging, forcing all conversations to take place in a public environment;

[Table of Contents](#)

- Posting of any other drugs or substances, including prescription pain pills, is prohibited and will result in account termination;
- Posting of any violence or threat of violence is prohibited and will result in account termination;
- Posting of any drugged-driving content is prohibited and will result in account termination; and
- Posting of any copyright-protected content is prohibited and will result in account termination.

We have implemented an aggressive content and account review program to ensure compliance with our terms and conditions. Users have the ability to report any status or account that is in violation of our terms and we encourage users to do so as any illegal content jeopardizes the network for all our users. When a status or account is reported, the post is automatically removed from the network until further review. A MassRoots employee then reviews the content within 24 hours and either approves it as within our terms and conditions or permanently deletes it and bans the user account.

In addition, as part of the agreement to allow our app to return to the Apple App Store, we implemented restrictions to restrict new users to our mobile apps to the 23 states with medical cannabis laws.

Our business plan includes allowing cannabis dispensaries to advertise on our network which we believe could be deemed to be aiding and abetting illegal activities, a violation of Federal law. We intend to remain within the guidelines outlined in the Cole Memo. However, we cannot provide assurance that we are in full compliance with the Cole Memo or any other laws or regulations.

Rohrabacher Farr Amendment

On December 16, 2014, H.R. 83 - Consolidated and Further Continuing Appropriations Act, 2015 was enacted and included a provision known as the “Rohrabacher Farr Amendment” which states:

None of the funds made available in this Act to the Department of Justice may be used, with respect to the States of Alabama, Alaska, Arizona, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Hawaii, Illinois, Iowa, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nevada, New Hampshire, New Jersey, New Mexico, Oregon, Rhode Island, South Carolina, Tennessee, Utah, Vermont, Washington, and Wisconsin, to prevent such States from implementing their own State laws that authorize the use, distribution, possession, or cultivation of medical marijuana.

The Rohrabacher Farr Amendment represents one of the first times in recent history that Congress has taken action indicating support of medical cannabis. The Rohrabacher Farr Amendment was renewed by Congress in 2015 and remains in effect currently.

However, the Rohrabacher Farr Amendment would appear to protect the right of the states to determine their own laws on medical cannabis use, the actual effects of the amendment are still unclear. The Rohrabacher Farr Amendment did not remove the federal ban on medical cannabis and cannabis remains regulated as a Schedule I controlled substance. Further, the United States Department of Justice has interpreted the Rohrabacher Farr Amendment as only preventing federal action that prevents states from creating and implementing cannabis laws — not against the individuals or businesses that actually carry out cannabis laws – and has continued to sporadically commence enforcement actions against individuals or businesses participating in the cannabis industry despite such participation being legal under state law. Whether this interpretation is appropriate is still being litigated, and, while an initial district court decision has not supported the Department of Justice’s interpretation, such decision is currently under appellate review. In addition, no matter what the interpretation is adopted by the courts, there is no question that the Rohrabacher Farr Amendment does not protect any party not in full compliance with state medicinal cannabis laws.

[Table of Contents](#)

Potential Changes to Federal Laws and Enforcement Priorities

Although the Department of Justice has stated in the Cole Memo that it is not an efficient use of limited resources to direct federal law enforcement agencies to prosecute those lawfully abiding by state-designated laws allowing the use and distribution of medical cannabis, there is no guarantee that the Department of Justice's position will not change regarding the low-priority enforcement of federal laws. Further, United States is undergoing an election year in 2016 and a new administration could introduce a less favorable cannabis enforcement policy. There can be no assurances that any future administration would not change the current enforcement policy and decide to strongly enforce the federal laws.

In light of the 2005 U.S. Supreme Court ruling in *Gonzales v. Raich*, under the commerce clause of the constitution, Congress may pass laws to criminalize the production and use of home-grown cannabis even where states have approved its use for medicinal purposes, which leads to the conclusion that the Controlled Substances Act may preempt state laws relating to any cannabis-related activity. Any such change in the federal enforcement program of current federal laws could cause significant financial damage to our business. While we do not directly harvest, distribute, or distribute cannabis today, we still may be deemed to be violating federal law we may be irreparably harmed by a change in enforcement by the federal or state governments.

Trademarks

On March 31, 2014, we applied for a trademark of the "MassRoots, Inc." name in the United States. However, several factors, including the Company's app being removed from Apple's iOS App Store, required the Company to focus its resources in other areas, away from completing the trademark application process, and the trademark application was deemed to be abandoned. The Company expects to reapply for this trademark in 2016.

Competitors, Methods of Completion, Competitive Business Conditions

We do not believe that we face significant direct competition in the "social network for the cannabis community" sector. No other network in the space currently has a significant user base or significant outside funding.

MassRoots competes with Facebook, Instagram and Twitter, and other social networks for users' engagement; many of these competing social networks have substantially more financial resources, a better user-experience and a significantly larger user-base than MassRoots. Our differentiator is that MassRoots is solely dedicated to cannabis-related content, information most users do not feel comfortable sharing on these other networks as it may jeopardize their personal and professional reputations. Additionally, MassRoots is developing specialized features for the cannabis industry (such as a strain tagger) that competing networks likely will not spend the time and resources to develop given that only a small portion of their user-base consumes cannabis. This density of cannabis consumers and content is what makes MassRoots attractive to cannabis consumers and serves as our main competitive advantage.

Network effects have come to dominate consumer habits, which can provide protection to networks such as MassRoots. For example, Google+ failed to obtain a dominant market share in desktop-based social networking because it wasn't introduced until Facebook had already conquered the market. Similarly, when Facebook introduced Poke as a competitor to SnapChat in late 2012, it failed to overtake SnapChat due to the market dominance already achieved by SnapChat. Even if a well-financed competitor to MassRoots were to emerge, they would not only have to convince users on why their platform is superior, but also get them to switch away from the network their friends are already using. Every user that MassRoots gains, every interaction that takes place on our network and every day that we grow, the barrier to entry to competitors becomes higher.

While it is true that some networks, such as Friendster and MySpace, failed after building significant user-bases, we believe a primary reason for their failure was technical: their platforms underwent routine maintenance that took the network offline for hours at a time and they did not focus on the underlying user-experience, and overwhelmed the users with advertisements. This created opportunities for well-financed competitors to emerge. We believe that by employing a similar strategy to other successful social networks and maintaining a focus on the user experience, this, combined with strong network effects of our large user-base, will allow us to create and maintain significant long-term shareholder value.

[Table of Contents](#)

MassRoots competes with other cannabis networks such as WeedMaps, Leafly and THC Finder for advertisers' dollars. WeedMaps and THC Finder are platforms that allow users to find and review dispensaries. Leafly is primarily a strain-guide that allows users to find information on strains, add a review and find it a dispensary closest to the user. In most situations, cannabis consumers are not looking to change dispensaries often. All of these services – WeedMaps, Leafly and THC Finder – lack the daily, weekly and monthly recurring usage that drives long-term value for advertisers. We believe that MassRoots' recurring usage and the ability to target advertisements to users based on their previous posts will present a superior value proposition to advertisers.

Legal Proceedings

We are not currently a party to any legal proceedings, and we are not aware of any pending or potential legal actions.

Sources and Availability of Raw Materials

We do not use raw materials in our business

Seasonal Aspect of our Business

None of our products are affected by seasonal factors.

Reports to Security Holders

We are required to file reports and other information with the SEC. You may read and copy any document that we file at the SEC's public reference facilities at 100 F. Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-732-0330 for more information about its public reference facilities. Our SEC filings are available to you free of charge at the SEC's web site at www.sec.gov. We are an electronic filer with the SEC and, as such, our information is available through the Internet site maintained by the SEC that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. This information may be found at www.sec.gov and posted on our website at investors.massroots.com/.

ITEM 1A. RISK FACTORS

As a "smaller reporting company", we are not required to provide the information required by this Item.

ITEM 1B. UNRESOLVED STAFF COMMENTS

As a "smaller reporting company", we are not required to provide the information required by this Item.

ITEM 2. PROPERTIES

On April 14, 2015, the Company completed the relocation of its headquarters to 1624 Market Street, Suite 201, Denver, CO 80202 which we leased on March 20, 2015 pursuant to a lease agreement with RVOF Market Center, LLC ("201 Lease"). Under the 201 Lease, we agreed to rent 3,552 square feet of office space at that location for a term of 37 months, under which the Company will pay a base rate of \$0 for the first month, \$8,288 for months two through 13, \$8,584.00 for the months 14 through 25, and \$8,880.00 for the months 25 through 37. We did not incur a significant cost related to the move to this location.

We amended this lease in January 2016 to include Suite 203, also located at 1624 Market Street in Denver, CO 80202, which allows us to expand our headquarters by an additional 1,508 square feet of office space. For this expansion (and in addition to the rent paid under the 201 Lease), we will pay \$0 until May 30, 2016, \$3,644 for each month from June 1, 2016 to May 30, 2017, \$3,770 for each month from June 1, 2017 to May 30, 2018, and \$3,896 for each month from June 1, 2018 to November 30, 2018.

We do not own any properties or land.

[Table of Contents](#)

We believe that our facilities are adequate for our current needs and that, if required, we will be able to expand our current space or locate suitable new office space and obtain a suitable replacement for our executive and administrative headquarters.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

[Table of Contents](#)

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Since April 9, 2015, our common stock has been quoted on the OTCQB under the symbol "MSRT". Trading in our common stock has historically lacked consistent volume, and the market price has been volatile.

The following table presents, for the periods indicated, the high and low sales prices of the Company's common stock, and is based upon information provided by the OTCQB Marketplace. These quotations below reflect inter-dealer prices, without retail mark-up, mark-down, or commission, and may not necessarily represent actual transactions.

	2015	
	High	Low
Second Quarter	\$ 7.01	\$ 1.02
Third Quarter	\$ 2.34	\$ 0.80
Fourth Quarter	\$ 1.80	\$ 0.84
2016		
	High	Low
First Quarter	\$ 1.25	\$ 0.65

As of March 4, 2016, there were 90 shareholders of record per the Company's transfer agency's listing of shareholders. The number of record holders was determined from the records of our transfer agent and does not include beneficial owners of common stock whose shares are held in the names of various security brokers, dealers, and registered clearing agencies. The transfer agent of our common stock is Pacific Stock Transfer Company, located at 173 Keith Street, Suite 3, Warrenton, Virginia 20186.

Dividend Policy

We have not paid any cash dividends on our common stock and have no present intention of paying any dividends on the shares of our common stock. Our current policy is to retain earnings, if any, for use in our operations and in the development of our business. Our future dividend policy will be determined from time to time by our board of directors.

Recent Sales of Unregistered Securities;

In March 2016, MassRoots completed a private offering to certain accredited investors of six (6) month secured convertible notes with a principal amount of \$1,514,667 along with together with five year warrants to purchase an amount of shares of the Company's common stock equal to the number of shares of common stock issuable upon the conversion of the notes in full and having an exercise price of \$1.00 per share. The notes may be convertible into shares of the Company's common stock at a price per share equal to the lower of (i) one dollar (\$1.00), and (ii) a 25% discount to the price at which the Company next conducts an offering after the issuance date of the note; provided, however, if any part of the principal amount of the note remains unpaid at its maturity date, the conversion price would be equal to 65% of the average of the three trading days with the lowest daily weighted average prices of the Company's common stock occurring during the fifteen days prior to the notes' maturity date. Gross proceeds received by MassRoots in this offering was \$1,420,000, while net proceeds were \$1,271,600 (excluding any legal fees). In connection with this offering, Chardan Capital, our placement agent in the offering, received \$123,400 in cash as commission for this placement.

[Table of Contents](#)

Use of Proceeds from Registered Securities

On November 9-10, 2015, MassRoots sold 815,500 shares of common stock, with warrants to purchase 407,475 shares of common stock, in a registered offering pursuant to a registration statement filed with the SEC on October 30, 2015, and declared effective on November 3, 2015, to certain unaccredited and accredited investors for gross proceeds of \$1,019,375 to the Company. The Company incurred the expenses and received net proceeds as set forth below:

SEC registration fees	\$	2,666
Legal fees and expenses:	\$	30,000 (estimated)
Accountants fees and expenses:	\$	2,000 (estimated)
Miscellaneous	\$	7,500
Net Proceeds	\$	977,209

We used the net proceeds from the offering for our general corporate purposes and working capital, to accelerate user-growth, develop new feature sets for our mobile applications, expand the services we offer to businesses. The Company had registered up to 6,200,000 shares of common stock and warrants to purchase 3,100,000 shares of common stock. The Company closed the Offering on November 10, 2015. MassRoots did not utilize a placement agent in this transaction.

ITEM 6. SELECTED FINANCIAL DATA

As a “smaller reporting company”, we are not required to provide the information required by this Item.

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

You should read the following discussion of our financial condition and results of operations in conjunction with financial statements and notes thereto included elsewhere in this report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere, particularly in “Risk Factors” section of the Company’s prospectus, dated and filed with the SEC on November 9, 2015.

Overview

MassRoots, Inc. was incorporated in the state of Delaware on April 24, 2013, to be a technology platform for the cannabis industry. We are a development-stage company and since our inception we have generated only minimal revenues from business operations.

Our independent registered public accounting firm has issued a going concern opinion. This means there is substantial doubt that we can continue as an on-going business unless we obtain additional capital to pay our ongoing operational costs. Accordingly, we must locate sources of capital to pay our operational costs.

Our operational expenditures are primarily related to development of the MassRoots platform, marketing costs associated with attracting and retaining users, and the costs related to being a fully reporting company with the Securities and Exchange Commission.

2015 was a year of transformation for MassRoots – our userbase more than tripled, growing from roughly 200,000 to 700,000 over the course of the year; we started monetizing our network through advertising in August and generated our first \$200,000 in revenue; and our team grew from a handful of employees to more than 20. We believe that 2015 will serve as a solid foundation for continued growth in the quarters and years to come.

[Table of Contents](#)

Results Of Operations

	For the Fiscal Year ended			
	31-Dec-15	31-Dec-14	\$ Change	% Change
Gross revenue	\$ 213,963	\$ 9,030	\$ 204,933	2,269%
Operating expenses	6,339,063	1,616,253	4,722,811	292.21%
Loss from Operations	(6,125,100)	(1,607,223)	(4,517,877)	281.1%
Other Income /(Expense)	(2,347,798)	(828,919)	(1,518,879)	183.23%
Net Loss	(8,472,898)	(2,436,142)	(6,036,757)	247.80%
Net loss per share - basic and diluted	\$ (0.19)	\$ (0.17)	\$ (0.02)	11.7%

Since inception on April 24, 2013, and during the year ended December 31, 2015, our business operations have been primarily focused developing our mobile applications, web platform and increasing our user base.

Revenues

Since beginning to monetize our platform in August 2015, we have generated minimal revenues from our operations. We cannot guarantee we will be successful in our business operations. Our business is subject to risks inherent in the establishment of a new business enterprise, including the financial risks associated with the limited capital resources currently available to us, and risks associated the implementation of our business strategies.

For the year ended December 31, 2015, we generated \$213,963 in advertising revenues, as compared to \$9,030 for the year ended December 31, 2014, an increase of \$204,933. This revenue was primarily generated from advertising on the MassRoots network, in our email newsletters, and our website since we began monetizing our platform in August 2015. Of our \$213,963 in 2015 revenues, \$180,000, or 84.1% was generated from advertising services and \$140,000 of these revenues occurred during the fourth quarter. Our user base averaged roughly 625,000 users during this time period, equating to an average of \$0.35 in revenue per user during our first 4 months of monetization.

Operating Expenses

Our cost of revenues increased \$56,921 during 2015, from \$690 during fiscal year 2014 to \$57,611 during fiscal year 2015. This increase was primarily related to inventory for MassRoots.com/Store, an ecommerce platform hosted on Shopify that we use to market shirts and other merchandise to our userbase. The primary purpose of the MassRoots Store is to raise awareness of the MassRoots platform and drive user registration. Going forward, we believe the vast majority of MassRoots' revenues and shareholder value will come from digital advertising on our platform, not merchandise sales.

We incurred \$717,773 in advertising expenses during, an increase of \$563,997, from \$180,776 in fiscal year 2014. This increase was primarily driven by sponsorships of events, digital marketing to cannabis consumers, and physical collateral to display at dispensaries. We believe these expenses were critical in scaling MassRoots' users base from 200,000 registered users in early January 2015 to 700,000 by the end of the year.

Payroll and related expenses increased \$1,118,418 to \$1,381,071 during fiscal year 2015 from \$262,653 during 2014 primarily as a result of MassRoots expanding its development team to 12 full-time, in-house developers by the end of 2015. This allows MassRoots to introduce new features to our products more rapidly, which we expect will result in additional user growth and increases in retention in the coming quarters.

[Table of Contents](#)

Over the course of fiscal year 2015, we issued \$1,219,904 in common stock for services, as compared to \$30,658 during fiscal year 2014, an increase of \$1,189,246. This increase was mainly a result of MassRoots issuing shares under its 2014 and 2015 Employee Stock Option Programs to recruit and retain the most talented developers, as well as issuances to our Chief Operations Officer and investor relations professionals.

Options issued for services also increased during fiscal year 2015 to \$1,273,393 from \$59,473 during 2014, an increase of \$1,213,920. This increase was mainly a result of MassRoots issuing options under its 2014 and 2015 Employee Stock Option Programs to recruit and retain the most talented developers. We saw a decrease in the value of warrants issued for services from \$555,598 during 2014 to \$229,365 during 2015, a decrease of \$326,233. The warrants for services issued in 2014 were related to assisting MassRoots become a publicly-traded company through the filing of our initial S-1 Registration Statement, whereas the warrants issued in 2015 were issued in conjunction to agreements with previous investors to waive certain price protection provisions in our outstanding warrants that would eliminate MassRoots' derivative liabilities.

MassRoots' other general and administrative expenses increased to \$1,459,946 during fiscal year 2015 from \$526,405 in 2014, an increase of \$933,541. This increase was attributed to the following:

- Legal expenses increased during the year ended December 31, 2015 to \$223,548 from \$179,504 during the year ended December 31, 2014. This increase was primarily a result of MassRoots being a fully reporting company to the Securities and Exchange Commission during 2015, as well as the legal costs of MassRoots' Registration Statement on Form S-1 during fall 2015.
- Independent contractor expenses decreased from \$182,198 during 2014 to \$144,452 during 2015 as a result of MassRoots' initiative to bring all programming and development in-house during April 2015 and the subsequent reduction of all independent contractor expenses related to development. We expect our independent contractor expenses to continue to decrease during 2016.
- During fiscal year 2015, MassRoots incurred \$345,411 in consulting and accounting related expenses as compared to \$56,616 in fiscal year 2014. This increase was primarily caused by fees for our annual audit and quarterly reviews, cost of our Chief Financial Officer, as well as certain investor relations professionals in helping to establish a market for MassRoots' common stock.
- Travel and related expenses increased to \$182,929 in fiscal year 2015 from \$23,070 during the same period in 2014. Over the course of the year, the MassRoots team attended over 20 conferences and hundreds of meetings with cannabis related businesses that have built the relationships necessary for our Company to grow. The MassRoots team, including management, continues to fly budget airlines and modest hotels to minimize expenditures and maximize shareholder value.

The combination of these increasing expenditures resulted in MassRoots' total operating expenses growing to \$6,339,063 in fiscal year 2015 versus \$1,615,253 in 2014, an increase of \$4,722,810.

Loss from Operations

MassRoots' Loss from Operations grew to \$6,125,100 for fiscal year 2015 from \$1,607,223 in 2014, an increase of \$4,517,877.

Other Income (Expense)

During fiscal year ended 2015 and 2014, the Company realized losses related to the fair value mark to market adjustments of its derivative liabilities of \$2,236,401 and \$753,240, respectively. These derivative liabilities were originally determined as of December 31, 2014. For fiscal year ended 2015 and 2014 the company recorded amortization of discount on notes payable of \$107,016 and \$67,363, respectively.

[Table of Contents](#)

Net Loss

For fiscal year ended 2015, our net loss grew to \$8,472,898, as compared to \$2,436,142 for the year ended December 31, 2014, an increase \$6,036,757.

Liquidity And Capital Resources

Fundraising

From January 1 to March 11, 2015, we completed an offering of \$337,000 in gross proceeds of our securities to certain accredited and non-accredited investors consisting of 674,000 shares of our common stock at \$0.50 per share and warrants to purchase 337,000 shares of common stock at \$1 per share. MassRoots did not utilize a placement agent in this transaction.

From April 1, 2015 through April 17, 2015, MassRoots, Inc. completed an offering of 960,937 shares of the Company's common stock to certain accredited and unaccredited investors, pursuant to which, the Company received gross proceeds of \$576,200. The Company terminated this offering as of April 17, 2015. The Company compensated Chardan Capital Markets, LLC, its placement agent for the offering, \$20,000 cash and 262,560 shares of common stock as commission for this placement.

From June 10, 2015 through July 13, 2015, MassRoots sold 1,540,672 shares of unregistered common stock to certain accredited investors for gross proceeds of \$1,140,502. In connection with this offering, Chardan Capital, its placement agent for the offering, received \$27,200 in cash and 80,560 shares of the Company's common stock as commission for this placement.

On November 9, 2015, MassRoots sold 815,500 shares of common stock, with warrants to purchase 407,475 shares of common stock, in a registered offering to certain unaccredited and accredited investors for gross proceeds of \$1,019,375 to the Company. MassRoots did not utilize a placement agent in this transaction.

In December 2015, MassRoots issued 146,200 three year warrants with an exercise price of \$1.06 to our holders of outstanding warrants issued in conjunction with our September 15, 2014 to March 11, 2015 offering. These warrants were issued in exchange for the holder agreeing to waive certain provisions providing price protection of the warrant received in the September 15, 2014 to March 11, 2015 offering.

Cash on Hand

Our current cash on hand as of December 31, 2015 was \$386,316, as compared to \$141,928 as of December 31, 2014. The increase of cash on hand was primarily due to further issuances of our common stock for cash, offset significantly by increases in our operating expenses.

We currently have no external sources of liquidity such as arrangements with credit institutions or off-balance sheet arrangements that will have or are reasonably likely to have a current or future effect on our financial condition or immediate access to capital.

We are dependent on the sale of our securities to fund our operations, and will remain so until we generate sufficient revenues to pay for our operating costs. Our officers and directors have made no written commitments with respect to providing a source of liquidity in the form of cash advances, loans and/or financial guarantees.

If we are unable to raise the funds we will seek alternative financing through means such as borrowings from institutions or private individuals. There can be no assurance that we will be able to raise the capital we need for our operations from the sale of our securities. We have not located any sources for these funds and may not be able to do so in the future. We expect that we will seek additional financing in the future. However, we may not be able to obtain additional capital or generate sufficient revenues to fund our operations. If we are unsuccessful at raising sufficient funds, for whatever reason, to fund our operations, we may be forced to cease operations. If we fail to raise funds we expect that we will be required to seek protection from creditors under applicable bankruptcy laws.

[Table of Contents](#)

Our independent registered public accounting firm has expressed doubt about our ability to continue as a going concern and believes that our ability is dependent on our ability to implement our business plan, raise capital and generate revenues. See Note 2 of our financial statements.

Use of Cash

We had net cash used in operations for the year ended December 31, 2015 and December 31, 2014 of \$3,129,240 and \$922,956, respectively. In 2015 and 2014, net cash used was mainly attributed to our loss of \$8,472,898 and \$2,436,142, respectively. These amounts were offset by the cash provided from stock issuances, stock options and warrant exercises for 2015 and 2014 of \$3,617,663 and \$729,972, respectively. In addition, the net cash used was also offset by cash provided by changes in derivative liabilities of \$2,236,401 for 2015 and \$753,240 for 2014. In addition, cash provided from amortizations of discounts on notes payable for 2015 and 2014 of \$107,016 and \$67,363, respectively, provided an offset. Deposits grew from \$2,550 as of December 31, 2014 to \$30,952 as of December 31, 2015. This increase was primarily a result of a deposit on MassRoots' headquarters in downtown Denver.

In May 2015, MassRoots invested \$175,000 into Flowhub, a seed-to-sale tracking platform for cannabis businesses that we intend to integrate with MassRoots over the coming quarters to synchronize and analyze the most important data from cannabis consumers, dispensary point of sale systems and grow facilities. Computer and office equipment purchases increased by \$58,861 to \$73,023 as of December 31, 2015 from \$14,162 as of December 31, 2014. This increase was primarily driven by purchases of additional computers and equipment for our team.

We had net cash provided in financing activity for the year ended December 31, 2015 and December 31, 2014 of \$3,617,633, and \$999,072, respectively. These amounts are primarily attributed to equity issuances throughout the periods.

Required Capital Over the Next Fiscal Year

We expect to incur losses from operations for the near future. We believe we will have to raise an additional \$2.5 million to fund our operations through the end of the 2016 fiscal year, including roughly \$250,000 to remain current in our filings with the SEC; however, we expect to be able to raise a majority of these funds through warrant exercises. As of December 31, 2015, there are 3,297,500 warrants outstanding with an exercise price of \$0.40 per share and 766,000 warrants outstanding with an exercise price of \$1.00 per share, which, if exercised, would generate approximately \$2.0 million in cash to the Company.

Future financing may include the issuance of equity or debt securities, obtaining credit facilities, or other financing mechanisms. Even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses or experience unexpected cash requirements that would force us to seek alternative financing. Furthermore, if we issue additional equity or debt securities, existing holders of our securities may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our securities.

If additional financing is not available or is not available on acceptable terms, we may be required to delay or reduce our commercialization efforts.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Recent Accounting Pronouncements

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

[Table of Contents](#)

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a “smaller reporting company”, we are not required to provide the information required by this Item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements required to be included in this report appear as indexed in the appendix to this report beginning on page F-1.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of the end of the period covered in this report, our disclosure controls and procedures were effective to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the required time periods specified in the Commission’s rules and forms and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Our principal executive officer and principal financial officer, do not expect that our disclosure controls and procedures or our internal controls will prevent all error or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. During the quarter ended December 31, 2015, we carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation and due to identified control deficiencies regarding the lack of segregation of duties and the need for a stronger internal control environment, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were ineffective as of the end of the period covered by this report.

To address the material weaknesses, we performed additional analysis and other post-closing procedures in an effort to ensure our consolidated financial statements included in this annual report have been prepared in accordance with generally accepted accounting principles. Accordingly, management believes that the financial statements included in this report fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended. Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in Internal Control-Integrated Framework (2013). A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

[Table of Contents](#)

There was a material weakness in the Company's internal control over financial reporting due to the fact that the Company did not have an adequate process established to ensure appropriate levels of review of accounting and financial reporting matters, which resulted in our closing process not identifying all required adjustments and disclosures in a timely fashion. We expect that the Company will need to hire accounting personnel with the requisite knowledge to improve the levels of review of accounting and financial reporting matters. The Company may experience delays in doing so and any such additional employees would require time and training to learn the Company's business and operating processes and procedures. For the near-term future, until such personnel are in place, this will continue to constitute a material weakness in the Company's internal control over financial reporting that could result in material misstatements in the Company's financial statements not being prevented or detected.

The Company's management, including the Company's CEO and CFO, does not expect that the Company's internal control over financial reporting will prevent all errors and all fraud. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate.

The Company's CEO/CFO has identified control deficiencies regarding the lack of segregation of duties and the need for a stronger internal control environment. The small size of the Company's accounting staff may prevent adequate controls in the future, such as segregation of duties, due to the cost/benefit of such remediation.

Because of the above material weakness, management has concluded that we did not maintain effective internal control over financial reporting as of December 31, 2015, based on the criteria established in "Internal Control-Integrated Framework" issued by the COSO.

Changes in Internal Controls

We changed the composition of our Board of Directors to have a majority of independent Directors during the fourth quarter of 2015. We also created an Audit Committee, Nomination and Corporate Governance Committee and Compensation Committee during the fourth quarter of 2015.

ITEM 9B. OTHER INFORMATION

Not applicable.

[Table of Contents](#)

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers

The names and ages of our Directors and Executive Officers are set forth below. Our By-Laws provide for not less than one and not more than nine Directors. All Directors are elected annually by the stockholders to serve until the next annual meeting of the stockholders and until their successors are duly elected and qualified. The officers are elected by our Board.

Name	Age	Position and Term
Isaac Dietrich	23	Director and Chairman of the Board (Since 2013), Chief Executive Officer (Since 2013)
Tripp Keber	47	Director (Since 2014)
Stewart Fortier ¹	25	Director (Since 2014), Chief Technology Officer (Since 2013)
Ean Seeb	40	Director (Since 2014)
Terence Fitch	56	Director (Since 2015)
Daniel Hunt	22	Chief Operations Officer (Since 2015)
Jesus Quintero	54	Chief Financial Officer (Since 2014)

¹ Stewart Fortier and Hyler Fortier, our former Chief Operations Officer, are siblings.

Isaac Dietrich, Chief Executive Officer, Chairman of the Board and Director - Isaac Dietrich is the founder, CEO, and Chairman of the Board of MassRoots, each since our inception. He is responsible for executing our strategic business development. In June 2012, Mr. Dietrich co-founded RoboCent, Inc., a self-service call platform that reached \$300,000 in revenue in its first 18 months, and previously served as its President. He also founded Tidewater Campaign Solutions, LLC, a Virginia Beach-based political strategy firm that was retained by more than 30 political campaigns and political action committees from January 2010 to December 2012. From February to December 2010, Mr. Dietrich served as Field Director for Congressman Scott Rigell’s campaign.

In April 2012, Mr. Dietrich was a finalist for Peter Thiel’s 20 Under 20 Fellowship and was featured in the CNBC documentary “Transforming Tomorrow.” We believe Mr. Dietrich has the business experience in both scalable technology companies and political strategy to successfully lead the development and growth of the Company.

Tripp Keber, Director – Tripp Keber has served as a Director of MassRoots since 2014. Mr. Keber also is a co-founder, Director and Chief Executive Officer of Dixie Elixirs & Edibles, a Colorado licensed medical marijuana infused products manufacturer. He is a founding director of the National Cannabis Industry Association, and, since 2013, has served as a director of the Marijuana Policy Project. He is also an advisory board member of the Medical Marijuana Industry Group in Colorado. Mr. Keber also serves as a board member of American Cannabis Company (2014-current). In his current role as CEO of Dixie, Mr. Keber is responsible for the overall strategy, licensing, marketing, branding and expansion efforts related to the Dixie brand, both domestically and internationally. Mr. Keber has been featured on CBS’s 60 Minutes and CNBC.

[Table of Contents](#)

Prior to joining Dixie, Mr. Keber served as Chief Operating Officer for Bella Terra Resort Development Company, and EVP of Business Development for Sagebrush Realty Development. He has a BS in Political Science from Villanova University and currently resides in both Aspen and Denver, CO with his family. He is involved in several charitable organizations located within his community and assists in the research and development of cannabis support for veterans suffering from PTSD. As an experienced leader in the legal cannabis industry, we believe that Mr. Keber will use his experience and industry knowledge to help guide our leadership team.

Ean Seeb, Director – Ean Seeb has served as a Director of MassRoots since 2014. Mr. Seeb is also the co-owner and manager of Denver Relief LLC, a Colorado medical cannabis operation. As a founding partner of Denver Relief Consulting LLC and seasoned cannabis dispensary operator, Mr. Seeb has significant experience navigating complex legislation and regulatory demands unique to legal cannabis operations. Mr. Seeb also serves as a board member of Manna Molecular Sciences (2015-current). He serves as Chair of the National Cannabis Industry Association and holds leadership positions with charitable organizations focused on a range of social causes, from civil rights to sustainable volunteer farming. Mr. Seeb has been actively involved with non-profit groups for over two decades. His years of humanitarian experience lead Mr. Seeb to conceptualize and develop a cannabis-centric service organization called the Denver Relief GREEN TEAM in 2009. He holds a B.S. degree in Business Administration with an emphasis in Computer Information Systems from University of Northern Colorado. We believe that Mr. Seeb will use his experience and industry knowledge to help guide our leadership team.

Terence Fitch, Director - Terence Fitch has served as a Director of the Company since 2015. Mr. Fitch is a seasoned corporate executive with 23 years of marketing, sales, finance, manufacturing, supply chain and media experience. Mr. Fitch founded Drink Teck, LLC in 2013 and has served as its Chief Executive Officer since that time. Drink Teck LLC is a functional beverage company which uses liposome technology to cost-effectively formulate drinks for the consumer health and wellness sector. Prior to founding Drink Teck LLC, Mr. Fitch spent 3 years at Coca Cola Refreshments as Senior Vice President and General Manager. Before that, 18 years at, Coca-Cola Enterprises, where, from 2004 to 2010, he served as the Senior Vice President and General Manager of the Western Region and was responsible for a team of 13,500 sales, strategy, marketing, operations, manufacturing, supply chain and analytical professionals and accountable for over \$4.2 billion in sales. From 1998 to 2002, Mr. Fitch acted as Division Vice President and General Manager for Coca-Cola Enterprises and, from 1994-1998, was the Regional Vice President of Sales and Marketing of the Gulf States for Coca-Cola Enterprises. Mr. Fitch has a Bachelor of Science in Marketing and Finance from Arizona State University. Mr. Fitch brings a strong understanding of financial reporting and corporate governance matters, along with expertise in corporate governance, enterprise risk management and strategic planning, which we believe will strengthen the Board’s collective qualifications, skills, and experience.

Stewart Fortier, Chief Technology Officer, Director - Stewart Fortier is a co-founder and Director of MassRoots, and has served as Chief Technology Officer since our inception. Mr. Fortier is responsible for the development of our iOS application and technical strategy. He is a self-taught software developer with an interest in both entrepreneurship and technology. Prior to joining MassRoots, Mr. Fortier worked for a real estate development company in Washington, D.C., where he was responsible for the underwriting of commercial and multifamily acquisitions. Previously, Mr. Fortier served as a technical adviser to RoboCent, Inc. from June 2012 to April 2013.

Mr. Fortier holds a Bachelor of Arts in Economics and Religious Studies from the University of Virginia. We believe Mr. Fortier has the technical and business experience and skill to be successful in both his Chief Technology Officer and Director roles.

Daniel Hunt, Chief Operations Officer - Since June 2015, Daniel Hunt has served as the Company’s Chief Operations Officer, responsible for overseeing the Company's daily operations, including marketing, sales, business development, staffing, processes and infrastructure. From July 2014 to June 2015, Mr. Hunt served as the Company's Vice President of Marketing, where he was responsible for the coordination and implementation of the Company’s marketing initiatives. From June 2011 to July 2014, Mr. Hunt served as Head of Business Development for SearchParty Music, a media production company in Massachusetts. Prior to joining the Company, Mr. Hunt attended James Madison University from 2012-2014, where he gained experience while supporting the operations of early-stage startups as a member of the Society of Entrepreneurs. Mr. Hunt also serves on the board of managers of Flowhub, LLC, a private cannabis point-of-sale company.

[Table of Contents](#)

Jesus Quintero, Chief Financial Officer - Jesus Quintero joined MassRoots as its Chief Financial Officer in May 2014. From January 2013 to October 2014, Mr. Quintero also served as Brazil Interactive Media's Chief Financial Officer. He has previously served as a financial consultant to several multi-million dollar businesses in Florida. Mr. Quintero has extensive experience in public company reporting and SEC/SOX compliance, and held senior finance positions with Avnet, Inc., Latin Node, Inc., Globetel Communications Corp. and Telefonica of Spain. His prior experience also includes tenure with PricewaterhouseCoopers and Deloitte & Touche. Mr. Quintero earned a B.S. in Accounting from St. John's University and is a certified public accountant. He is fluent in English and Spanish, and conversant in Brazilian Portuguese.

Legal Proceedings

We know of no pending proceedings to which any director, member of senior management, or affiliate is either a party adverse to us, or our subsidiaries, or has a material interest adverse to us or our subsidiaries.

None of our executive officers or directors have (i) been involved in any bankruptcy proceedings within the last five years, (ii) been convicted in or has pending any criminal proceedings (other than traffic violations and other minor offenses), (iii) been subject to any order, judgment or decree enjoining, barring, suspending or otherwise limiting involvement in any type of business, securities or banking activity or (iv) been found to have violated any Federal, state or provincial securities or commodities law and such finding has not been reversed, suspended or vacated.

Corporate Governance

Governance of Our Company

We seek to maintain high standards of business conduct and corporate governance, which we believe are fundamental to the overall success of our business, serving our shareholders well and maintaining our integrity in the marketplace. Our corporate governance guidelines and code of business conduct, together with our Amended and Restated Certificate of Incorporation, Amended and Restated Bylaws and the charters for each of our Board committees, form the basis for our corporate governance framework. We also are subject to certain provisions of the Sarbanes-Oxley Act and the rules and regulations of the SEC. The full text of the Code of Conduct is available on our website at www.massroots.com/investors.

As described below, our Board has established three standing committees to assist it in fulfilling its responsibilities to the Company and its stockholders: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee.

Our Board of Directors

Our Board currently consists of five members. The number of directors on our Board can be determined from time to time by action of our Board.

Our Board has decided that it would judge the independence of its directors by the heightened standards established by the NASDAQ Stock Market, despite the Company not being subject to these standards at such time. Accordingly, the Board has determined that our three non-employee directors, including Ean Seeb, Terence Fitch, and Tripp Keber, each meet the independence standards established by the NASDAQ Stock Market and the applicable independence rules and regulations of the SEC, including the rules relating to the independence of the members of our Audit Committee and Compensation Committee. Our Board considers a director to be independent when the director is not an officer or employee of the Company or its subsidiaries, does not have any relationship which would, or could reasonably appear to, materially interfere with the independent judgment of such director, and the director otherwise meets the independence requirements under the listing standards of the NASDAQ Stock Market and the rules and regulations of the SEC.

Our Board believes its members collectively have the experience, qualifications, attributes and skills to effectively oversee the management of our Company, including a high degree of personal and professional integrity, an ability to exercise sound business judgment on a broad range of issues, sufficient experience and background to have an appreciation of the issues facing our Company, a willingness to devote the necessary time to their Board and committee duties, a commitment to representing the best interests of the Company and our stockholders and a dedication to enhancing stockholder value.

[Table of Contents](#)

Risk Oversight. Our Board oversees the management of risks inherent in the operation of our business and the implementation of our business strategies. Our Board performs this oversight role by using several different levels of review. In connection with its reviews of the operations and corporate functions of our company, our Board of Directors addresses the primary risks associated with those operations and corporate functions. In addition, our Board of Directors reviews the risks associated with our company's business strategies periodically throughout the year as part of its consideration of undertaking any such business strategies. Each of our Board committees also coordinates oversight of the management of our risk that falls within the committee's areas of responsibility. In performing this function, each committee has full access to management, as well as the ability to engage advisors. The Board also is provided updated by the CEO and other executive officers of the Company on a regular basis.

Section 16 Reporting Compliance - Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers and persons who own more than 10% of our outstanding shares of common stock (collectively, "Reporting Persons") to file with the SEC initial reports of ownership and reports of changes in ownership in our common stock and other equity securities. Specific due dates for these records have been established, and we are required to report in this report any failure in 2015 to file by these dates. To the Company's knowledge, based solely on its review of the copies of such reports received or written representations from certain Reporting Persons that no other reports were required, the Company believes that during its fiscal year ended December 31, 2015, all filing requirements applicable to the Reporting Persons were timely met.

Shareholder Communications - Although we do not have a formal policy regarding communications with the Board, shareholders may communicate with the Board by writing to us at 1624 Market Street, Suite 201, Denver, CO 80202, Attention: Legal. Shareholders who would like their submission directed to a member of the Board may so specify, and the communication will be forwarded, as appropriate. Please note that the foregoing communication procedure does not apply to (i) shareholder proposals pursuant to Exchange Act Rule 14a-8 and communications made in connection with such proposals or (ii) service of process or any other notice in a legal proceeding.

ITEM 11. EXECUTIVE COMPENSATION

Named Executive Officers

Our "named executive officers" for the 2015 fiscal year consisted of the following individuals:

Isaac Dietrich, our Chief Executive Officer
Dan Hunt, our Chief Operations Officer

No other executive officers earned over \$100,000 during the previous fiscal year.

[Table of Contents](#)

Summary Compensation Table

The table below summarizes all compensation awarded to, earned by, or paid to our Chief Executive Officer and our two most highly compensated executive officers (the “named executive officers” listed above) at the end of our last fiscal year for all services rendered in all capacities to us during the years during which they served as executive officers. Where a named executive officer is also a director, all compensation related to such individuals position as an officer.

Name & Principal Position	Year	Salary \$	Bonus \$	Stock Awards (1) \$	Option Awards (1) \$	Non-Equity Incentive Plan Compensation \$	All Other Compensation \$	Total \$
Isaac Dietrich Chief Executive Officer, Director	2015	81,220						81,220
	2014	53,000	—	—	—	—	—	53,000
Daniel Hunt Chief Operating Officer	2015	67,500	—	25,000 (2)(4)	245,951 (2)(3)	—	—	338,451

- (1) These amounts are the aggregate fair value of the equity compensation incurred by the Company for payments to executives during the fiscal year. The aggregate fair value is computed in accordance with FASB ASC Topic 718. The fair market value was calculated using the Black-Scholes options pricing model. Assumptions underlying the valuation of each specific award are included in Note 8 of our Financial Statements included in this Annual Report on Form 10-K.
- (2) On January 1, 2015, the Company approved the issuance to Daniel Hunt of 50,000 shares of its common stock and 100,000 options to purchase shares of common stock at \$0.50 per share pursuant to the 2014 Plan (defined below), which would vest over the period of one year on a monthly basis. As of December 31, 2015, all such options had vested. The fair market value of the options was determined to be \$45,953 as calculated assuming approximately 2.17% risk-free interest, 0% dividend yield, 1.50% volatility, and expected term of 5.25 years. The fair market value of the stock awards was determined to be \$25,000 (or \$0.50 per share) on grant date pursuant to our 2014 Plan, tied to the price our then ongoing private placement offering. The Company incurred compensation expense of \$25,000 during the fiscal year 2015 related to the amortization of such stock awards and \$45,953 related to the amortization of such options received during the year by Mr. Hunt.
- (3) On December 14, 2015, the Board approved a grant of 800,000 unvested options to purchase shares of common stock at \$1.00 per share to Mr. Hunt pursuant to the 2015 Plan (defined below), which vest as follows: upon the Company reaching 1,000,000 registered users, 200,000 options shall vest; upon the Company reaching 2,500,000 registered users, 200,000 options shall vest; upon the Company reaching \$1,000,000 in cumulative revenue, 200,000 options shall vest; and, upon the Company reaching \$2,500,000 in cumulative revenue, 200,000 options shall vest. As of December 31, 2015, no options had vested. The fair market value of the 200,000 options that vest upon the Company reaching 1,000,000 register users was calculated to be \$199,998, assuming approximately 2.23% risk-free interest, 0% dividend yield, 280% volatility, and expected term of 5.25 years. The value of the other 600,000 options was not determinable as the probability of achieving those targets is not currently estimable. The Company incurred compensation expense of \$20,118 during the fiscal year 2015 related to the amortization of such options received during the year by Mr. Hunt.
- (4) On December 14, 2015, the Company’s Board approved the grant of 200,000 unvested restricted shares to Mr. Hunt. However, pursuant to the 2015 Plan (defined below), the grant would not occur until shareholder approval of the 2015 Plan became effective, which occurred in January 2016 (as described further in the section below entitled “2014 and 2015 Equity Incentive Plans”). As such, this grant will be included as compensation for Mr. Hunt in fiscal year 2016.

Outstanding Equity Awards at December 31, 2015 Fiscal Year End

The following table sets forth the equity awards our named executive officers had outstanding equity awards at December 31, 2015.

Name	Option Awards				
	Number of securities underlying unexercised options Exercisable	Number of securities underlying unexercised options Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options	Option exercise price	Option expiration date
Daniel Hunt	100,000	—	—	\$ 0.50	1/1/2025
—	—	—	800,000 (1)	\$ 1.00	12/14/2025

(1) The 800,000 unvested options were awarded pursuant to the 2015 Plan (defined below), which vest as follows: upon the Company reaching 1,000,000 registered users, 200,000 options shall vest; upon the Company reaching 2,500,000 registered users, 200,000 options shall vest; upon the Company reaching \$1,000,000 in cumulative revenue, 200,000 options shall vest; and, upon the Company reaching \$2,500,000 in cumulative revenue, 200,000 options shall vest.

Narrative Disclosure to Summary Compensation and Option Tables

Isaac Dietrich provides services to us as our Chief Executive Officer pursuant to an at-will agreement (with one month notice to be given prior to termination) that provides that Mr. Dietrich would be paid an amount determined by the Company in accordance with the Company's normal payroll procedures. From October 1, 2013 to March 31, 2014, Mr. Dietrich was paid a salary of \$3,500 per month. From April 1, 2014 to March 31, 2015, Mr. Dietrich was paid a salary of \$5,000 per month. From April 1, 2015 and thereon, Mr. Dietrich was paid a salary of \$6,500. Mr. Dietrich did not receive any compensation related to his position as a director.

Dan Hunt provides services to us as our Chief Operating Officer pursuant to an "at-will" agreement that became effective July 19, 2015. Pursuant to this agreement, Mr. Hunt receives a salary of \$78,000 per year and may be terminated by either party with or without cause with one (1) month's written notice. From January 1, 2015 until July 17, 2015, Mr. Hunt served as an at will employee with a salary of 3,500 per month.

In addition, on January 1, 2015, the Company approved the issuance to Mr. Hunt 50,000 shares of its common stock and 100,000 options to purchase shares of common stock at \$0.50 per share pursuant to the 2014 Plan (defined below), which would vest over the period of one year on a monthly basis. The fair market value was calculated using the Black-Scholes options pricing model, assuming approximately 2.17% risk-free interest, 0% dividend yield, 1.50% volatility, and expected term of 5.25 years.

On December 14, 2015, the Board approved a grant of 800,000 unvested options to purchase shares of common stock at \$1.00 per share to Mr. Hunt pursuant to the 2015 Plan (defined below), which vest as follows: upon the Company reaching 1,000,000 registered users, 200,000 options shall vest; upon the Company reaching 2,500,000 registered users, 200,000 options shall vest; upon the Company reaching \$1,000,000 in cumulative revenue, 200,000 options shall vest; and, upon the Company reaching \$2,500,000 in cumulative revenue, 200,000 options shall vest. The fair market value was calculated using the Black-Scholes options pricing model. Under this model, the fair market value of the 200,000 options that vest upon the Company reaching 1,000,000 register users was calculated assuming approximately 2.23% risk-free interest, 0% dividend yield, 280% volatility, and expected term of 5.25 years. No cost is recognized in 2015 for the other 600,000 options as the probability of achieving those targets is not currently estimable. As of December 31, 2015, no options had vested.

[Table of Contents](#)

On that same date, the Company's Board approved the grant of 200,000 unvested restricted shares to Mr. Hunt. However, pursuant to the 2015 Plan (defined below), the grant would not occur until shareholder approval of the 2015 Plan became effective, which occurred in January 2016 (as described further in the section below entitled "2014 and 2015 Equity Incentive Plans"). As such, this grant will be included as compensation for Mr. Hunt in fiscal year 2016.

In December 2015, Mr. Dietrich started receiving health, vision and dental insurance. No retirement plan, life insurance or employee benefits program has been awarded to Mr. Dietrich and he serves at the direction of the Board of Directors.

On March 29, 2016, the Board of Directors, upon the recommendation of the Company's Compensation Committee, approved increases in the salary of Mr. Dietrich and Mr. Hunt, such that each would receive \$10,833 per month for their services in their respective positions.

At no time during the periods listed in the above tables, with respect to any named executive officers, was there:

- any outstanding option or other equity-based award re-priced or otherwise materially modified (such as by extension of exercise periods, the change of vesting or forfeiture conditions, the change or elimination of applicable performance criteria, or the change of the bases upon which returns are determined);
- any waiver or modification of any specified performance target, goal or condition to payout with respect to any amount included in non-stock incentive plan compensation or payouts;
- any non-equity incentive plan award made to a named executive officer;
- any nonqualified deferred compensation plans including nonqualified defined contribution plans; or
- any payment for any item to be included under All Other Compensation (column (i)) in the Summary Compensation Table.

Director Compensation

Our interested, employee directors do not receive any additional compensation for their service as directors.

The following table shows for the fiscal year ended December 31, 2015, certain information with respect to the compensation of all non-employee directors of the Company:

Name		Fees Earned or Paid in Cash		Stock Awards (1)		Option Awards (1)		Total
Ean Seeb	(2)	\$0	\$	0(4)		\$0(4)	\$	0
Tripp Keber	(2)	\$0	\$	0(4)		\$0(4)	\$	0
Terence Fitch	(3)	\$0	\$	0		\$90,876(5)	\$	90,876

(1) These amounts are the aggregate fair value of the equity compensation granted to our directors during the fiscal year. The fair value is computed in accordance with FASB ASC Topic 718. The fair market value was calculated using the Black-Scholes options pricing model. Assumptions underlying the valuation of each specific award are included in Note 8 of our Financial Statements included in this Annual Report on Form 10-K.

(2) Messrs. Seeb and Keber joined the Company's Board of Directors on June 4, 2014 and March 31, 2014, respectively.

(3) Mr. Fitch joined the Company's Board of Directors on December 9, 2015.

(4) As discussed below, Ean Seeb and Tripp Keber received stock awards and options on June 4, 2014 intended to compensate them for approximately three years of service on the Company's Board. The Company did not grant any additional awards in 2015 to Mr. Seeb or Mr. Keber, but did incur compensation cost of \$8,333 and \$16,605 related to the amortization of the stock awards and options issued on June 4, 2014.

(5) The Company incurred compensation expense of \$7,573 during the fiscal year 2015 related to the amortization of options received during the year by Mr. Fitch.

On December 9, 2015, in exchange for his service as a Director, the Board approved the issuance to Mr. Terence Fitch, pursuant to the 2015 Employee Incentive Plan, unvested options to purchase 100,000 up to shares of the Company's common stock at an exercise price of \$0.90 per share that will expire ten years from date of issuance and vest monthly over the period of one year, beginning January 1, 2016. All vesting per the above schedule shall cease thirty days from the time the applicable director is dismissed from the Board, fails to win re-election by shareholders, or resigns as a director. The fair market value of the options was calculated using the Black-Scholes options pricing model, assuming approximately 2.23% risk-free interest, 0% dividend yield, 280% volatility, and expected term of 5.25 years.

On that same date, the Company's Board approved the grant of 100,000 shares to Mr. Fitch. However, pursuant to the 2015 Plan (defined below), the grant would not occur until shareholder approval of the 2015 Plan became effective, which occurred in January 2016 (as described further in the section below entitled "2014 and 2015 Equity Incentive Plans"). As such, this grant will be included as compensation for Mr. Fitch in fiscal year 2016.

On June 6, 2014, each of Ean Seeb and Tripp Keber, received the following pursuant to our 2014 Employee Incentive Plan for their service as a director: (i) a stock award of 250,000 shares of our Common Stock (the "Stock Award") and (ii) options to purchase up to 750,000 shares of our common stock at \$0.10 per share (each an "Option") which vest as follows:

- Beginning on October 1, 2014, 250,000 Options shall begin to vest over the period of one year on a monthly basis, such that 20,833 Options shall vest on the first of each month, except for every third month when 20,834 Options shall vest;
- Beginning on the later of (i) the date that Company attains 830,000 Users ("Users" are defined for the purposes of the Options as the number of unique registrations for MassRoots Inc.'s network through MassRoots Inc.'s mobile application and/or website (final determination shall be by the Committee)) or (ii) October 1, 2015, 250,000 Options shall begin to vest over the period of one year on a monthly basis, such that 20,833 Options shall vest on the first of each month, except for every third month when 20,834 Options shall vest; and
- Beginning on the later of (1) the date that Company attains 1,080,000 Users or (2) October 1, 2016, 250,000 Options shall vest immediately.

All vesting per the above schedule shall cease thirty days from the time the applicable director is dismissed from the Board, fails to win re-election by shareholders, or resigns as a director. As of December 31, 2015, 250,000 Options held by each of Messrs. Seeb and Keber had vested and were available for exercise. No additional grants were made to Messrs. Keber and Seeb during 2015. The fair market value was calculated using the Black-Scholes options pricing model, assuming approximately 2.61% risk-free interest, 0% dividend yield, 150% volatility, and expected life of 10 years.

Indemnification of Officers and Directors

Our Amended and Restated Certificate of Incorporation provides that we shall indemnify our officers and directors to the fullest extent permitted by applicable law against all liability and loss suffered and expenses (including attorneys' fees) incurred in connection with actions or proceedings brought against them by reason of their serving or having served as officers, directors or in other capacities. We shall be required to indemnify a director or officer in connection with an action or proceeding commenced by such director or officer only if the commencement of such action or proceeding by the director or officer was authorized in advance by the Board of Directors.

We do not currently maintain director's and officer's liability insurance but we may do so in the future.

2014 and 2015 Equity Incentive Plans

2015 and 2014 Equity Incentive Plans. In June 2014, our shareholders approved our 2014 Equity Incentive Plan ("2014 Plan") and in December 2015, our shareholders approved our 2015 Equity Incentive Plan ("2015 Plan", and collectively, the "Plans"), such approval becoming effective in January 2016. The Plans are identical, except for number of shares reserved for issuance under each.

[Table of Contents](#)

The Plans provide for the grant of incentive stock options to our employees and our parent and subsidiary corporations' employees, and for the grant of nonstatutory stock options, stock bonus awards, restricted stock awards, performance stock awards and other forms of stock compensation to our employees, including officers, consultants and directors. Our Plans also provide that the grant of performance stock awards may be paid out in cash as determined by the Committee (as defined herein).

The following table and information below sets forth information as of December 31, 2015 on our Plans:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders:			
2014 Equity Incentive Plan	2,900,000	\$ 0.263	0
2015 Equity Incentive Plan	2,755,000*	\$ 0.929	1,745,000*
Equity compensation plans not approved by security holders	—	—	—
Total			1,745,000*

*In December 2015, the grant of 540,000 shares of our common stock and 2,755,000 options to purchase shares of our common stock were authorized by the Company under the 2015 Plan. These grants occurred after the Board and shareholders approved the 2015 Plan, but before the shareholder approval was deemed to have become effective under Delaware law (which occurred in January 2016). Under the terms of the 2015 Plan, no shares of common stock may be issued and no options may be exercised until shareholder approval of the 2015 Plan occurs. As such approval had been obtained but was not yet effective as of December 31, 2015, the grant and issuance of the 540,000 shares of our common stock under the 2015 Plan did not occur until January 2016 and are still listed as available for issuance in column “(c)” above.

Summary of the Plans

Authorized Shares. A total of 4,000,000 shares of our common stock are reserved for issuance pursuant to the 2014 Plan. A total of 4,500,000 shares of our common stock are reserved for issuance pursuant to the 2015 Plan. Shares issued under our Plans may be authorized but unissued or reacquired shares of our common stock. Shares subject to stock awards granted under our Plans that expire or terminate without being exercised in full, or that are paid out in cash rather than in shares, will not reduce the number of shares available for issuance under our Plans. Additionally, shares issued pursuant to stock awards under our Plans that we repurchase or that are forfeited, as well as shares reacquired by us as consideration for the exercise or purchase price of a stock award, will become available for future grant under our Plans.

Administration. Our Board of Directors, or a duly authorized committee thereof (collectively, the “Committee”), has the authority to administer our Plans. Our Board may also delegate to one or more of our officers the authority to designate employees other than Directors and officers to receive specified stock, which, in respect to those awards, said officer or officers shall then have all that the Committee would have.

Table of Contents

Subject to the terms of our Plans, the Committee has the authority to determine the terms of awards, including recipients, the exercise price or strike price of stock awards, if any, the number of shares subject to each stock award, the fair market value of a share of our common stock, the vesting schedule applicable to the awards, together with any vesting acceleration, the form of consideration, if any, payable upon exercise or settlement of the stock award and the terms and conditions of the award agreements for use under the Plans. The Committee has the power to modify outstanding awards under the Plans, subject to the terms of the Plans and applicable law. Subject to the terms of our Plans, the Committee has the authority to reprice any outstanding option or stock appreciation right, cancel and re-grant any outstanding option or stock appreciation right in exchange for new stock awards, cash or other consideration, or take any other action that is treated as a repricing under generally accepted accounting principles, with the consent of any adversely affected participant.

Stock Options. Stock options may be granted under the Plans. The exercise price of options granted under our Plans must at least be equal to the fair market value of our common stock on the date of grant. The term of an incentive stock option may not exceed 10 years, except that with respect to any participant who owns more than 10% of the voting power of all classes of our outstanding stock, the term must not exceed 5 years and the exercise price must equal at least 110% of the fair market value on the grant date. The Committee will determine the methods of payment of the exercise price of an option, which may include cash, shares or other property acceptable to the Committee, as well as other types of consideration permitted by applicable law. No single participant may receive more than 25% of the total options awarded in any single year. Subject to the provisions of our Plans, the Committee determines the other terms of options.

Performance Shares . Performance shares may be granted under our Plans. Performance shares are awards that will result in a payment to a participant only if performance goals established by the administrator are achieved or the awards otherwise vest. The Committee will establish organizational or individual performance goals or other vesting criteria in its discretion, which, depending on the extent to which they are met, will determine the number and/or the value of performance shares to be paid out to participants. After the grant of a performance share, the Committee, in its sole discretion, may reduce or waive any performance criteria or other vesting provisions for such performance shares. The Committee, in its sole discretion, may pay earned performance units or performance shares in the form of cash, in shares or in some combination thereof, per the terms of the agreement approved by the Committee and delivered to the participant. This agreement will state all terms and condition of the agreements.

Restricted Stock. The terms and conditions of any restricted stock awards granted to a participant will be set forth in an award agreement and, subject to the provisions in the Plans, will be determined by the Committee. Under a restricted stock award, we issue shares of our common stock to the recipient of the award, subject to vesting conditions and transfer restrictions that lapse over time or upon achievement of performance conditions. The Committee will determine the vesting schedule and performance objectives, if any, applicable to each restricted stock award. Unless the Committee determines otherwise, the recipient may vote and receive dividends on shares of restricted stock issued under our Plans.

Other Share-Based Awards and Cash Awards. The Committee may make other forms of equity-based awards under our Plans, including, for example, deferred shares, stock bonus awards and dividend equivalent awards. In addition, our Plans authorizes us to make annual and other cash incentive awards based on achieving performance goals that are pre-established by our compensation committee.

Change in Control. If the Company is merged or consolidated with another entity or sells or otherwise disposes of substantially all of its assets to another company while awards or options remain outstanding under the Plans, unless provisions are made in connection with such transaction for the continuance of the Plans and/or the assumption or substitution of such awards or options with new options or stock awards covering the stock of the successor company, or parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices, then all outstanding options and stock awards which have not been continued, assumed or for which a substituted award has not been granted shall, whether or not vested or then exercisable, unless otherwise specified in the relevant agreements, terminate immediately as of the effective date of any such merger, consolidation or sale.

Change in Capitalization. If the Company shall effect a subdivision or consolidation of shares or other capital readjustment, the payment of a stock dividend, or other increase or reduction of the number of shares of the common stock outstanding, without receiving consideration therefore in money, services or property, then awards amounts, type, limitations, and other relevant consideration shall be appropriately and proportionately adjusted. The Committee shall make such adjustments, and its determinations shall be final, binding and conclusive.

Plan Amendment or Termination. Our Board has the authority to amend, suspend, or terminate our Plans, provided that such action does not materially impair the existing rights of any participant without such participant's written consent. The Plans will terminate ten (10) years after the earlier of (i) the date the each Plan is adopted by the Board, or (ii) the date a Plan is approved by the stockholders, except that awards that are granted under the applicable Plan prior to its termination will continue to be administered under the terms of the that Plan until the awards terminate, expire or are exercised.

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

The following table sets forth certain information with respect to the beneficial ownership of common stock by: (i) each director, (ii) each of the executive officers of the Company, (iii) all current directors and executive officers as a group, and (iv) each stockholder known to the Company to be the beneficial owner of more than 5% of the outstanding shares of common stock.

Each of the Company's outstanding debentures convertible into common stock and warrants to purchase common stock include a provision which prevents the Company from effecting the conversion or exercise of the respective debenture or warrant, to the extent that, as a result of such conversion or exercise, the holder beneficially owns more than 4.99%, in the aggregate, of the issued and outstanding shares of the Company's common stock calculated immediately after giving effect to the issuance of shares of common stock upon the conversion or exercise (collectively, the "4.99% Blocker").

Unless otherwise indicated in the footnotes to the table, all information set forth in the table is as of March 4, 2016, and the address for each director and executive officer of the Company is: c/o MassRoots, Inc., 1624 Market Street, Suite 201, Denver, CO 80202. The addresses for the greater than 5% stockholders are set forth in the footnotes to this table.

	Number of Shares Beneficially Owned (1)	Percentage Outstanding (2)
Directors and Officers		
Isaac Dietrich	17,703,831(3)	37.24%(3)
Stewart Fortier	3,685,976(4)	7.75%(4)
Ean Seeb	545,000(12)	1.14%
Tripp Keber	500,000(13)	1.05%
Daniel Hunt	467,500(15)	0.98%
Terence Fitch (17)	141,665(18)	0.30%
Jesus Quintero	100,000(19)	0.21%
All directors and executive officers as a group (7 persons)		
	23,143,972	48.67%
5% Stockholders		
Douglas Leighton (5)	10,664,411(6)	19.00%(7)
Michael Novielli (8)	7,930,469(9)	14.38%(7)
Dutchess Opportunity Fund II, LP (10)	7,180,469(11)	15.10%(7)
Hylar Fortier (14)	4,551,670	9.57%
Tyler Knight (16)	3,655,976	7.69%

[Table of Contents](#)

- (1) The Company believes that each stockholder has sole voting and investment power with respect to the shares of common stock listed, except as otherwise noted. The number of shares beneficially owned by each stockholder is determined under rules of the SEC, and the information is not necessarily indicative of ownership for any other purpose. Under these rules, beneficial ownership includes (i) any shares as to which the person has sole or shared voting power or investment power and (ii) any shares which the individual has the right to acquire within 60 days after March 4, 2016 through the exercise of any stock option, warrant, conversion of preferred stock or other right, but such shares are deemed to be outstanding only for the purposes of computing the percentage ownership of the person that beneficially owns such shares and not for any other person shown in the table. The inclusion herein of any shares of common stock deemed beneficially owned does not constitute an admission by such stockholder of beneficial ownership of those shares of common stock.
- (2) Based on 47,538,966 shares of common stock issued and outstanding as of March 4, 2016.
- (3) The 17,703,831 shares of common stock include (i) 17,698,831 shares of common stock; and (ii) 5,000 shares of common stock issuable upon exercise of our \$1 warrants. These are aggregated without regard to the 4.99% Blocker and the percentage outstanding calculated without regard to the 4.99% blocker. With regard to the 4.99% Blocker, the amount beneficially owned would be 17,698,831 shares, which would be equal to 37.23% of the Company's outstanding shares.
- (4) The 3,685,976 shares of common stock include (i) 3,675,976 shares of common stock; and (ii) 10,000 shares of common stock issuable upon exercise of our \$1 warrants. These are aggregated without regard to the 4.99% Blocker and the percentage outstanding calculated without regard to the 4.99% blocker. With regard to the 4.99% blocker, the amount beneficially owned would be 3,765,976 shares, which would be equal to 7.73% of the Company's outstanding shares.
- (5) Douglas Leighton resigned from the Company's Board of Directors as of March 25, 2014. His address is as follows: 50 Commonwealth Ave., Suite 2 Boston, MA 02116.
- (6) The 10,664,411 shares of our common stock, aggregated without regard to the 4.99% Blocker, includes (i) 923,371 shares of our common stock held of record by Mr. Douglas Leighton; (ii) 771,398 shares of our common stock held of record by Bass Point Capital, LLC (of which Mr. Leighton, as Managing Member, has sole voting power and dispositive control); (iii) 1,000,000 shares of our common stock issuable to Bass Point Capital, LLC upon exercise of our \$0.001 warrants; (iv) \$109,100 in convertible debentures held by Dutchess (which Mr. Leighton and Michael Novelli, as Managing Members, have shared voting power and dispositive control), convertible into 1,091,000 shares of our common stock; (v) 2,963,659 shares of our common stock issuable to Dutchess upon exercise of our \$0.001 warrants; (vi) 2,795,500 shares of our common stock issuable to Dutchess upon exercise of our \$0.40 warrants; (vii) 330,310 shares of our common stock held by Dutchess; (viii) \$50,000 of convertible debentures held by Azure Capital, LLC (of which Mr. Leighton, as Managing Partner, has sole voting power and dispositive control), convertible into 500,000 shares of our common stock; (ix) 250,000 shares of our common stock issuable to Azure Capital, LLC upon exercise of our \$0.40 warrants; (x) 14,173 shares held in Trust for Reef Leighton, Mr. Leighton's son; and (xi) 20,000 shares held in Trust for Ella Leighton, Mr. Leighton's daughter; (xii) 5,000 shares of our common stock held in a retirement account of Mr. Leighton.
- (7) Each of the convertible debentures and warrants to purchase shares of our common stock held of record and beneficially by Dutchess, Mr. Leighton and Mr. Novelli contain the 4.99% Blocker. Amounts shown in the table, however, are calculated without regard to the 4.99% blocker. As of the date noted above, inclusive of the 4.99% Blocker, Dutchess, Mr. Leighton and Mr. Novelli beneficially own 4.99%, 4.99% and 4.99%, respectively, of our issued and outstanding common stock.
- (8) Michael Novelli's address is as follows: c/o Dutchess Global LLC, 1110 Rt. 55, Suite 206, LaGrangeville, NY 12540.

- (9) The 7,930,469 shares of our common stock, aggregated without regard to the 4.99% Blocker, includes (i) \$109,100 in convertible debentures held by Dutchess (which Mr. Douglas Leighton and Mr. Michael Novelli, as Managing Members, have shared voting power and dispositive control), convertible into 1,091,000 shares of our common stock; (ii) 2,963,659 shares of our common stock held by Dutchess issuable upon exercise of our \$0.001 warrants; (iii) (vi) 2,795,500 shares of our common stock issuable to Dutchess upon exercise of our \$0.40 warrants; (iv) 330,341 shares of our common stock held by Dutchess; (v) \$50,000 in convertible debentures held by Dutchess Global Strategies Fund, LLC (which Mr. Novelli, as Managing Member, has sole voting power and dispositive control), convertible into 500,000 shares of our common stock; and (vi) 250,000 shares of our common stock issuable to Dutchess Global Strategies Fund, LLC upon exercise of our \$0.40 warrants.
- (10) Dutchess' address is as follows: Dutchess Opportunity Fund, II, LP 50 Commonwealth Ave., Suite 2 Boston, MA 02116.
- (11) Each of Mr. Michael Novielli and Mr. Douglas Leighton, as Managing Partners of Dutchess, has voting power and dispositive control over these shares. The 7,180,469 shares of common stock are aggregated without regard to the 4.99% Blocker and include (i) \$109,100 in convertible debentures convertible into 1,091,000 shares of our common stock; (ii) 2,963,659 shares of our common stock issuable upon exercise of our \$0.001 warrants; and (iii) 2,795,500 shares of our common stock issuable upon exercise of our \$0.40 warrants, and (iv) 330,310 shares of our common stock.
- (12) Mr. Seeb's 545,000 shares of common stock consists of (i) 250,000 shares common stock held by Denver Relief Consulting, which is controlled by Mr. Seeb, (ii) options held by Mr. Seeb to purchase 250,000 shares of our common stock which had vested on March 4, 2016 or were exercisable within 60 days of such date, (iii) 30,000 shares of common stock held by E-3 Events, which Mr. Seeb shares a 1/3 interest in, and (iv) 15,000 shares of common stock issuable upon exercise of our \$1 warrants, also held by E-3 Events. These amounts do not include the underlying shares related to options to purchase 500,000 shares of our common stock held by Mr. Seeb which had not yet vested on March 4, 2016, were not exercisable within 60 days of such date, and/or contained performance-based conditions.
- (13) Mr. Keber's 500,000 shares of common stock consists of (i) 250,000 shares common stock held by Dixie Holdings LLC, which is controlled by Mr. Keber, and (ii) options held by Mr. Keber to purchase 250,000 shares of our common stock which had vested on March 4, 2016 or were exercisable within 60 days of such date. These amounts do not include the underlying shares related to options to purchase 500,000 shares of our common stock held by Mr. Keber which had not yet vested on March 4, 2016, were not exercisable within 60 days of such date, and/or contained performance-based conditions.
- (14) Ms. Fortier is the Company's Director of Branding, a non-executive position for the purposes of Item 401 of Regulation S-K, and, until June 2015, was the Company's Chief Operations Officer. Her address is: c/o MassRoots, Inc., 1624 Market Street, Suite 201, Denver, CO 80202
- (15) Mr. Hunt's 467,500 shares of common stock consists of (i) 330,000 shares of common stock; (ii) 37,500 shares of common stock issuable upon exercise of our \$0.40 warrants; and (iii) options to purchase 100,000 shares of our common stock which had vested on March 4, 2016 or were exercisable within 60 days of such date. These amounts do not include the unvested grants of 100,000 shares of restricted stock and the underlying shares related to options to purchase 800,000 shares of our common stock held by Mr. Hunt which had not yet vested on March 4, 2016, were not exercisable within 60 days of such date, and/or contained performance-based condition
- (16) Mr. Knight is the Company's Senior Content Strategist, a non-executive position for the purposes of Item 401 of Regulation S-K, and, until December 2015, was the Company's Director and Chief Marketing Officer. His address is: c/o MassRoots, Inc., 1624 Market Street, Suite 201, Denver, CO 80202.
- (17) Mr. Fitch joined the Company's Board of Directors on December 9, 2015.
- (18) Mr. Fitch's 141,665 shares of common stock consists of (i) 100,000 shares common stock held by Mr. Fitch and (ii) options held by Mr. Fitch to purchase 41,665 shares of our common stock which had vested on March 4, 2016 or were exercisable within 60 days of such date. These amounts do not include the underlying shares related to options to purchase 58,335 shares of our common stock held by Mr. Fitch which had not yet vested on March 4, 2016, were not exercisable within 60 days of such date, and/or contained performance-based conditions.

(19) These amounts do not include the underlying shares related to options to purchase 100,000 shares of our common stock held by Mr. Quintero which had not yet vested on March 4, 2016, were not exercisable within 60 days of such date, and/or contained performance-based condition

Changes in Control

We are unaware of any contract, or other arrangement or provision, the operation of which may at any subsequent date result in a change in control of our Company.

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

Except as described herein, none of the following parties (each a “Related Party”) has, in our fiscal years ended December 31, 2015 and 2014, had any material interest, direct or indirect, in any transaction with us or in any presently proposed transaction that has or will materially affect us (except those described in Item 11, above):

- any of our directors or officers;
- any person who beneficially owns, directly or indirectly, shares carrying more than 10% of the voting rights attached to our outstanding shares of common stock; or
- any member of the immediate family (including spouse, parents, children, siblings and in-laws) of any of the above persons.

On March 24, 2014, as part of Agreement and Plan of Reorganization, each of the Company’s shareholders surrendered their shares of the Company’s common stock in exchange for the pro-rata distribution of 36,000,000 newly issued shares of Company’s common stock, based on the percentage of the total shares of common stock held by the shareholder immediately prior to the exchange (the “Exchange”). Each of the below transactions reference such share amounts before and after such Exchange, where applicable.

On April 26, 2013, the Company approved the issuance of 15.25 shares of common stock (4,569,970 shares post-Exchange) to Isaac Dietrich, our Chief Executive Officer and Chairman, to repay \$17,053 short term borrowing related to Mr. Dietrich’s payment of general Company expenses during the Company’s first months since inception and to compensate him for his services. Service expense of \$112,505 was recognized due to the fair value of the shares in excess of the value of the short term borrowing. These shares were recorded as common stock to be issued and subsequently issued on the closing date of January 1, 2014.

On April 26, 2013, the Company approved the issuance of 3.75 shares of common stock (1,142,493 shares post-Exchange) to Hyler Fortier, our former Chief Operations Officer, in exchange for her services. The market value of the issued shares is \$31,870 and is approximated to be the fair market value of the services received. These shares were recorded as Common Stock to be issued and subsequently issued on the Original Offering’s closing date of January 1, 2014.

On April 26, 2013, the Company approved the issuance of 3.00 shares of common stock (913,994 shares post-Exchange) to Stewart Fortier, our Chief Technology Officer, in exchange for his services. The market value of the issued shares is \$25,496 and is approximated to be the fair market value of the services received. These shares were recorded as Common Stock to be issued and subsequently issued on the Original Offering’s closing date of January 1, 2014.

On April 26, 2013, the Company approved the issuance of 3.00 shares of common stock (913,994 shares post-Exchange) to Tyler Knight, our then Chief Marketing Officer, in exchange for his services. The market value of the issued shares is \$25,496 and is approximated to be the fair market value of the services received. These shares were recorded as Common Stock to be issued and subsequently issued on the Original Offering’s closing date of January 1, 2014.

[Table of Contents](#)

During the year ended December 31, 2013, the Company issued 72.06 stock options (21,954,137 shares post-Exchange) to directors and officers of the Company. In addition, options to purchase 42.81, 11.25, 9.0, and 9.0 shares (13,042,695, 3,427,478, 2,741,982 and 2,741,982 shares post-Exchange) of the Company's common stock at \$1.00 per share were issued to Mr. Dietrich, Ms. Fortier, Mr. Fortier, and Mr. Knight, respectively. The options vested through January 1, 2017 and contained an acceleration clause which was triggered on January 1, 2014 that caused all options to vest immediately. On January 1, 2014, each officer exercised all options held at that time.

On October 7, 2013, the Company entered into an agreement to issue as compensation for services provided a total of 2.94 Series A Preferred shares (895,715 common shares post-Exchange) with a market value of \$24,998 to Douglas Leighton, the Company's former director, for financial consulting services. The market value of the shares approximated the fair market value of services received. These shares were recorded as Series A Preferred Stock to be issued and subsequently issued on the Original Offering's closing date of January 1, 2014 and exchanged for 895,715 common shares post-Exchange.

As payment for consulting services provided in relation to the March 2014 Offering, we issued Dutchess a warrant exercisable into 4,050,000 shares of our common stock at \$0.001 per share, and a warrant exercisable into 2,375,000 shares of our common stock at \$0.40 per share on March 24, 2014. Dutchess is controlled by our former director, Douglas Leighton, and Michael Novielli. These warrants may be exercised any time after their issuance date through and including the third anniversary of their issuance date. The Company also granted registration rights to Dutchess covering all shares of common stock issuable upon the excise of the warrants.

On May 1, 2014, the Company issued 100,000 shares of common stock to Jesus Quintero at \$0.01 per share in exchange for his services as the Company's Chief Financial Officer for one year. These shares have a fair market value of \$10,000.

On October 28, 2014, each of Isaac Dietrich and Stewart Fortier, our Chief Executive Officer and Chief Technology Officer, respectively, each participated in the Company's private offering that took place beginning September 15, 2014 and continued until March 11, 2015, whereby Mr. Dietrich purchased \$5,000 of the Company's securities consisting of 10,000 shares of the Company's common stock and warrants to purchase 5,000 shares at \$1 per share, while Mr. Fortier purchased \$10,000 of the Company's securities consisting of 20,000 shares of the Company's common stock and warrants to purchase 5,000 shares at \$1 per share. On March 11, 2015, E3 Events, LLC, which is controlled by our Director, Ean Seeb, purchased \$15,000 of the Company's securities consisting of 30,000 shares of the Company's common stock and warrants to purchase 15,000 shares at \$1 per share. On March 10, 2015, Michael and Shelly Seeb, Mr. Seeb's parents, as well as JEAP Partners, owned by Mr. Seeb's father in law, participated in the Company's private offering, purchasing \$5,000 and \$20,000 of the Company's securities respectively. Each of these purchases were made on the same terms as other, non-affiliated investors.

Director Independence

Our Common Stock is not quoted or listed on any national exchange or interdealer quotation system with a requirement that a majority of our board of directors be independent and therefore, the Company is not subject to any director independence requirements. Our Board considers a director to be independent when the director is not an officer or employee of the Company or its subsidiaries, does not have any relationship which would, or could reasonably appear to, materially interfere with the independent judgment of such director, and the director otherwise meets the independence requirements under the listing standards of the NASDAQ Stock Market and the rules and regulations of the SEC. Under this standard, Messrs. Dietrich, and Fortier, along with our former director, Mr. Knight, would not be considered "independent" under such standards.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The Company's Board of Directors approved formation of an Audit Committee on in December 2016 which is comprised of three members of the Board of Directors.

[Table of Contents](#)

As disclosed in our Form 8-K filed on January 21, 2016, pursuant to the recommendation of our Audit Committee, we dismissed N.K.A. L&L CPAs, PA (formerly known as Bongiovanni & Associates, PA), (“L&L”) as our independent accountant on January 15, 2016, and engaged Liggett, Vogt & Webb P.A. (“Liggett Webb”) to serve as our new independent accountant. The following table sets forth the aggregate fees billed to us by L&L for the fiscal year ended December 31, 2014 and a portion of the fiscal year ended December 31, 2015, and by Liggett Webb for a portion of the fiscal year ended December 31, 2015:

	L&L		Liggett Webb
	2014	2015	2015
Audit Fees	\$ 31,300	\$ 26,500	\$ 47,558
Audit-Related Fees	—	—	—
Tax Fees	—	—	—
Other Fees	3,000	3,000	—
Totals	\$ 34,300	\$ 29,500	\$ 47,558

Audit fees represent amounts billed for professional services rendered for the audit of our annual financial statements and fees associated with reviewing our quarterly filings.

Other fees represent the fees associated with reviewing our Registration Statements on Form S-1..

The audit committee of the Company approves all auditing services and the terms thereof and non-audit services (other than non-audit services published under Section 10A(g) of the Exchange Act or the applicable rules of the SEC or the Public Company Accounting Oversight Board) to be provided to us by the independent auditor; provided, however, the pre-approval requirement is waived with respect to the provisions of non-audit services for us if the "de minimus" provisions of Section 10A(i)(1)(B) of the Exchange Act are satisfied.

[Table of Contents](#)

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements

Report of Independent Registered Public Accounting Firm

Audited Balance Sheets as of December 31, 2014 and December 31, 2015

Audited Statements of Operations for the Year Ended December 31, 2014 and 2015

Audited Statements of Stockholders' Equity (Deficit) for the Years Ended December 31, 2014, and 2015

Audited Statements of Cash Flows for the Year Ended December 31, 2014 and 2015

Notes to Audited Financial Statements

(b) Exhibit Index

No.	Description
2.1	Plan of Reorganization, dated March 18, 2014. (incorporated by reference to Exhibit 2.1 filed together with the Company's Registration Statement on Form S-1 on June 13, 2014.)
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 filed together with the Company's Registration Statement on Form S-1 on June 13, 2014.)
3.2	Amendment to Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.2 filed together with the Company's Registration Statement on Form S-1 on June 13, 2014)
3.3	Bylaws of the Company (incorporated by reference to Exhibit 3.3 filed together with the Company's Registration Statement on Form S-1 on June 13, 2014.)
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 filed together with the Company's Registration Statement on Form S-1 on June 13, 2014.)
10.1	Amended Employment Agreement by and between the Company and Isaac Dietrich (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K filed on March 31, 2015)
10.2	Amended Employment Agreement between the Company and Daniel Hunt (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 19, 2015)
10.3	Employment Agreement by and between the Company and Stewart Fortier, dated April 1, 2014 (incorporated by reference to Exhibit 10.3 filed together with the Company's Registration Statement on Form S-1 on June 13, 2014.)
10.4	Lease by and between the Company and RVOF Market Center LLC (incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K filed on March 31, 2015)
10.5	First Amendment to Lease by and between the Company and RVOF Market Center LLC, dated 12/11/2015+
10.6	Subscription Agreement dated May 26, 2015, between MassRoots and Flowhub (incorporated by reference to Exhibit 10.1 to the Company's Current Report Form 8-K filed on May 28, 2015)
10.7	2014 Stock Incentive Plan and forms of stock option agreement and stock award agreement thereunder (incorporated by reference to Exhibit 10.12 filed together with the Company's Registration Statement on Form S-1 on June 13, 2014)
10.8	Consulting Agreement, dated May 1, 2015, by and between Jesus Quintero and the Company (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on May 15, 2015)
10.9	Consulting Agreement between MassRoots and Demeter Capital, dated June 15, 2015 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on July 22, 2015)
10.10	Investment Banking Agreement between Chardan and the Company, dated September 24, 2015 (incorporated by reference to Exhibit 10.16 filed together with the Company's Amendment No. 1 to its Registration Statement on Form S-1 on October 7, 2015)
10.11	Employment Agreement between the Company and Jesus Quintero (incorporated by reference to Exhibit 10.22 filed together with the Company's Amendment No. 1 to the Registration Statement on Form S-1 on October 7, 2015)
10.12	2015 Stock Incentive Plan and forms of stock option agreement and stock award agreement thereunder+

[Table of Contents](#)

10.13	Form of Security Agreement Related to Convertible Debentures from the March 2014 Offering (incorporated by reference to Exhibit 10.9 filed together with the Company's Registration Statement on Form S-1 on June 13, 2014)
10.14	Form of Subscription Agreement from the March 2014 Offering (incorporated by reference to Exhibit 10.10 filed together with the Company's Registration Statement on Form S-1 on June 13, 2014.)
10.15	Form of Warrant issued for consulting services from March 2014 Offering at \$0.40 per share (incorporated by reference to Exhibit 4.5 filed together with the Company's Registration Statement on Form S-1 on June 13, 2014)
10.16	Form of Warrant issued for consulting services from March 2014 Offering at \$0.001 per share (incorporated by reference to Exhibit 4.6 filed together with the Company's Registration Statement on Form S-1 on June 13, 2014)
10.17	Form of Warrant issued together with Convertible Debentures from March 2014 Offering at \$0.40 per share (incorporated by reference to Exhibit 4.4 filed together with the Company's Registration Statement on Form S-1 on June 13, 2014)
10.18	Form of Convertible Debenture Agreement Issued in March 2014 Offering (incorporated by reference to Exhibit 4.4 filed together with the Company's Registration Statement on Form S-1 on June 13, 2014)
10.19	Form of Debenture Registration Rights Agreement related to March 2014 Offering (incorporated by reference to Exhibit 10.11 filed together with the Company's Registration Statement on Form S-1 on June 13, 2014)
10.20	Form of Warrant issued with Subscription Agreement from March 2014 Offering at \$0.40 per share (incorporated by reference to Exhibit 4.2 filed together with the Company's Registration Statement on Form S-1 on June 13, 2014)
10.21	Form of Subscription Agreement from September 15, 2014 to March 11, 2015 Private Placement+
10.22	Form of Warrant issued with Subscription Agreement in September 15, 2014 to March 11, 2015 Private Placement at \$1.00 per share+
10.23	Form of Subscription Agreement from April 1, 2015 through April 17, 2015 Private Placement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 17, 2015)
10.24	Form of Subscription Agreement from June 10, 2015 through July 13, 2015 Private Placement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 14, 2015)
10.25	Form of Warrant Utilized by Service Providers+
10.26	Form of Subscription Agreement for the Registered Offering Occurring in November 2015 (incorporated by reference to Exhibit 4.2 filed together with the Company's Amendment No. 1 to the Registration Statement on Form S-1 on October 7, 2015)
10.27	Form of Warrant for the Registered Offering Occurring in November 2015(incorporated by reference to Exhibit 4.3 filed together with the Company's Amendment No. 1 to the Registration Statement on Form S-1 on October 7, 2015)
10.28	Form of Note in March 2016 Note Offering (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on March 18, 2016)
10.29	Form of Warrant in March 2016 Note Offering (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on March 18, 2016)
10.30	Form of Security Agreement in March 2016 Note Offering (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on March 18, 2016)
10.31	Form of Securities Purchase Agreement utilized in March 2016 Note Offering (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 18, 2016)
14.1	Code of Ethics of the Company (incorporated by reference to Exhibit 14.1 to the Company's Annual Report on Form 10-K filed on March 31, 2015)
16.1	Letter of L&L CPAS, PA dated January 29, 2016 (incorporated by reference to Exhibit 16.1 to the Company's Current Report on Form 8-K/A filed on February 1, 2016)
31.1	Certification of CEO Pursuant to Section 302 of the Sarbanes-Oxley Act+
31.2	Certification of CFO Pursuant to Section 302 of the Sarbanes-Oxley Act+
32.1	Certification of CEO Pursuant to Section 906 of the Sarbanes-Oxley Act+
32.2	Certification of CFO Pursuant to Section 906 of the Sarbanes-Oxley Act+
99.1	Charter of the Audit Committee (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on December 14, 2015)

99.2	Charter of the Compensation Committee (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on December 14, 2015)
99.3	Charter of the Nominating/Corporate Governance Committee (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on December 14, 2015)
101	XBRL Instance Documents+

SIGNATURES

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

March 30, 2016

By: /s/ Isaac Dietrich
Isaac Dietrich
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
<u>/s/ Isaac Dietrich</u> Isaac Dietrich	Principal Executive Officer and Chairman of the Board of Directors	March 30, 2016
<u>/s/ Tripp Keber</u> Tripp Keber	Director	March 30, 2016
<u>/s/ Terence Fitch</u> Terence Fitch	Director	March 30, 2016
<u>/s/ Stewart Fortier</u> Stewart Fortier	Director, Chief Technology Officer	March 30, 2016
<u>/s/ Ean Seeb</u> Ean Seeb	Director	March 30, 2016
<u>/s/ Jesus Quintero</u> Jesus Quintero	Chief Financial Officer and Chief Accounting Officer	March 30, 2016

[Table of Contents](#)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Massroots, Inc.

We have audited the accompanying balance sheet of Massroots, Inc. (“the Company”) as of December 31, 2015 and the related statements of operations, stockholders’ equity (deficit), and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Massroots, Inc as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has incurred losses from operations since its inception. These factors raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Liggett & Webb, P.A.
Liggett & Webb, P.A .

March 30, 2016
New York, New York

[Table of Contents](#)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
Massroots, Inc.

We have audited the accompanying balance sheet of Massroots, Inc. (the "Company") as of December 31, 2014, and the related statements of operations, stockholders' equity and cash flows for the year ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of their internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2014, and the results of its operations, changes in stockholders' equity and cash flows for the period for the year ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has a net loss and negative cash flows from operations, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Bongiovanni & Associates, PA
Bongiovanni & Associates, PA
N.K.A. L&L CPAS, PA
Certified Public Accountants
Plantation, Florida
The United States of America
March 31, 2015

[Table of Contents](#)

MASSROOTS, INC.
BALANCE SHEETS
AS OF DECEMBER 31, 2015 AND DECEMBER 31, 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash	\$ 386,316	\$ 141,928
Other receivables	39,500	11,201
Prepaid expense	12,938	130,797
Total Current assets	438,754	283,926
Property and equipment - net	73,023	14,162
OTHER ASSETS		
Investment in Flowhub	175,000	0
Deposits	33,502	68,441
Total Other Assets	208,502	68,441
TOTAL ASSETS	720,279	366,529
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	110,087	25,842
Accrued expenses	84,355	25,695
Derivative liabilities	0	1,099,707
Total Current liabilities	194,442	1,151,244
LONG-TERM LIABILITY		
Convertible debentures, net of \$0 and \$107,016 discount, respectively	209,100	162,084
Total Liabilities	403,542	1,313,328
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock, \$0.001 par value, 200,000,000 shares authorized; 46,939,966 and 38,909,000 shares issued and outstanding	46,940	38,909
Common stock to be issued, 624,000 and 1,048,000 shares, respectively	5,574	1,048
Additional paid in capital	12,096,744	2,372,867
Accumulated deficit	(11,832,521)	(3,359,623)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	316,737	(946,799)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 720,279	\$ 366,529

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

[Table of Contents](#)

MASSROOTS, INC.
STATEMENT OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
REVENUES	\$ 213,963	\$ 9,030
OPERATING EXPENSES		
Advertising	717,773	180,776
Cost of revenues	57,611	690
Payroll and related expense	1,381,071	262,653
Common stock issued for services	1,219,904	30,658
Options issued for services	1,273,393	59,473
Warrants issued for services	229,365	555,598
Other general and administrative expenses	1,459,946	526,405
Total Operating expenses	6,339,063	1,616,253
(LOSS) FROM OPERATIONS	(6,125,100)	(1,607,223)
OTHER (EXPENSE)		
Change in derivative liabilities	(2,236,401)	(753,240)
Interest expense	(4,381)	(8,316)
Amortization of discount on notes payable	(107,016)	(67,363)
Total Other (Expense)	(2,347,798)	(828,919)
(LOSS) BEFORE INCOME TAXES	(8,472,898)	(2,436,142)
PROVISION FOR INCOME TAXES	0	0
NET (LOSS)	\$ (8,472,898)	\$ (2,436,142)
Basic and fully diluted net (loss) per common share:	\$ (0.19)	\$ (0.17)
Weighted average common shares outstanding	43,834,157	14,375,222

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

[Table of Contents](#)

MASSROOTS, INC.
STATEMENT OF CASHFLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss)	\$ (8,472,898)	\$ (2,436,142)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:		
Amortization of discounts on notes payable	107,016	67,363
Depreciation	10,174	1,799
Common stock issued for services	1,219,904	30,658
Options issued for services	1,273,393	59,473
Warrants issued for services	229,365	555,598
Change in derivative liabilities	2,236,401	753,240
Inputed Interest expense	4,381	8,316
Changes in operating assets and liabilities		
Other receivables	(28,299)	(11,201)
Prepaid expense	209,370	—
Deposit	(30,953)	(2,550)
Accounts payable and other liabilities	112,906	50,490
Net Cash (Used in) Operating Activities	(3,129,240)	(922,956)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for equipment	(69,035)	(14,667)
Investment in Flowhub	(175,000)	—
Net Cash (Used in) Investing Activities	(244,035)	(14,667)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of convertible debentures for cash	—	269,100
Issuance of common stock for cash, net of offering costs	3,075,577	729,900
Proceeds from exercise of options and warrants	542,086	72
Net Cash Provided by Financing Activities	3,617,663	999,072
NET INCREASE IN CASH	244,388	61,449
CASH AT BEGINNING OF PERIOD	141,928	80,479
CASH AT END OF YEAR	\$ 386,316	\$ 141,928
NON-CASH FINANCING ACTIVITIES		
Common stock issued upon conversion of debentures	\$ 60,000	\$ 0
Reclassification of derivative liabilities to equity	\$ 3,336,109	\$ 0
Common stock issued for services	\$ 0	\$ 54,342
Options issued for services	\$ 0	\$ 142,345
Preferred stock dividend	\$ 0	\$ 4,538
Inputed interest - apic	\$ 4,381	\$ 8,316

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

MASSROOTS, INC.
STATEMENT OF STOCKHOLDERS EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

	<u>Common Stock</u>		<u>Common Stock to be Issued</u>		<u>Additional Paid</u>	<u>Accumulated</u>	<u>Total Stockholders'</u>
							\$
Balance as of December 31, 2013			13,889,677	13,890	985,960	(919,123)	\$ 80,727
Accrued dividend on preferred stock						(4,358)	(4,358)
Conversion of dividend into common stock	156,293	\$ 156			4,202		4,358
Exercise of options	21,954,030	\$ 21,954			(21,882)		72
Intrinsic value of beneficial conversion feature					87,189		87,189
Common stock issued for cash	2,059,000	\$ 2,059	1,048,000	1,048	467,515		470,622
Common stock issued for services	850,000	\$ 850			84,150		85,000
Issuance of common stock	13,889,677	\$ 13,890	(13,889,677)	(13,890)			0
Options issued for services					201,818		201,818
Warrants issued for services					555,598		555,598
Imputed interest					8,316		8,316
Net loss for 12 months ended December 31, 2014						(2,436,142)	(\$ 2,436,142)
Balance as of December 31, 2014	38,909,000	\$ 38,909	1,048,000	\$ 1,048	\$ 2,372,867	(\$ 3,359,623)	(\$ 946,799)
Common stock issued	1,048,000	\$ 1,048	(1,048,000)	(\$ 1,048)			0
Common stock cancelled in consideration for warrants	(1,000,000)	(\$ 1,000)			\$ 1,000		0
Common stock issued for cash	3,966,509	\$ 3,967	34,000	\$ 34	\$ 3,071,576		3,075,577
Common stock issued upon exercise of warrants for cash	2,426,341	\$ 2,426	—		\$ 534,660		537,086
Common shares issued upon cashless exercise of warrants	41,995	\$ 42			(\$ 42)		0
Common stock issued for services	948,120	\$ 948	540,000	\$ 540	\$ 1,218,416		1,219,904
Stock based commensation related to stock options					\$ 1,273,393		1,273,393
Common stock to be issued from exercise of options			50,000	\$ 5,000			5,000

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

[Table of Contents](#)

	Common Stock		Common Stock to be Issued		Additional Paid	Accumulated	Total Stockholders'
Fair value of warrants issued for services					\$ 229,365		229,365
Common stock issued upon conversion of debentures	600,000	\$ 600			\$ 59,400		60,000
Reclassification of derivative liabilities to equity					\$ 3,336,109		3,336,109
Net loss for 12 months ended December 31, 2015						(\$ 8,472,898)	(\$ 8,472,898)
Balance as of December 31, 2015	<u>46,939,965</u>	<u>\$ 46,940</u>	<u>624,000</u>	<u>\$ 5,574</u>	<u>\$ 12,096,744</u>	<u>(\$ 11,832,521)</u>	<u>\$ 316,737</u>

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

[Table of Contents](#)

MASSROOTS, INC.
Notes to Financial Statement
For the year ended December 31, 2015 and 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

MassRoots, Inc. (the “Company”) is a technology platform for the cannabis industry focused on enabling users to share their cannabis content, follow their favorite dispensaries, and stay connected with the legalization movement. The Company was incorporated in the State of Delaware on April 26, 2013.

During 2015, the Company increased its userbase from approximately 200,000 to 720,000 users. In August 2015, the Company began monetizing its platform through advertising sales to dispensaries and cannabis brands. Its secondary source of income is merchandise sales which primarily includes MassRoot’s t-shirts, jars and stickers.

Basis of Presentation

The financial statements include the accounts of MassRoots, Inc. under the accrual basis of accounting.

Management’s Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates include revenue recognition, fair value of the Company’s stock, stock-based compensation, fair values relating to warrant and other derivative liabilities and the valuation allowance related to deferred tax assets. Actual results may differ from these estimates.

Deferred Taxes

The Company accounts for income taxes under Section 740-10-30 of the FASB Accounting Standards Codification. Deferred income tax assets and liabilities are determined based upon differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statements of operations in the period that includes the enactment date.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Company considers highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

The Company monitors outstanding receivables based on factors surrounding the credit risk of specific customers, historical trends, and other information. The allowance for doubtful accounts is estimated based on an assessment of the Company’s ability to collect on customer accounts receivable. There is judgment involved with estimating the allowance for doubtful accounts and if the financial condition of the Company’s customers were to deteriorate, resulting in their inability to make the required payments, the Company may be required to record additional allowances or charges against revenues. The Company writes-off accounts receivable against the allowance when it determines a balance is uncollectible and no longer actively pursues its collection. As of December 31, 2015 and 2014, based upon the review of the outstanding accounts receivable, the Company has determined that an allowance for doubtful accounts is not required.

Property and Equipment

Property and equipment are stated at cost and depreciated using the straight-line method over their estimated useful lives of 3 to 5 years. When retired or otherwise disposed, the related carrying value and accumulated depreciation are removed from the respective accounts and the net difference less any amount realized from disposition, is reflected in earnings.

[Table of Contents](#)

MASSROOTS, INC.
Notes to Financial Statement
For the year ended December 31, 2015 and 2014

Revenue Recognition

The Company recognizes revenue when services are realized or realizable and earned less estimated future doubtful accounts. The Company considers revenue realized or realizable and earned when all of the following criteria are met:

- (i) persuasive evidence of an arrangement exists,
- (ii) the services have been rendered and all required milestones achieved,
- (iii) the sales price is fixed or determinable, and
- (iv) Collectability is reasonably assured.

MassRoots primarily generates revenue by charging businesses to advertise on the network. MassRoots has the ability to target advertisements directly to a clients' target audience, based on their location, on their mobile devices. All advertising services take between a few hours to up to one month to complete, unless otherwise noted.

MassRoots' secondary source of income is merchandise sales. The objective with the sales is not to generate large profit margins, but to help offset the cost of marketing. Each t-shirt, sticker and jar MassRoots sells will likely lead to more downloads and active users.

Cost of Revenue

The Company's main cost of revenue originates from its merchandise store, where often times the Company realizes low profit margins and is not the main focus of the Company.

Comprehensive Income (Loss)

The Company reports comprehensive income and its components following guidance set forth by section 220-10 of the FASB Accounting Standards Codification which establishes standards for the reporting and display of comprehensive income and its components in the financial statements. There were no items of comprehensive income (loss) applicable to the Company during the periods covered in the financial statements.

Convertible Debentures

If the conversion features of conventional convertible debt provides for a rate of conversion that is below market value at issuance, this feature is characterized as a beneficial conversion feature ("BCF"). A BCF is recorded by the Company as a debt discount pursuant to ASC Topic 470-20 "Debt with Conversion and Other Options." In those circumstances, the convertible debt is recorded net of the discount related to the BCF, and the Company amortizes the discount to interest expense, over the life of the debt.

Stock-Based Compensation

The Company measures the cost of services received in exchange for an award of equity instruments based on the fair value of the award. For employees and directors, the fair value of the award is measured on the grant date and for non-employees, the fair value of the award is generally re-measured on vesting dates and interim financial reporting dates until the service period is complete. The fair value amount is then recognized over the period during which services are required to be provided in exchange for the award, usually the vesting period.

[Table of Contents](#)

MASSROOTS, INC.
Notes to Financial Statement
For the year ended December 31, 2015 and 2014

Fair Value of Financial Instruments

Accounting Standards Codification subtopic 825-10, Financial Instruments ("ASC 825-10") requires disclosure of the fair value of certain financial instruments. The carrying value of cash and cash equivalents, accounts payable and accrued liabilities as reflected in the balance sheets, approximate fair value because of the short-term maturity of these instruments. All other significant financial assets, financial liabilities and equity instruments of the Company are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk. Where practicable the fair values of financial assets and financial liabilities have been determined and disclosed; otherwise only available information pertinent to fair value has been disclosed.

The Company follows Accounting Standards Codification subtopic 820-10, Fair Value Measurements and Disclosures ("ASC 820-10") and Accounting Standards Codification subtopic 825-10, Financial Instruments ("ASC 825-10"), which permits entities to choose to measure many financial instruments and certain other items at fair value.

Derivative Financial Instruments

The Company does not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. The Company evaluates all of its financial instruments, including stock purchase warrants, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported as charges or credits to income.

For option-based simple derivative financial instruments, the Company uses the Black-Scholes option-pricing model to value the derivative instruments at inception and subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period.

Beneficial Conversion Feature

For conventional convertible debt where the rate of conversion is below market value, the Company records a "beneficial conversion feature" ("BCF") and related debt discount.

When the Company records a BCF, the relative fair value of the BCF is recorded as a debt discount against the face amount of the respective debt instrument (offset to additional paid in capital) and amortized to interest expense over the life of the debt.

Advertising, Marketing and Public Relations

The Company follows the policy of charging the costs of advertising, marketing, and public relations to expense as incurred. Such costs were \$717,733 and \$180,776 for the years ended December 31, 2015 and 2014, respectively.

Research and development costs

The Company accounts for research and development costs in accordance with the Accounting Standards Codification subtopic 730-10, Research and Development ("ASC 730-10"). Under ASC 730-10, all research and development costs must be charged to expense as incurred. Accordingly, internal research and development costs are expensed as incurred. Third-party research and development costs are expensed when the contracted work has been performed or as milestone results have been achieved. Company-sponsored research and development costs related to both present and future products are expensed in the period incurred. The Company incurred research and development expenses of \$0 and \$0 for the years ended December 31, 2015 and 2014, respectively.

[Table of Contents](#)

MASSROOTS, INC.
Notes to Financial Statement
For the year ended December 31, 2015 and 2014

Income Taxes

The Company follows Accounting Standards Codification subtopic 740-10, Income Taxes (“ASC 740-10”) for recording the provision for income taxes. Deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability during each period. If available evidence suggests that it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change. Deferred income taxes may arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods.

Deferred taxes are classified as current or non-current, depending on the classification of assets and liabilities to which they relate. Deferred taxes arising from temporary differences that are not related to an asset or liability are classified as current or non-current depending on the periods in which the temporary differences are expected to reverse and are considered immaterial.

Net Income (loss) Per Common Share

The Company computes earnings (loss) per share under Accounting Standards Codification subtopic 260-10, Earnings Per Share (“ASC 260-10”). Net loss per common share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share, if presented, would include the dilution that would occur upon the exercise or conversion of all potentially dilutive securities into common stock using the “treasury stock” and/or “if converted” methods as applicable.

The computation of basic and diluted loss per share as of December 31, 2015 and 2014 excludes potentially dilutive securities when their inclusion would be anti-dilutive, or if their exercise prices were greater than the average market price of the common stock during the period.

Potentially dilutive securities excluded from the computation of basic and diluted net income (loss) per share are as follows:

	<u>2015</u>	<u>2014</u>
Common stock issuable upon conversion of convertible debentures	2,091,000	2,691,000
Options to purchase common stock	5,425,000	2,050,000
Warrants to purchase common stock	9,018,609	9,324,000
Totals	<u>16,534,609</u>	<u>13,975,000</u>

Cost Method Investment

During the year ended December 31, 2015, the Company made an investment in a private company, Flowhub, and has accounted for this investment under the cost method.

Reclassification

Certain reclassifications have been made to the prior years’ data to conform to the current year presentation. These reclassifications had no effect on reported income (losses).

[Table of Contents](#)

MASSROOTS, INC.
Notes to Financial Statement
For the year ended December 31, 2015 and 2014

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" (Topic 606). This ASU provides guidance for revenue recognition and affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets and supersedes the revenue recognition requirements in Topic 605, "Revenue Recognition," and most industry specific guidance. The standard's core principle is the recognition of revenue when a company transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under the current guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers" (Topic 606): Deferral of the Effective Date, which deferred the effective date of ASU 2014-09 to fiscal years beginning after December 15, 2017, including interim reporting periods within that reporting period. Early adoption is permitted for fiscal years beginning after December 15, 2016. The Company is currently evaluating the method and impact the adoption of ASU 2014-09 will have on the Company's consolidated financial statements and disclosures.

In August 2014, FASB issued ASU 2014-15, "Presentation of Financial Statements Going Concern (Subtopic 205-40) – Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern". Currently, there is no guidance in U.S. GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern or to provide related footnote disclosures. The amendments in this ASU provide that guidance. In doing so, the amendments are intended to reduce diversity in the timing and content of footnote disclosures. The amendments require management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Specifically, the amendments (1) provide a definition of the term substantial doubt, (2) require an evaluation every reporting period including interim periods, (3) provide principles for considering the mitigating effect of management's plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) require an express statement and other disclosures when substantial doubt is not alleviated, and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). The amendments in this ASU are effective for public and nonpublic entities for annual periods ending after December 15, 2016. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of ASU 2014-15 on the Company's financial statements.

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

NOTE 2 GOING CONCERN AND UNCERTAINTY

The Company has suffered losses from operations since inception. In addition, the Company has yet to generate a significant cash flow from its business operations. These factors raise substantial doubt as to the ability of the Company to continue as a going concern for a reasonable period of time.

Management's plans with regard to these matters encompass the following actions: 1) obtain funding from new and potentially current investors to alleviate the Company's working deficiency, and 2) implement a plan to generate sales. The Company's continued existence is dependent upon its ability to translate its user base into sales. However, the outcome of management's plans cannot be ascertained with any degree of certainty. The accompanying financial statements do not include any adjustments that might result should the Company be unable to continue as a going concern.

MASSROOTS, INC.
Notes to Financial Statement
For the year ended December 31, 2015 and 2014

NOTE 3 PROPERTY AND EQUIPMENT

Fixed assets were comprised of the following as of December 31, 2015 and 2014:

	2015	2014
Computers	\$ 58,121	\$ 12,134
Office equipment	27,083	4,055
Total	85,224	16,189
Less: Accumulated depreciation	12,201	2,027
Property and equipment, net	\$ 73,023	\$ 14,162

Depreciation expense for the years ended December 31, 2015 and 2014 were \$10,174 and \$1,799, respectively.

NOTE 4 CONVERTIBLE DEBENTURES

On March 24, 2014, the Company issued convertible debentures to certain accredited investors. The total principal amount of the debentures is \$269,100 and originally matured on March 24, 2016 with a zero percent interest rate. The debentures are convertible into shares of the Company's common stock at \$0.10 per share. Subsequent to the close of the year, the debentures were amended to extend the maturity date to March 24, 2018.

The Company recorded the \$174,378 debt discount due to beneficial conversion feature of \$87,189 for the detachable warrants issued with convertible debt, and \$87,189 in derivative liabilities related to the ratchet feature warrants.

On January 7, 2015, one holder of a convertible debenture converted \$40,000 of principal into 400,000 shares of common stock. On April 4, 2015, one holder of a convertible debenture converted \$20,000 of principal into 200,000 shares of common stock.

During the years ended December 31, 2015 and 2014, the Company recorded amortization expense related to debt discount of \$107,016 and 67,363, respectively. As of December 31, 2015, the aggregate carrying value of the debentures was \$209,100 net of debt discounts of \$0, while as of December 31, 2014, the aggregate carrying value of the debentures was \$162,084 net of debt discounts of \$107,016.

The Company's convertible debentures is summarized as follows:

	2015	2014
Principal balance	\$ 209,100	\$ 269,100
Accumulated amortization	(-)	(107,016)
Convertible debentures, net	\$ 209,100	\$ 162,084

NOTE 5 DERIVATIVE LIABILITIES AND FAIR VALUE MEASUREMENTS

The Company identified conversion features embedded within convertible debt and warrants outstanding for the year ending December 31, 2015. The Company has determined that the features associated with the embedded conversion option and exercise prices, in the form a ratchet provisions, should be accounted for at fair value, as a derivative liability, as the Company cannot determine if a sufficient number of shares would be available to settle all potential future conversion transactions.

MASSROOTS, INC.
Notes to Financial Statement
For the year ended December 31, 2015 and 2014

During the third quarter of 2015, the Company and the convertible debt note and warrant holders agreed to amend terms of the agreements to remove the ratchet provisions. Accordingly, the Company reclassified the derivative liability to equity classification resulting in an increase to additional paid in capital by \$3,336,109.

During the fourth quarter of 2015, the Company and the holders of warrants previously issued as part of our offering from September 2014 to March 2015 with an exercise price of \$1.00 per share and all other warrants agreed to amend the warrants to remove the ratchet provision in exchange for a warrant for an additional 20% of their original warrant shares at \$1.06 per share. This reduced the Company's derivative liability by \$1,155,199 and increased additional paid in capital by \$761,426.

The Company adopted the provisions of Accounting Standards Codification subtopic 825-10, Financial Instruments ("ASC 825-10"). ASC 825-10 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. ASC 825-10 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 825-10 establishes three levels of inputs that may be used to measure fair value:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

All items required to be recorded or measured on a recurring basis are based upon level 3 inputs.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement is disclosed and is determined based on the lowest level input that is significant to the fair value measurement

The Company recognizes its derivative liabilities as level 3 and values its derivatives using the methods discussed below. While the Company believes that its valuation methods are appropriate and consistent with other market participants, it recognizes that the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. The primary assumptions that would significantly affect the fair values using the methods discussed are that of volatility and market price of the underlying common stock of the Company.

As of December 31, 2015 and 2014, the Company did not have any derivative instruments that were designated as hedges.

[Table of Contents](#)

MASSROOTS, INC.
Notes to Financial Statement
For the year ended December 31, 2015 and 2014

The derivative liability as of December 31, 2014, in the amount of \$1,099,708 has a level 3 classification. At December 31, 2015, the Company did not have any level 3 classifications.

The following table provides a summary of changes in fair value of the Company's Level 3 financial liabilities as of two years ended December 31, 2015:

Balance, December 31, 2013	\$	—
Transfers in of Level 3		346,467
Mark-to-market – loss on change in fair value of derivative liability - 2014		753,241
Balance, December 31, 2014	\$	1,099,708
Mark-to-market – loss on change in fair value of derivative liability -2015		2,236,401
Transfers out of Level 3		(3,336,109)
Balance, December 31, 2015	\$	—

Fluctuations in the Company's stock price are a primary driver for the changes in the derivative valuations during each reporting period. As the stock price decreases for each of the related derivative instruments, the value to the holder of the instrument generally decreases, therefore decreasing the liability on the Company's consolidated balance sheet. Additionally, stock price volatility is one of the significant unobservable inputs used in the fair value measurement of each of the Company's derivative instruments. The simulated fair value of these liabilities is sensitive to changes in the Company's expected volatility. Increases in expected volatility would generally result in higher fair value measurement. A 10% change in pricing inputs and changes in volatilities and correlation factors would not result in a material change in our Level 3 fair value.

The fair value at the commitment and re-measurement dates for the Company's derivative liabilities were based upon the following management assumptions during the two years ended December 31, 2015:

	<u>Commitment Date</u>	<u>Premeasurement Dates</u>
Expected dividends	0%	0%
Expected volatility	150%	75% - 150%
Expected term	3-5 years	1.83 – 4.70 years
Risk free interest rate	0.75% - 1.1%	0.89% - 1.37%

NOTE 6 CAPITAL STOCK

The following is a summary of the capital stock transactions incurred during the years ended December 31, 2015 and 2014:

On March 18, 2014, the Company entered into a Plan of Reorganization with its shareholders in which the following was effected: (i) on March 21, 2014, the Company's Certificate of Incorporation was amended to allow for the authorization of 200,000,000 shares of the Company's common stock; (ii) on March 24, 2014, each of the Company's preferred shareholders converted their shares into common stock on a one for one basis; and (iii) on March 24, 2014, each of the Company's shareholders surrendered their shares of the Company's common stock in exchange for the pro-rata distribution of 36,000,000 newly issued shares of Company's common stock, based on the percentage of the total shares of common stock held by the shareholder immediately prior to the exchange (the "Exchange").

On January 1, 2014, the Company's directors and officers exercised all of the then outstanding 72.06 stock options and acquired 72.06 shares of common stock at \$1 per share. These 72.06 shares of common stock were exchanged for 21,954,160 shares of common stock during the Exchange.

MASSROOTS, INC.
Notes to Financial Statement
For the year ended December 31, 2015 and 2014

On March 18, 2014, immediately prior to the Exchange, the Company converted \$4,358 accrued dividends from Series A preferred shares into 0.513 shares of common stock, which was exchanged for 156,293 shares of common stock during the Exchange.

On March 24, 2014, the Company issued 2,059,000 shares of common stock in exchange for \$205,900 cash.

On June 4, 2014, the Company issued 250,000 shares of common stock to Vincent “Tripp” Keber valued at \$0.10 per share in exchange for his services on the Company’s Board of Directors for three years under the 2014 Equity Incentive Plan (“2014 Plan”). These shares had a fair market value of \$25,000, of which \$8,220 was amortized for the 12 months ended December 31, 2015.

On June 4, 2014, the Company issued 250,000 shares of common stock under the 2014 Plan to Ean Seeb valued at \$0.10 per share in exchange for his services on the Company’s Board of Directors for three years. These shares had a fair market value of \$25,000, of which \$8,220 was amortized for the 12 months ended December 31, 2015.

On June 4, 2014, the Company issued 250,000 shares of common stock under the 2014 Plan to Sebastian Stant valued at \$0.10 per share in exchange for his services as the Company’s Lead Web Developer for one year. These shares had a fair market value of \$25,000, of which \$21,232 was amortized for the 12 months ended December 31, 2015.

On May 1, 2014, the Company issued 100,000 shares of common stock under the 2014 Plan to Jesus Quintero valued at \$0.10 per share in exchange for his services as the Company’s Chief Financial Officer for one year. These shares had a fair market value of \$10,000, of which \$6,630 was amortized for the 12 months ended December 31, 2015.

From September 15, 2014 to March 11, 2015, we completed an offering of \$861,000 of our securities to certain accredited and non-accredited investors consisting of 1,722,000 shares of our common stock at \$0.50 per share. As of December 31, 2015, 1,732,000 shares of common stock had been issued, of which 10,000 shares were improperly issued and were booked as shares to be rescinded.

In April 2015, MassRoots, Inc. issued 960,337 shares of the Company’s common stock to certain accredited and unaccredited investors, pursuant to which, the Company received gross proceeds of \$576,200. The Company terminated this offering as of April 17, 2015. The Company compensated Chardan Capital Markets, LLC \$20,000 cash and 262,560 shares of common stock as commission for this placement.

On April 28, 2015, the Company entered into a consulting agreement with Torrey Hills Capital. Under the terms of the agreement, Torrey Hills Capital was issued 75,000 shares of common stock for setting-up non-deal roadshows for the Company.

On May 12, 2015, the Company entered into a consulting agreement with Caro Capital. Under the terms of the agreement, Caro was issued 200,000 shares of common stock for setting-up non-deal roadshows for the Company for a period of one year.

On June 15, 2015, the Company entered into a consulting agreement with Demeter Capital. Under the terms of the agreement, Demeter Capital was issued 100,000 shares of common stock for consulting services.

From June to July 2015, MassRoots issued 1,540,672 shares of unregistered common stock to certain accredited investors for gross proceeds of \$1,140,502. In connection with this offering, Chardan Capital received \$27,200 in cash and 80,560 shares of the Company’s common stock as commission for this placement.

[Table of Contents](#)

MASSROOTS, INC.
Notes to Financial Statement
For the year ended December 31, 2015 and 2014

On November 9, 2015, MassRoots sold 815,500 shares of common stock, with warrants to purchase 407,475 shares of common stock, in a registered offering to certain unaccredited and accredited investors for gross proceeds of \$1,019,375 to the Company. MassRoots did not utilize a placement agent in this transaction. As of December 31, 2015, 781,500 shares had been issued and 34,000 shares were recorded as to be issued.

During the year ended December 31, 2015, the Company issued 1,340,000 shares of common stock for the exercise of \$0.40 warrants; 1,086,341 shares of common stock for the exercise of \$0.001 warrants; and 41,995 shares of common stock for the cashless exercise of \$1.00 warrants.

During the year ended December 31, 2015, the Company issued 230,000 shares to 6 employees and consultants under the Company's 2014 Employee Stock Option Program. During the same time period, the Company granted 540,000 shares to 10 employees and consultants under the Company's 2015 Employee Stock Option Program. As of December 31, 2015, none of the share issuances under the Company's 2015 Employee Stock Option Program had been made and 540,000 shares were recorded as to be issued.

In October 2015, the holder of 50,000 options at \$0.10 per share exercised their right to purchase for \$5,000. These shares were recorded as to be issued as of December 31, 2015.

The Company is currently authorized to issue 21 Series A preferred shares at \$1.00 par value per share with 1:1 conversion and voting rights. As of December 31, 2015, there were no shares of Series A preferred shares issued and outstanding.

The Company is currently authorized to issue 200,000,000 shares of its common stock at \$0.001 par value per share. As of December 31, 2015 and 2014, there were 46,939,965 and 38,909,000 shares of common stock issued and outstanding and 624,000 and 1,048,000 shares of common stock to be issued, respectively.

NOTE 7 STOCK WARRANTS

On March 24, 2014, the Company issued warrants to a third party for the purchase of 4,050,000 and 2,375,000 shares of common stock, at an exercise price of \$0.001 and \$0.40 per share, respectively. The warrants may be exercised any time after issuance through and including the third (3rd) anniversary of its original issuance. The Company recorded an expense of \$555,598 equal to the estimated fair value of the warrants at the date of grants. The fair market value was calculated using the Black-Scholes options pricing model, assuming approximately 0.75% risk-free interest, 0% dividend yield, 150% volatility, and expected life of 3 years.

On March 24, 2014, in connection to the issuance of convertible debentures of \$269,100 to certain investors, which are convertible into shares of the Company's common stock at \$0.10 per share, the Company granted to the same investors three-year warrants to purchase an aggregate of up to 1,345,500 shares of the Company's common stock at \$0.4 per share. The warrants may be exercised any time after the issuance through and including the third (3rd) anniversary of its original issuance.

On March 24, 2014, in connection to the issuance of 2,059,000 shares of common stock, the Company granted to the same investor three-year warrants to purchase an aggregate of 1,029,500 shares of the Company's common stock at \$0.40 per share. The warrants may be exercised any time after the issuance through and including the third (3rd) anniversary of its original issuance. The warrants have a fair market value of \$66,712. The fair market value was calculated using the Black-Scholes options pricing model, assuming approximately 0.75% risk-free interest, 0% dividend yield, 150% volatility, and expected life of 3 years. See Note 4 for further discussion.

[Table of Contents](#)

MASSROOTS, INC.
Notes to Financial Statement
For the year ended December 31, 2015 and 2014

From September 2014 to March 31, 2015, in connection to the sale of 1,722,000 shares of common stock, the Company granted to the same investors three-year warrants to purchase an aggregate of 861,000 shares of the Company's common stock at \$1.00 per share. The warrants may be exercised any time after the issuance through and including the third (3rd) anniversary of its original issuance. The warrants have a fair market value of \$ 168,358. The fair market value was calculated using the Black-Scholes options pricing model, assuming approximately 1% risk-free interest, 0% dividend yield, 150% volatility, and expected life of 3 years. See Note 4 for further discussion.

On February 27, 2015, the Company issued warrants for a nominal amount to purchase 100,000 shares of common stock at \$0.50 per share to certain service providers, valued at \$43,704.

On April 8, 2015, the Company issued warrants to purchase 50,000 shares of common stock at \$0.60 per share to certain service providers, valued at \$51,378.

In July 2015, a shareholder retired 1,000,000 shares of registered common stock in exchange for 1,000,000 warrants exercisable at \$0.001 per share for a period of three (3) years.

On July 30, 2015, the Company issued warrants to purchase 175,000 shares of common stock at \$0.90 per share to certain service providers, valued at \$100,340.

On November 9, 2015, in connection to the sale of 815,500 shares of our common stock, the Company granted to the same investors three-year warrants to purchase an aggregate of 407,475 shares of the Company's common stock at \$3.00 per share. The warrants may be exercised any time after the issuance through and including the third (3rd) anniversary of its original issuance.

In December 2015, MassRoots issued 146,200 three year warrants with an exercise price of \$1.06 to our holders of outstanding warrants issued in conjunction with our September 15, 2014 to March 11, 2015 offering. These warrants were issued in exchange for the holder agreeing to waive certain provisions providing price protection of the warrant received in the September 15, 2014 to March 11, 2015 offering.

During the year ended December 31, 2015, warrants to purchase 1,340,000 shares of common stock at \$0.40 per share were exercised for gross proceeds to the Company of \$536,000. Over the same time period, warrants to purchase 1,086,341 shares of common stock at \$0.001 per share were exercised for gross proceeds to the Company of \$1,086. In October 2015, a shareholder exercised 100,000 warrants to purchase shares of common stock at \$1 per share through the warrant's cashless provision pursuant to which he was issued 41,995 shares of common stock at \$1.00 per share for no gross proceeds to the Company.

[Table of Contents](#)

MASSROOTS, INC.
Notes to Financial Statement
For the year ended December 31, 2015 and 2014

Stock warrants outstanding and exercisable on December 31, 2015 are as follows:

Warrants Outstanding			Weighted Average Remaining Life In Years	Warrants Exercisable
Exercise Price	Number of Warrants			Exercisable Number of Warrants
\$ 0.001	3,963,659		1.6	3,963,659
0.40	3,415,275		1.3	3,415,275
0.50	100,000		4.2	100,000
0.60	50,000		4.4	50,000
0.90	175,000		4.6	175,000
1.00	761,000		2.0	761,000
1.06	146,200		3.0	146,200
3.00	407,475		2.8	407,475
	9,018,609		1.70	9,018,609

A summary of the warrant activity for the years ended December 31, 2015 and 2014 is as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
Outstanding at January 1, 2014	0	\$ —	—
Grants	9,324,000	\$ 0.26	5.0
Exercised	—	—	—
Canceled	—	—	—
Outstanding at December 31, 2014	9,324,000	\$ 0.26	4.26
Grants	2,220,950	0.11	5.0
Exercised	(2,526,341)	0.25	1.3
Canceled	—	—	—
Outstanding at December 31, 2015	9,018,609	\$ 0.42	2.26
Exercisable at December 31, 2015	9,018,609	\$ 0.42	2.26

The aggregate intrinsic value outstanding stock warrants was \$6,857,509 the total pretax intrinsic value, based on warrants with an exercise price less than the Company's stock price of \$1.10 as of December 31, 2015, which would have been received by the warrant holders had those warrant holders exercised their warrants as of that date.

NOTE 8 EMPLOYEE EQUITY INCENTIVE PLANS

In June 2014, our shareholders approved our 2014 Equity Incentive Plan ("2014 Plan"), which provides for the grant of incentive stock options to our employees and our parent and subsidiary corporations' employees, and for the grant of nonstatutory stock options, stock bonus awards, restricted stock awards, performance stock awards and other forms of stock compensation to our employees, including officers, consultants and directors. A total of 4 million shares of common stock are reserved for issuance under our 2014 Plan.

MASSROOTS, INC.
Notes to Financial Statement
For the year ended December 31, 2015 and 2014

On June 4, 2014, the Company granted options to purchase 750,000 shares at \$0.10 per share to Vincent “Tripp” Keber for his services on the Company’s Board of Directors for 3 years. Under the terms of the grant, 250,000 shares shall begin vesting on October 1, 2014 such that 20,833 shares shall vest on the first of every month except for every three months, when 20,834 shares shall vest. An additional 250,000 shares shall begin vesting the later of: October 1, 2015 or the Company reaching 830,000 users such that 20,833 shares shall vest on the first of every month except for every three months, when 20,834 shares shall vest. An additional 250,000 shares shall vest immediately upon the later of: October 1, 2016 or the Company reaching 1,080,000 users. These options were issued in exchange for his services on the Company’s Board of Directors for 3 years. The options may be exercised any time after the issuance through and including the tenth (10th) anniversary of its original issuance. The options have a fair market value of \$73,836. The fair market value was calculated using the Black-Scholes options pricing model, assuming approximately 2.61% risk-free interest, 0% dividend yield, 150% volatility, and expected life of 10 years. As of December 31, 2015 the unamortized balance was \$35,064.

On June 4, 2014, the Company granted options to purchase 750,000 shares at \$0.10 per share to Ean Seeb for his services on the Company’s Board of Directors for 3 years. Under the terms of the grant, 250,000 shares shall begin vesting on October 1, 2014 such that 20,833 shares shall vest on the first of every month except for every three months, when 20,834 shares shall vest. An additional 250,000 shares shall begin vesting the later of: October 1, 2015 or the Company reaching 830,000 users such that 20,833 shares shall vest on the first of every month except for every three months, when 20,834 shares shall vest. An additional 250,000 shares shall vest immediately upon the later of: October 1, 2016 or the Company reaching 1,080,000 users. These options were issued in exchange for his services on the Company’s Board of Directors for 3 years. The options may be exercised any time after the issuance through and including the tenth (10th) anniversary of its original issuance. The options have a fair market value of \$73,836. The fair market value was calculated using the Black-Scholes options pricing model, assuming approximately 2.61% risk-free interest, 0% dividend yield, 150% volatility, and expected life of 10 years. As of December 31, 2015 the unamortized balance was \$35,064.

On June 4, 2014, the Company granted options to purchase 550,000 shares at \$0.10 per share to Sebastian Stant for his services as the Company’s Lead Web Developer for 1 year. Under the terms of the grant, 250,000 shares shall vest immediately upon the Company reaching 250,000 users. An additional 150,000 shares shall vest immediately upon the Company reaching 500,000 users. An additional 150,000 shares shall vest immediately upon the Company reaching 750,000 users. The options were issued in exchange for his services as the Company’s Lead Web Developer for 1 year. The options may be exercised any time after the issuance through and including the tenth (10th) anniversary of its original issuance. The options have a fair market value of \$54,146. The fair market value was calculated using the Black-Scholes options pricing model, assuming approximately 2.61% risk-free interest, 0% dividend yield, 150% volatility, and expected life of 10 years. As of December 31, 2015 the balance was \$0.

On March 9, 2015, Sebastian Stant resigned his position as Lead Developer of MassRoots and surrendered 350,000 options with a strike price of \$0.10 per share back to the 2014 Plan.

From January 1 to March 31, 2015, the Company granted 230,000 shares and options to purchase 1,065,000 shares at \$0.50 per share to 20 employees and consultants of the Company, with most vesting monthly over the course of one year. The fair market value of the options are \$523,991.

On April 8, 2015, the Company granted options to purchase 105,000 shares at \$0.60 per share to 3 employees and consultants of the Company, with most vesting monthly over the course of one year. The fair market value of the options are \$114,143.

MASSROOTS, INC.
Notes to Financial Statement
For the year ended December 31, 2015 and 2014

In December 2015, our shareholders approved our 2015 Equity Incentive Plan (“2015 Plan”), which provides for the grant of incentive stock options to our employees and our parent and subsidiary corporations' employees, and for the grant of nonstatutory stock options, stock bonus awards, restricted stock awards, performance stock awards and other forms of stock compensation to our employees, including officers, consultants and directors. A total of 4.5 million shares of common stock are reserved for issuance under our 2015 Plan.

On December 10, 2015, the Company granted options to purchase 1,955,000 shares at \$0.90 per share to 28 employees and consultants of the Company under the 2015 Plan, with most vesting monthly over the course of one year. The fair market value of the options is \$1,759,500 .

On December 14, 2015, the Company granted options to purchase 800,000 shares at \$1.00 per share to Daniel Hunt, our Chief Operating Officer, under the 2015 Plan, with 200,000 shares vesting upon the completion of each milestone: the Company reaching 1,000,000 registered users, the Company reaching 2,500,000 registered users, the Company reaching \$1,000,000 in revenue since inception, and the Company reaching \$2,500,000 in revenue since inception. The fair market value of the options is \$800,00.

In October 2015, a holder of 50,000 options at \$0.10 per share exercised their right to purchase for \$5,000. These shares were recorded as to be issued as of December 31, 2015.

No other stock options have been issued or exercised during the year ended December 31, 2015.

The following table presents information related to stock options at December 31, 2015:

Options Outstanding			Options Exercisable	
Exercise Price	Number of Options	Weighted Average Remaining Life In Years	Exercisable Number of Options	
\$ 0.10	1,500,000	8.6	500,000	
0.50	1,065,000	9.0	964,981	
0.60	105,000	9.3	67,940	
0.90	1,955,000	9.9	585,000	
1.00	800,000	9.9	0	
	5,425,000	9.3	2,117,921	

[Table of Contents](#)

MASSROOTS, INC.
Notes to Financial Statement
For the year ended December 31, 2015 and 2014

A summary of the stock option activity and related information for the 2015 Plan for the years ended December 31, 2015 and 2014 is as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
Outstanding at January 1, 2014	0	\$ —	—
Grants	2,050,000	0.1	9.6
Exercised	—	—	—
Canceled	—	\$ —	—
Outstanding at December 31, 2014	2,050,000	\$ 0.1	9.6
Grants	3,925,000	0.80	9.9
Exercised	(250,000)	0.1	9.3
Canceled	(300,000)	0.1	8.6
Outstanding at December 31, 2015	5,425,000	\$ 0.59	9.3
Exercisable at December 31, 2015	2,117,921	\$ 0.52	9.1

The aggregate intrinsic value of outstanding stock options was \$6,044,500, based on options with an exercise price less than the Company's stock price of \$1.10 as of December 31, 2015, which would have been received by the option holders had those option holders exercised their options as of that date.

Option valuation models require the input of highly subjective assumptions. The fair value of stock-based payment awards was estimated using the Black-Scholes option model with a volatility figure derived from an index of historical stock prices of comparable entities until sufficient data exists to estimate the volatility using the Company's own historical stock prices. Management determined this assumption to be a more accurate indicator of value. The Company accounts for the expected life of options based on the contractual life of options for non-employees.

The fair value of the granted options for the year ended December 31, 2015 was determined using the Black Scholes option pricing model with the following assumptions:

Dividend yield:	0%
Volatility	119.43% to 129.88%
Risk free rate:	0.48% to 2.53 %
Expected life:	7 to 10 years
Estimated fair value of the Company's common stock	\$ 2.21 to \$2.50
Estimated forfeiture rate	0%

NOTE 9 COMMITMENTS AND CONTINGENCIES

Operating leases

On April 14, 2015, the Company completed the relocation of its headquarters to 1624 Market Street, Suite 201, Denver, CO 80202 which we leased on March 20, 2015 pursuant to a lease agreement with RVOF Market Center, LLC ("201 Lease"). Under the 201 Lease, we agreed to rent 3,552 square feet of office space at that location for a term of 37 months, under which the Company will pay a base rate of \$0 for the first month, \$8,288 for months two through 13, \$8,584 for the months 14 through 25, and \$8,880 for the months 26 through 37. We did not incur a significant cost related to the move to this location.

[Table of Contents](#)

MASSROOTS, INC.
Notes to Financial Statement
For the year ended December 31, 2015 and 2014

The Company amended this lease in January 2016 to include Suite 203, also located at 1624 Market Street in Denver, CO 80202, which allows us to expand our headquarters by an additional 1,508 square feet of office space. For this expansion (and in addition to the rent paid under the 201 Lease), we will pay \$0 until May 30, 2016, \$3,644 for each month from June 1, 2016 to May 30, 2017, \$3,770 for each month from June 1, 2017 to May 30, 2018, and \$3,896 for each month from June 1, 2018 to November 30, 2018.

Future minimum lease payments under these two agreements are as follows:

Year Ending December 31,		
2016	\$	127,032
2017		149,395
2018		139,904
	\$	416,338

Rent expense charged to operations, which differs from rent paid due to rent credits and to increasing amounts of base rent, is calculated by allocating total rental payments on a straight-line basis over the term of the lease. During the years ended December 31, 2015 and 2014, rent expense was \$64,438 and \$14,699, respectively and as of December 31, 2015 and 2014

NOTE 10 INCOME TAXES

At December 31, 2015, the Company has available for federal income tax purposes a net operating loss carry forward of approximately \$6 million, expiring in the year 2035, that may be used to offset future taxable income. The Company has provided a valuation reserve against the full amount of the net operating loss benefit, since in the opinion of management based upon the earnings history of the Company; it is more likely than not that the benefits will not be realized. Due to possible significant changes in the Company's ownership, the future use of its existing net operating losses may be limited. All or portion of the remaining valuation allowance may be reduced in future years based on an assessment of earnings sufficient to fully utilize these potential tax benefits. During the year ended December 31, 2015, the Company has increased the valuation allowance from \$1,024,000 to \$2,374,000.

We have adopted the provisions of ASC 740-10-25, which provides recognition criteria and a related measurement model for uncertain tax positions taken or expected to be taken in income tax returns. ASC 740-10-25 requires that a position taken or expected to be taken in a tax return be recognized in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities.

Tax position that meet the more likely than not threshold are then measured using a probability weighted approach recognizing the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company had no tax positions relating to open income tax returns that were considered to be uncertain.

The Company's deferred taxes as of December 31, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Non-Current deferred tax asset:		
Net operating loss carry-forwards	\$ 2,374,000	\$ 1,024,000
Valuation allowance	(2,374,000)	(1,024,000)
Net non-current deferred tax asset	\$ —	\$ —

MASSROOTS, INC.
Notes to Financial Statement
For the year ended December 31, 2015 and 2014

NOTE 11 SUBSEQUENT EVENTS

From January 1 to March 30, 2016, the Company issued 574,000 of the 624,000 shares to be issued as of December 31, 2015. Over the same time period, the Company issued 135,000 shares for services to be rendered in 2016, 7,500 shares for warrant exercises in 2016, and 10,000 shares for option exercises in 2016.

In February 2016, MassRoots issued to a service provider a 12 month convertible debentures at 15% interest with a principal amount of \$35,000 along with 35,000 3-year warrants to purchase shares common stock at \$1.00 per share. The convertible debentures are payable at maturity, and convertible at the investor's determination at a price equal to 90% of the price of a subsequent public underwritten offering if one occurs over \$5 million, or, if no subsequent offering occurs, at \$0.75 per share.

On March 24, 2016, the Company entered into an agreement with Santino Walter Productions, LLC ("SWP") in which the Company purchased a Senior Secured Promissory Note ("Note") with a principle amount of \$156,000 for a purchase price of \$130,000. The funds are solely to be used by SWP for costs related to the Denver Annual 420 Rally ("420 Rally"). The Note matures in 60 days and is secured against all assets of SWP. The Company also entered into License and Letter Agreements with SWP pursuant to which MassRoots will earn a 50% licensing fee on all ticket sales and sponsorship sales, along with 15% of all booth sales, of the 420 Rally. MassRoots is obligated to provide the ticketing system and cover all activation costs related to the tickets. The first \$130,000 in revenue received related to the 420 Rally will to be used to cover the remaining costs of talent for the event; the next \$156,000 in revenue will be used to repay the Note. All proceeds from ticket sales and sponsorships will be held by MassRoots initially; after payment of the Note, and all fees earned by MassRoots under the agreement, the remaining proceeds will then be distributed to SWP. All talent booked by SWP for the 420 Rally will be required to create a MassRoots profile, which can be waived at the Company's sole discretion. The Company also retains the right to participate in a materially similar transaction related to the 420 Rally every year through 2020.

On March 17, 2016, the Company sold to investors six (6) month secured convertible original issue discount notes with principal amount in the aggregate of \$1,514,667, together with five year warrants to purchase an amount of shares of the Company's common stock equal to the number of shares of common stock issuable upon the conversion of the notes in full and having an exercise price of \$1.00 per share. If the Company exercises its right to prepay the note, the Company shall make payment to the investor of an amount in cash equal to the sum of the then outstanding principal amount of the note that it desires to prepay, multiplied by (a) 1.2, during the first ninety (90) days after the execution of this Note, or (b) 1.35, at any point thereafter. The notes are convertible into shares of the Company's common stock at a price per share equal to the lower of (i) one dollar (\$1.00), and (ii) a 25% discount to the price at which the Company next conducts an offering after the issuance date of the note; provided, however, if any part of the principal amount of the note remains unpaid at its maturity date, the conversion price will be equal to 65% of the average of the three trading days with the lowest daily weighted average prices of the Company's common stock occurring during the fifteen days prior to the notes' maturity date. The notes require that any net proceeds received subsequent offerings made by the Company first be used to repay the notes' outstanding principal amount. If the note is not repaid by the maturity date, the investors will receive, in aggregate, but calculated pro rata to the principal amounts remaining outstanding at the time of maturity, up to five hundred thousand (500,000) shares of the Company's common stock. Gross proceeds received by the Company for the notes and warrants in this Offering was \$1,420,000, while net proceeds were \$1,271,600 (excluding any legal fees).

On March 7, 2016, the Company entered into an agreement with all holders of the Company's debentures issued in its March 2014 Offering to extend the maturity date to March 24, 2018.

[Table of Contents](#)

**FIRST AMENDMENT TO LEASE AGREEMENT
WITH MASSROOTS AT MARKET CENTER BUILDING**

This First Amendment to Lease Agreement (this "First Amendment") is entered into by and between MARKET CENTER INVESTORS LLC, a Delaware limited liability company ("Landlord"), and MASSROOTS, INC., a Delaware corporation ("Tenant").

RECITALS

- A. Landlord is the successor-in-interest to **RVOF MARKET CENTER LLC**, a Delaware limited liability company ("**Original Landlord**").
- B. Original Landlord and Tenant entered into that certain Office Lease dated March 20, 2015 (the "**Lease**") for premises known as Suite 201 consisting of approximately 3,552 square feet (the "**Existing Premises**") in a building located at 1320-1380 17th Street and 1624-1660 Market Street, Denver, CO 80202 (the "**Building**").
- C. Landlord is the present owner of the Building and landlord under the Lease.
- D. The Term of the Lease presently expires on May 30, 2018.
- E. Landlord and Tenant now desire to amend the Lease to: (i) add suite 203 on the 2nd floor of the Building consisting of approximately 1,508 square feet of Rentable Area, and as depicted on Exhibit A-1 (the "**Expansion Space**"), to the Existing Premises; (ii) adjust the Base Rent, Tenant's Percentage Share and Security Deposit under the Lease; (iii) provide for a tenant allowance for certain leasehold improvements; (iv) extend the Term of the Lease; and (v) make such other and further modifications to the Lease as more particularly set forth below.

AGREEMENT

1. **Defined Terms**. All capitalized terms used but not defined in this First Amendment will have the meanings set forth for such terms in the Lease. All terms that are defined in this First Amendment and used in any provisions that are added to the Lease pursuant to this First Amendment will have the meanings in the Lease set forth for such terms in this First Amendment.
2. **Effective Date**. The term "**Effective Date of this First Amendment**" as used herein means the date that Landlord executes this First Amendment as indicated on the signature page.
3. **Term; Lease Expiration Date**. The term of the Lease is currently set to expire on May 30, 2018. Effective as of the Effective Date of this First Amendment, Section 1.1(b) is hereby amended so that the "**Term**" is extended for an additional six (6) months, and the "**Expiration Date**" is now 11:59P.M. on November 30, 2018.
4. **Demise of the Expansion Space**. Effective as of the date that Landlord delivers the Expansion Space to Tenant (the "**Expansion Space Commencement Date**"), Landlord leases to Tenant and Tenant leases from Landlord, the Expansion Space upon and subject to the all of the terms and provisions of the Lease, as amended by this First Amendment. Landlord anticipates delivering the Expansion Space to Tenant on or before January 1, 2016.
5. **Premises**. Effective as of the Expansion Space Commencement Date, Section 1.1(c) of the of the Lease shall be amended so that the term "**Premises**" will include both the Existing Premises and the Expansion Space. Accordingly, Exhibit A-1 of the Lease shall then be replaced with Exhibit A-1 attached to this First Amendment.
6. **Rentable Area of the Premises**. Effective as of the Expansion Space Commencement Date, Section 1.1(d) of the Lease shall be amended so that "**Rentable Area of the Premises**" will be 5,060 square feet.
7. **Rent Commencement Date for the Expansion Space**. Base Rent will be due and owing from Tenant to Landlord on the Expansion Space commencing on June 1, 2016 (the "**Expansion Space Rent Commencement Date**"), and Tenant shall then pay Base Rent on the Expansion Space (in addition to Base Rent on the Existing Premises) in accordance with the chart set forth in Section 8 of this First Amendment.
8. **Base Rent on the Expansion Space**. Effective as of June 1, 2016, Section 1.1(h) of the Lease is amended to add that Base Rent is payable on the Expansion Space (in addition to Base Rent on the Existing Premises) as follows:

<u>Lease Period</u>	<u>Total Annual Base Rent*</u>	<u>Total Monthly Base Rent*</u>	<u>Annual Base Rent per RSF</u>
Expansion Space Commencement Date - May 30, 2016	\$ 0.00	\$ 0.00	\$ 0.00
June 1, 2016 – May 30, 2017	\$ 43,731.96	\$ 3,644.33	\$ 29.00
June 1, 2017 – May 30, 2018	\$ 45,240.00	\$ 3,770.00	\$ 30.00
June 1, 2018 – November 30, 2018	\$ 46,748.04	\$ 3,895.67	\$ 31.00

*Base Rent on the Expansion Space is calculated based on 1,508 rentable square feet of the Expansion Space.

Nothing in this Section 8 of this First Amendment will operate to relieve Tenant of its obligation to pay Base Rent on the Existing Premises in accordance with Section 1.1(h) of the Lease, Additional Expenses, or other charges due under the Lease.

9. **Building Share** . Effective as of the Expansion Space Commencement Date, Section 1.1(i) of the Lease shall be amended so that the “ **Building Share** ” shall be **4.27%** [calculated at $5,060 / 118,505 \times 100 = 4.27\%$].
10. **Security Deposit** . Effective as of the Effective Date of this First Amendment, Section 1.1(k) of the Lease shall be amended so that the “ **Security Deposit** ” shall be \$36,796.33, an increase of \$3,644.33, such increase amount being equal to one-month’s initial Base Rent on the Expansion Space, payable upon Tenant’s execution and delivery of this First Amendment to Landlord.
11. **Landlord’s Address for Notices** . Effective as of the Effective Date of this First Amendment, Section 1.1(l) of the Lease is hereby amended so that:

“ **Landlord’s Notice Address** ” means:

Urban Renaissance Property Company
1640 Market St.
Denver, CO 80202

With copies to:

Market Center Investors, LLC
c/o Urban Renaissance Property Company
1425 Fourth Ave., Suite 500
Seattle, WA 98101

or such other and further address(es) as Landlord may advise Tenant in writing from time to time.”

12. **Landlord’s Rent Address** . Effective as of the Effective Date of this First Amendment, Section 1.1(m) of the Lease is hereby amended so that:

“ **Landlord’s Rent Address** ” means:

Market Center Investors LLC
PO Box 84323
Seattle, WA 98124-5623

or such other and further address(es) as Landlord may advise Tenant in writing from time to time.”

13. **Tenant's Work** . Tenant's leasehold improvements and alterations to the Expansion Space (" **Tenant's Work** ") and to the Existing Premises (if any), shall be performed in accordance with Section 8.1 of the Lease, and Tenant shall comply with the insurance requirements of Section 10 of the Lease and, if requested by Landlord, name Landlord as additional insured to Tenant's insurance policy(s). Tenant's Work shall be considered to be "substantial completed" upon the earlier to occur of: (i) completion of Tenant's Work in the Expansion Space other than punch-list items; (ii) Tenant obtaining a certificate of occupancy for the Expansion Space; or (iii) Tenant conducting business in the Expansion Space.
14. **Allowance . Landlord's Allowance** . " **Landlord's Allowance** " means up to \$15,000 provided by Landlord to help offset the actual costs of Tenant's Work (" **Actual Costs** "). Landlord agrees to pay Tenant the Landlord's Allowance to be applied to the cost of constructing and installing Tenant's Work. Landlord will pay the amount of Landlord's Allowance to Tenant within thirty (30) days following the latest to occur of: (i) Landlord's receipt of written notice from Tenant's contractor and Tenant's architect (or other evidence satisfactory to Landlord) that Tenant's Work has been completed (including completion of any punch list items); (ii) Landlord's receipt of final and unconditional original lien waivers from Tenant's contractor and all subcontractors, suppliers, materialmen and other parties who performed labor at, or supplied materials to, the Premises in connection with Tenant's Work; (iii) Landlord's receipt of a copy of a certificate of occupancy for the Premises issued by the appropriate governmental authorities, and (iv) Tenant has commenced business in the Expansion Space for its permitted use. Landlord will have no obligation to make any payments of Landlord's Allowance at any time that a Default exists under the Lease. Landlord is not required to pay Landlord's Allowance beyond the amount of Actual Costs, and Tenant is required to pay any costs of Tenant's Work that exceeds Landlord's Allowance.
15. **No Other Work** . Landlord and Tenant agree that no promises to alter, remodel or improve the Premises (including the Expansion Space) or the Building, and no representations concerning the condition of the Premises (including the Expansion Space), or the Building have been made by Landlord to Tenant other than as may be expressly stated in this First Amendment.
16. **No Further Right of First Offer** . Tenant is herein exercising its one-time right of first offer in connection with the Expansion Space. Therefore, effective as of the Effective Date of this First Amendment, Section 28 of the Lease is hereby deleted and of no further force or effect, and Tenant shall have no further right of first offer under the Lease, as amended by this First Amendment.
17. **Brokers** . Landlord and Tenant represent and warrant that no broker or agent negotiated or was instrumental in negotiating or consummating this First Amendment except Allison Berry and Hilary Barnett of CBRE (" **Broker** "), exclusively representing Landlord. Neither party knows of any other real estate broker or agent who is or might be entitled to a commission or compensation in connection with this First Amendment. Landlord will pay all fees, commissions or other compensation payable to Broker pursuant to a separate agreement(s). Tenant and Landlord will indemnify and hold each other harmless from all damages paid or incurred by the other resulting from any claims asserted against either party by brokers or agents claiming through the other party.
18. **Ratification of Lease** . The parties hereto agree that the Lease, as amended by this First Amendment, shall continue to be effective and binding on the parties, and the parties hereby ratify and confirm the Lease as being in full force and effect.
19. **No Further Modification** . The parties agree that the Lease in all other respects, except as modified by this First Amendment, remains unchanged and unaffected by this First Amendment, and the provisions thereof shall continue to be effective and binding on the parties.
20. **Authority to Bind** . Landlord and Tenant each represent and warrant that the person executing this First Amendment is empowered and duly authorized to bind Landlord or Tenant, as the case may be, to this First Amendment according to its terms.
21. **Counterparts** . This First Amendment may be executed in one or more counterparts, each of which shall be deemed an original, including transmittals by facsimile and electronic mail, all of which together shall constitute one and the same instrument.

[Signatures appear on next page]

IN WITNESS WHEREOF, Landlord and Tenant each caused this First Amendment to be executed and delivered by its duly authorized representative to be effective as of the Effective Date of this First Amendment.

TENANT:

MASSROOTS, INC., a Delaware corporation

By: /s/ Stewart Fortier

Printed Name: Stewart Fortier

Title : Chief Technical Officer

Dated: 12/11/15

LANDLORD:

MARKET CENTER INVESTORS LLC, a Delaware limited liability company

By: /s/ John Bliss

Printed Name: John Bliss

Title:

Dated: 12/11/15

Exhibit A-1

Premises

[Attach depiction of the Premises comprised of the Existing Premises (Suite 201) and the Expansion Space (Suite 203)]

MASSROOTS, INC.

2015 STOCK INCENTIVE PLAN

1. PURPOSE

MassRoots, Inc.'s 2015 Stock Incentive Plan is intended to promote the best interests of MassRoots, Inc. and its stockholders by (i) assisting the Corporation and its Affiliates in the recruitment and retention of persons with ability and initiative, (ii) providing an incentive to such persons to contribute to the growth and success of the Corporation's businesses by affording such persons equity participation in the Corporation and (iii) associating the interests of such persons with those of the Corporation and its Affiliates and stockholders.

2. DEFINITIONS

As used in this Plan the following definitions shall apply:

- A. "Affiliate" means (i) any Subsidiary, (ii) any Parent, (iii) any corporation, or trade or business (including, without limitation, a partnership, limited liability company or other entity) which is directly or indirectly controlled fifty percent (50%) or more (whether by ownership of stock, assets or an equivalent ownership interest or voting interest) by the Corporation or one of its Affiliates, and (iv) any other entity in which the Corporation or any of its Affiliates has a material equity interest and which is designated as an "Affiliate" by resolution of the Committee.
- B. "Award" means any Option or Stock Award granted hereunder.
- C. "Board" means the Board of Directors of the Corporation.
- D. "Code" means the Internal Revenue Code of 1986, and any amendments thereto.
- E. "Committee" means the Board or any Committee of the Board to which the Board has delegated any responsibility for the implementation, interpretation or administration of this Plan.
- F. "Common Stock" means the common stock, \$0.001 par value, of the Corporation.
- G. "Consultant" means (i) any person performing consulting or advisory services for the Corporation or any Affiliate, or (ii) a director of an Affiliate.
- H. "Corporation" means MassRoots, Inc., a Delaware corporation.
- I. "Corporation Law" means the Delaware Revised Statutes, as the same shall be amended from time to time.
- J. "Date of Grant" means the date that the Committee approves an Option grant; provided, that all terms of such grant, including the amount of shares subject to the grant, exercise price and vesting are defined at such time.
- K. "Deferral Period" means the period of time during which Deferred Shares are subject to deferral limitations under Section 7.D of this Plan.
- L. "Deferred Shares" means an award pursuant to Section 7.D of this Plan of the right to receive shares of Common Stock at the end of a specified Deferral Period.
- M. "Director" means a member of the Board.
- N. "Eligible Person" means an employee of the Corporation or an Affiliate (including a corporation that becomes an Affiliate after the adoption of this Plan), a Director or a Consultant to the Corporation or an Affiliate (including a corporation that becomes an Affiliate after the adoption of this Plan).
- O. "Exchange Act" means the Securities Exchange Act of 1934, as amended.
- P. "Fair Market Value" means, on any given date, the current fair market value of the shares of Common Stock as determined as follows:

- (i) If the Common Stock is traded on a national securities exchange, the closing price for the day of determination as quoted on such market or exchange, including the NASDAQ Global Market or NASDAQ Capital Market, which is the primary market or exchange for trading of the Common Stock or if no trading occurs on such date, the last day on which trading occurred, or such other appropriate date as determined by the Committee in its discretion, as reported in *The Wall Street Journal* or such other source as the Committee deems reliable;
 - (ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean between the high and the low asked prices for the Common Stock for the day of determination; or
 - (iii) In the absence of an established market for the Common Stock, Fair Market Value shall be determined by the Committee in good faith.
- Q. “Family Member” means a parent, child, spouse or sibling.
- R. “Incentive Stock Option” means an Option (or portion thereof) intended to qualify for special tax treatment under Section 422 of the Code.
- S. “Nonqualified Stock Option” means an Option (or portion thereof) which is not intended or does not for any reason qualify as an Incentive Stock Option.
- T. “Option” means any option to purchase shares of Common Stock granted under this Plan.
- U. “Parent” means any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation if each of the corporations (other than the Corporation) owns stock possessing at least fifty percent (50%) of the total combined voting power of all classes of stock in one of the other corporations in such chain.
- V. “Participant” means an Eligible Person who (i) is selected by the Committee or an authorized officer of the Corporation to receive an Award and (ii) is party to an agreement setting forth the terms of the Award, as appropriate.
- W. “Performance Agreement” means an agreement described in Section 8 of this Plan.
- X. “Performance Objectives” means the performance objectives established by the Committee pursuant to this Plan for Participants who have received grants of Awards. Performance Objectives may be described in terms of Corporation-wide objectives or objectives that are related to the performance of the individual Participant or the Affiliate, division, department or function within the Corporation or Affiliate in which the Participant is employed or has responsibility. Any Performance Objectives applicable to Awards to the extent that such an Award is intended to qualify as “Performance Based Compensation” under Section 162(m) of the Code shall be limited to specified levels of or increases in the Corporation’s or a business unit’s return on equity, earnings per share, total earnings, earnings growth, return on capital, return on assets, economic value added, earnings before interest and taxes, earnings before interest, taxes, depreciation and amortization, sales growth, gross margin return on investment, increase in the Fair Market Price of the shares, net operating profit, cash flow (including, but not limited to, operating cash flow and free cash flow), cash flow return on investments (which equals net cash flow divided by total capital), internal rate of return, increase in net present value or expense targets. The Awards intended to qualify as “Performance Based Compensation” under Section 162(m) of the Code shall be pre-established in accordance with applicable regulations under Section 162(m) of the Code and the determination of attainment of such goals shall be made by the Committee. If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Corporation (including an event described in Section 9), or the manner in which it conducts its business, or other events or circumstances render the Performance Objectives unsuitable, the Committee may modify such Performance Objectives or the related minimum acceptable level of achievement, in whole or in part, as the Committee deems appropriate and equitable; provided, however, that no such modification shall be made to an Award intended to qualify as “Performance Based Compensation” under Section 162(m) of the Code unless the Committee determines that such modification will not result in loss of such qualification or the Committee determines that loss of such qualification is in the best interests of the Corporation.
- Y. “Performance Period” means a period of time established under Section 8 of this Plan within which the Performance Objectives relating to a Stock Award are to be achieved.
- Z. “Performance Share” means an award pursuant to Section 8 of this Plan of the right to receive shares of Common Stock upon the achievement of specified Performance Objectives.

- AA. “Plan” means this MassRoots, Inc., 2015 Stock Incentive Plan.
- BB. “Repricing” means, other than in connection with an event described in Section 9 of this Plan, (i) lowering the exercise price of an Option after it has been granted or (ii) canceling an Option at a time when the exercise price exceeds the then-Fair Market Value of the Common Stock in exchange for another Option.
- CC. “Restricted Stock Award” means an award of Common Stock under Section 7.B.
- DD. “Securities Act” means the Securities Act of 1933, as amended.
- EE. “Stock Award” means a Stock Bonus Award, Restricted Stock Award, Stock Appreciation Right, Deferred Shares, or Performance Shares.
- FF. “Stock Bonus Award” means an award of Common Stock under Section 7.A.
- GG. “Stock Award Agreement” means a written agreement between the Corporation and a Participant setting forth the specific terms and conditions of a Stock Award granted to the Participant under Section 7. Each Stock Award Agreement shall be subject to the terms and conditions of this Plan and shall include such terms and conditions as the Committee shall authorize.
- HH. “Stock Option Agreement” means an agreement (written or electronic) between the Corporation and a Participant setting forth the specific terms and conditions of an Option granted to the Participant. Each Stock Option Agreement shall be subject to the terms and conditions of this Plan and shall include such terms and conditions as the Committee shall authorize.
- II. “Subsidiary” means any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation if each of the corporations (other than the last corporation in the unbroken chain) owns stock possessing at least fifty percent (50%) of the total combined voting power of all classes of stock in one of the other corporations in such chain.
- JJ. “Ten Percent Owner” means any Eligible Person owning at the time an Option is granted more than ten percent (10%) of the total combined voting power of all classes of stock of the Corporation or of a Parent or Subsidiary. An individual shall, in accordance with Section 424(d) of the Code, be considered to own any voting stock owned (directly or indirectly) by or for such Eligible Person’s brothers, sisters, spouse, ancestors and lineal descendants and any voting stock owned (directly or indirectly) by or for a corporation, partnership, estate or trust shall be considered as being owned proportionately by or for its stockholders, partners, or beneficiaries.

3. IMPLEMENTATION, INTERPRETATION AND ADMINISTRATION

- A. Delegation to Board Committee. The Board shall have the sole authority to implement, interpret, and/or administer this Plan unless the Board delegates all or any portion of its authority to implement, interpret, and/or administer this Plan to a Committee. To the extent not prohibited by the Certificate of Incorporation or Bylaws of the Corporation, the Board may delegate all or a portion of its authority to implement, interpret, and/or administer this Plan to a Committee of the Board appointed by the Board and constituted in compliance with the applicable Corporation Law. The Committee shall consist solely of two (2) or more Directors who are (i) Non-Employee Directors (within the meaning of Rule 16b-3 under the Exchange Act) for purposes of exercising administrative authority with respect to Awards granted to Eligible Persons who are subject to Section 16 of the Exchange Act; (ii) to the extent required by the rules of the market on which the Corporation’s shares are traded or the exchange on which the Corporation’s shares are listed, “independent” within the meaning of such rules; and (iii) at such times as an Award under this Plan by the Corporation is subject to Section 162(m) of the Code (to the extent relief from the limitation of Section 162(m) of the Code is sought with respect to Awards and administration of the Awards by a committee of “outside directors” is required to receive such relief), “outside directors” within the meaning of Section 162(m) of the Code.
- B. Delegation to Officers. The Committee may delegate to one or more officers of the Corporation the authority to grant and administer Awards to Eligible Persons who are not Directors or executive officers of the Corporation; provided that the Committee shall have fixed the total number of shares of Common Stock that may be subject to such Awards. No officer holding such a delegation is authorized to grant Awards to himself or herself. In addition to the Committee, the officer or officers to whom the Committee has delegated the authority to grant and administer Awards shall have all powers delegated to the Committee with respect to such Awards.

C. Powers of the Committee. Subject to the provisions of this Plan, and in the case of a Committee appointed by the Board, the specific duties delegated to such Committee, the Committee (and the officers to whom the Committee has delegated such authority) shall have the authority:

- (i) To construe and interpret all provisions of this Plan and all Stock Option Agreements, Stock Award Agreements, Performance Agreements, or any other agreement under this Plan.
- (ii) To determine the Fair Market Value of Common Stock in the absence of an established market for the Common Stock.
- (iii) To select the Eligible Persons to whom Awards are granted from time to time hereunder.
- (iv) To determine the number of shares of Common Stock covered by an Award; to determine whether an Option shall be an Incentive Stock Option or Nonqualified Stock Option; and to determine such other terms and conditions, not inconsistent with the terms of this Plan, of each such Award. Such terms and conditions include, but are not limited to, the exercise price of an Option, purchase price of Common Stock subject to a Stock Award, the time or times when Options or a Stock Award may be exercised or Common Stock issued thereunder, the vesting schedule of an Option, the right of the Corporation to repurchase Common Stock issued pursuant to the exercise of an Option or a Stock Award and other restrictions or limitations (in addition to those contained in this Plan) on the forfeitability or transferability of Options, Stock Awards or Common Stock issued upon exercise of an Option or pursuant to a Stock Award. Such terms may include conditions which shall be determined by the Committee and need not be uniform with respect to Participants.
- (v) To accelerate the time at which any Option or Stock Award may be exercised, or the time at which a Stock Award or Common Stock issued under this Plan may become transferable or non-forfeitable.
- (vi) To determine whether and under what circumstances an Option or Stock Award may be settled in cash, shares of Common Stock or other property under Section 6.H instead of in Common Stock.
- (vii) To waive, amend, cancel, extend, renew, accept the surrender of, modify or accelerate the vesting of or lapse of restrictions on all or any portion of an outstanding Award. Except as otherwise provided by this Plan, Stock Option Agreement, Stock Award Agreement or Performance Agreement or as required to comply with applicable law, regulation or rule, no amendment, cancellation or modification shall, without a Participant's consent, adversely affect any rights of the Participant; provided, however, that (x) an amendment or modification that may cause an Incentive Stock Option to become a Nonqualified Stock Option shall not be treated as adversely affecting the rights of the Participant and (y) any other amendment or modification of any Stock Option Agreement, Stock Award Agreement or Performance Agreement that does not, in the opinion of the Committee, adversely affect any rights of any Participant, shall not require such Participant's consent. Notwithstanding the foregoing, the restrictions on the Repricing of Options, as set forth in this Plan, may not be waived.
- (viii) To prescribe the form of Stock Option Agreements, Stock Award Agreements, Performance Agreements, or any other agreements under this Plan; to adopt policies and procedures for the exercise of Options or Stock Awards, including the satisfaction of withholding obligations; to adopt, amend, and rescind policies and procedures pertaining to the administration of this Plan; and to make all other determinations necessary or advisable for the administration of this Plan. Except for the due execution of the award agreement by both the Corporation and the Participant, the Award's effectiveness will not be dependent on any signature unless specifically so provided in the award agreement.

The express grant in this Plan of any specific power to the Committee shall not be construed as limiting any power or authority of the Committee; provided that the Committee may not exercise any right or power reserved to the Board. Any decision made, or action taken, by the Committee or in connection with the implementation, interpretation, and administration of this Plan shall be final, conclusive and binding on all persons having an interest in this Plan.

4. ELIGIBILITY

- A. Eligibility for Awards. Awards, other than Incentive Stock Options, may be granted to any Eligible Person selected by the Committee. Incentive Stock Options may be granted only to employees of the Corporation or a Parent or Subsidiary.
- B. Eligibility of Consultants. A Consultant shall be an Eligible Person only if the offer or sale of the Corporation's securities would be eligible for registration on Form S-8 Registration Statement (or any successor form) because of the identity and nature of the service provided by such person, unless the Corporation determines that an offer or sale of the Corporation's securities to such person will satisfy another exemption from the registration under the Securities Act and complies with the securities laws of all other jurisdictions applicable to such offer or sale. Accordingly, an Award may not be granted pursuant to this Plan for the purpose of the Corporation obtaining financing or for investor relations purposes
- C. Substitution Awards. The Committee may make Awards under this Plan by assumption, in substitution or replacement of performance shares, phantom shares, stock awards, stock options or similar awards granted by another entity (including an Affiliate) in connection with a merger, consolidation, acquisition of property or stock or similar transaction. Notwithstanding any provision of this Plan (other than the maximum number of shares of Common Stock that may be issued under this Plan), the terms of such assumed, substituted, or replaced Awards shall be as the Committee, in its discretion, determines is appropriate.

5. COMMON STOCK SUBJECT TO PLAN

- A. Share Reserve and Limitations on Grants. The maximum aggregate number of shares of Common Stock that may be (i) issued under this Plan pursuant to the exercise of Options (without regard to whether payment on exercise of the Stock Option is made in cash or shares of Common Stock), (ii) issued pursuant to Stock Awards shall be 4,500,000 shares. The number of shares of Common Stock subject to the Plan shall be subject to adjustment as provided in Section 9. Notwithstanding any provision hereto to the contrary, shares subject to the Plan shall include shares forfeited in a prior year as provided herein. For purposes of determining the number of shares of Common Stock available under this Plan, shares of Common Stock withheld by the Corporation to satisfy applicable tax withholding obligations pursuant to Section 10 of this Plan shall be deemed issued under this Plan. No single participant may receive more than 25% of the total Options awarded in any single year.
- B. Reversion of Shares. If an Option or Stock Award is terminated, expires or becomes unexercisable, in whole or in part, for any reason, the unissued or unpurchased shares of Common Stock which were subject thereto shall become available for future grant under this Plan. Shares of Common Stock that have been actually issued under this Plan shall not be returned to the share reserve for future grants under this Plan; except that shares of Common Stock issued pursuant to a Stock Award which are forfeited to the Corporation or repurchased by the Corporation at the original purchase price of such shares, shall be returned to the share reserve for future grant under this Plan.
- C. Source of Shares. Common Stock issued under this Plan may be shares of authorized and unissued Common Stock or shares of previously issued Common Stock that have been reacquired by the Corporation.

6. OPTIONS

- A. Award. In accordance with the provisions of Section 4, the Committee will designate each Eligible Person to whom an Option is to be granted and will specify the number of shares of Common Stock covered by such Option. The Stock Option Agreement shall specify whether the Option is an Incentive Stock Option or Nonqualified Stock Option, the exercise price of such Option, the vesting schedule applicable to such Option, the expiration date of such Option, events of termination of such Option, and any other terms of such Option. No Option that is intended to be an Incentive Stock Option shall be invalid for failure to qualify as an Incentive Stock Option.
- B. Option Price. The exercise price per share for Common Stock subject to an Option shall be determined by the Committee, but shall comply with the following:

- (i) The exercise price per share for Common Stock subject to an Option shall not be less than one hundred percent (100%) of the Fair Market Value on the date of grant.
 - (ii) The exercise price per share for Common Stock subject to an Incentive Stock Option granted to a Participant who is deemed to be a Ten Percent Owner on the date such option is granted, shall not be less than one hundred ten percent (110%) of the Fair Market Value on the date of grant.
- C. Maximum Option Period. The maximum period during which an Option may be exercised shall be ten (10) years from the date such Option was granted. In the case of an Incentive Stock Option that is granted to a Participant who is or is deemed to be a Ten Percent Owner on the date of grant, such Option shall not be exercisable after the expiration of five (5) years from the date of grant.
- D. Maximum Value of Options which are Incentive Stock Options. To the extent that the aggregate Fair Market Value of the Common Stock with respect to which Incentive Stock Options granted to any Participant are exercisable for the first time during any calendar year (under all stock option plans of the Corporation or any Parent or Subsidiary) exceeds \$100,000 (or such other amount provided in Section 422 of the Code), the Options shall not be deemed to be Incentive Stock Options. For purposes of this section, the Fair Market Value of the Common Stock will be determined as of the time the Incentive Stock Option with respect to the Common Stock is granted. This section will be applied by taking Incentive Stock Options into account in the order in which they are granted.
- E. Nontransferability. Options granted under this Plan which are intended to be Incentive Stock Options shall be nontransferable except by will or by the laws of descent and distribution and, during the lifetime of the Participant, shall be exercisable by only the Participant to whom the Incentive Stock Option is granted. Except to the extent transferability of a Nonqualified Stock Option is provided for in the Stock Option Agreement or is approved by the Committee, during the lifetime of the Participant to whom the Nonqualified Stock Option is granted, such Option may be exercised only by the Participant. If the Stock Option Agreement so provides or the Committee so approves, a Nonqualified Stock Option may be transferred by a Participant through a gift or domestic relations order to the Participant's family members to the extent such transfer complies with applicable securities laws and regulations and provided that such transfer is not a transfer for value (within the meaning of applicable securities laws and regulations). The holder of a Nonqualified Stock Option transferred pursuant to this section shall be bound by the same terms and conditions that governed the Option during the period that it was held by the Participant. No right or interest of a Participant in any Option shall be liable for, or subject to, any lien, obligation, or liability of such Participant, unless such obligation is to the Corporation itself or to an Affiliate.
- F. Vesting. Options will vest as provided in the Stock Option Agreement.
- G. Termination. Options will terminate as provided in the Stock Option Agreement.
- H. Exercise. Subject to the provisions of this Plan and the applicable Stock Option Agreement, an Option may be exercised to the extent vested in whole at any time or in part from time to time at such times and in compliance with such requirements as the Committee shall determine. A partial exercise of an Option shall not affect the right to exercise the Option from time to time in accordance with this Plan and the applicable Stock Option Agreement with respect to the remaining shares subject to the Option. An Option may not be exercised with respect to fractional shares of Common Stock. The Participant may face certain restrictions on his/her ability to exercise Options and/or sell underlying shares when such Participant is potentially in possession of insider information. The Corporation will make the Participant aware of any formal insider trading policy it adopts, and the provisions of such insider trading policy (including any amendments thereto) shall be binding upon the Participant.

I. Payment. Unless otherwise provided by the Stock Option Agreement, payment of the exercise price for an Option shall be made in cash or a cash equivalent acceptable to the Committee or if the Common Stock is traded on an established securities market, by payment of the exercise price by a broker-dealer or by the Option holder with cash advanced by the broker-dealer if the exercise notice is accompanied by the Option holder's written irrevocable instructions to deliver the Common Stock acquired upon exercise of the Option to the broker-dealer or by delivery of the Common Stock to the broker-dealer with an irrevocable commitment by the broker-dealer to forward the exercise price to the Corporation. With the consent of the Committee, payment of all or a part of the exercise price of an Option may also be made (i) by surrender to the Corporation (or delivery to the Corporation of a properly executed form of attestation of ownership) of shares of Common Stock that have been held for such period prior to the date of exercise as is necessary to avoid adverse accounting treatment to the Corporation, or (ii) any other method acceptable to the Committee. If Common Stock is used to pay all or part of the exercise price, the sum of the cash or cash equivalent and the Fair Market Value (determined as of the date of exercise) of the shares surrendered must not be less than the Option price of the shares for which the Option is being exercised.

J. Stockholder Rights. No Participant shall have any rights as a stockholder with respect to shares subject to an Option until the date of exercise of such Option and the certificate for shares of Common Stock to be received on exercise of such Option has been issued by the Corporation.

K. Disposition and Stock Certificate Legends for Incentive Stock Option Shares. A Participant shall notify the Corporation of any sale or other disposition of Common Stock acquired pursuant to an Incentive Stock Option if such sale or disposition occurs (i) within two years of the grant of an Option or (ii) within one year of the issuance of the Common Stock to the Participant. Such notice shall be in writing and directed to the Chief Financial Officer of the Corporation or in his/her absence, the Chief Executive Officer. The Corporation may require that certificates evidencing shares of Common Stock purchased upon the exercise of Incentive Stock Options issued under this Plan be endorsed with a legend in substantially the following form:

THE SHARES EVIDENCED BY THIS CERTIFICATE MAY NOT BE SOLD OR TRANSFERRED PRIOR TO ____, 20____, IN THE ABSENCE OF A WRITTEN STATEMENT FROM THE CORPORATION TO THE EFFECT THAT THE CORPORATION IS AWARE OF THE FACTS OF SUCH SALE OR TRANSFER.

The blank contained in this legend shall be filled in with the date that is the later of (i) one year and one day after the date of the exercise of such Incentive Stock Option or (ii) two years and one day after the grant of such Incentive Stock Option.

L. No Repricing. In no event shall the Committee permit a Repricing of any Option without the approval of the stockholders of the Corporation.

7. STOCK AWARDS

A. Stock Bonus Awards. Stock Bonus Awards may be granted by the Committee. Each Stock Award Agreement for a Stock Bonus Award shall be in such form and shall contain such terms and conditions (including provisions relating to consideration, vesting, reacquisition of shares following termination, and transferability of shares) as the Committee shall deem appropriate. The terms and conditions of Stock Award Agreements for Stock Bonus Awards may change from time to time and need not be uniform with respect to Participants, and the terms and conditions of separate Stock Bonus Awards need not be identical.

B. Restricted Stock Awards. Restricted Stock Awards may be granted by the Committee. Each Stock Award Agreement for a Restricted Stock Award shall be in such form and shall contain such terms and conditions (including provisions relating to purchase price, consideration, vesting, reacquisition of shares following termination, and transferability of shares) as the Committee shall deem appropriate. The terms and conditions of the Stock Award Agreements for Restricted Stock Awards may change from time to time and need not be uniform with respect to Participants, and the terms and conditions of separate Restricted Stock Awards need not be identical. Vesting of any grant of Restricted Stock Awards may be further conditioned upon the attainment of Performance Objectives established by the Committee in accordance with the applicable provisions of Section 8 of this Plan regarding Performance Shares.

C. Deferred Shares. The Committee may authorize grants of Deferred Shares to Participants upon the recommendation of the Corporation's management, and upon such terms and conditions as the Committee may determine in accordance with the following provisions:

- (i) Each grant shall constitute the agreement by the Corporation to issue or transfer shares of Common Stock to the Participant in the future in consideration of the performance of services, subject to the fulfillment during the Deferral Period of such conditions as the Committee may specify.
- (ii) Each grant may be made without additional consideration from the Participant or in consideration of a payment by the Participant that is less than the Fair Market Value on the date of grant.
- (iii) Each grant shall provide that the Deferred Shares covered thereby shall be subject to a Deferral Period, which shall be fixed by the Committee on the date of grant, and any grant or sale may provide for the earlier termination of such period in the event of a change in control of the Corporation or other similar transaction or event.
- (iv) During the Deferral Period, the Participant shall not have any right to transfer any rights under the subject Award, shall not have any rights of ownership in the Deferred Shares and shall not have any right to vote such shares, but the Committee may on or after the date of grant, authorize the payment of dividend or other distribution equivalents on such shares in cash or additional shares on a current, deferred or contingent basis.
- (v) Any grant, or the vesting thereof, may be further conditioned upon the attainment of Performance Objectives established by the Committee in accordance with the applicable provisions of Section 8 of this Plan regarding Performance Shares.
- (vi) Each grant shall be evidenced by an agreement delivered to and accepted by the Participant and containing such terms and provisions as the Committee may determine consistent with this Plan. The terms and conditions of the agreements for Deferred Shares may change from time to time and need not be uniform with respect to Participants, and the terms and conditions of separate Deferred Shares need not be identical.

8. PERFORMANCE SHARES

A. The Committee may authorize grants of Performance Shares, which shall become payable to the Participant upon the achievement of specified Performance Objectives, upon such terms and conditions as the Committee may determine in accordance with the following provisions:

- (i) Each grant shall specify the number of Performance Shares to which it pertains, which may be subject to adjustment to reflect changes in compensation or other factors.
- (ii) The Performance Period with respect to each Performance Share shall commence on the date established by the Committee and may be subject to earlier termination in the event of a change in control of the Corporation or similar transaction or event.
- (iii) Each grant shall specify the Performance Objectives that are to be achieved by the Participant.
- (iv) Each grant may specify in respect of the specified Performance Objectives a minimum acceptable level of achievement below which no payment will be made and may set forth a formula for determining the amount of any payment to be made if performance is at or above such minimum acceptable level but falls short of the maximum achievement of the specified Performance Objectives.
- (v) Each grant shall specify the time and manner of payment of Performance Shares that shall have been earned, and any grant may specify that any such amount may be paid by the Corporation in cash, shares of Common Stock or any combination thereof and may either grant to the Participant or reserve to the Committee the right to elect among those alternatives.
- (vi) Any grant of Performance Shares may specify that the amount payable with respect thereto may not exceed a maximum specified by the Committee on the date of grant.
- (vii) Any grant of Performance Shares may provide for the payment to the Participant of dividend or other distribution equivalents thereon in cash or additional shares of Common Stock on a current, deferred or contingent basis.

- (viii) If provided in the terms of the grant and subject to the requirements of Section 162(m) of the Code (in the case of awards intended to qualify for exception therefrom), the Committee may adjust Performance Objectives and the related minimum acceptable level of achievement if, in the sole judgment of the Committee, events or transactions have occurred after the date of grant that are unrelated to the performance of the Participant and result in distortion of the Performance Objectives or the related minimum acceptable level of achievement.
- (ix) Each grant shall be evidenced by an agreement that shall be delivered to and accepted by the Participant, which shall state that the Performance Shares are subject to all of the terms and conditions of this Plan and such other terms and provisions as the Committee may determine consistent with this Plan. The terms and conditions of the agreements for Performance Shares may change from time to time and need not be uniform with respect to Participants, and the terms and conditions of separate Performance Shares need not be identical.
- (x) Until the achievement of the Performance Objectives and the resulting issuance of the Performance Shares, the Participant shall not have any rights as a stockholder in the Performance Shares and shall not have any right to vote such shares, but the Committee may on or after the date of grant, authorize the payment of dividend or other distribution equivalents on such shares in cash or additional shares on a current, deferred or contingent basis.

9. CHANGES IN CAPITAL STRUCTURE

- A. No Limitations of Rights. The existence of outstanding Awards shall not affect in any way the right or power of the Corporation or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Corporation's capital structure or its business, or any merger or consolidation of the Corporation, or any issuance of bonds, debentures, preferred or prior preference stock ahead of or affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Corporation, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.
- B. Changes in Capitalization. If the Corporation shall effect a subdivision or consolidation of shares or other capital readjustment, the payment of a stock dividend, or other increase or reduction of the number of shares of the Common Stock outstanding, without receiving consideration therefore in money, services or property, then (i) the number, class, and per share price of shares of Common Stock subject to outstanding Options and other Awards hereunder and (ii) the number of and class of shares then reserved for issuance under this Plan and the maximum number of shares for which Awards may be granted to a Participant during a specified time period shall be appropriately and proportionately adjusted. The conversion of convertible securities of the Corporation shall not be treated as effected "without receiving consideration." The Committee shall make such adjustments, and its determinations shall be final, binding and conclusive.
- C. Merger, Consolidation or Asset Sale. If the Corporation is merged or consolidated with another entity or sells or otherwise disposes of substantially all of its assets to another company while Options or Stock Awards remain outstanding under this Plan, unless provisions are made in connection with such transaction for the continuance of this Plan and/or the assumption or substitution of such Options or Stock Awards with new options or stock awards covering the stock of the successor company, or parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices, then all outstanding Options and Stock Awards which have not been continued, assumed or for which a substituted award has not been granted shall, whether or not vested or then exercisable, unless otherwise specified in the Stock Option Agreement or Stock Award Agreement, terminate immediately as of the effective date of any such merger, consolidation or sale.
- D. Limitation on Adjustment. Except as previously expressly provided, neither the issuance by the Corporation of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Corporation convertible into such shares or other securities, nor the increase or decrease of the number of authorized shares of stock, nor the addition or deletion of classes of stock, shall affect, and no adjustment by reason thereof shall be made with respect to, the number, class or price of shares of Common Stock then subject to outstanding Options or Stock Awards.

10. WITHHOLDING OF TAXES

The Corporation or an Affiliate shall have the right, before any certificate for any Common Stock is delivered, to deduct or withhold from any payment owed to a Participant any amount that is necessary in order to satisfy any withholding requirement that the Corporation or Affiliate in good faith believes is imposed upon it in connection with U.S. federal, state, or local taxes, including transfer taxes, as a result of the issuance of, or lapse of restrictions on, such Common Stock, or otherwise require such Participant to make provision for payment of any such withholding amount. Subject to such conditions as may be established by the Committee, the Committee may permit a Participant to (i) have Common Stock otherwise issuable under an Option or Stock Award withheld to the extent necessary to comply with minimum statutory withholding rate requirements; (ii) tender back to the Corporation shares of Common Stock received pursuant to an Option or Stock Award to the extent necessary to comply with minimum statutory withholding rate requirements for supplemental income; (iii) deliver to the Corporation previously acquired Common Stock; (iv) have funds withheld from payments of wages, salary or other cash compensation due the Participant; (v) pay the Corporation or its Affiliate in cash, in order to satisfy part or all of the obligations for any taxes required to be withheld or otherwise deducted and paid by the Corporation or its Affiliate with respect to the Option of Stock Award; or (vi) establish a 10b5-1 trading plan for withheld stock designed to facilitate the sale of stock in connection with the vesting of such shares, the proceeds of which shall be utilized to make all applicable withholding payments in a manner to be coordinated by the Corporation's Chief Financial Officer.

11. COMPLIANCE WITH LAW AND APPROVAL OF REGULATORY BODIES

- A. General Requirements. No Option or Stock Award shall be exercisable, no Common Stock shall be issued, no certificates for shares of Common Stock shall be delivered, and no payment shall be made under this Plan except in compliance with all applicable federal and state laws and regulations (including, without limitation, withholding tax requirements), any listing agreement to which the Corporation is a party, and the rules of all domestic stock exchanges or quotation systems on which the Corporation's shares may be listed. The Corporation shall have the right to rely on an opinion of its counsel as to such compliance. In the absence of an effective and current registration statement on an appropriate form under the Securities Act, or a specific exemption from the registration requirements of the Securities Act, shares of Common Stock issued under this Plan shall be restricted shares. Any share certificate issued to evidence Common Stock when a Stock Award is granted or for which an Option is exercised may bear such restrictive legends and statements as the Committee may deem advisable to assure compliance with federal and state laws and regulations. No Option or Stock Award shall be exercisable, no Stock Award shall be granted, no Common Stock shall be issued, no certificate for shares shall be delivered, and no payment shall be made under this Plan until the Corporation has obtained such consent or approval as the Committee may deem advisable from regulatory bodies having jurisdiction over such matters.
- B. Participant Representations. The Committee may require that a Participant, as a condition to receipt or exercise of a particular award, execute and deliver to the Corporation a written statement, in form satisfactory to the Committee, in which the Participant represents and warrants that the shares are being acquired for such person's own account, for investment only and not with a view to the resale or distribution thereof. The Participant shall, at the request of the Committee, be required to represent and warrant in writing that any subsequent resale or distribution of shares of Common Stock by the Participant shall be made only pursuant to either (i) a registration statement on an appropriate form under the Securities Act of 1933, which registration statement has become effective and is current with regard to the shares being sold, or (ii) a specific exemption from the registration requirements of the Securities Act of 1933, but in claiming such exemption the Participant shall, prior to any offer of sale or sale of such shares, obtain a prior favorable written opinion of counsel, in form and substance satisfactory to counsel for the Corporation, as to the application of such exemption thereto.

12. GENERAL PROVISIONS

- A. Effect on Employment and Service. Neither the adoption of this Plan, its operation, nor any documents describing or referring to this Plan (or any part thereof) shall (i) confer upon any individual any right to continue in the employ or service of the Corporation or an Affiliate, (ii) in any way affect any right and power of the Corporation or an Affiliate to change an individual's duties or terminate the employment or service of any individual at any time with or without assigning a reason therefor or (iii) except to the extent the Committee grants an Option or Stock Award to such individual, confer on any individual the right to participate in the benefits of this Plan.
- B. Use of Proceeds. The proceeds received by the Corporation from any sale of Common Stock pursuant to this Plan shall be used for general corporate purposes.
- C. Unfunded Plan. This Plan, insofar as it provides for grants, shall be unfunded, and the Corporation shall not be required to segregate any assets that may at any time be represented by grants under this Plan. Any liability of the Corporation to any Participant with respect to any grant under this Plan shall be based solely upon any contractual obligations that may be created pursuant to this Plan. No such obligation of the Corporation shall be deemed to be secured by any pledge of, or other encumbrance on, any property of the Corporation.
- D. Rules of Construction. Headings are given to the Sections of this Plan solely as a convenience to facilitate reference. The reference to any statute, regulation, or other provision of law shall be construed to refer to any amendment to or successor of such provision of law.
- E. Choice of Law. This Plan and all Stock Option Agreements, Stock Award Agreements, and Performance Agreements (or any other agreements) entered into under this Plan shall be interpreted under the Corporation Law excluding (to the greatest extent permissible by law) any rule of law that would cause the application of the laws of any jurisdiction other than the Corporation Law.
- F. Fractional Shares. The Corporation shall not be required to issue fractional shares pursuant to this Plan. The Committee may provide for elimination of fractional shares or the settlement of such fractional shares in cash.
- G. Foreign Employees. In order to facilitate the making of any grant or combination of grants under this Plan, the Committee may provide for such special terms for Awards to Participants who are foreign nationals, or who are employed by the Corporation or any Affiliate outside of the United States, as the Committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Moreover, the Committee may approve such supplements to, or amendments, restatements or alternative versions of, this Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of this Plan, as then in effect, unless this Plan could have been amended to eliminate such inconsistency without further approval by the stockholders of the Corporation.

13. AMENDMENT AND TERMINATION

The Board may amend or terminate this Plan from time to time; provided, however, stockholder approval shall be required for any amendment that (i) increases the aggregate number of shares of Common Stock that may be issued under this Plan, except as contemplated herein; (ii) changes the class of employees eligible to receive Incentive Stock Options; (iii) modifies the restrictions on Repricings set forth in this Plan; or (iv) is required by the terms of any applicable law, regulation or rule, including the rules of any market on which the Corporation shares are traded or exchange on which the Corporation shares are listed. Except as specifically permitted by this Plan, any Stock Option Agreement or any Stock Award Agreement or as required to comply with applicable law, regulation or rule, no amendment shall, without a Participant's consent, adversely affect any rights of such Participant under any Option or Stock Award outstanding at the time such amendment is made; provided, however, that an amendment that may cause an Incentive Stock Option to become a Nonqualified Stock Option shall not be treated as adversely affecting the rights of the Participant. Any amendment requiring stockholder approval shall be approved by the stockholders of the Corporation within twelve (12) months of the date such amendment is adopted by the Board.

14. EFFECTIVE DATE OF PLAN; DURATION OF PLAN

- A. This Plan shall be effective upon adoption by the Board, subject to approval within twelve (12) months by the stockholders of the Corporation. Unless and until the Plan has been approved by the stockholders of the Corporation, no Option or Stock Award may be exercised, no shares of Common Stock may be issued under this Plan. In the event that the stockholders of the Corporation shall not approve the Plan within such twelve (12) month period, the Plan and any previously granted Options or Stock Awards shall terminate.
- B. Unless previously terminated, this Plan will terminate ten (10) years after the earlier of (i) the date this Plan is adopted by the Board, or (ii) the date this Plan is approved by the stockholders, except that Awards that are granted under this Plan prior to its termination will continue to be administered under the terms of this Plan until the Awards terminate, expire or are exercised.

IN WITNESS WHEREOF, the Corporation has caused this Plan to be executed by a duly authorized officer as of the date of adoption of this Plan by the Board of Directors.

MASSROOTS, INC.

By: /s/ Isaac Dietrich
Isaac Dietrich
Chief Executive Office

**MASSROOTS, INC.
STOCK OPTION AGREEMENT**

Name of Participant:

Date of Grant:

Number of Option Shares:

Option Price: \$

Type of Option (check one): Incentive Stock Option (ISO)

Non-qualified Stock Option (NSO or NQSO)

Right to Exercise: As of the Date of Grant, the Option was vested to the extent of of the Option Shares. From and after the Date of Grant, and during the period of time that the Participant remains in the continuous employment as a Director of the Company, the balance of the Option Shares shall vest and become exercisable as follows, provided that the Option has not otherwise terminated or expired in accordance with the provisions of this Stock Option Agreement:

THIS AGREEMENT SHALL BE VOID IF IT HAS NOT BEEN EXECUTED AND RETURNED TO THE COMPANY WITHIN 30 DAYS AFTER THE DATE OF GRANT. THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THIS OPTION AGREEMENT AND THE SECURITIES UNDERLYING THIS OPTION AGREEMENT MAY NOT BE SOLD, PLEDGED, HYPOTHECATED, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS SUCH SALE, PLEDGE, HYPOTHECATION, TRANSFER OR OTHER DISPOSITION SHALL HAVE BEEN REGISTERED UNDER SAID ACT AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS OR UNTIL THE COMPANY SHALL HAVE RECEIVED A LEGAL OPINION SATISFACTORY IN FORM AND SUBSTANCE TO THE COMPANY, THAT SUCH SECURITIES MAY BE LEGALLY SOLD OR OTHERWISE TRANSFERRED WITHOUT SUCH REGISTRATION AND COMPLIANCE.

**MASSROOTS, INC.
STOCK OPTION AGREEMENT**

THIS AGREEMENT (this "Agreement") is made as of the date of grant on the cover page hereof (the "Date of Grant") by and between MassRoots, Inc., a Delaware corporation (the "Company"), and the recipient named on the cover page hereto (the "Participant").

- 1. Grant of Stock Option** . Subject to and upon the terms, conditions, and restrictions set forth in this Agreement and in the Company's 2014 Stock Incentive Plan (the "Plan"), the Company hereby grants to the Participant as of the Date of Grant a stock option (the "Option") to purchase the number of Shares shown on the cover page hereof (the "Option Shares"). The Option may be exercised from time to time in accordance with the terms of this Agreement. The price per Option Share at which the Option Shares may be purchased pursuant to this Option shall be as set forth on the cover page hereof (the "Option Price"). If noted on page one of this Agreement that this Option is intended to be an "incentive stock option" within the meaning of that term under Section 422 of the Code, then this Agreement shall be construed in a manner that will enable the Option to be so qualified.
- 2. Term of Option** . The term of the Option shall commence on the Date of Grant and, unless earlier terminated in accordance with Section 6 of this Agreement, shall expire ten (10) years from the Date of Grant.

- 3. Right to Exercise** . Subject to the expiration or earlier termination of this Option in accordance with its terms, this Option shall vest and become exercisable as set forth on the cover page hereof. To the extent the Option is vested and exercisable, it may be exercised in whole or in part. In no event shall the Participant be entitled to acquire a fraction of one Option Share pursuant to this Option. The Participant shall be entitled to the privileges of ownership with respect to Option Shares purchased and delivered to him upon the complete and valid exercise of all or part of this Option. The Company may require, as a condition to the exercise of this Option, that the Participant agree to be bound by any stockholders agreement among all or certain stockholders of the Company that may then be in effect, or certain provisions of any such agreement that may be specified by the Company, either in addition to or in lieu of the provisions of this Agreement (as determined by the Company).
- 4. Option Nontransferable** . The Option granted hereby shall be neither transferable nor assignable by the Participant except by will or by the laws of descent and distribution and may be exercised, during the lifetime of the Participant, only by the Participant, or in the event of his or her legal incapacity, by his or her guardian or legal representative acting on behalf of the Participant in a fiduciary capacity under state law and court supervision.
- 5. Notice of Exercise; Payment** . To the extent then vested and exercisable, the Option may be exercised by written notice (on the form attached hereto as Attachment 1 or such other form acceptable to the Company) to the Company stating the number of Option Shares for which the Option is being exercised and the intended manner of payment. The date of such notice shall be the exercise date. Payment equal to the aggregate Option Price of the Option Shares for which the Option is being exercised shall be tendered in full with the notice of exercise to the Company in cash in the form of currency or check or other cash equivalent acceptable to the Company. The Participant may also tender the Option Price by (a) the actual or constructive transfer to the Company of nonforfeitable, nonrestricted Shares, (b) by any combination of the foregoing methods of payment, including a partial tender in cash and a partial tender in nonforfeitable, nonrestricted Shares, or (c) any other method approved or accepted by the Committee in its sole discretion, including, if the Committee so determines, a cashless exercise that complies with all applicable laws. Nonforfeitable, nonrestricted Shares that are transferred by the Participant in payment of all or any part of the Option Price shall be valued on the basis of their Fair Market Value per Share, as determined by the Committee. As a further condition precedent to the exercise of this Option, the Participant shall execute any documents which the Committee shall in its sole discretion deem necessary or advisable.
- 6. Termination of Agreement** .
- (a) This Agreement and the Option granted hereby shall terminate automatically and without further notice on the earliest of the following dates (i) ninety (90) calendar days after the Participant ceases to be an employee, director, advisor or consultant of the Company and its Subsidiaries for any reason, except as otherwise set forth in the Plan or (ii) ten years from the Date of Grant.
 - (b) Notwithstanding the foregoing, in the event that the Participant's employment or other service is terminated for Cause (as determined by the Committee), this Agreement shall terminate at the time of such termination and the Participant shall forfeit all rights under this Agreement without further action or notice, including his or her rights with respect to the portion of this Option that would otherwise be exercisable but for this sentence, notwithstanding any other provision of this Agreement.
 - (c) This Agreement shall not be exercisable for any number of Option Shares in excess of the number of Option Shares for which this Agreement is then exercisable, pursuant to Section 3 hereof, on the date of termination of employment or other service. For the purposes of this Agreement, the continuous employment or other service of the Participant with the Company shall not be deemed to have been interrupted, and the Participant shall not be deemed to have ceased to be an employee of the Company, by reason of the transfer of his or her employment among the Company and its Subsidiaries or a leave of absence of not more than thirty (30) days unless otherwise approved by the Committee.
- 7. Intentionally Deleted**
- 8. Compliance with Law** . Notwithstanding any other provision of this Agreement, the Option shall not vest or be exercisable if the exercise thereof would result in a violation of any applicable federal or state securities law.

9. **Lock-Up Agreement** . The Participant agrees that, if requested by the Company in connection with a Public Offering of shares, the Participant will not sell, offer for sale or otherwise dispose of the Option Shares for such period of time as is determined by the Committee, provided that at least of the majority of the Company's Directors and officers who hold Options or Shares at such time are similarly bound.
10. **Amendments** . Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that no amendment shall adversely affect the rights of the Participant under this Agreement without the Participant's consent.
11. **Severability** . In the event that one or more of the provisions of this Agreement shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.
12. **Relation to Plan** . This Agreement is subject to the terms and conditions of the Plan. In the event of any inconsistency between the provisions of this Agreement and the Plan, the Plan shall govern. Capitalized terms used herein without definition shall have the meanings assigned to them in the Plan. The Committee acting pursuant to the Plan, as constituted from time to time, shall, except as expressly provided otherwise herein, have the right to determine any questions which arise in connection with this Option or its exercise.
13. **Successors and Assigns** . Without limitation of the provisions of Section 4 of this Agreement, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of the Participant, and the successors and assigns of the Company.
14. **Governing Law** . The interpretation, performance, and enforcement of this Agreement shall be governed by the laws of the State of Delaware.
15. **Notices** . Any notice to the Company provided for herein shall be in writing to the Company, marked Attention: Chief Executive Officer, and any notice to the Participant shall be addressed to the Participant at his or her address on file with the Company. Any written notice required to be given to the Company shall be deemed to be duly given only when actually received by the Company.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf by its duly authorized officer and the Participant has also executed this Agreement in duplicate, as of the day and year first above written.

“Participant”

“Company”

MASSROOTS, INC.

<u>Signature:</u> <hr/> <u>Name:</u> <hr/>	<u>Signature:</u> <hr/> <u>Name:</u> <hr/> <u>Title:</u> <hr/>
--	---

ATTACHMENT 1
FORM OF EXERCISE OF OPTION TO PURCHASE

MassRoots, Inc.

Re: Stock Option Exercise Notice

I was granted an option (the "Option") to purchase shares of the common stock (the "Shares") of MassRoots, Inc. (the "Company") pursuant to the Company's 2014 Stock Incentive Plan (the "Plan") and my Stock Option Agreement (the "Option Agreement") as follows:

Date of Grant: _____

Number of Option Shares: _____

Exercise Price per Share: \$ _____

2. Exercise of Option. I hereby elect to exercise the Option to purchase the following number of Shares, all of which are Vested Shares in accordance with the Option Agreement:

Total Shares Purchased: _____

Total Exercise Price (Total Shares X Exercise Price per Share)
\$ _____

3. Payments. I enclose payment in full of the total exercise price for the Shares in the following form(s), as authorized by my Option Agreement:

Cash: \$ _____

Check: \$ _____

Tender of Company Stock: Contact Plan Administrator

Cashless Exercise (same-day sale): Contact Plan Administrator

4. Tax Withholding. I authorize payroll withholding and otherwise will make adequate provision for the federal, state, local and foreign tax withholding obligations of the Company, if any, in connection with the Option. If I am exercising a Nonstatutory Stock Option, I enclose payment in full of my withholding taxes, if any, as follows:

MASSROOTS, INC.
2015 STOCK INCENTIVE PLAN
STOCK AWARD AGREEMENT

This Stock Award Agreement (“ Agreement ”) is entered into between MassRoots, Inc. (the “ Company ”) and the individual named in Paragraph 1 below (“ Holder ”) effective as of the Grant Date.

The parties hereto, intending to be legally bound, hereby agree as follows:

1. Terms of Stock Grant . The Company has granted a Stock Award to Holder based on the following terms:

Name of Holder:	
Grant Date (Date of Board / Committee Approval):	[]
Number of Shares of Stock included in Stock Award:	
Vested or Non-vested upon Grant:	

2. Vesting . The Stock Award is [not/fully] vested upon Grant Date, [details of vesting] and in accordance with Federal and State securities laws, including Rule 144 of the Securities Act of 1933.

3. Incorporation of Plan . Except as otherwise stated herein, the Stock Award is subject to all the provisions of the 2015 Stock Incentive Plan (the “ Plan ”), the provisions of which are hereby made a part of this Agreement, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of this Agreement and those of the Plan, the provisions of the Plan shall control. The Committee shall have the sole authority to interpret and construe this Agreement and the Plan, and its interpretations shall be final, conclusive and binding for all purposes on the parties. Capitalized terms not otherwise defined herein shall have the meanings assigned in the Plan.

4. Transferability . This Agreement is not transferable by the Holder.

5. Tax Withholding . By accepting the Stock Award, the Holder agrees to pay or make arrangements satisfactory to the Committee for payment to the Company of all taxes required to be withheld by the Company in connection with the Stock Award or any sale, transfer or other disposition of any shares of Common Stock acquired. The Company shall in no case be responsible for payment of Holder’s income tax obligations, or the filing of any Section 83(b) election under the Internal Revenue Code, with respect to the Stock Award.

6. Advice . Holder is solely responsible for obtaining his or her personal tax, financial and legal advice related to the Stock Award from an independent advisor. The Company, its employees and agents shall in no case be held responsible for advising Holder regarding the tax treatment, legal effects, or financial results related to the Stock Award.

7. Legal Fees . The Company in its sole discretion may require that the Holder pay for any legal fees associated with the transfer of any shares acquired in connection with the Stock Award including, but not limited to, a legal opinion as to the availability of an exemption to any federal and/or state securities registration requirements.

8. Acknowledgement . By signing below, Holder acknowledges receipt of this Agreement and a copy of the Plan.

MassRoots, Inc.

Holder

By: Isaac Dietrich
Chief Executive Officer

[]

Date:

Date:

MASSROOTS, INC.
SUBSCRIPTION AGREEMENT FOR THE PURCHASE OF SECURITIES

MASSROOTS, INC., a Delaware corporation (the “**Company**”), is offering (this “**Offering**”) for sale to “**accredited investors**” as the term is defined under Regulation D promulgated under the Securities Act of 1933, as amended (the “**Act**”), shares of its Common Stock (“**Common Stock**”) and warrants to purchase Common Stock (“**Warrants**”, together with the Common Stock, the “**Securities**”) for the purchase price noted below. There is no minimum investment by any one investor.

Subscription Procedures

- (a) The undersigned hereby subscribes to purchase _____ shares of Common Stock and a Warrant to purchase an amount of Common Stock **equal to fifty percent (50%)** of the Common Stock purchased by the undersigned. The undersigned agrees to pay an aggregate of \$ _____ as the subscription amount for the Securities being purchased hereunder (the “**Subscription Amount**”).
- (b) To subscribe, the undersigned must:
- (i) complete and sign this Subscription Agreement; and
 - (ii) complete and sign the accompanying Confidential Prospective Purchaser Questionnaire (Subscription Agreement, together with the Confidential Prospective Purchaser Questionnaire collectively referred to as the “**Subscription Documents**”);
 - (iii) return the completed and signed Subscription Documents on behalf of the Company at the following address:

MassRoots, Inc.
2247 Federal Blvd.,
Denver, CO 80211

- (iv) Deliver a check payable to “MassRoots, Inc.” to the address above for an amount equal to the aggregate amount of Common Stock subscribed for in this offering.

Or wire the funds to :

[BANK INFORMATION]:

- (c) Unless terminated earlier, by the Company, in its sole discretion, the Offering is scheduled to terminate on December 31, 2014, 5:00 p.m., New York time and in the Company’s sole discretion without notice may be extended until May 31, 2015 (the “**Offering Period**”).
- (d) The Company will hold a closing on and issue the Securities upon the receipt and acceptance of the Subscription Documents and the Subscription Amount (each a “**Closing**”). The date of each such Closing is referred to herein as the Closing Date.
- (e) All subscription proceeds will be deposited into the Company’s bank account as provided herein. Upon each Closing, the funds, subject to the payment of the expenses and fees incurred in connection with this Offering, will be immediately available to the Company. In the event that an investor’s subscription is rejected by the Company, or this Offering is terminated for any reason without a closing, subscription proceeds will be promptly refunded without interest thereon or deduction therefrom.

Prospective Investors should retain their own professional advisors to review and evaluate the economic, tax, and other consequences of an investment in the Company.

THE SECURITIES OFFERED HEREBY, HAVE NOT BEEN FILED OR REGISTERED WITH OR APPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION"), NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE OFFERING MATERIALS. NO STATE SECURITIES LAW ADMINISTRATOR HAS PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR THE ADEQUACY OF THE OFFERING MATERIALS. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

IT IS INTENDED THAT THE SECURITIES OFFERED HEREBY WILL BE MADE AVAILABLE TO ACCREDITED INVESTORS, AS DEFINED IN REGULATION D AND RULE 501 PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT") AND UP TO THIRTY-FIVE NON-ACCREDITED INVESTORS. THE SECURITIES OFFERED HEREBY ARE BEING OFFERED PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE 1933 ACT AND APPLICABLE STATE SECURITIES LAWS FOR NONPUBLIC OFFERINGS. SUCH EXEMPTIONS LIMIT THE NUMBER AND TYPES OF INVESTORS TO WHICH THE OFFERING WILL BE MADE AND RESTRICT SUBSEQUENT TRANSFERS OF THE INTERESTS.

THE SECURITIES OFFERED HEREBY SHOULD BE CONSIDERED ONLY BY PERSONS WHO CAN AFFORD TO SUSTAIN A LOSS OF THEIR ENTIRE INVESTMENT. INVESTORS WILL BE REQUIRED TO REPRESENT THAT THEY ARE FAMILIAR WITH AND UNDERSTAND THE TERMS OF THIS OFFERING.

NO SECURITIES MAY BE RESOLD OR OTHERWISE DISPOSED OF BY AN INVESTOR UNLESS, IN THE OPINION OF COUNSEL SATISFACTORY TO THE COMPANY, REGISTRATION UNDER THE APPLICABLE FEDERAL OR STATE SECURITIES LAWS IS NOT REQUIRED OR COMPLIANCE IS MADE WITH SUCH REGISTRATION REQUIREMENTS.

THE OFFEREE, BY ACCEPTING DELIVERY OF THE OFFERING MATERIALS, AGREES TO RETURN THE OFFERING MATERIALS AND ALL ACCOMPANYING OR RELATED DOCUMENTS TO THE COMPANY UPON REQUEST IF THE OFFEREE DOES NOT AGREE TO PURCHASE ANY OF THE SECURITIES OFFERED HEREBY.

ANY OFFERING MATERIALS SUBMITTED IN CONNECTION WITH THE PRIVATE PLACEMENT OF THE SECURITIES DO NOT CONSTITUTE AN OFFER OR SOLICITATION BY ANYONE IN ANY JURISDICTION IN WHICH SUCH AN OFFER OR SOLICITATION IS NOT AUTHORIZED. ANY REPRODUCTION OR DISTRIBUTION OF ANY OFFERING MATERIALS IN WHOLE OR IN PART, OR THE DIVULGENCE OF ANY OF THEIR CONTENTS, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMPANY, IS PROHIBITED. ANY PERSON ACTING CONTRARY TO THE FOREGOING RESTRICTIONS MAY PLACE HIM/HERSELF AND THE COMPANY IN VIOLATION OF FEDERAL OR STATE SECURITIES LAWS.

NASAA UNIFORM LEGEND

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE 1933 ACT, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

The undersigned acknowledges that the Securities will not be registered under the 1933 Act, or the securities laws of any State, that absent an exemption from registration contained in those laws, the issuance and sale of such Securities would require registration, and that the Company's reliance upon such exemption is based upon the undersigned's representations, warranties, and agreements contained in the Offering Materials (as defined below).

1. The undersigned represents, warrants, and agrees as follows:

- (a) The undersigned agrees that this Subscription Agreement is and shall be irrevocable.
- (b) The undersigned has carefully read this Subscription Agreement and the Confidential Prospective Purchaser Questionnaire (collectively the “ **Offering Materials** ”), all of which the undersigned acknowledges have been provided to the undersigned. The undersigned has been given the opportunity to ask questions of, and receive answers from the Company concerning the terms and conditions of this Offering and the Offering Materials and to obtain such additional written information, to the extent the Company possesses such information or can acquire it without unreasonable effort or expense, necessary to verify the accuracy of the same as the undersigned desires in order to evaluate the investment. The undersigned further acknowledges that the undersigned fully understands the Offering Materials, and the undersigned has had the opportunity to discuss any questions regarding any of the Offering Materials with the undersigned's counsel or other advisor. Notwithstanding the foregoing, the only information upon which the undersigned has relied is that set forth in the Offering Materials and the undersigned's own independent investigation. The undersigned acknowledges that the undersigned has received no representations or warranties from the Company or its employees, director, or agents in making this investment decision other than as set forth in the Offering Materials.
- (c) The undersigned is aware that the purchase of the Securities is a speculative investment involving a high degree of risk and that there is no guarantee that the undersigned will realize any gain from this investment, and that the undersigned could lose the total amount of the undersigned's investment.
- (d) The undersigned understands that no federal or state agency has made any finding or determination regarding the fairness of this Offering of the Securities for investment, or any recommendation or endorsement of this Offering of the Securities.
- (e) The Undersigned is an “accredited investor” as that term is defined in Rule 501(a) of Regulation D under the 1933 Act. The Undersigned has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the purchase of the Securities. The Undersigned is not registered as a broker or dealer under Section 15(a) of the 1934 Act, affiliated with any broker or dealer registered under Section 15(a) of the Securities Exchange Act of 1934, as amended, or a member of the Financial Industry Regulatory Authority.
- (f) Each of this Agreement and the Offering Materials have been duly and validly authorized, executed and delivered on behalf of the Undersigned and is a valid and binding agreement of the Undersigned enforceable against the Undersigned in accordance with their terms, subject as to enforceability to general principles of equity and to applicable bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws relating to, or affecting generally, the enforcement of applicable creditors' rights and remedies. The Undersigned has the requisite corporate power and authority to enter into and perform its obligations under this Agreement and the Offering Materials and each other agreement entered into by the parties hereto in connection with the transactions contemplated by this Agreement.
- (g) The execution, delivery and performance of this Agreement and the Offering Materials by the Undersigned and the consummation by the Undersigned of the transactions contemplated hereby and thereby will not (i) result in a violation of the certificate of incorporation, by-laws or other documents of organization of the Undersigned, (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Undersigned is bound, or (iii) result in a violation of any law, rule, regulation or decree applicable to the Undersigned.
- (h) The Undersigned understands that there is no public trading market for the Securities, and the Securities must be held indefinitely unless and until such Securities is registered under the 1933 Act or an exemption from registration is available. The Undersigned has been advised or is aware of the provisions of Rule 144 promulgated under the 1933 Act.

- (i) The Undersigned understands that the Securities is being offered and sold in reliance on a transactional exemption from the registration requirements of Federal and state securities laws and that the Company is relying upon the truth and accuracy of the representations, warranties, agreements, acknowledgments and understandings of the Undersigned set forth herein in order to determine the applicability of such exemptions and the suitability of the Undersigned to acquire the Securities.
- (j) The undersigned is purchasing the Securities for the undersigned's own account, with the intention of holding the Securities, with no present intention of dividing or allowing others to participate in this investment or of reselling or otherwise participating, directly or indirectly, in a distribution of the Securities, and shall not make any sale, transfer, or pledge thereof without registration under the Act and any applicable securities laws of any state or unless an exemption from registration is available under those laws.
- (k) The undersigned represents that the undersigned, if an individual, has adequate means of providing for his or her current needs and personal and family contingencies and has no need for liquidity in this investment in the Securities. The undersigned has no reason to anticipate any material change in his or her personal financial condition for the foreseeable future.
- (l) The undersigned is financially able to bear the economic risk of this investment, including the ability to hold the Securities indefinitely or to afford a complete loss of the undersigned's investment in the Securities.
- (m) The undersigned represents that the undersigned's overall commitment to this investment is not disproportionate to the undersigned's net worth, and the undersigned's investment in the Securities will not cause such overall commitment to become excessive. The undersigned understands that the statutory basis on which the Securities are being sold to the undersigned and others would not be available if the undersigned's present intention were to hold the Securities for a fixed period or until the occurrence of a certain event. The undersigned realizes that in the view of the Commission, a purchase now with a present intent to resell by reason of a foreseeable specific contingency or any anticipated change in the market value, or in the condition of the Company, or that of the industry in which the business of the Company is engaged or in connection with a contemplated liquidation, or settlement of any loan obtained by the undersigned for the acquisition of the Securities, and for which such Securities may be pledged as security or as donations to religious or charitable institutions for the purpose of securing a deduction on an income tax return, would, in fact, represent a purchase with an intent inconsistent with the undersigned's representations to the Company and the Commission would then regard such sale as a sale for which the exemption from registration is not available. The undersigned will not pledge, transfer, or assign this Subscription Agreement.
- (m) The undersigned represents that the funds provided for this investment are either separate property of the undersigned, community property over which the undersigned has the right of control, or are otherwise funds as to which the undersigned has the sole right of management.
- (n) **FOR PARTNERSHIPS, CORPORATIONS, TRUSTS, OR OTHER ENTITIES ONLY** : If the undersigned is a partnership, corporation, trust, or other entity, (i) the undersigned has enclosed with this Subscription Agreement appropriate evidence of the authority of the individual executing this Subscription Agreement to act on its behalf (e.g., if a trust, a certified copy of the trust agreement; if a corporation, a certified corporate resolution authorizing the signature and a certified copy of the articles of incorporation; or if a partnership, a certified copy of the partnership agreement), (ii) the undersigned represents and warrants that it was not organized or reorganized for the specific purpose of acquiring the Securities, (iii) the undersigned has the full power and authority to execute this Subscription Agreement on behalf of such entity and to make the representations and warranties made herein on its behalf, and (iv) this investment in the Company has been affirmatively authorized, if required, by the governing board of such entity and is not prohibited by the governing documents of the entity.
- (o) The address shown under the undersigned's signature at the end of this Subscription Agreement is the undersigned's principal residence if he or she is an individual, or its principal business address if a corporation or other entity.
- (p) The undersigned has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Securities.
- (q) The undersigned acknowledges that the certificates for the Securities which the undersigned will receive will contain a legend substantially as follows:

“THE SECURITIES WHICH ARE REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE DISPOSED OF UNTIL A REGISTRATION STATEMENT WITH RESPECT THERETO IS DECLARED EFFECTIVE UNDER SUCH ACT, OR THE COMPANY RECEIVES AN OPINION OF COUNSEL FOR THE COMPANY THAT AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT IS AVAILABLE.”

The undersigned further acknowledges that (i) if the Company’s Common Stock becomes publicly traded, any necessary stop transfer orders will be placed upon the Company’s Common Stock, in accordance with the Act, and (ii) the Company is under no obligation to aid the undersigned in obtaining any exemption from the registration requirements.

2. The undersigned expressly acknowledges and agrees that the Company is relying upon the undersigned's representations contained in the Offering Materials.
3. The undersigned subscriber acknowledges that the undersigned understands the meaning and legal consequences of the representations and warranties which are contained herein and hereby agrees to indemnify, save and hold harmless the Company and its officers, directors and counsel, from and against any and all claims or actions arising out of a breach of any representation, warranty or acknowledgment of the undersigned contained in any of the Offering Materials. Such indemnification shall be deemed to include not only the specific liabilities or obligations with respect to which such indemnity is provided, but also all reasonable costs, expenses, counsel fees and expenses of settlement relating thereto, whether or not any such liability or obligation shall have been reduced to judgment. In addition, the undersigned's representations, warranties, and indemnification contained herein shall survive the undersigned's purchase of the Securities hereunder. The undersigned specifically acknowledges that he has reviewed the risks set forth in the Offering Materials, as well as the financial statements included therein.
4. The Company represents that it has been duly and validly incorporated and is validly existing and in good standing as a corporation under the laws of the State of Delaware. The Company represents that it has all requisite power and authority, and all necessary authorizations, approvals and orders required as of the date hereof to own its properties and conduct its business and to enter into this Subscription Agreement and the other Offering Materials and to be bound by the provisions and conditions hereof or therein. The Company further represents that the securities offered hereby are being offered pursuant to an exemption from the registration requirements of the 1933 Act and applicable state securities laws for nonpublic offerings.
5. The undersigned agrees and acknowledges that the Company has the right to utilize the services of a placement agent and if utilized, may receive a cash commission, at a rate that is compatible with industry standards, from the Securities sold by such placement agent.
6. Except as otherwise specifically provided for hereunder, no party shall be deemed to have waived any of his, her, or its rights hereunder or under any other agreement, instrument, or papers signed by any of them with respect to the subject matter hereof unless such waiver is in writing and signed by the party waiving said right. Except as otherwise specifically provided for hereunder, no delay or omission by any party in exercising any right with respect to the subject matter hereof shall operate as a waiver of such right or of any such other right. A waiver on any one occasion with respect to the subject matter hereof shall not be construed as a bar to, or waiver of, any right or remedy on any future occasion. All rights and remedies with respect to the subject matter hereof, whether evidenced hereby or by any other agreement, instrument, or paper, will be cumulative, and may be exercised separately or concurrently.
7. The parties have not made any representations or warranties with respect to the subject matter hereof not set forth herein, and this Subscription Agreement, together with any instruments executed simultaneously herewith, constitutes the entire agreement between them with respect to the subject matter hereof. All understandings and agreements heretofore existing between the parties with respect to the subject matter hereof are merged in this Subscription Agreement and any such instrument, which alone fully and completely express their agreement.
8. This Subscription Agreement may not be changed, modified, extended, terminated, or discharged orally, but only by an agreement in writing, which is signed by all of the parties to this Subscription Agreement.

9. The parties agree to execute any and all such other and further instruments and documents, and to take any and all such further actions reasonably required to effectuate this Subscription Agreement and the intent and purposes hereof.

10. If any provision or any portion of any provision of this Subscription Agreement or the application of any such provision or any portion thereof to any person or circumstance, shall be held invalid or unenforceable, the remaining portion of such provision and the remaining portion of such provision as is held invalid or unenforceable to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby.

11. This Subscription Agreement shall be governed by and construed in accordance with the laws of the State of Delaware and the undersigned hereby consents to the jurisdiction of the courts of the State of Colorado and/or the United States District Court for Colorado.

12. Piggyback Registration Rights. If the Company shall determine to prepare and file with the United States Securities and Exchange Commission a registration statement relating to an offering for its own account or the account of others under the Securities Act of any of its equity securities, other than on Form S-4 or Form S-8 (each as promulgated under the Securities Act) or any post-effective amendment to existing registration statements or their then equivalents relating to equity securities to be issued solely in connection with any acquisition of any entity or business or equity securities issuable in connection with stock option or other employee benefit plans, then the Company shall send to the Holder a written notice of such determination at least five (5) days prior to the filing of any such registration statement and shall include in such registration statement all shares of Common Stock purchased pursuant to this Agreement, including the shares of Common Stock underlying the Warrant; provided, however, that (i) if, at any time after giving written notice of its intention to register any securities and prior to the effective date of the registration statement filed in connection with such registration, the Company determines for any reason not to proceed with such registration, the Company will be relieved of its obligation to register any Common Stock and the Common Stock underlying the Warrant in connection with such registration, and (ii) in case of a determination by the Company to delay registration of its securities, the Company will be permitted to delay the registration of the Common Stock and the Common Stock underlying the Warrant for the same period as the delay in registering such other securities.

ALL SUBSCRIBERS MUST COMPLETE A COPY OF THIS PAGE

(Print Name of Subscriber)

IN WITNESS WHEREOF, the undersigned has executed this Subscription Agreement on this ____ day of _____, 2014.

Securities Subscription Amount \$ _____

1. Individual
2. Joint Tenants with Right of Survivorship
3. Community Property
4. Tenants in Common
5. Corporation/Partnership
6. IRA of _____
7. Trust
Date Opened _____
8. As A Custodian For _____
Under the Uniform Transfer to Minors Act of the
State of _____
9. Married with Separate
Property
10. Keogh of _____

EXECUTION BY SUBSCRIBER WHO IS A NATURAL PERSON

Exact Name in Which Title is to be Held

Signature

Name (Please Print)

Title of Person Executing Agreement

Address: Number and Street

City State Zip Code

Social Security Number

Accepted this ___ day of _____, 2014, on behalf of MASSROOTS, INC .

By: _____
Name:
Title:

EXECUTION BY SUBSCRIBER WHICH IS A CORPORATION,

PARTNER, TRUST, ETC.

Exact Name in Which Title is to be Held

(Signature)

Name (Please Print)

Title of Person Executing Agreement

Address: Number and Street

City	State	Zip Code
------	-------	----------

Tax Identification Number

Accepted this ___ day of _____, 2014, on behalf of MASSROOTS, INC.

By: _____
Name:
Title:

WARRANT

THESE SECURITIES AND THE SECURITIES ISSUABLE UPON THEIR EXERCISE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE TRANSFERRED UNLESS PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, A "NO-ACTION" LETTER FROM THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION" OR THE "SEC") WITH RESPECT TO SUCH TRANSFER, A TRANSFER MEETING THE REQUIREMENTS OF RULE 144 OF THE COMMISSION, OR AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY SUCH TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

MassRoots, Inc.

WARRANT NO. SEPTEMBER 2014 1-__

Dated: September __, 2014

MassRoots, Inc., a corporation organized under the laws of the State of Delaware (the "Company"), hereby certifies that, for value received from _____, a [insert state of incorporation or state of residence] (the "Holder"), is entitled, subject to the terms set forth below, to purchase from the Company up to a total of _____ shares of the common stock, \$0.001 par value per share (the "Common Stock"), of the Company (the "Warrant Shares"), at an exercise price equal to one dollar (\$1.00) per share (the "Exercise Price"). This Warrant may be exercised any time after issuance through and including the third (3rd) anniversary of its original issuance as noted above (the "Expiration Date"), subject to the following terms and conditions:

1. Registration of Warrant. The Company shall, from time to time and whenever requested by the Holder, register this Warrant in conformity with records to be maintained by the Company for such purpose (the "Warrant Register") in the name of the Holder. The Company shall treat the registered Holder of this Warrant as the absolute owner hereof for any and all purposes, including the exercise hereof or any distribution to the Holder, and the Company shall not be affected by notice to the contrary.
2. Registration of Transfers and Exchanges.
 - (a) The Company or the transfer agent shall enter or record the transfer of all or any portion of this Warrant in the Warrant Register, upon surrender of this Warrant to the Company at the office specified herein or pursuant to Section 11 hereof. Upon any such registration or transfer, a new warrant to purchase Common Stock, in substantially the form of this Warrant (any such new warrant hereinafter referred to as a "New Warrant"), evidencing the portion of this Warrant so transferred shall be issued to the transferee and a New Warrant evidencing the remaining portion of this Warrant not so transferred, if any, shall be issued to the Holder. The acceptance of the New Warrant by the transferee thereof shall be deemed the acceptance of such transferee of all of the rights and obligations of a holder of a Warrant.
 - (b) This Warrant is exchangeable, upon the surrender hereof by the Holder to the office of the Company specified herein or pursuant to Section 3(b) hereof for one or more New Warrants, evidencing in the aggregate the right to purchase the number of Warrant Shares which may then be purchased hereunder. Any such New Warrant shall be dated as of the date of such exchange.
3. Duration and Exercise of Warrants.
 - (a) This Warrant shall be exercisable by the registered Holder on any business day before 5:00 P.M., Boston time, at any time and from time to time on or after the date hereof to and including the Expiration Date. At 5:00 P.M., Boston time on the Expiration Date, the portion of this Warrant not exercised prior thereto shall be and become void and of no value. Prior to the Expiration Date, the Company may not call or otherwise redeem this Warrant without the prior written consent of the Holder, which consent shall be given or withheld at the sole and absolute discretion of the Holder.

- (b) Subject to Section 2(b), Section 6 and Section 10 hereof, upon: (x) surrender of this Warrant, together with the Form of Election to Purchase attached hereto duly completed and signed, to the Company at its address for notice set forth in Section 11 hereof; and (y) payment of the Exercise Price multiplied by the number of Warrant Shares that the Holder intends to purchase hereunder, in the manner provided hereunder, all as specified by the Holder in the Form of Election to Purchase, the Company shall promptly (but in no event later than five (5) business days after the Date of Exercise (as defined below)) issue or cause to be issued and cause to be delivered to the Holder in such name(s) as the Holder may designate, a certificate for the Warrant Shares issuable upon such exercise and free of restrictive legends unless (i) a registration statement covering the resale of the Warrant Shares and naming the Holder as a selling stockholder thereunder is not then effective or the Warrant Shares are not freely transferable without volume restrictions pursuant to Rule 144(k) promulgated under the Securities Act then the Warrant Shares will bear a Securities Act restrictive legend, or (ii) this Warrant shall have been issued pursuant to a written agreement between the original Holder and the Company, as required by such agreement. Any person so designated by the Holder to receive Warrant Shares shall be deemed to have become holder of record of such Warrant Shares as of the Date of Exercise of this Warrant. A “Date of Exercise” means the date on which the Company shall have received (I) this Warrant (or any New Warrant, as applicable), together with the Form of Election to Purchase attached hereto (or attached to such New Warrant) appropriately completed and duly signed; and (II) payment of the Exercise Price for the number of Warrant Shares so indicated by the holder hereof to be purchased.
- (c) This Warrant shall be exercisable in its entirety or, from time to time, for a portion of the number of Warrant Shares. If less than all of the Warrant Shares which may be purchased under this Warrant are exercised at any time, the Company shall issue or cause to be issued, at its expense, a New Warrant evidencing the right to purchase the remaining number of Warrant Shares for which no exercise has been evidenced by this Warrant. In the event the Common Stock representing the Warrant Shares is not delivered per the written instructions of the Holder within ten (10) business days after the Notice of Election and Warrant is received by the Company (the “Delivery Date”), then the Company shall pay to Holder in cash two percent (2.0%) of the dollar value of the Warrant Shares to be issued for the first day after the Delivery Date that the Warrant Shares are not delivered, and an additional two percent (2.0%) of the dollar value of the Warrant Shares to be issued after the Delivery Date for every thirty (30) days thereafter that the Warrant Shares are not delivered. The Company acknowledges that its failure to deliver the Warrant Shares by the Delivery Date will cause the Holder to suffer damages in an amount that will be difficult to ascertain. Accordingly, the parties hereto agree that it is appropriate to include in this Warrant this provision for liquidated damages. The parties hereto acknowledge and agree that the liquidated damages provision set forth in this section represents the parties’ good faith effort to quantify such damages and therefore agree that the form and amount of such liquidated damages are reasonable and will not constitute a penalty. Notwithstanding the foregoing, the payment of liquidated damages shall not relieve the Company from its obligations to deliver the Common Stock pursuant to the terms of this Warrant. The Company shall make any payments incurred under this Section 3 in immediately available funds within ten (10) business days from the date of issuance of the applicable Warrant Shares. Nothing herein shall limit Holder’s right to pursue actual damages or cancel the Notice of Election for the Company’s failure to issue and deliver Common Stock to the Holder within ten (10) business days following the Delivery Date.
5. Payment of Taxes. Upon the exercise of this Warrant, the Company will pay all documentary stamp taxes attributable to the issuance of Warrant Shares; provided, however, that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the registration of any certificates for Warrant Shares or Warrants in a name other than that of the Holder. The Holder shall be responsible for all other tax liability that may arise as a result of holding or transferring this Warrant or receiving Warrant Shares upon exercise hereof.
6. Replacement of Warrant. If this Warrant is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation hereof, or in lieu of and substitution for this Warrant, a New Warrant, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction and indemnity, if requested, satisfactory to it. Applicants for a New Warrant under such circumstances shall comply with such other reasonable regulations and procedures and pay such other reasonable charges as the Company may prescribe.

7. Reservation of Warrant Shares. The Company covenants that it will at all times reserve and keep available out of the aggregate of its authorized but unissued Common Stock, solely for the purpose of enabling it to issue Warrant Shares upon exercise of this Warrant as herein provided, the number of Warrant Shares which are then issuable and deliverable upon the exercise of this entire Warrant, free from preemptive rights or any other actual contingent purchase rights of persons other than the Holder (taking into account the adjustments and restrictions of Section 8 hereof). The Company covenants that all Warrant Shares that shall be so issuable and deliverable shall, upon issuance and the payment of the applicable Exercise Price in accordance with the terms hereof, be duly and validly authorized, issued and fully paid and nonassessable. If the Company does not have a sufficient amount of Common Stock authorized to reserve for the Warrant Shares, it shall, as soon as reasonably practicable, use its best efforts to increase the number of its authorized shares such that the Company will have a sufficient amount of Common Stock authorized to reserve for the Warrant Shares.
8. Certain Adjustments. The Exercise Price and number of Warrant Shares issuable upon exercise of this Warrant are subject to adjustment from time to time as set forth in this Section 8. Upon each such adjustment of the Exercise Price pursuant to this Section 8, the Holder shall thereafter but prior to the Expiration Date be entitled to purchase, at the Exercise Price resulting from such adjustment, the number of Warrant Shares obtained by multiplying the Exercise Price in effect immediately prior to such adjustment by the number of Warrant Shares issuable upon exercise of this Warrant immediately prior to such adjustment and dividing the product thereof by the Exercise Price resulting from such adjustment.
- (a) An adjustment shall be made, if the Company, at any time while this Warrant is outstanding (i) pays a stock dividend (except scheduled dividends paid on outstanding preferred stock as of the date hereof which contain a stated dividend rate) or otherwise make distribution(s) on shares of its Common Stock or on any other class of capital stock and not the Common Stock payable in shares of Common Stock; (ii) subdivides outstanding shares of Common Stock into a larger number of shares; or (iii) combines outstanding shares of Common Stock into a smaller number of shares. If either (i), (ii) or (iii) above occurs, the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding before such event and of which the denominator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding after such event. Any adjustment made pursuant to this Section shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision or combination, and shall apply to successive subdivisions and combinations.
- (b) In case of any reclassification of the Common Stock, any consolidation or merger of the Company with or into another entity, the sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange pursuant to which the Common Stock is converted into other securities, cash or property, then the Holder shall have the right thereafter to exercise this Warrant only into the shares of stock and other securities and property receivable upon or deemed to be held by holders of Common Stock following such reclassification, consolidation, merger, sale, transfer or share exchange, and the Holder shall be entitled upon such event to receive such amount of securities or property equal to the amount of Warrant Shares such Holder would have been entitled to had such Holder exercised this Warrant immediately prior to such reclassification, consolidation, merger, sale, transfer or share exchange. The terms of any such consolidation, merger, sale, transfer or share exchange shall include such terms so as to continue to give to the Holder the right to receive the securities or property set forth in this Section 8(b) upon any exercise following any such reclassification, consolidation, merger, sale, transfer or share exchange.
- (c) At any time while this Warrant is outstanding, if the Company distributes to all holders of Common Stock (and not to holders of this Warrant) evidence of its indebtedness or assets or rights or warrants to subscribe for or purchase any security (excluding those referred to in Section 8(a), Section 8(b) and Section 8(d) hereof), then in each such case the Exercise Price shall be determined by multiplying the Exercise Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which the denominator shall be the Exercise Price determined as of the record date mentioned above, and of which the numerator shall be such Exercise Price on such record date less the then fair market value at such record date of the portion of such assets or evidence of indebtedness so distributed applicable to one outstanding share of Common Stock as determined by the Company's independent certified public accountants that regularly examines the financial statements of the Company (the "Appraiser").

- (d) If, at any time while this Warrant is outstanding, the Company shall issue or cause to be issued rights or warrants to acquire or otherwise sell or distribute shares of Common Stock for a consideration per share less than the lower of the Exercise Price then in effect and the then fair market value of the Common Stock, then, forthwith upon such issue or sale, the Exercise Price shall be reduced to the price (calculated to the nearest one hundredth of a cent) determined by multiplying the Exercise Price in effect immediately prior thereto by a fraction, the numerator of which shall be the sum of (i) the number of shares of Common Stock outstanding immediately prior to such issuance, and (ii) the number of shares of Common Stock which the aggregate consideration received (or to be received, assuming exercise or conversion in full of such rights, warrants and convertible securities) for the issuance of such additional shares of Common Stock would purchase at the Exercise Price, and the denominator of which shall be the sum of the number of shares of Common Stock outstanding immediately after the issuance of such additional shares. Such adjustment shall be made successively whenever such an issuance is made.
- (e) For the purposes of this Section 8, the following clauses shall also be applicable:
- (i) Record Date. In case the Company shall take a record of the holders of its Common Stock for the purpose of entitling them (A) to receive a dividend or other distribution payable in Common Stock or in securities convertible or exchangeable into shares of Common Stock, or (B) to subscribe for or purchase Common Stock or securities convertible or exchangeable into shares of Common Stock, then such record date shall be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.
 - (ii) Treasury Shares. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Common Stock.
- (f) All calculations under this Section 8 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be.
- (g) Whenever the Exercise Price is adjusted pursuant to Section 8(c) hereof, the Holder, after receipt of the determination by the Appraiser, shall have the right to select an additional appraiser (which shall be a nationally recognized accounting firm), in which case the adjustment shall be equal to the average of the adjustments recommended by each of the Appraiser and such additional appraiser appointed under this Section 8(g). The Holder shall promptly mail or cause to be mailed to the Company, a notice setting forth the Exercise Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment. Such adjustment shall become effective immediately after the record date mentioned above, if:
- (i) the Company shall declare a dividend (or any other distribution) on its Common Stock;
 - (ii) the Company shall declare a special nonrecurring cash dividend on or a redemption of its Common Stock;
 - (iii) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights;
 - (iv) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock of the Company, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property; or

(v) the Company shall authorize the voluntary dissolution, liquidation or winding up of the affairs of the Company, then the Company shall cause to be mailed to the Holder at their last addresses as they shall appear upon the Warrant Register, at least thirty (30) calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined, or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation or winding up; provided, however, that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice.

9. Payment of Exercise Price. The Holder, at its sole election, may pay the Exercise Price in one of the following manners:

(a) Cash Exercise. The Holder shall deliver immediately available funds; or

(b) Cashless Exercise. If at any time after one year from the date of issuance of this Warrant there is no effective Registration Statement registering the resale of the Warrant Shares by the Holder at such time, this Warrant may also be exercised at such time by means of a cashless exercise. In such event, the Holder shall surrender this Warrant to the Company, together with a notice of cashless exercise, and the Company shall issue to the Holder the number of Warrant Shares determined as follows:

$$X = Y (A-B)/A$$

where:

X = the number of Warrant Shares to be issued to the Holder.

Y = the number of Warrant Shares with respect to which this Warrant is being exercised.

A = the average closing bid price of the Common Stock for the five (5) trading days immediately prior to the Date of Exercise.

B = the Exercise Price.

For purposes of Rule 144 of the Securities Act, it is intended, understood and acknowledged that the Warrant Shares issued in a cashless exercise transaction shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have been commenced, on the issue date.

(c) Notwithstanding anything in this Warrant to the contrary, the Holder is limited in the amount of this Warrant it may exercise. In no event shall the Holder be entitled to exercise any amount of this Warrant in excess of that amount upon exercise of which the sum of (1) the number of shares of Common Stock beneficially owned (as such term is defined under Section 13(d) and Rule 13d-3 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) by the Holder, and (2) the number of Warrant Shares issuable upon the exercise of any Warrants then owned by Holder, would result in beneficial ownership by the Holder of more than four and ninety-nine one hundredths percent (4.99%) of the outstanding shares of Common Stock of the Company, as determined in accordance with Rule 13d-1(j) of the Exchange Act. Furthermore, the Company shall not process any exercise that would result in beneficial ownership by the Holder of more than four and ninety-nine one hundredths percent (4.99%) of the outstanding shares of Common Stock of the Company.

10. Fractional Shares. The Company shall not be required to issue or cause to be issued fractional Warrant Shares on the exercise of this Warrant. The number of full Warrant Shares which shall be issuable upon the exercise of this Warrant shall be computed on the basis of the aggregate number of Warrant Shares purchasable on exercise of this Warrant so presented. If any fraction of a Warrant Share would, except for the provisions of this Section 10, be issuable on the exercise of this Warrant, the Company shall pay an amount in cash equal to the Exercise Price multiplied by such fraction.
11. Notices. Any and all notices or other communications or deliveries hereunder shall be in writing and shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile telephone number specified in this Section prior to 5:00 p.m. Boston time on a business day, (ii) the business day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile telephone number specified in this Section later than 5:00 p.m. Boston time on any date and earlier than 11:59 p.m. Boston time on such date, (iii) the business day following the date of mailing, if sent by nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given. The addresses for such communications shall be:

If to the Company:

MassRoots, Inc.
2247 Federal Blvd.,
Denver, CO 80211

If to the Holder:

[Insert Name and Address here]

12. Warrant Agent. The Company shall serve as warrant agent under this Warrant. Upon thirty (30) days notice to the Holder, the Company may appoint a new warrant agent. Any corporation into which the Company or any new warrant agent may be merged or any corporation resulting from any consolidation to which the Company or any new warrant agent shall be a party or any corporation to which the Company or any new warrant agent transfers substantially all of its corporate trust or shareholders services business shall be a successor warrant agent under this Warrant without any further action. Any such successor warrant agent shall promptly cause notice of its succession as warrant agent to be mailed (by first class mail, postage prepaid) to the Holder at the Holder's last address as shown on the Warrant Register.
13. Miscellaneous.
- (a) This Warrant shall be binding on and inure to the benefit of the parties hereto. This Warrant may be amended only in writing signed by the Company and the Holder.
 - (b) Nothing in this Warrant shall be construed to give to any person or corporation other than the Company and the Holder any legal or equitable right, remedy or cause under this Warrant. This Warrant shall inure to the sole and exclusive benefit of the Company and the Holder
 - (c) This Warrant shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Massachusetts without regard to the principles of conflicts of law thereof.
 - (d) The headings herein are for convenience only, do not constitute a part of this Warrant and shall not be deemed to limit or affect any of the provisions hereof.
 - (e) In case any one or more of the provisions of this Warrant shall be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Warrant shall not in any way be affected or impaired thereby and the parties will attempt in good faith to agree upon a valid and enforceable provision which shall be a commercially reasonable substitute therefor, and upon so agreeing, shall incorporate such substitute provision in this Warrant.

- (f) The Company hereby represent and warrants to the Holder that: (i) it is voluntarily issuing this Warrant of its own freewill, (ii) it is not issuing this Warrant under economic duress, (iii) the terms of this Warrant are reasonable and fair to the Company, and (iv) the Company has had independent legal counsel of its own choosing review this Warrant, advise the Company with respect to this Warrant, and represent the Company in connection with its issuance of this Warrant.
- (g) Any capitalized term used but not defined in this Warrant shall have the meaning ascribed to it in the Subscription Agreement, of even date herewith, by and between the Company and the Holder.
- (h) This Warrant may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and, all of which taken together shall constitute one and the same Warrant. In the event that any signature is delivered by facsimile transmission, such signature shall create a valid binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such facsimile signature were the original thereof.
- (i) This Warrant and the obligations of the Company hereunder shall not be assignable by the Company.
- (j) Notwithstanding anything in this Warrant to the contrary, the parties hereto hereby acknowledge and agree to the following: (i) the Holder makes no representations or covenants that it will not engage in trading in the securities of the Company; (ii) the Company shall, by 8:30 a.m. Boston Time on the trading day following the date hereof, file a current report on Form 8-K disclosing the material terms of the transactions contemplated hereby and in the other Transaction Documents ; (iii) the Company has not and shall not provide material non-public information to the Holder unless prior thereto the Holder Party shall have executed a written agreement regarding the confidentiality and use of such information; and (iv) the Company understands and confirms that the Holder will be relying on the acknowledgements set forth in clauses (i) through (iii) above if the Holder effects any transactions in the securities of the Company.

14. Disputes Under This Agreement.

All disputes arising under this Warrant shall be governed by and interpreted in accordance with the laws of the State of Delaware, without regard to principles of conflict of laws. The parties hereto will submit all disputes arising under this Agreement to arbitration in Denver, Colorado before a single arbitrator of the American Arbitration Association (the “AAA”). The arbitrator shall be selected by application of the rules of the AAA, or by mutual agreement of the parties, except that such arbitrator shall be an attorney admitted to practice law in the State of Colorado. No party hereto will challenge the jurisdiction or venue provisions provided in this Section 14. Nothing in this Section 14 shall limit the Holder's right to obtain an injunction for a breach of this Agreement from a court of law. Any injunction obtained shall remain in full force and effect until the arbitrator, as set forth in this Section 14 fully adjudicates the dispute.

[Signature on Following Page]

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by its authorized officer as of the date first indicated above.

MASSROOTS, INC.

By: _____

Name: Isaac Dietrich

Title: CEO

EXHIBIT A
FORM OF ELECTION TO PURCHASE

MassRoots, Inc.

Re: Intention to Exercise Right to Purchase Shares of Common Stock Under the Warrant

Gentlemen:

In accordance with the Warrant enclosed with this Form of Election to Purchase, the undersigned hereby irrevocably elects to purchase _____ shares of Common Stock, \$0.001 par value per share, of MassRoots, Inc. and, if such Holder is not utilizing the cashless exercise provisions set forth in the Warrant, encloses herewith \$_____ in cash, certified or official bank check(s), which sum represents the aggregate Exercise Price for the number of shares of Common Stock to which this Form of Election to Purchase relates, together with any applicable taxes payable by the undersigned pursuant to the Warrant. Any capitalized terms used but not defined in this Form of Election to Purchase shall have the meaning ascribed to them in the accompanying Warrant.

The undersigned requests that certificates for the shares of Common Stock issuable upon this exercise be issued in the name of:

(Please insert SS# or FEIN #)

(Please print name and address)

If the number of shares of Common Stock issuable upon this exercise shall not be all of the shares of Common Stock which the undersigned is entitled to purchase in accordance with the enclosed Warrant, the undersigned requests that a New Warrant evidencing the right to purchase the shares of Common Stock not issuable pursuant to the exercise evidenced hereby be issued in the name of and delivered to:

(Please print name and address)

Dated: _____

Name of Holder: _____
Signed: _____
Printed Name: _____
Title: _____

(Signature must conform in all respects to name of Holder as specified on the face of the Warrant)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, I, Isaac Dietrich, certify that:

1. I have reviewed this report on Form 10-K of MassRoots, Inc., for the fiscal year ended December 31, 2015;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 31, 2016

/s/ Isaac Dietrich

Chief Executive Officer, Principle Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, I, Jesus Quintero certify that:

1. I have reviewed this report on Form 10-K of MassRoots, Inc. , for the fiscal year ended December 31, 2015;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 31, 2016

/s/ Jesus Quintero

Principal Financial Officer

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

In connection with the annual report of MassRoots, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, [], Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (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 result of operations of the Company.

/s/ Isaac Dietrich

Chief Executive Officer
and Principal Executive Officer

March 31, 2016

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report of MassRoots, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jesus Quintero principal financial officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (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 result of operations of the Company.

/s/ Jesus Quintero
Principal Financial Officer
March 31, 2016

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

MASSROOTS, INC
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

CHARTER

I PURPOSE

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing: the financial reports and other financial information provided by the Corporation to any governmental body or the public; the Corporation's systems of internal controls regarding finance, accounting, legal compliance and ethics that management and the Board have established; and the Corporation's auditing, accounting and financial reporting processes generally. Consistent with this function, the Audit Committee should encourage continuous improvement of, and should foster adherence to, the Corporation's policies, procedures and practices at all levels. The Audit Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Corporation's financial reporting process and internal control systems.
- Review and appraise the audit efforts of the Corporation's independent accountants and internal auditing function (or the efforts of the out-sourced internal audit service provider, if applicable).
- Provide an open avenue of communication among the independent accountants, financial and senior management, the internal auditing function, and the Board of Directors.

The Audit Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section IV of this Charter.

II COMPOSITION

The Audit Committee shall be comprised of three or more independent directors, free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. All members of the Committee shall have a working familiarity with basic finance and accounting practices, and at least one member of the Committee shall have accounting or related financial management expertise. Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Corporation or an outside consultant.

The members of the Committee shall be elected by the Board at the annual organizational meeting of the Board or until their successors shall be duly elected and qualified. Unless a chair is elected by the full Board, the members of the committee may designate a Chair by majority vote of the full Committee membership.

III MEETINGS

The committee shall meet at least four times annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee should meet at least annual with management, the director of the internal auditing function and the independent accountants in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. In addition, the Committee or at least its Chair should communicate with the independent accountants and management quarterly to review the Corporation's financials consistent with IV.4 below. *A majority of the whole authorized number of members of the Committee shall be necessary to constitute a quorum for a meeting.*

IV RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Audit Committee shall:

Documents/Reports Review

1. Review and update this Charter and the Audit Department Policy periodically, at least annually, as conditions dictate, and submit to the Board of Directors for their approval the Audit Committee Charter and Audit Policy Document.
2. Review the organization's annual financial statements and any reports or other financial information submitted to any governmental body, or the public, including any certification, report, opinion, or review rendered by the independent accountants.
3. Review the regular internal reports prepared by the internal auditing function and management's response.
4. Review with financial management and the independent accountants the 10-Q prior to its filing or prior to the release of earnings. The Chair of the Committee may represent the entire Committee for purposes of this review.
5. Review annually the department budget if one is deemed needed.
6. Review annually the scope of the audit plan and risk assessment to be used for both the internal and external audits, including out-sourcing and/or co-sourcing arrangements, as applicable.
7. Review the Internal Auditor's salary (if any).
8. Review periodically audit activity, including adherence to the internal audit plan and review management's resolution of audit findings.
9. Review with the Internal Auditor, as is appropriate, material transactions originating from director, director-related enterprises, and officer loans.
10. Review with management the extent and adequacy of property and liability insurance coverage, and the security program.
11. On a timely basis, report to the full Board, on the effectiveness of the Bank's overall control system and audit program and any matters relating to policy which require their attention.
12. Review, at least annually the "structure, management, staffing and audit quality of the internal audit function." (if applicable).

Independent Accountants

13. Recommend to the Board of Directors the selection of the independent accountants, who are accountable to the Board and to the Audit Committee as representatives of the shareholders, considering independence and effectiveness and approve the fees and other compensation to be paid to the independent accountants. On an annual basis, the Committee should review and discuss with the accountants all significant relationships the accountants have with the Corporation to determine the accountants' independence.
14. Review the performance of the independent accountants and approve any proposed discharge of the independent accountants when circumstances warrant.
15. Periodically consult with the independent accountants out of the presence of management about internal controls and the fullness and accuracy of the organization's financial statements.
16. This Committee will actively engage the outside auditors in a dialogue regarding independence.

Financial Reporting Processes

17. In consultation with the independent accountants and the internal auditors, review the integrity of the organization's financial reporting processes, both internal and external.
18. Consider the independent accountants' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting.
19. Consider and approve, if appropriate, major changes to the Corporation's auditing and accounting principles and practices as suggested by the independent accountants, management, or the internal auditing function.

Process Improvement

20. Establish regular and separate systems of reporting to the Audit Committee by each of management, the independent accountants and the internal auditors regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
21. Following the completion of the annual audit, review separately with each of management, the independent accountants and the internal auditing department any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
22. Review any significant disagreement among the management and the independent accountants or the internal auditing function in connection with the preparation of the financial statements.
23. Review with the independent accountants, the internal auditing function and management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. (This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.)

Ethical and Legal Compliance

24. Review management's monitoring of the Corporation's compliance with the organization's Ethical Code, and ensure that management has the proper review system in place to ensure that Corporation's financial statements, reports and other financial information disseminated to governmental organization, and the public satisfy legal requirements.
25. Review activities, risk based audit policy and plan, organizational structure, and qualifications of the internal audit department.
26. Review, with the organization's counsel, legal compliance matters including corporate securities trading policies.
27. Review, with the organization's counsel, any legal matter that could have a significant impact on the organization's financial statements.
28. Perform any other activities consistent with this Charter, the Corporation's By-laws and governing law, as the Committee or the Board deems necessary or appropriate.
29. The Audit Committee shall have the power to conduct and authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain independent counsel, accountants, or others to assist it in the conduct of any investigation.

Proxy Statement Report

30. Include a Committee report in the Corporation's proxy statement, including
 - a. whether the Committee has reviewed and discussed the Corporation's audited financial statements with management;
 - b. whether the Committee has discussed with the outside auditors the matters required to be discussed by SAS 61;
 - c. whether the Committee has received the written disclosures and letter from the Corporation's outside auditors relating to their independence as required by Independent Standards Board Standard No. 1, and has discussed with the outside auditors their independence; and
 - d. whether the Committee has recommended to the Board of Directors, based upon the reviews and discussions referenced to in (a), (b) and (c), that the Corporation's audited financial statements be included in the Corporation's Annual Report on Form 10-K.

Other

31. Review with management the outside auditor's proposals to provide other bank services such as consulting.
32. Maintain minutes and other relevant records of their meetings and decisions.

**CHARTER OF THE COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS OF
MASSROOTS, INC.**

Purpose

The Compensation Committee (the "Committee") of the Board of Directors (the "Board") of MassRoots, Inc. (the "Company") shall assist the Board in the discharge of its responsibilities with respect to the compensation of the directors and the executive officers of the Company.

Composition of the Compensation Committee

The Committee shall consist of not less than two (2) directors each of whom shall be an independent director under NASDAQ Stock Market (or any successor thereto, or the applicable rules of any other exchange or quotation system on which the Company's shares may be listed from time to time) ("NASDAQ") listing standards, a "nonemployee director" within the meaning of Rule 16b-3 issued by the U.S. Securities and Exchange Commission ("SEC"), and an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended.

The receipt of awards of stock or stock options pursuant to the Company's equity incentive plans, or compensation for participation at meetings, or the reimbursement of his or her reasonable expenses, by a director as part of his or her compensation for service on the Board and committees of the Board shall not disqualify the director from serving as a member of the Committee.

If the Committee is comprised of at least three (3) members satisfying the independence requirements, then one (1) director who is not independent under NASDAQ rules, and is not a current officer or employee of the Company or any of its subsidiaries (or an immediate family member of such person), may be appointed to the Committee, under exceptional and limited circumstances, as determined by the Board in accordance with applicable NASDAQ rules.

The Board shall designate one member of the Committee as its Chairman. Members of the Committee shall serve until their resignation, retirement, removal by the Board or until their successors are appointed, or when they cease to be a director of the Company.

Responsibilities and Duties

In carrying out the purpose and authorities set forth herein, the Committee shall:

1. Executive Officers Compensation. Review and recommend to the Board the corporate goals and objectives relevant to the compensation of the Chairman of the Board, the Company's Chief Executive Officer ("CEO"), the Company's Chief Financial Officer and other executive officers (as determined by the Committee), evaluate such officers' performance in light of those goals and objectives, and recommend to the Board such officers' compensation level based on this evaluation;
2. Significant Executive Officer Contracts. Review and recommend to the Board employment agreements, arrangements, or transactions with executive officers (and other officers as determined by the Committee), including any arrangements having any compensatory effect or purpose; including approving base salaries, salary increases, bonus targets and other remuneration for the executive officers, as well as any employment terms for the executive officers not part of the Company's standard employment terms relating to its employees generally;
3. Director Compensation. Review and recommend to the Board appropriate director compensation programs for service as directors, committee chairmanships, and committee members, consistent with any applicable requirements of the NASDAQ listing standards for independent directors;

4. Compensation Policies and Performance Review. Periodically assess the Company's policies applicable to the Company's executive officers and directors, including the relationship of corporate performance to executive compensation;
5. Retention of Compensation Consultants and Other Professionals. Have full authority to hire independent compensation consultants and other professionals to assist in the design, formulation, analysis and implementation of compensation programs for the Company's executive officers;
6. Committee Report in Proxy Statement. Assist in the preparation of and approve a report of the Committee for inclusion in the Company's proxy statement for each annual meeting of stockholders in accordance with the rules of the SEC and any requirements of the NASDAQ;
7. Review. Periodically review the operation of all of the Company's employee benefit plans, except that the day-to-day administration of such plans, including the preparation and filing of all government reports and the preparation and delivery of all required employee materials and communications, shall be performed by the Company's management;
8. Access to Executives. Have full access to the Company's executives as necessary to carry out its responsibilities;
9. Other Activities. Perform any other activities consistent with this Charter, the Company's bylaws and governing law as the Committee or the Board deems necessary or appropriate; and
10. Review Charter. Review this Charter from time to time for adequacy and recommend any changes to the Board.

Committee Meetings

The Committee shall meet with the CEO at or near the start of each fiscal year to discuss the goals and incentive compensation programs to be in effect for such fiscal year and the performance targets triggering payout under those programs.

The Committee shall, by duly authorized resolution, recommend to the Board the incentive compensation programs to be in effect for the fiscal year for the Company's executive officers and other participants, including the objectives to be attained and the procedures for determining the individual awards payable under those programs. At or near the end of each fiscal year, the Committee shall meet to review performance under those programs and recommend to the Board the award of bonuses thereunder. At that time the Committee shall also recommend to the Board whether to adjust base salary levels in effect for the Company's executive officers and shall review the overall performance of the Company's employee benefit plans.

Members of the Committee may participate in meetings remotely by means of conference telephone, Internet broadcast or similar communication device, provided that all persons participating in the meeting can hear each other at the same time. Such participation shall constitute presence in person at the meeting.

A majority of all the members of the Committee shall constitute a quorum for the transaction of business, and the vote of a majority of all the members of the Committee participating (including by proxy) at a meeting at which a quorum is present shall be the act of the Committee.

In addition, any action required or permitted to be taken at a meeting of the Committee, may be taken without a meeting if, before or after the action, a written consent thereto is signed by all the members of the Committee.

The Chairman of the Committee shall preside at each meeting. In the event the Chairman is not present at the meeting, the Committee members present at that meeting shall designate one of its members as the acting chair of such meeting.

Reporting

The Secretary of the Company shall keep minutes of the Committee's proceedings. The minutes of a meeting shall be available for review by the entire Board, and shall be filed as permanent records with the Secretary of the Company.

At each meeting of the Board that follows a meeting of the Committee, the Chairman of the Committee shall report to the entire Board on the matters considered at the last meeting(s) of the Committee.

The Committee shall prepare and, through its Chairman, submit periodic reports of the Committee's work and findings to the Board; the Committee shall include recommendations for Board actions when appropriate.

Amendments

Amendments to this Charter shall be made by the Board and may be made with or without a recommendation by the Committee.

MassRoots, Inc.
Nominating and Corporate Governance Committee Charter
Adopted []

Role

The Nominating and Corporate Governance Committee's (the "Committee") role is to determine the slate of director nominees for election to MassRoots, Inc.'s ("the Company") Board of Directors, to identify and recommend candidates to fill vacancies occurring between annual shareholder meetings and to review the Company's policies and programs that relate to matters of corporate citizenship, including public issues of significance to the Company and its shareholders.

Membership

The membership of the Committee consists of at least two directors, each of whom shall meet the independence requirements established by the Board of Directors and applicable laws, regulations and listing requirements. The Board of Directors appoints the members of the Committee and the chairperson. The Board of Directors may remove any member from the Committee at any time with or without cause.

Operations

The Committee meets at least twice a year. The Committee shall meet periodically in executive session without Company management present. Additional meetings may occur as the Committee or its chairperson deems advisable. The Committee will cause to be kept adequate minutes of its proceedings and will report on its actions and activities at the next quarterly meeting of the Board of Directors. Committee members will be furnished with copies of the minutes of each meeting and any action taken by unanimous consent. The Committee is governed by the same rules regarding meetings (including meetings by conference telephone or similar communications equipment), action without meetings, notice, waiver of notice and quorum and voting requirements as are applicable to the Board of Directors. The Committee is authorized and empowered to adopt its own rules of procedure not inconsistent with (a) any provision of this Charter, (b) any provision of the Bylaws of the Company, or (c) the laws of the state of Delaware.

Authority

The Committee will have the resources and authority necessary to discharge its duties and responsibilities. The Committee has sole authority to retain and terminate outside counsel, any search firm used to identify director candidates or other experts or consultants, as it deems appropriate, including sole authority to approve the firms' fees and other retention terms. Any communications between the Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the Company and the Committee will take all necessary steps to preserve the privileged nature of those communications.

Responsibilities

The principal responsibilities and functions of the Committee are as follows:

1. Annually evaluate and report to the Board of Directors on the performance and effectiveness of the Board of Directors to facilitate the directors' fulfilling their responsibilities in a manner that serves the interests of the Company and its shareholders.
2. Annually present to the Board of Directors a list of individuals recommended for nomination for election to the Board of Directors at the annual meeting of shareholders and for appointment to the committees of the Board of Directors (including this Committee). Review and consider shareholder recommended candidates for nomination to the Board of Directors.
3. Before recommending an incumbent, replacement or additional director, review his or her qualifications, including capability, availability to serve, conflicts of interest and other relevant factors.

4. Assist in identifying, interviewing and recruiting candidates for the Board of Directors.
5. Annually review the composition of each committee and present recommendations for committee memberships to the Board of Directors as needed.
6. Develop and periodically review and recommend to the Board of Directors appropriate revisions to the Company's corporate governance framework.
7. Regularly review and make recommendations about changes to the charter of the Committee.
8. Regularly review and make recommendations about changes to the charters of other Board of Directors committees after consultation with the respective committee chairs.
9. Obtain or perform an annual evaluation of the Committee's performance and make applicable recommendations.
10. Annually review the Company's policies and programs that relate to corporate citizenship, including environmental sustainability, the annual public policy agenda and political activities and expenditures.
11. To develop and recommend to the Board for approval a Company Code of Conduct and Ethics (the " Code "), to monitor compliance with the Company's Code, to investigate any alleged breach or violation of the Code, to enforce the provisions of the Code and to review the Code periodically and recommend any changes to the Board.