

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

FORM 10-K

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

For the fiscal year ended December 31, 2019

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

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

Commission File Number: 000-55431



MASSROOTS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or jurisdiction of  
Incorporation or organization)

1560 Broadway, Office 17-105 Denver, CO

(Address of principal executive offices)

46-2612944

I.R.S Employer  
Identification No.

80202

(Zip code)

(720) 240-9546

(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: Common Stock, \$0.001 par value per share

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

Emerging Growth Company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2019, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$2,572,563.

Number of shares of common stock outstanding as of July 10, 2020 was 493,726,405.

Documents Incorporated by Reference: None.



## EXPLANATORY NOTE

This Annual Report on Form 10-K of MassRoots, Inc. (the "Company") for the fiscal year ended December 31, 2019 (this "Form 10-K") is being filed in reliance upon the extension provided by an order issued by Securities and Exchange Commission (the "SEC") dated March 25, 2020 under Section 36 of the Securities Exchange Act of 1934, as amended (Release No. 34-88465) (the "Order"). On March 30, 2020, the Company filed a Current Report on Form 8-K (the "Current Report") with the SEC stating its intent to rely on the Order to delay the filing of this Form 10-K until no later than May 14, 2020, which is 45 days from the original filing deadline of March 30, 2020, because the Company was unable to meet the original filing deadline due to circumstances relating to COVID-19. Specifically, as set forth in the Current Report, as a result of the volatility in the markets due to COVID-19, the Company was unable to identify and raise capital necessary for it to pay accounting and audit fees necessary for the preparation and filing of this Annual Report, and therefore, was unable to complete its 2019 audit in a timely manner.

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**MASSROOTS, INC.**  
**FORM 10-K ANNUAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2019**  
**TABLE OF CONTENTS**

	<u>Page</u>
<b><u>PART I</u></b>	
<b>Item 1.</b> <a href="#">Business</a>	1
<b>Item 1A.</b> <a href="#">Risk Factors</a>	9
<b>Item 1B.</b> <a href="#">Unresolved Staff Comments</a>	22
<b>Item 2.</b> <a href="#">Properties</a>	22
<b>Item 3.</b> <a href="#">Legal Proceedings</a>	22
<b>Item 4.</b> <a href="#">Mine Safety Disclosures</a>	22
<b><u>PART II</u></b>	
<b>Item 5.</b> <a href="#">Market for the Registrant’s Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities</a>	23
<b>Item 6.</b> <a href="#">Selected Financial Data</a>	24
<b>Item 7.</b> <a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	24
<b>Item 7A.</b> <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	28
<b>Item 8.</b> <a href="#">Financial Statements and Supplementary Data</a>	28
<b>Item 9.</b> <a href="#">Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</a>	28
<b>Item 9A.</b> <a href="#">Controls and Procedures</a>	29
<b>Item 9B.</b> <a href="#">Other Information</a>	30
<b><u>PART III</u></b>	
<b>Item 10.</b> <a href="#">Directors, Executive Officers and Corporate Governance</a>	31
<b>Item 11.</b> <a href="#">Executive Compensation</a>	34
<b>Item 12.</b> <a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>	43
<b>Item 13.</b> <a href="#">Certain Relationships and Related Transactions and Director Independence</a>	44
<b>Item 14.</b> <a href="#">Principal Accounting Fees and Services</a>	44
<b><u>PART IV</u></b>	
<b>Item 15.</b> <a href="#">Exhibits and Financial Statement Schedules</a>	45

## FORWARD-LOOKING STATEMENTS

Statements in this Annual Report on Form 10-K may be “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”).

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 often, but not always, made through the use of words or phrases such as “believe,” “will,” “expect,” “anticipate,” “estimate,” “intend,” “plan” and “would.” 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 set forth in “Item 1A. Risk Factors” and elsewhere in this Annual Report on Form 10-K.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. Any forward-looking statements speak only as of the date on which they are made, and we disclaim any obligation to publicly update or release any revisions to these forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this Annual Report on Form 10-K or to reflect the occurrence of unanticipated events, except as required by law.

## PART I

Throughout this Annual Report on Form 10-K, the “Company,” “MassRoots,” “we,” “us,” and “our” refers to MassRoots, Inc. and its subsidiaries.

### ITEM 1. BUSINESS

#### Overview

MassRoots, Inc. was formed in April 2013 as a technology platform for the cannabis industry. Powered by more than one million registered users, MassRoots enables consumers to rate cannabis products and strains based on their efficacy (i.e., effectiveness for treating ailments such as back-pain or epilepsy) and then presents this information in easy-to-use formats for consumers to make educated purchasing decisions at their local dispensary. Businesses are able to leverage MassRoots by strategically advertising to consumers based on their preferences and tendencies.

“Registered users” or “Users” are defined as users who currently have an account with MassRoots. It does not include users who have deleted their account nor does it reflect active usage over any set period of time.

Over the past seven years, MassRoots has established itself as a leading technology company in the emerging cannabis industry, building a User-base of more than one million registered Users and partnering with some of the most recognized brands in the industry.

We are now focused on monetizing our user-base through a consumer rewards program, MassRoots Rewards, which we have been developing since 2017. Additionally, we plan to monetize our YouTube Channel, which has 265,000 subscribers, through product placements and sponsorships. Management believes that our YouTube Channel has one of the largest followings in the regulated cannabis industry while our Instagram account is followed by almost 400,000 users.

#### Background

We were incorporated in the state of Delaware on April 26, 2013 as a technology platform for the cannabis industry.

Our principal executive office is located at 1560 Broadway, Office 17-105, Denver, Colorado 80202, and our telephone number is (720) 240-9546.

On January 25, 2017, we consummated a reverse triangular merger (the “Whaxy Merger”) pursuant to which we acquired all of the outstanding common stock of DDDigital Inc (“DDDigital”), a Colorado corporation. Upon closing of the Whaxy Merger, each share of DDDigital’s common stock was exchanged for such number of shares of our common stock (or a fraction thereof) based on an exchange ratio equal to approximately 5.273-for-1, such that 1 share of our common stock was issued for every 5.273 shares of DDDigital’s common stock. At the closing of the Whaxy Merger, all shares of common stock of our newly-formed merger subsidiary formed for the sole purpose of effectuating the Whaxy Merger, were converted into and exchanged for one share of common stock of DDDigital, and all shares of DDDigital’s common stock that were outstanding immediately prior to the closing of the Whaxy Merger were automatically cancelled and retired. Upon the closing of the Whaxy Merger, DDDigital continued as our surviving wholly-owned subsidiary, and the merger subsidiary ceased to exist.

On July 13, 2017, we consummated a reverse triangular merger (the “Odava Merger”) pursuant to which we acquired all of the outstanding common stock of Odava Inc (“Odava”), a Delaware corporation. Upon closing of the Odava Merger, each share of Odava’s common stock was exchanged for such number of shares of our common stock (or a fraction thereof), based on an exchange ratio equal to approximately 4.069-for-1, such that 1 share of our common stock was issued for every 4.069 shares of Odava’s common stock. At the closing of the Odava Merger, all shares of common stock of our newly-formed merger subsidiary formed for the sole purpose of effectuating the Odava Merger, were converted into and exchanged for one share of common stock of Odava, and all shares of Odava’s common stock that were outstanding immediately prior to the closing of the Odava Merger automatically cancelled and retired. Upon the closing of the Odava Merger, Odava continued as our surviving wholly-owned subsidiary, and the merger subsidiary ceased to exist.

## **Our Products and Services**

Our technology platform consists of MassRoots, our consumer-facing social network, which is accessible through the Apple App Store, the Amazon App Store and the Google Play Marketplace, and our business and advertising portal for companies which can be accessed at [www.massroots.com/business](http://www.massroots.com/business).

### The MassRoots Network

The MassRoots network is accessible as a free mobile application through the Apple App Store, the Amazon App Store, the Google Play Marketplace, and as a web application at [www.massroots.com](http://www.massroots.com). These applications and services work in a manner similar to other social review platforms such as Vivino, Untappd and Yelp. Using our network after agreeing to our Terms and Conditions,

- Users can create a profile by selecting a username and setting their password;
- Users have the ability to follow other Users on our network which permits them to follow other Users' posts which are displayed on their newsfeed;
- Users have the ability to review strains and products based on factors including, but not limited to, quality. These reviews are displayed on product pages within the app and on the User's profile;
- 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 post's content. By commenting on a status, Users are free to voice their opinions or comments with respect to the post. By reporting a status, Users can flag content that violates our Terms and Conditions, including spam, harassing content, and posts or comments that appear to solicit the transaction of cannabis or other products;
- 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 such Users 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 other 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; and
- Users have the ability to set their profile to public or private. 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 such account and the account owner must grant permission before they can view any of the account's posts.

### **User Growth and Product Distribution Channels**

The MassRoots app is distributed free-of-charge through the Apple App Store, the Google Play Marketplace and the Amazon App Store. The MassRoots network is also accessible through desktop and mobile web browsers by navigating to [www.massroots.com](http://www.massroots.com). Our business and advertising portal can be accessed at [www.massroots.com/business](http://www.massroots.com/business). Through this portal companies can edit their profiles, distribute information to Users and view analytics such as impressions, views and clicks.

## **Blockchain Technologies**

MassRoots Blockchain Technologies, Inc. (“MassRoots Blockchain”) was formed in December 2017 as a wholly-owned subsidiary of the Company to continue the Company’s efforts in exploring how new technologies may be utilized in the cannabis industry. Initially, we are focusing on blockchain technology for several reasons, including, but not limited to:

- that it may enable better tracking of impressions, views, and interactions with posts, advertisements and dispensary listings;
- that it has the potential to streamline the collection and organization of data while eliminating traditional security risks;
- that it may provide a greater degree of reliability and accuracy with respect to data;
- that it may allow us to implement an intelligent newsfeed to deliver high-quality and more relevant content to our Users;
- that it may enable the development of contracts that are automatically executed when certain parameters are met;
- that it has the potential to reduce friction in the cannabis market-place and save businesses valuable resources; and
- that it may provide greater transparency to government regulators.

In December 2017, we commenced the re-development of the MassRoots Business Portal, a platform where dispensaries and other industry participants, such as producers and other ancillary businesses, may advertise their goods and services. To date, we have used approximately \$370,000 for the initial development of the MassRoots Business Portal, including features that allow for tracking of advertising impressions, enhanced targeting and serving of advertisements, as well as a program that would be designed to reward Users of the MassRoots platform for providing high quality reviews on cannabis strains and products. The development and implementation of these any other features, including the possible use of digital instruments, is subject to additional funding, is currently contemplated to be made within the MassRoots App and platform, and is intended to generate the growth of Users of the MassRoots platform and stimulate the MassRoots platform’s overall activity.

All initial development has been outsourced to third party development firms and consultants. Specifically, we have outsourced the following services: software development services, including, but not limited to, web and mobile development services, blockchain development and integration services, and infrastructure development, automation, support and management services. As stated in “Risk Factors,” the development of features based upon the use of blockchain technology is subject to numerous risks and uncertainties, and there can be no assurance as to when, or if, any such features will be successfully developed, or that if developed, that they will be accepted or adopted. Further, the likelihood of our development and implementation of features based upon new technology must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the inception and development of a product or service based upon any such relatively new and developing technology.

While we intend to devote resources to exploring the feasibility of developing these or other solutions, there can be no assurances that we will be successful in implementing such solutions, that any such solutions will be economically viable, or that any of them will result in the generation of User interest, participation or revenue.

We currently anticipate that we will need to raise additional funds to continue to explore and develop potential uses and applications of blockchain technologies and uses for our business and other businesses in the cannabis industry; however, no assurance can be given that additional financing will be available on terms favorable to us, or at all.



## **Market Conditions**

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

### *Cannabis Market Growth and Current Trends*

On January 4, 2018, Attorney General Jefferson B. Sessions, III issued a memo which rescinded the Cole Memo (as described below) which was adopted by the Obama administration as a policy of non-interference with marijuana-friendly state laws.

### *The Cole Memo*

On August 29, 2013, Deputy Attorney General James Cole issued a memo (the “Cole Memo”) in response to certain states passing measures to regulate the medical and adult-use of cannabis. In the Cole Memo, the Department of Justice made clear that marijuana remains an illegal drug under the Controlled Substances Act and that federal prosecutors will continue to aggressively enforce the statute. The Department of Justice identified eight enforcement areas that federal prosecutors should prioritize. Outside of such enforcement priorities, the federal government has traditionally relied on state and local authorities to address marijuana activity. The Cole Memo established several basic guidelines by which state-regulated cannabis businesses could operate to minimize the risk of intervention and enforcement by the Department of Justice. The guidelines focused on ensuring that cannabis did not cross state lines, keeping dispensaries away from schools and public facilities and strict-enforcement of state laws by regulatory agencies, among other priorities.

### *The Sessions Memo*

On January 4, 2018, Attorney General Jefferson B. Sessions, III issued a memo (the “Sessions Memo”) on federal marijuana enforcement policy announcing a return to the rule of law and the rescission of previous nationwide guidance by the Department of Justice (including, but not limited to, the Cole Memo). In the memorandum, Attorney General Jefferson Sessions directs all U.S. attorneys to enforce the laws enacted by Congress and to follow the well-established principles when pursuing prosecutions related to marijuana activities. These principles include weighing all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community.

Although the Sessions Memo rescinded the Cole Memo, it is unclear at this time whether the Sessions Memo indicates that the Trump administration will strongly enforce the federal laws applicable to cannabis or what types of activities will be targeted for enforcement; however, a significant change in the federal government’s enforcement policy with respect to current federal laws applicable to cannabis could have a material adverse effect on our business.

Guidance to Banks Relating to the Marijuana Industry

On February 14, 2014, the Department of Justice and the Department of Treasury issued guidance to banks about how to serve the marijuana industry without running afoul of federal regulations. Prior to such guidance, dispensaries were forced to operate on a cash basis, presenting significant security and accounting issues. Although banks have remained reluctant to work with marijuana businesses because of federal prohibition laws, this guidance was a major step in legitimizing and accepting the cannabis industry on a national level. In addition, the adoption of the Joyce Amendment (formerly known as the Rohrabacher-Farr Amendment) (as discussed below) indicates some level of support in Congress for medicinal cannabis, even if its actual effect is still undetermined.

For additional information concerning the Cole Memo, the Sessions Member, the Joyce Amendment and regulatory conditions, see the section entitled “Business – Government Regulation.”

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

Recreational marijuana is regulated in 11 states and the District of Columbia and medical marijuana is regulated in 33 states and the District of Columbia. In addition, 14 additional states have legalized low-tetrahydrocannabinol (“THC”)/high-cannabidiol (“CBD”) extracts for select medical conditions. The states which have enacted such laws are listed in the following table:

<b>STATE</b>	<b>YEAR PASSED</b>
1. Alaska*	1998
2. Arizona	2010
3. Arkansas	2016
4. California*	1996
5. Colorado*	2000
6. Connecticut	2012
7. District of Columbia*	2010
8. Delaware	2011
9. Florida	2016
10. Hawaii	2000
11. Illinois*	2013
12. Louisiana	2015
13. Maine*	1999
14. Maryland	2014
15. Massachusetts*	2012
16. Michigan*	2008
17. Minnesota	2014
18. Missouri	2018
19. Montana	2004
20. Nevada*	2000
21. New Hampshire	2013
22. New Jersey	2010
23. New Mexico	2007
24. New York	2014
25. North Dakota	2016
26. Pennsylvania	2016
27. Ohio	2016
28. Oklahoma	2018
29. Oregon*	1998
30. Rhode Island	2006
31. Utah	2018
32. Vermont*	2004
33. Washington*	1998
34. West Virginia	2017

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

### Public Support for Regulation of Cannabis Increasing

A Gallup poll conducted in October 2019 found that 66% of Americans supported regulating the use of cannabis which indicates an increasing trend over the past decade toward public support for cannabis.

### 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 business operations including, but 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 such employment provisions may 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;
- On January 4, 2018, the Department of Justice issued the Sessions Memo announcing a return to the rule of law and the rescission of previous guidance documents. The Sessions Memo rescinded the Cole Memo. Although there is no guarantee that additional states will pass measures to regulate cannabis use under state law, the Sessions Memo may further deter states from passing such measures; however, it is unclear at this time whether the Sessions Memo indicates that the Trump administration will strongly enforce the federal laws applicable to cannabis or what types of activities will be targeted for enforcement. Furthermore, irrespective of the Sessions Memo, in many states, public support of regulation initiatives may not maintain enough support to pass. This is especially true when a supermajority is needed to pass measures, like in Florida where a state constitutional amendment permitting medical cannabis required 60% approval to pass. Changes due to the Sessions Memo and in voters' attitudes and turnout have the potential to slow or stop the cannabis regulation movement and potentially reverse recent cannabis regulation victories;
- There has been some resistance and negativity as a result of recent cannabis regulation 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 regulation; and
- In the event that the Federal government does not enforce the Federal law prohibiting cannabis, state laws regarding the regulation of cannabis are being challenged through lawsuits. 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 which will significantly reduce the size of the potential cannabis market and have a material adverse effect on our business.

Please see “Government Regulation” below for additional information.

## **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, 33 states and the District of Columbia have passed laws that permit doctors to recommend cannabis for medical-use and 11 of those states and the District of Columbia have enacted laws that regulate the personal-use of cannabis by adults, subject to possession limits. Because doctors are prohibited from prescribing a Schedule I controlled substance, the passage of medical marijuana laws does not necessarily guarantee the implementation of a regulated, commercial system through which patients can purchase cannabis products. This has created an unpredictable business-environment for dispensaries and collectives that 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 firearms 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 was a guide for United States attorneys and did 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. As described below, as a result of the issuance of the Sessions Memo by the Department of Justice, on January 4, 2018, the Cole memo was rescinded. Prior to the issuance of the Sessions Memo, we had implemented standard operating procedures and policies to ensure that we were operating in compliance with the Cole Memo. It is unclear at this time whether the Sessions Memo indicates that the Trump administration will strongly enforce the federal laws applicable to cannabis or what types of activities will be targeted for enforcement, and we cannot provide assurance that our actions were, are or will be in compliance with the Cole Memo, the Sessions Memo or any other laws or regulations that currently exist or may be amended or adopted in the future.

Pursuant to our currently existing Terms and Conditions:

- Users must agree that they are located in a state where medical-use or adult-use of cannabis is regulated;
- Users must be of 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;
- Posting of any of the following materials to MassRoots is prohibited and will result in account termination:
  - Posting other drugs or substances, including prescription pain pills;

- Posting of any violence or threat of violence;
- Posting of any drugged-driving content; and
- Posting of any copyright-protected content.

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 Conditions 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 in compliance within our Terms and Conditions or permanently deletes it and bans the User's account.

In addition, we have implemented geographic restrictions to restrict new Users to our mobile apps to the District of Columbia and the 33 states in which the use of marijuana is permitted.

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 continue to evaluate the effects of the Sessions Memo; however, it is unclear at this time whether the Sessions Memo indicates that the Trump administration will strongly enforce the federal laws applicable to cannabis or what types of activities will be targeted for enforcement, and we cannot provide assurance that we were, are or will be in compliance with the Cole Memo, the Sessions Memo or any other laws or regulations.

Joyce Amendment (formerly known as the Rohrabacher-Farr Amendment)

On December 16, 2014, H.R. 83 - Consolidated and Further Continuing Appropriations Act, 2015 was enacted and included a provision now known as the "Joyce 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 Joyce Amendment would appear to protect the right of the states to determine their own laws on medical cannabis use; however, the actual effects of the amendment are still unclear. The Joyce 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 Joyce 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 initiate enforcement actions against individuals or businesses participating in the cannabis industry despite such participation being regulated under state law. As of April 2020, the United States Court of Appeals, Ninth Circuit, has held in support of the Joyce Amendment and stated on at least one occasion that United States Department of Justice was prohibited from spending federal appropriations funds for prosecuting individuals engaged in conduct permitted by state law. In addition, no matter what the interpretation is adopted by the courts, there is no question that the Joyce Amendment does not protect any party not in full compliance with state medicinal cannabis laws.

The Joyce Amendment represents one of the first times in recent history that Congress has taken action indicating support of medical cannabis. The Joyce Amendment was renewed by Congress in 2015, 2016, 2017, 2018, 2019 and is in effect until September 30, 2020.

Sessions Memo

On January 4, 2018, Attorney General Jefferson B. Sessions, III issued a memo on federal marijuana enforcement policy announcing a return to the rule of law and the rescission of previous nationwide guidance by the Department of Justice (including, but not limited to, the Cole Memo). In the memorandum, Attorney General Jefferson Sessions directs all U.S. attorneys to enforce the laws enacted by Congress and to follow well-established principles when pursuing prosecutions related to marijuana activities. These principles include weighing all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community. The effect of this memo is to shift federal policy from a hands-off approach adopted by the Obama administration to permitting federal prosecutors across the country to determine how to prioritize resources to regulate marijuana possession, distribution and cultivation in states where marijuana use is legal.

While we do not directly harvest or distribute cannabis today, we still may be deemed to be violating federal law, or aiding and abetting the violation of Federal law and may be irreparably harmed by a change in enforcement by the federal or state governments.

Although the Sessions Memo rescinded the Cole Memo, it is unclear at this time whether the Sessions Memo indicates that the Trump administration will strongly enforce the federal laws applicable to cannabis or what types of activities will be targeted for enforcement; however, a significant change in the federal government's enforcement policy with respect to current federal laws applicable to cannabis could have a material adverse effect on our business.

### Additional Government Regulations

We are subject to general business regulations and laws as well as Federal and state regulations and laws specifically governing the Internet and e-commerce. These regulations and laws cover among others, sweepstakes, taxation, tariffs, user privacy, data protection, pricing, content, copyrights, distribution, electronic contracts and other communications, consumer protection, broadband residential Internet access and the characteristics and quality of services. Any noncompliance with the foregoing laws and regulations may harm our business and results of operations.

### **Competitors**

We compete with other cannabis information platforms such as WeedMaps and Leafly, which provide information with respect to dispensary locations, strain information, and news relating to the cannabis industry. We believe our primary competitive advantage is the community we have created and the significant reviews and data we have collected on key cannabis markets.

### **Recent Developments**

#### Financings and Other Sources of Funding

On January 7, 2020, we issued and sold a convertible note in the principal amount of \$55,000 (including a \$5,000 original issuance discount) to an accredited investor which note matures on July 7, 2020.

On March 5, 2020, we issued and sold a convertible note in the aggregate principal amount of \$72,600 (including a \$6,600 original issuance discount) to an accredited investor which note matures on September 5, 2020.

On March 17, 2020, we issued and sold a convertible note in the aggregate principal amount of \$17,600 (including a \$1,600 original issuance discount) to an accredited investor which note matures on September 17, 2020.

On April 17, 2020, we issued and sold convertible notes in the aggregate principal amount of \$330,000 (including an aggregate of \$30,000 original issuance discount) to accredited investors which notes mature on October 17, 2020.

On May 3, 2020, we received a loan in the principal amount of \$50,000 pursuant to the Paycheck Protection Program (“PPP”) of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The PPP loan matures in May 2022 and bears an interest rate of 1% per annum. Payments of principal and interest of any unforgiven balance commence in December 2020.

On June 26, 2020, we issued and sold a secured promissory note in the principal amount of \$60,000 with 10% annual interest. On the two-year anniversary of the issuance of this note, June 26, 2022, all principal and interest becomes due and payable.

On July 8, 2020, we issued and sold a promissory note in the principal amount of \$22,911 with 10% annual interest maturing on December 31, 2020.

On July 13, 2020, we issued and sold convertible notes in the aggregate principal amount of \$110,000 (including an aggregate of \$10,000 original issuance discount) to accredited investors which notes mature on January 13, 2021.

#### Termination of COWA Agreement and Plan of Merger

On February 12, 2019, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) with MassRoots Supply Chain, Inc., a wholly-owned subsidiary of the Company (“Merger Subsidiary”), COWA Science Corporation, a Delaware corporation (“COWA”), and Christopher Alameddin, an individual acting solely in his capacity as a stockholder representative pursuant to which Merger Subsidiary was to be merged with and into COWA with COWA surviving the merger as the wholly-owned subsidiary of the Company. On February 24, 2020, we terminated the Merger Agreement as a result of the closing conditions set forth in the Merger Agreement not being satisfied.

### **Intellectual Property**

MASSROOTS and TOKE are federally registered trademarks of MassRoots, ODAVA is a state registered trademark of MassRoots and RETAIL is a state registered trademark of Odava.

### **Employees and Consultants**

As of July 10, 2020 MassRoots has 2 full-time employees and 3 full-time independent contractors.

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

*An investment in our securities involves a high degree of risk. This Annual Report on Form 10-K contains the risks applicable to an investment in our securities. The risks and uncertainties we have described are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our operations. The occurrence of any of these known or unknown risks might cause you to lose all or part of your investment in the offered securities.*



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

***We have a limited history upon which an evaluation of our prospects and future performance can be made and have no history of profitable operations.***

We were incorporated in April 2013 and have a limited operating history and our business is subject to all of the risks inherent in the establishment of a new business enterprise. Our likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with development and expansion of a new business enterprise. We may sustain losses in the future as we implement our business plan. There can be no assurance that we will operate profitably.

***Since we have a limited operating history, it is difficult for potential investors to evaluate our business.***

Our limited operating history makes it difficult for potential investors to evaluate our business or prospective operations. As an early stage company, we are subject to all the risks inherent in the initial organization, financing, expenditures, complications and delays inherent in a new business. Investors should evaluate an investment in us in light of the uncertainties encountered by developing companies in a competitive and evolving environment. Our business is dependent upon the implementation of our business plan. We may not be successful in implementing such plan and cannot guarantee that, if implemented, we will ultimately be able to attain profitability.

***We will need to obtain additional financing to fund our operations.***

We will need additional capital in the future to continue to execute our business plan. Therefore, we will be dependent upon additional capital in the form of either debt or equity to continue our operations. At the present time, we do not have arrangements to raise all of the needed additional capital, and we will need to identify potential investors and negotiate appropriate arrangements with them. We may not be able to arrange enough investment within the time the investment is required or that if it is arranged, that it will be on favorable terms. If we cannot obtain the needed capital, we may not be able to become profitable and may have to curtail or cease our operations. Additional equity financing, if available, may be dilutive to the holders of our capital stock. Debt financing may involve significant cash payment obligations, covenants and financial ratios that may restrict our ability to operate and grow our business.

***Cannabis remains illegal under Federal law.***

Despite the development of a regulated cannabis industry under the laws of certain states, these state laws regulating medical and adult cannabis use are in conflict with the Federal Controlled Substances Act, which classifies cannabis as a Schedule I controlled substance and makes cannabis use and possession illegal on a national level. The United States Supreme Court has ruled that the Federal government has the right to regulate and criminalize cannabis, even for medical purposes, and thus Federal law criminalizing the use of cannabis preempts state laws that regulate its use. Although the prior administration determined that it was not an efficient use of resources to direct Federal law enforcement agencies to prosecute those lawfully abiding by state laws allowing the use and distribution of medical and recreational cannabis, on January 4, 2018, the current administration issued the Sessions Memo announcing a return to the rule of law and the rescission of previous guidance documents. The Sessions Memo rescinds the Cole Memo which was adopted by the Obama administration as a policy of non-interference with marijuana-friendly state laws. The Sessions Memo shifts federal policy from a hands-off approach adopted by the Obama administration to permitting federal prosecutors across the country to decide how to prioritize resources to regulate marijuana possession, distribution and cultivation in states where marijuana use is regulated. However, it is unclear at this time whether the Sessions Memo indicates that the Trump administration will strongly enforce the federal laws applicable to cannabis or what types of activities will be targeted for enforcement. A significant change in the federal government's enforcement policy with respect to current federal laws applicable to cannabis could have a material adverse effect on our business. Furthermore, there can be no assurance that federal prosecutors will not prosecute and dedicate resources to regulate marijuana possession, distribution and cultivation in states where marijuana use is regulated which may cause states to reconsider their regulation of marijuana which would have a detrimental effect on the marijuana industry. Any such change in state laws based upon the Sessions Memo and the Federal government's enforcement of Federal laws could cause significant financial damage to us and our stockholders.

***As the possession and use of cannabis is illegal under the Federal Controlled Substances Act, we may be deemed to be aiding and abetting illegal activities through the services and data that we provide to government regulators, dispensaries, cultivators and consumers. As a result, we may be subject to enforcement actions by law enforcement authorities, which would materially and adversely affect our business.***

Under Federal law, and more specifically the Federal Controlled Substances Act, the possession, use, cultivation, and transfer of cannabis is illegal. Our business provides services to customers that are engaged in the business of possession, use, cultivation, and/or transfer of cannabis. As a result, law enforcement authorities, in their attempt to regulate the illegal use of cannabis, may seek to bring an action or actions against us, including, but not limited, to a claim of aiding and abetting another's criminal activities. The Federal aiding and abetting statute provides that anyone who "commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." As a result of such an action, we may be forced to cease operations and our investors could lose their entire investment. Such an action would have a material negative effect on our business and operations.



***Federal enforcement practices could change with respect to services provided to participants in the cannabis industry, which could adversely impact us. If the Federal government were to expend its resources on enforcement actions against service providers in the cannabis industry under guidance provided by the Sessions Memo, such actions could have a material adverse effect on our operations, our customers, or the sales of our products.***

It is possible that due to the Sessions Memo and the continuing uncertainty respecting enforcement of federal cannabis laws that our clients may discontinue the use of our services, our potential source of customers may be reduced and our revenues may decline. Further, additional government disruption in the cannabis industry could cause potential customers and users to be reluctant to use and advertise our products, which would be detrimental to the Company. We cannot predict the impact of the Sessions Memo, Attorney General William Barr's interpretation of the Sessions Memo, or his willingness to enforce federal cannabis laws at this time nor can we predict the nature of any future laws, regulations, interpretations or applications including the effect of such additional regulations or administrative policies and procedures, when and if promulgated, could have on our business.

***We are subject to legislative uncertainty that could slow or halt the legalization and use of cannabis, which could negatively affect our business.***

Continued development of the cannabis industry is dependent upon continued legislative authorization of cannabis at the state level, as well as the U.S. government's continued non-enforcement of federal cannabis laws against state-law-compliant cannabis businesses. Further, progress, while generally expected, is not assured. Some industry observers believe that well-funded interests, including businesses in the alcohol beverage and the pharmaceutical industries, may have a strong economic opposition to the continued legalization of cannabis. The pharmaceutical industry, for example, is well funded with a strong and experienced lobby that eclipses the funding of the medical cannabis movement. Any inroads legalization opponents could make in halting the impending cannabis industry could have a detrimental impact on our business. While there may be ample public support for legislative action, numerous factors impact the legislative process. Any one of these or other factors could slow or halt use of cannabis, which would negatively impact our business.

***Our business depends on continued purchases by businesses and individuals selling or using cannabis pursuant to state laws in the United States.***

Thirty-three states and the District of Columbia allow their citizens to use medical cannabis, and eleven states and the District of Columbia have regulated the sale of cannabis for adult use. In addition, several additional states have legalized low-THC/high-CBD extracts for select medical conditions ("CBD States"). Several CBD States are considering legalizing medical cannabis, and several medical states may extend legalization to adult-use.

The states' cannabis programs have proliferated and grown even though the cultivation, sale and possession of cannabis is considered illegal under U.S. federal law. Under the Controlled Substances Act ("CSA"), cannabis is a Schedule I drug, meaning that the Drug Enforcement Administration recognizes no accepted medical use for cannabis, and the substance is considered illegal under federal law.

In an effort to provide guidance to U.S. Attorneys' offices regarding the enforcement priorities associated with cannabis in the United States, the U.S. Department of Justice (the "DOJ") has issued a series of memoranda detailing its suggested enforcement approach. During the administration of former President Obama, each memorandum acknowledged the DOJ's authority to enforce the CSA in the face of state laws, but noted that the DOJ was more committed to using its limited investigative and prosecutorial resources to address the most significant threats associated with cannabis in the most effective, consistent, and rational way.

On August 29, 2013, the DOJ issued what came to be called the Cole Memo which gave U.S. Attorneys the discretion not to prosecute federal cannabis cases that were otherwise compliant with applicable state law that had legalized medical or adult-use cannabis and that have implemented strong regulatory systems to control the cultivation, production, and distribution of cannabis. Accordingly, the Cole Memo provided lawful cannabis-related enterprises a tacit federal go-ahead in states with legal cannabis programs, provided that the state had adopted and was enforcing strict regulations and oversight of the medical or adult-use cannabis program in accordance with the specific directives of the Cole Memorandum.

On January 4, 2018, Attorney General Jefferson Sessions issued a memorandum that rescinded previous DOJ guidance on the state-legal cannabis industry, including the Cole Memo. Attorney General Sessions wrote that the previous guidance on cannabis law enforcement was unnecessary, given the well-established principles governing federal prosecution that are already in place. As a result, federal prosecutors could and still can use their prosecutorial discretion to decide whether to prosecute even state-legal adult-use cannabis activities.

In November 2018, Attorney General Sessions resigned and left the DOJ. As a nominee, Attorney General William Barr testified before the U.S. Senate and wrote to Congress that, as Attorney General, he would not seek to prosecute cannabis companies that relied on the Cole Memorandum and are complying with state law. Although proposals have been introduced to Congress in favor of protection state-legal marijuana regulations, as of the date of this Annual Report, no federal law has been enacted.

Since December 2014, companies that are strictly complying with state medical cannabis laws have been protected against enforcement for that activity by an amendment (originally called the Rohrabacher-Blumenauer Amendment, now called the Joyce Amendment) to the Omnibus Spending Bill, which prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level. Federal courts have interpreted the provision to bar the DOJ from prosecuting any person or entity in strict compliance with state medical cannabis laws.

While the protection of the Joyce Amendment prevents prosecutions, it does not make cannabis legal. Accordingly, if the protection expires, prosecutors could prosecute federally illegal activity that occurred within the statute of limitations even if the Joyce Amendment protection was in place when the illegal activity occurred. The protection of the Joyce Amendment depends on its continued inclusion in the federal Omnibus Spending Bill, or in some other legislation, and entities' strict compliance with the state medical cannabis laws. That protection has been extended through September 30, 2020. While industry observers expect Congress to extend the protection in future Omnibus Spending Bills, there can be no assurance that it will do so.

Although several cannabis law reform bills are pending in the U.S. Congress, passage of any of them and ultimately the President's support and approval remain uncertain. President Trump has stated that he would support federal legislation that would defer to states that have legalized cannabis (in other words, if a state legalized cannabis, cannabis in that state would not be federally illegal after the point at which the state legalized it).

Until the U.S. Government changes the law with respect to cannabis, and particularly if Congress does not extend the protection of state medical cannabis programs, there is a risk that federal authorities could enforce current federal cannabis law. An increase in federal enforcement against companies licensed under state cannabis laws could negatively impact the state cannabis industries and, in turn, our revenues, profits, financial condition, and business model.

***Because our business is dependent, in part, upon continued market acceptance of cannabis by consumers, any negative trends will adversely affect our business operations.***

We are dependent on public support, continued market acceptance and the proliferation of consumers in the legal cannabis markets. While we believe that the market and opportunity in the space continue to grow, we cannot predict the future growth rate or size of the market. Any downturns in, or negative outlooks on, the cannabis industry may adversely affect our business and financial condition.

***New platform features or changes to existing platform features could fail to attract new users, retain existing users or generate revenue.***

Our business strategy is dependent on our ability to develop platforms and features to attract new businesses and users, while retaining existing ones. Staffing changes, changes in user behavior or development of competing platforms may cause Users to switch to alternative platforms or decrease their use of our platform. There is no guarantee that companies and dispensaries will use these features and we may fail to generate revenue. Additionally, any of the following events may cause decreased use of our platform:

- Emergence of competing platforms and applications;
- Inability to convince potential companies to join our platform;
- Technical issues on certain platforms or in the cross-compatibility of multiple platforms;

- Securities breaches with respect to our data;
- A rise in safety or privacy concerns; and
- An increase in the level of spam or undesired content on the network.

***We are highly dependent on the services of key executives, the loss of whom could materially harm our business and our strategic direction. If we lose key management or significant personnel, cannot recruit qualified employees, directors, officers, or other personnel or experience increases in our compensation costs, our business may materially suffer.***

We are highly dependent on our management team, specifically our Chief Executive Officer, Isaac Dietrich. While we have an employment agreement with Isaac Dietrich, such employment agreement permits Mr. Dietrich to terminate such agreement upon notice. If we lose key employees, our business may suffer. Furthermore, our future success will also depend in part on the continued service of our key management personnel and our ability to identify, hire, and retain additional personnel. We do not carry “key-man” life insurance on the lives of our executive officer, employees or advisors. We experience intense competition for qualified personnel and may be unable to attract and retain the personnel necessary for the development of our business. Because of this competition, our compensation costs may increase significantly.

***Our monetization strategy is dependent on many factors outside our control.***

There is no guarantee that our efforts to monetize the MassRoots Retail platform will be successful. Furthermore, our competitors may introduce more advanced technologies that deliver a greater value proposition to cannabis related businesses in the future. In addition, dispensaries may not be able to accept credit or bank cards due to banking regulations, which could significantly increase the cost and time required for us to generate revenue. All these factors individually or collectively may preclude us from effectively monetizing our business which would have a material adverse effect on our financial condition and results of operation.

***Changes in Amazon App Store, Apple App Store or Google Play Store policies could result in our mobile applications being de-listed. In addition, our third party service providers may decline to provide services due to their policies, or cease to provide services previously provided to us due to a change of policy.***

On November 4, 2014, the MassRoots App was removed from Apple’s iOS App Store due to the Apple App Store review team changing their app enforcement guidelines to prohibit all social cannabis applications. After negotiation with Apple and the addition of certain restrictions, the MassRoots App returned to the Apple App Store in February 2015. Although Apple reversed its decision and included our app in the Apple App Store, we cannot provide any assurance that Apple’s policy will not change in the future or that our application will not once again be removed from the Apple App Store.

The Apple App Store is one of the largest content distribution channels in the world and management believes that it is the only way to effectively distribute our iOS application to users who own iPhones and iPads. The Apple App Store review team effectively operates as our iOS App’s regulator; they decide what guidelines iOS apps must operate under and how to enforce such guidelines. The Apple guidelines related to cannabis-related apps are not published, enforcement of such guidelines is difficult to predict, and the review and appeal processes are conducted without public oversight. Although we will continue advocating for a more open and transparent Apple App Store review process that will allow decisions that affect a significant portion of the United States smartphone owning population to be open to public scrutiny, there can be no assurance that we will be successful in these efforts.

MassRoots, along with other cannabis apps, regularly encounter issues with the Google Play Store review team in the normal course of business due to Google Play Store’s absence of clear guidelines regarding cannabis-related apps. In November 2016, the MassRoots App was removed from the Google Play Store due to a compliance review. However, on March 21, 2017, Google Play approved the MassRoots App for distribution to Android devices through the Google Play Store once again.

On December 1, 2016, MassRoots' Android application received approval from the Amazon App Store for listing, and is currently available for download on the Amazon App Store.

In addition to challenges we face with respect to compliance with the Amazon App Store, Apple App Store and Google Play Store guidelines, service providers may refuse to provide services to us even if they previously provided such services due to our status as a cannabis related company. For example, in January 2016, after building a strong presence on Instagram and having previously used our Instagram account to grow our user count and highlight posts about our business, our account was suspended without warning by Instagram. While the account was reinstated on February 26, 2016, we cannot provide any assurance that our Instagram account will not be suspended in the future and if suspended that our account will be reinstated. Furthermore, we may face similar situations in the future with our other services providers that may cause disruptions to our business plan, all of which may have a material adverse effect on our business and financial condition.

***Government actions or digital distribution platform restrictions could result in our products and services being unavailable in certain geographic regions which may harm our future growth.***

Due to our connections to the cannabis industry, governments and government agencies could ban or cause our network or apps to become unavailable in certain regions and jurisdictions. This could greatly impair or prevent us from registering new users in affected areas and prevent current users from accessing our network. In addition, government action taken against our service providers or partners could cause our network to become unavailable for extended periods of time.

As discussed herein, as part of our agreement with Apple in connection with our application being returned to the Apple App Store, we agreed to limit registration of new members within our iOS application to the locations where cannabis is permitted under state law (medicinally or recreationally). This restriction prohibits users in several states and countries from accessing our network. Expansions of such policies by Apple, Google or Amazon may slow our user registration rate which may have a material adverse effect on our business and future prospects.

***Failure to generate user growth or engagement could greatly harm our business model.***

Our business model involves attracting users to our mobile application and linking their MassRoots account with their profile in MassRoots Retail. There is no guarantee that growth strategies used in the past will continue to bring new users to our network or that users will agree to link their MassRoots and MassRoots Retail profiles. Changes in relationships with our partners, contractors and businesses we retain to grow our network may result in significant increases in the cost to acquire new users. In addition, new users may fail to engage with our network to the same extent current users are engaging with our network resulting in decreased use of our network. Decreases in the size of our user base and/or decreased engagement on our network may impair our ability to generate revenue.

***Failure to attract clients could greatly harm our ability to generate revenue.***

Our ability to generate revenue is dependent on the continued growth of our platform. If we are unable to continue to grow our network or bring new clients to our network, our ability to generate revenue would be greatly compromised. There is no guarantee businesses will want to join our platform or that we will be able to generate revenue from our existing user base.

***Historically, we have generated most of our revenue from advertising. The loss of clients or reduction in spending by advertisers may have a material adverse effect on our business.***

Historically, we have generated most of our revenue from third parties advertising on our website. Some of our third party advertisers have included cannabis companies such as regulated cannabis dispensaries and mainstream brands such as Uber. As is common in the industry, our advertisers usually do not have long-term advertising commitments with us. It is possible that such advertisers may not continue to do business with us for several reasons including that they no longer believe that their advertisements on our website will generate a competitive return relative to other alternatives or in the alternative they may reduce the prices they are willing to pay to advertise their products and services on our website.

Our revenue could be adversely affected by a number of other factors including, but not limited to:

- decreases in User engagement, including time spent on our website and mobile app;
- our inability to improve our analytics and measurement solutions that demonstrate the value of our ads and other commercial content;
- loss of market share to our competitors;
- adverse legal developments relating to our business, including legislative and regulatory developments and developments in litigation, if any;
- adverse media reports or other negative publicity involving us or other companies in our industry; and
- the impact of macroeconomic conditions and conditions in the industry in general.

The occurrence of any of these or other factors could result in decreased traffic to our website which may result in less views of third party ads. If we are unable to generate traffic to our website and as a result third party advertisers no longer continue to do business with us, our business, financial conditions and results of operation may be materially affected.

***User engagement and growth depends on software and device updates beyond our control.***

Our mobile application and websites are currently available on multiple operating systems, including iOS and Android, across multiple different manufacturers, including Motorola, LG, Apple and Samsung and on thousands of devices. Changes to the device infrastructure or software updates on such devices could render our platforms and services useless or inoperable and require users to utilize our website rather than our mobile application which may result in decreased user engagement. Any decrease in user engagement may devalue our value proposition to third party advertisers who may no longer continue to do business with us which may have a material adverse effect on business, financial conditions and results of operation.

***We may be unable to manage growth.***

Successful implementation of our business strategy requires us to manage our growth. Growth could place an increasing strain on our management and financial resources. To manage growth effectively, we need to continuously:

- Evaluate definitive business strategies, goals and objectives;
- Maintain a system of management controls; and
- Attract and retain qualified personnel, as well as, develop, train and manage management-level and other employees.

If we fail to manage our growth effectively, our business, financial condition or operating results could be materially harmed.

***We may not be able to compete successfully with other established companies offering the same or similar services and, as a result, we may not achieve our projected revenue and user targets.***

We compete with both start-up and established technology companies. Our competitors may have substantially greater financial, marketing and other resources than we do and may have been in business longer than we have or have greater name recognition and be better established in the technological or cannabis markets than we are. If we are unable to compete successfully with other businesses in our existing market, we may not achieve our projected revenue and/or user targets which may have a material adverse effect on our financial condition.

***Expansion by our well-established competitors into the cannabis industry could prevent us from realizing anticipated growth in users and revenues.***

Competitors in the social network space, such as Twitter and Facebook, have continued to expand their businesses in recent years into other social network markets. If they decided to expand their social networks into the cannabis community, this could harm the growth of our business and user base and cause our revenues to be lower than we expect. In addition, competitors in the point-of-sale and compliance software space may expand their offerings into the cannabis space which could harm the growth of our business and user base and cause our revenues to be lower than we expect.

***Government regulation of the Internet and e-commerce is evolving, and unfavorable changes could substantially harm our business and results of operations.***

We are subject to general business regulations and laws as well as Federal and state regulations and laws specifically governing the Internet and e-commerce. Existing and future laws and regulations may impede the growth of the Internet, e-commerce or other online services, and increase the cost of providing online services. These regulations and laws may cover sweepstakes, taxation, tariffs, user privacy, data protection, pricing, content, copyrights, distribution, electronic contracts and other communications, consumer protection, broadband residential Internet access and the characteristics and quality of services. It is not clear how existing laws governing issues such as property ownership, sales, use and other taxes, personal privacy apply to the Internet and e-commerce. Unfavorable resolution of these issues may harm our business and results of operations.

***The failure to enforce and maintain our intellectual property rights could enable others to use trademarks used by our business which could adversely affect the value of the Company.***

The success of our business depends on our continued ability to use our existing tradename in order to increase our brand awareness. As of the date hereof, MASSROOTS and TOKE are federally registered trademarks owned by us, ODAVA is a state registered trademark owned by us and RETAIL is a state registered trademark of Odava, Inc. The unauthorized use or other misappropriation of any of the foregoing trademarks could diminish the value of our business which would have a material adverse effect on our financial condition and results of operation.

***Due to our involvement in the cannabis industry, we may have a difficult time obtaining insurance coverage for our business which may expose us to additional risk and financial liabilities.***

Insurance that may otherwise be readily available, such as workers compensation, general liability, and directors and officers insurance, is more expensive and difficult for us to obtain because we are a service provider to companies in the cannabis industry. If we are unable to obtain and maintain insurance related to our Company and business operations we will be exposed to additional risk and financial liabilities which may have a material adverse effect on our business and financial condition.

***We and our customers may have difficulty accessing the service of banks, which may make it difficult for us and for them to sell our products.***

Financial transactions involving proceeds generated by cannabis-related activities can form the basis for prosecution under the U.S. federal money laundering statutes, unlicensed money transmitter statutes and the U.S. Bank Secrecy Act. Guidance issued by the Financial Crimes Enforcement Network clarifies how financial institutions can provide services to cannabis-related businesses consistent with their obligations under the Bank Secrecy Act. Furthermore, since the rescission by U.S. Attorney General Sessions on January 4, 2018 of the Cole Memo, U.S. federal prosecutors have had greater discretion when determining whether to charge institutions or individuals with any of the financial crimes described above based upon cannabis-related activity. As a result, given these risks and their own related disclosure requirements, some banks remain hesitant to offer banking services to cannabis-related businesses. Consequently, those businesses involved in the cannabis industry continue to encounter difficulty establishing banking relationships. While we do not presently have challenges with our banking relationships, should we have an inability to maintain our current bank accounts, or the inability of our customers to maintain their current banking relationships, it would be difficult for us to operate our business, may increase our operating costs, could pose additional operational, logistical and security challenges and could result in our inability to implement our business plan.

***Our independent registered accounting firm has expressed concerns about our ability to continue as a going concern.***

The report of our independent registered accounting firm expresses concern about our ability to continue as a going concern based on the absence of significant revenues, our significant losses from operations and our need for additional financing to fund all of our operations. It is not possible at this time for us to predict with assurance the potential success of our business. The revenue and income potential of our proposed business and operations are unknown. If we cannot continue as a viable entity, we may be unable to continue our operations and you may lose some or all of your investment in our securities.

***In the past we have experienced material weaknesses in our internal control over financial reporting, which if continued, could impair our financial condition.***

As reported in our Annual Report on Form 10-K, our management concluded that our internal control over financial reporting was not effective as of December 31, 2019 and 2018 due to material weaknesses regarding our controls and procedures. The Company did not have sufficient segregation of duties to support its internal control over financial reporting. Due to our small size and limited resources, segregation of all conflicting duties has not always been possible and may not be economically feasible in the near term; however, we do expect to hire additional accounting personnel in the near future. We have and do endeavor to take appropriate and reasonable steps to make improvements to remediate these deficiencies. If we have continued material weaknesses in our internal financial reporting, our financial condition could be impaired or we may have to restate our financials, which could cause us to expend additional funds that would have a material impact on our ability to generate profits and on the success of our business.

***The spread of the COVID-19 outbreak has caused severe disruptions in the U.S. and global economy and financial markets and could potentially create widespread business continuity issues of unknown magnitude and duration.***

The outbreak of COVID-19 has severely impacted global economic activity and caused significant volatility and negative pressure in financial markets. The global impact of the outbreak has been rapidly evolving and many countries, including the United States, have reacted by instituting quarantines and restricting travel. Many experts predict that the outbreak will trigger a period of global economic slowdown or a global recession. COVID-19 or another pandemic could have material and adverse effects on our ability to successfully operate due to, among other factors:

- a general decline in business activity of cannabis dispensaries;
- the destabilization of the markets could negatively impact our customer and user growth and access to capital and credit markets which could affect our access to capital necessary to fund business operations or address maturing liabilities on a timely basis; and
- a deterioration in our ability to ensure business continuity during a disruption.

The rapid development of this situation makes it nearly impossible to predict the ultimate adverse impact of COVID-19 on our business and operations. Nevertheless, COVID-19 presents material uncertainty which could adversely affect our results of operations, financial condition and cash flows. We continue to assess the potential impact of COVID-19, which remains uncertain at this time.

## **Risks Relating to Use of New Technology**

***Government regulation of the Internet, blockchain technology and cryptocurrency is evolving, and unfavorable changes could substantially harm us and our subsidiary.***

We are subject to federal and state regulations and laws governing the Internet, blockchain technology and e-commerce. Existing and future laws and regulations may impede the growth of the Internet, blockchain technology and e-commerce and/or other online services, and may increase the cost of providing online services. Changes in regulations and laws may effect sweepstakes, taxation, tariffs, user privacy, data protection, pricing, content, intellectual property rights, distribution, electronic contracts and other communications, consumer protection, broadband residential Internet access and the characteristics and quality of services. In addition, many governments and regulatory agencies have not established specific regulations pertaining to blockchain technology and other instruments that use such technology and no assurance can be given that such governments or regulatory authorities will not implement adverse changes to laws and regulations. Any such changes to federal and state regulations and laws may harm our and our subsidiary's business and results of operations.

***There are no assurances that we will be successful in developing blockchain-based solutions, that such solutions will be economically viable or that such solutions will be able to generate any revenue.***

While we intend to continue to devote development resources to exploring the feasibility of developing block-chain based solutions, there can be no assurances that we will obtain additional funding to continue such development or that we will be successful in implementing such solutions, that they will be economically viable, or such solutions will generate any revenue.

***The development and acceptance of digital instruments is subject to a variety of factors which are difficult to evaluate.***

We may explore the use of digital instruments for use in connection with our platform or programs; however, there can be no assurance that we will adopt or use any such instruments, or be successful in doing so. The development and use of such instruments is subject to a variety of factors that are difficult to evaluate including, but not limited to:

- the problems, expenses, difficulties, complications, and delays frequently encountered in connection with the development of a new product or service based upon relatively new and developing technology;
- the acceptance and use of the new technology by consumers;
- regulation by governmental and quasi-governmental agencies;
- the maintenance and development of the protocols for the new technology;
- generic economic conditions and the regulatory environment relating to the new technology; and
- the availability and popularity of other forms or methods of buying and selling goods and services.

The slowing or stopping of the development, general acceptance, adoption and usage of digital instruments or compliance with regulations by governmental and quasi-governmental agencies may deter or delay the acceptance of such instruments.



***The potential application of U.S. laws with respect to traditional investment securities to digital instruments is unclear.***

The use of digital instruments is novel and the application of U.S. federal and state securities laws is unclear in many respects. Specifically, regulation with respect to such instruments is currently undeveloped, likely to evolve, may vary significantly among international, federal, state and local jurisdictions and is subject to significant uncertainty. Various legislative and executive bodies in the United States and in other countries may in the future adopt laws, regulations, or guidance, or take other actions, which may severely impact the permissibility of the use of digital instruments, the technology behind them or the means of transaction in or transferring them. In the event that securities laws restrict the ability for digital instruments to be transferred in a manner similar to traditional investment securities, this would have a material adverse effect on the value of such instruments, which could result in a material impact on the use of such instruments as a possible means to provide rewards on the MassRoots platform.

Our failure to comply with any laws, rules and regulations, some of which may not exist yet or that are subject to interpretations that may be subject to change, could result in a variety of adverse consequences, including civil penalties and fines. The effect of any future regulatory change is impossible to predict, but such change could be substantial and materially adverse to the adoption and value our new technology, when and if developed, accepted and adopted.

**Risks Relating to our Common Stock**

***Due to our connection to the cannabis industry, there can be no assurance that our common stock will ever be approved for listing on a national securities exchange.***

Currently, shares of our common stock are quoted on the OTC Pink Tier of the OTC Markets and are not traded or listed on any securities exchange. Even if we desire to have our shares listed on a national securities exchange, the fact that our network is associated with the use of cannabis, the legal status of which is uncertain at the state and Federal level, may make any efforts to become listed on a securities exchange more problematic. While we remain determined to work towards getting our securities listed on a national exchange, there can be no assurance that this will occur. As a result we may never develop an active trading market for our securities which may limit our investors' ability to liquidate their investments.

***The market price of our common stock may be volatile and adversely affected by several factors.***

The market price of our common stock could fluctuate significantly in response to various factors and events, including, but not limited to: our ability to execute our business plan; operating results below expectations; announcements regarding regulatory developments with respect to the cannabis industry; our issuance of additional securities, including debt or equity or a combination thereof, necessary to fund our operating expenses; announcements of technological innovations or new products by us or our competitors; period-to-period fluctuations in our financial results; and other events or factors, many of which may be out of our control, including, but not limited to, pandemics such as COVID-19.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock.

***Our common stock is subject to the "penny stock" rules of the SEC and the trading market in the securities is limited, which makes transactions in the stock cumbersome and may reduce the value of an investment in the stock.***

Rule 15c-9 under the Exchange Act establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require: (a) that a broker or dealer approve a person's account for transactions in penny stocks; and (b) the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must: (a) obtain financial information and investment experience objectives of the person and (b) make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the SEC relating to the penny stock market, which, in highlight form: (a) sets forth the basis on which the broker or dealer made the suitability determination; and (b) confirms that the broker or dealer received a signed, written agreement from the investor prior to the transaction. Generally, brokers may be less willing to execute transactions in securities subject to the “penny stock” rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our common stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker or dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

***We are an “emerging growth company” within the meaning of the Securities Act, and if we decide to take advantage of certain exemptions from various reporting requirements applicable to emerging growth companies, our common stock could be less attractive to investors.***

For as long as we remain an “emerging growth company”, as defined in the Jumpstart Our Business Startups (“JOBS”) Act, we will have the option to take advantage of certain exemptions from various reporting and other requirements that are applicable to other public companies that are not “emerging growth companies,” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended (the “Sarbanes-Oxley Act”), and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We may take advantage of these and other exemptions until we are no longer an “emerging growth company”. In addition, 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.

We will remain an emerging growth company until the earliest of (1) the last day of the fiscal year during which we have total annual gross revenues of \$1.07 billion or more, (2) the last day of the fiscal year following the fifth anniversary of the completion of our initial public offering, (3) the date on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt, and (4) the date on which we are deemed to be a “large accelerated filer” under the Exchange Act (i.e., the first day of the fiscal year after we have (a) more than \$700,000,000 in outstanding common equity held by our non-affiliates, measured each year on the last day of our second fiscal quarter, and (b) been public for at least 12 months).

Even after we no longer qualify as an emerging growth company, we may still qualify as a “smaller reporting company,” which would allow us to take advantage of many of the same exemptions from disclosure requirements including exemption from compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

***We do not anticipate paying dividends on our common stock, and investors may lose the entire amount of their investment.***

Cash dividends have never been declared or paid on our common stock, and we do not anticipate such a declaration or payment for the foreseeable future. We expect to use future earnings, if any, to fund business growth. Therefore, stockholders will not receive any funds absent a sale of their shares of common stock. If we do not pay dividends, our common stock may be less valuable because a return on your investment will only occur if our stock price appreciates. We cannot assure stockholders of a positive return on their investment when they sell their shares, nor can we assure that stockholders will not lose the entire amount of their investment.

***You could lose all of your investment.***

An investment in our securities is speculative and involves a high degree of risk. Potential investors should be aware that the value of an investment in the Company may go down as well as up. In addition, there can be no certainty that the market value of an investment in the Company will fully reflect its underlying value. You could lose your entire investment.

***Because we can issue additional shares of common stock, purchasers of our common stock may incur immediate dilution and experience further dilution.***

We are authorized to issue up to 500,000,000 shares of common stock of which 493,726,405 shares of common stock are issued and outstanding as of July 10, 2020. Our Board of Directors has the authority to cause us to issue additional shares of common stock without consent of any of stockholders. In addition, we are authorized to issue up to 10,000,000 shares of preferred stock of which 6,000 shares are designated as Series A Preferred Stock, of which no shares are issued and outstanding, 2,000 shares are designated as Series B Preferred Stock, of which no shares are issued and outstanding and 1,000 shares are designated as Series C Preferred Stock, of which 1,000 shares are issued and outstanding as of July 10, 2020. Consequently, our stockholders may experience further dilution in their ownership of our stock in the future, which could have an adverse effect on the trading market for our common stock. Furthermore, our Certificate of Incorporation gives our Board the right to create one or more new series of preferred stock. As a result, our Board may, without stockholder approval, issue preferred stock with voting, dividend, conversion, liquidation or other rights that could adversely affect the voting power and equity interests of the holders of our common stock. Preferred stock, which could be issued with the right to more than one vote per share, could be used to discourage, delay or prevent a change of control of our Company, which could materially adversely affect the price of our common stock.

***Our Certificate of Incorporation contains an exclusive forum provision with respect to all Internal Corporate Claims, which may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable and discourage lawsuits against us or our current or former directors or officers and/or stockholders in such capacity.***

Our Certificate of Incorporation provides that all Internal Corporate Claims (as defined in the Certificate of Incorporation) must be brought solely and exclusively in the Court of Chancery of the State of Delaware (or, if such court does not have jurisdiction, the Superior Court of the State of Delaware, or, if such other court does not have jurisdiction, the United States District Court for the District of Delaware). All of our stockholders are subject to the exclusive forum provision of our Certificate of Incorporation. The exclusive forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes based upon Internal Corporate Claims, which may discourage lawsuits against us or our current or former directors or officers and/or stockholders in such capacity. In addition, if a court were to find this exclusive-forum provision to be inapplicable or unenforceable in an action, we may incur costs associated with resolving the dispute in other jurisdictions, which could have a material adverse effect on our business and operations.

**ITEM 1B. UNRESOLVED STAFF COMMENTS.**

None.

**ITEM 2. PROPERTIES**

On May 1, 2020, we entered into a Membership Agreement (the “Membership Agreement”) with WeWork pursuant to which we lease offices located at 1560 Broadway, Suite 17-105, Denver, Colorado 80202. The initial term of the Membership Agreement is for six months which term shall automatically be renewed for successive one month periods unless terminated by either party. Pursuant to the terms of the Membership Agreement, we pay a fee of \$1,170 per month for the leased premises.

We do not own any property or land.

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**

From time to time, we may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. Litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. Except as set forth below, we are currently not aware of any such legal proceedings or claims that will have, individually or in the aggregate, a material adverse effect on our business, financial condition or operating results.

On October 11, 2019, Power Up Lending Group, Ltd. (“Power Up”) filed a complaint against the Company and Isaac Dietrich, an officer and director of the Company, in the Supreme Court of the State of New York, County of Nassau. The complaint alleges, among other things, (i) the occurrence of events of default in certain notes (the “Power Up Notes”) issued by the Company to Power Up, (ii) misrepresentations by the Company including, but not limited to, with respect to the Company’s obligation to timely file its required reports with the SEC and (iii) lost profits as a result of the Company’s failure to convert the Power Up Notes in accordance with the terms thereof. In addition, the complaint alleges, among other things, that Mr. Dietrich took affirmative steps to deliberately cause the Company to breach its financial obligations. As a result of the foregoing, Power Up has requested (i) the greater of \$312,000 and the “parity value” as such term is defined in the Power Up Notes together with \$2,000 per day until the Company issues shares upon conversion of the Power Up Notes together with applicable interest thereon; (ii) \$165,000 as a result of the misrepresentations; (iii) for an amount of lost profits to be determined by the court but in no event less than \$312,000; (iv) \$312,000 as against Mr. Dietrich; (v) an award for reasonable legal fees and costs of litigation; (vi) a judgment awarding specific performance under the Power Up Notes; and (vii) the costs and disbursement of the action, pre-judgment interest, default interest and such other further relief as the court deems proper.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

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

#### Market Information

From April 9, 2015 to October 16, 2019, our common stock was quoted on the OTCQB under the symbol “MSRT.” Since October 17, 2019, our common stock has been quoted on the OTC Pink Tier of the OTC Markets under the symbol “MSRT.”

#### Holders

As July 10, 2020, there were 142 stockholders of record per the Company’s transfer agency’s listing of stockholders. 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

During the quarter ended December 31, 2019, we issued (i) an aggregate of 30,609,903 shares of our common stock for the settlement of convertible debt in the principle amount of \$59,700 and (ii) an aggregate of 60,000 shares of our common stock for the settlement of accrued interest in the amount of \$300.

The issuance of the above securities was deemed to be exempt from the registration requirements of the Securities Act, by Section 4(a)(2) thereof, as a transaction by an issuer not involving a public offering.

#### Securities Authorized for Issuance Under Equity Compensation Plans

	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) (a) (c)
Equity compensation plans approved by security holders (1)	27,820,903	\$ 0.50	190,000
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>27,820,903</b>	<b>\$ 0.50</b>	<b>190,000</b>

(1) Includes the 2014 Equity Incentive Plan, 2015 Equity Incentive Plan, 2016 Equity Incentive Plan, 2017 Equity Incentive Plan and 2018 Equity Incentive Plan.

## 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 Annual Report on Form 10-K. 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 in the section titled “Risk Factors.”*

### Overview

We were formed in April 2013 as a technology platform for the cannabis industry. We enable consumers to rate cannabis products and strains based on their efficacy (i.e., effectiveness for treating ailments such as back-pain or epilepsy) and then present this information in easy-to-use formats for consumers to make educated purchasing decisions at their local dispensary. Businesses are able to leverage MassRoots by strategically advertising to consumers based on their preferences and tendencies.

Over the past seven years, we have established our self as a leading technology company in the emerging cannabis industry, building a User-base of over one million registered Users and partnering with some of the most recognized brands in the industry.

We are now focused on monetizing our user-base through a consumer rewards program, MassRoots Rewards, which we have been developing since 2017. Additionally, we plan to monetize our YouTube Channel, which has 265,000 subscribers, through product placements and sponsorships. Management believes that our YouTube Channel has one of the largest followings in the regulated cannabis industry while our Instagram account is followed by almost 400,000 users.

### User Growth and Product Distribution Channels

The MassRoots App is distributed free-of-charge through the Apple App Store, the Google Play Marketplace and the Amazon App Store. The MassRoots network is also accessible through desktop and mobile web browsers by navigating to [www.massroots.com](http://www.massroots.com). Our business and adverting portal can be accessed at [www.massroots.com/business](http://www.massroots.com/business). Through this portal, companies can edit their profiles, distribute information to Users and view analytics such as impressions, views and clicks.

### Competitors

We compete with other cannabis information platforms such as WeedMaps and Leafly, which provide information with respect to dispensary locations, strain information, and news relating to the cannabis industry. We believe our primary competitive advantage is the community we have created and the significant reviews and data we have collected on key cannabis markets.

### Blockchain Technology

In December 2017, we formed MassRoots Blockchain Technologies, Inc., our wholly-owned subsidiary, to explore how blockchain technology may be utilized in the cannabis industry.

### Recent Developments and Other Sources of Funding

#### Financings

On January 7, 2020, we issued and sold a convertible note in the principal amount of \$55,000 (including a \$5,000 original issuance discount) to an accredited investor which note matures on July 7, 2020.

On March 5, 2020, we issued and sold a convertible note in the aggregate principal amount of \$72,600 (including a \$6,600 original issuance discount) to an accredited investor which note matures on September 5, 2020.

On March 17, 2020, we issued and sold a convertible note in the aggregate principal amount of \$17,600 (including a \$1,600 original issuance discount) to an accredited investor which note matures on September 17, 2020.

On April 17, 2020, we issued and sold convertible notes in the aggregate principal amount of \$330,000 (including an aggregate of \$30,000 original issuance discount) to accredited investors which notes mature on October 17, 2020.

On May 3, 2020, we received a loan in the principal amount of \$50,000 pursuant to the PPP of the CARES Act. The PPP loan matures in May 2022 and bears an interest rate of 1% per annum. Payments of principal and interest of any unforgiven balance commence in December 2020.

On June 26, 2020, we issued and sold a secured promissory note in the principal amount of \$60,000 with 10% annual interest. On the two-year anniversary of the issuance of this note, June 26, 2022, all principal and interest becomes due and payable.

On July 8, 2020, we issued and sold a promissory note in the principal amount of \$22,911 with 10% annual interest maturing on December 31, 2020.

On July 13, 2020, we issued and sold convertible notes in the aggregate principal amount of \$110,000 (including an aggregate of \$10,000 original issuance discount) to accredited investors which notes mature on January 13, 2021.

## Results of Operations For the Year Ended December 31, 2019 Compared to the Year Ended December 31, 2018

	For the Fiscal Year ended			
	31-Dec-19	31-Dec-18	\$ Change	% Change
Revenues	\$ 23,703	\$ 19,597	\$ 4,106	21.0%
Operating expenses	3,469,139	13,904,112	(10,434,973)	(75.0)%
Loss from Operations	(3,445,436)	(13,884,515)	10,439,079	75.2%
Other Expense	(30,823,476)	(2,131,926)	(28,691,550)	1,346%
Net Loss	\$ (34,268,912)	\$ (16,016,441)	\$ (18,252,471)	114%
Net loss per share - basic and diluted	\$ (0.19)	\$ (0.10)	\$ (0.09)	90.0%

Since inception on April 26, 2013, and during the year ended December 31, 2019 our business operations have been primarily focused developing our mobile applications, web platform and block-chain features for our products, and increasing our User-base.

### Revenues

For the year ended December 31, 2019, we generated \$23,703 in revenues, as compared to \$19,597 for the year ended December 31, 2018, an increase of \$4,106. This increase is primarily related to our corporate re-organization in 2019.

### Operating Expenses

For the years ended December 31, 2019 and 2018, our operating expenses were \$3,469,139 and \$13,904,112, respectively, a decrease of \$10,434,973. The decrease was mainly attributed to stock-based compensation to our employees and key consultants which, for 2019, was \$222,700 as compared to \$6,924,242 for 2018, a non-cash decrease of \$6,701,542. In addition, impairment expense decreased by \$410,399 as impairment expense was \$196,315 in 2019 as compared to \$606,714 in 2018, which was mainly attributed to impairment expenses associated with our business portal. There was an increase in payroll and related expenses of \$249,044 as payroll and related expenses were \$1,156,914 for 2019 as compared to \$907,870 for the same period in 2018, which was the result of an increase in our labor force. Furthermore, advertising expense decreased by \$471,687 to \$29,764 for 2019 as compared to \$501,451 for 2018 due to a focus on marketing to businesses rather than consumers. For the years ended December 31, 2019 and 2018, we recorded amortization of software costs of \$38,549 and \$438,264, respectively.

Our other general and administrative expenses decreased to \$1,460,867 for the year ended December 31, 2019 from \$4,524,577 for the year ended December 31, 2018, a decrease of \$3,063,710. This decrease was mainly attributed to the following:

- Consulting and accounting expenses decreased during the year ended December 31, 2019 to \$452,477 from \$2,075,169 during the year ended December 31, 2018. This decrease was primarily a result of us having fewer consulting projects with firms in fiscal year 2019.
- Independent contractor expenses decreased from \$859,882 during the year ended December 31, 2018 to \$284,328 during the year ended December 31, 2019 due to us engaging fewer individual consultants.
- Travel and related expenses decreased to \$21,506 during the year ended December 31, 2019 from \$342,986 during the year ended December 31, 2018. This was a result of our team attending fewer conferences and meetings with cannabis related businesses in 2019 as compared to 2018.

We realized a loss on the sale of fixed assets of \$0 for the fiscal year ended December 31, 2019, as compared to \$47,612 for the fiscal year ended December 31, 2018.

The decrease of these expenditures resulted in our total operating expenses declining to \$3,469,139 during the year ended December 31, 2019 compared to \$13,904,112 during the year ended December 31, 2018, a decrease of \$10,434,973.

#### Loss from Operations

Our loss from operations decreased \$10,439,079 to \$3,445,436 during the year ended December 31, 2019, from \$13,884,515 during the year ended December 31, 2018.

#### Other (Expense)

During the year ended December 31, 2019, we incurred other (expense) of \$(30,823,476), as compared to \$(2,131,926) for the year ended December 31, 2018, an increase of \$(28,691,550). This increase is primarily due to derivative liability for authorized shares shortfall of \$18,921,537, preferred stock issuance costs of \$5,585,594 and loss on conversion of convertible debentures of \$603,529, none of which costs were incurred in 2018. In addition, interest expense increased by \$2,964,141, as a result of the issuance of additional convertible promissory notes in 2019, and the loss on change in fair value of derivative liabilities increased by \$524,818, as compared to the prior year.

#### Net Loss

Our net loss increased \$18,252,471 to \$34,268,912 during the year ended December 31, 2019, from \$16,016,441 during the year ended December 31, 2018.

### **Liquidity And Capital Resources**

Net cash used in operations for the year ended December 31, 2019 and 2018 was \$1,797,227 and \$6,423,900, respectively. The decrease in 2019 resulted primarily from the net loss of \$34,268,912, partially offset by non-cash items including derivative liability for authorized shares shortfall of \$18,921,537, preferred stock issuance costs of \$5,585,594, interest and amortization of debt discount of \$4,716,970, change in fair value of derivative liabilities of \$685,415, and loss on conversion of convertible notes payable of \$603,529, as well as an increase in accrued payroll and related expenses of \$732,027 and an increase in accounts payable and accrued expenses of \$557,360. The decrease in 2018 resulted primarily from the net loss of \$16,016,441, partially offset by non-cash items including stock-based compensation of \$5,654,371, loss on conversion of convertible notes payable of \$1,839,960, and impairment loss on software costs of \$606,714 as well as an increase in accrued payroll and related expenses of \$1,116,176.

Net cash provided by (used in) investing activities for the year ended December 31, 2019 and 2018 was \$90,981 and \$(264,561), respectively. Net cash provided by investing activities for the year ended December 31, 2019 was attributed to proceeds from sale of investments of \$90,981. Investing activities in 2018 were attributed to the \$260,565 in capitalized costs for the purchase of software, as well as \$3,996 in fixed asset purchases.

Net cash provided by financing activities for the year ended December 31, 2019 and 2018 was \$1,677,798 and \$5,516,442, respectively. For the year ended December 31, 2019, these funds came mainly from the sale of Series B Preferred Stock and warrants amounting to \$1,407,500, proceeds from issuance of convertible debt of \$549,000 and proceeds from issuance of non-convertible notes payable of \$175,000, offset by repayment of advances in the amount of \$595,000. Comparatively, for the year ended December 31, 2018, these funds came mainly from sales of common stock of \$3,304,000, cash exercises of warrants for \$637,230, proceeds from issuance of convertible notes of \$3,567,500, and proceeds from advances of \$528,650, offset by the repayment of notes of \$2,160,938 and the repayment of advances of \$360,000.

#### Capital Resources

As of December 31, 2019, we had cash on hand of \$1,120. We currently have no external sources of liquidity such as arrangements with credit institutions 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; however, no assurance can be given that additional financing will be available on terms favorable to us, or at all.



### Fundraising

During the year ended December 31, 2019, we received \$172,949 proceeds from the exercise of our previously issued warrants.

During the year ended December 31, 2019, we received proceeds of \$549,000 in connection with the issuance of convertible notes.

### Required Capital Over the Next Fiscal Year

We do not believe that we have sufficient capital to become cash-flow positive from operations. We expect that we will need to raise additional funds to continue to fund operations.

We prepared the accompanying consolidated financial statements assuming that we will continue as a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. We have not yet established an ongoing source of revenues sufficient to cover our operating costs and allow us to continue as a going concern. Our ability to continue as a going concern depends on our ability to obtain adequate capital to fund operating losses until we generate adequate cash flows from operations to fund our operating costs and obligations. If we are unable to obtain adequate capital, we could be forced to cease operations.

We depend upon our ability to secure equity and/or debt financing. We cannot be certain that additional funding will be available on acceptable terms, or at all. Our management has determined that there is substantial doubt about our ability to continue as a going concern within one year after the consolidated financial statements are issued.

The accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty.

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

We do not have any off-balance sheet arrangements.

### **Recent Accounting Pronouncements**

***FASB Accounting Standards Updates (“ASU”) 2017-04 (Topic 350), “Intangibles – Goodwill and Others”*** – Issued in January 2017, ASU 2017-04 simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill. ASU 2017-04 is effective for annual periods beginning after December 15, 2019 including interim periods within those periods. The Company is currently evaluating the effect that ASU 2017-04 will have on its consolidated financial statements and related disclosures.

***FASB ASU 2017-01 (Topic 805), “Business Combinations: Clarifying the Definition of a Business”*** – Issued in January 2017, ASU 2017-01 revises the definition of a business and provides new guidance in evaluating when a set of transferred assets and activities is a business. This guidance was effective for the Company in the first fiscal quarter of 2018. The adoption of this standard did not have a material impact on the Company’s consolidated financial statements and related disclosures.

**FASB ASU 2016-02, Leases (Topic 842)** – ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize, in the statement of financial position, a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of twelve months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (i.e. January 1, 2019, for a calendar year entity). Early application is permitted for all public business entities and all non-public business entities upon issuance. The adoption of this standard did not have a material impact on the Company’s financial position and results of operations.

**FASB issued ASU 2017-11, Earnings Per Share, Distinguishing Liabilities from Equity, and Derivatives and Hedging (“ASU 2017-11”)** – Adopted in July 2017, ASU No. 2017-11 is intended to simplify the accounting for financial instruments with characteristics of liabilities and equity. Among the issues addressed are: (i) determining whether an instrument (or embedded feature) is indexed to an entity’s own stock; (ii) distinguishing liabilities from equity for mandatorily redeemable financial instruments of certain nonpublic entities; and (iii) identifying mandatorily redeemable non-controlling interests. The Company has adopted ASU No. 2017-11 effective as of January 1, 2018. The adoption of ASU No. 2017-11 impacted the Company’s consolidated financial statements by reclassifying derivative liabilities with a fair value of \$9,493,307 on January 1, 2018 to the accumulated deficit.

**FASB ASU No. 2018-07 (Topic 718), “Compensation – Stock Compensation: Improvements to Nonemployee Share-Based Payment Accounting”** – Issued in June 2018, ASU 2018-07 expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from non-employees. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606. The new standard is effective for the Company as of January 1, 2019. The adoption of this guidance did not have a material impact on the Company’s consolidated financial condition or results of operations.

There are other 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 financial position, results of operations or cash flows.

#### **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**

Pursuant to Rules 13a-15(b) and 15-d-15(b) under the Exchange Act, we carried out an evaluation, with the participation of our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. The term “disclosure controls and procedures”, as defined under Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Based upon such evaluation, our CEO and CFO concluded that our disclosure controls and procedures as of December 31, 2019 were not effective due to identified control deficiencies regarding the lack of segregation of duties and the need for a stronger internal control environment.

To address the material weaknesses, we performed additional analysis and other post-closing procedures in an effort to ensure our financial statements included in this Annual Report on Form 10-K have been prepared in accordance with generally accepted accounting principles in the U.S. 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.

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.

### **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 Exchange Act. Our management, including our principal executive officer and principal financial officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2019. 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.

There was a material weakness in our internal control over financial reporting due to the fact that we 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 plan to take steps to enhance and improve the design of our internal control over financial reporting. To remediate our material weaknesses, we plan to appoint additional qualified personnel with the requisite knowledge to improve the levels of review of accounting and financial reporting matters; however, such remediation efforts are largely dependent upon our securing additional financing or generating significant revenue to cover the costs of implementing the changes required.

Until we remediate our material weakness in internal control over financial reporting such weaknesses could result in material misstatements in our 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 and or 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, 2019, based on the criteria established in "Internal Control-Integrated Framework" issued by the COSO.

This Annual Report does not include an attestation of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this Annual Report.

#### **Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting during the fourth quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

#### **ITEM 9B. OTHER INFORMATION**

None.

### 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. 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.

<b>Name</b>	<b>Age</b>	<b>Executive Position</b>
Isaac Dietrich	28	Chief Executive Officer and Chairman of the Board of Directors
Jesus Quintero	58	Chief Financial Officer

**Isaac Dietrich, Chief Executive Officer and Chairman of the Board of Directors** – Isaac Dietrich is the founder of the Company and has been a director of the Company since our inception. He has also served as Chief Executive Officer and Chairman of the Board of the Company since December 2017. In addition, he previously held the following positions with the Company: Chief Executive Officer (April 2013 – October 2017); Chairman of the Board of the Company (April 2013 – October 2017); and Chief Financial Officer (April 2013 – May 2014 and August 2017 – October 2017). In his various positions, Mr. Dietrich has been responsible for executing MassRoots’ strategic business development. Mr. Dietrich was also previously the co-founder of RoboCent.com from June 2012 where he helped scale the business until his buyout in December 2016. He has served as Chairman of 2Meet, Inc. since May 2017. He also founded Tidewater Campaign Solutions, LLC, a Virginia Beach-based political strategy firm that was retained by 30 political local and congressional campaigns and political action committees from January 2010 to December 2012. From February 2010 to December 2010, Mr. Dietrich served as Field Director for former Congressman E. Scott Rigell’s campaign. Mr. Dietrich is qualified to serve as a member of the Company’s Board because of his business management experience and his years of service to the Company in various executive capacities together with his knowledge of the Company and relevant experience in the cannabis industry.

**Jesus Quintero, Chief Financial Officer** – From January 2017 through December 2017 Jesus Quintero served as a financial consultant to several domestic and international companies including, but not limited to, Premier Radiology Services, ATR Wireless Inc. and GAM Distribution Corporation. From May 2014 until December 2016, Mr. Quintero served as Chief Financial Officer of the Company, and from January 2013 until October 2014, he served as Chief Financial Officer of Brazil Interactive Media. Mr. Quintero has held senior finance positions with Avnet Inc., Latin Node, Inc., Globetel Communications Corp and Telefonica of Spain and has extensive experience in public company reporting and SEC compliance matters. His prior experience also includes tenure with PricewaterhouseCoopers and Deloitte & Touch. Mr. Quintero received a B.S. in Accounting from St. John’s University and is a Certified Public Accountant in the State of New York.

**Family Relationships**

There are no family relationships among our directors and executive officers.

**Other Directorships**

Other than as disclosed above, none of the directors of the Company are also directors of issuers with a class of securities registered under Section 12 of the Exchange Act (or which otherwise are required to file periodic reports under the Exchange Act).

**Legal Proceedings**

We are not aware of any of our directors or officers being involved in any legal proceedings in the past ten years relating to any matters in bankruptcy, insolvency, criminal proceedings (other than traffic and other minor offenses) or being subject to any of the items set forth under Item 401(f) of Regulation S-K.

**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 stockholders well and maintaining our integrity in the marketplace. Our corporate governance guidelines and Code of Conduct and Ethics, together with our Certificate of Incorporation, 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 and Ethics is available on our website at <https://ir.massroots.com/corporate-governance/governance-documents> and is also filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2014 as filed with the SEC on April 1, 2015.

## **Board Committees**

On December 9, 2015, our Board designated the following three committees of the Board: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee; however, there are currently no members serving on our Audit Committee, Compensation Committee or Nominating and Corporate Governance Committee, and our Board will act in place of such committees until such time that members are appointed to such committees. In addition, we do not currently have an “audit committee financial expert” since we currently do not have an Audit Committee.

**Audit Committee.** The Audit Committee is responsible for, among other things, overseeing the financial reporting and audit process and evaluating our internal controls over financial reporting. A copy of the Audit Committee Charter is available on our website at <https://ir.massroots.com/corporate-governance/governance-documents>.

**Compensation Committee.** The Compensation Committee is responsible for, among other things, establishing and overseeing the Company’s executive and equity compensation programs, establishing performance goals and objectives, and evaluating performance against such goals and objectives. A copy of the Compensation Committee Charter is available on our website at <https://ir.massroots.com/corporate-governance/governance-documents>.

**Nominating and Corporate Governance Committee.** The Nominating and Corporate Governance Committee is responsible for, among other things, identifying and recommending candidates to fill vacancies occurring between annual stockholder meetings and reviewing the Company’s policies and programs relating to matters of corporate citizenship, including public issues of significance to the Company and its stockholders. A copy of the Nominating and Corporate Governance Committee Charter is available on our website at <https://ir.massroots.com/corporate-governance/governance-documents>.

## **Delinquent Section 16(a) Reports**

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than 10% of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. To our knowledge, based solely upon a review of Forms 3, 4, and 5 filed with the SEC during the fiscal year ended December 31, 2019, we believe that, except as set forth below, our directors, executive officers, and greater than 10% beneficial owners have complied with all applicable filing requirements during the fiscal year ended December 31, 2019.

- Isaac Dietrich failed to report two transactions on time on a Form 4.

## ITEM 11. EXECUTIVE COMPENSATION

### Named Executive Officers

Our named executive officer for the year ended December 31, 2019 was Isaac Dietrich, our Chief Executive Officer.

### Summary Compensation Table

The following table presents the compensation awarded to, earned by or paid to our named executive officer for the year ended December 31, 2019 and December 31, 2018.

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Bonus (\$)</b>	<b>Stock awards (\$ (1))</b>	<b>Option awards (\$ (1))</b>	<b>Nonequity incentive plan compensation (\$)</b>	<b>Nonqualified deferred compensation earnings (\$)</b>	<b>All other compensation (\$ (1))</b>	<b>Total (\$)</b>
Isaac Dietrich	2019	145,000	—	10,000(2)	—	—	—	252,000(3)	407,000
<i>Chief Executive Officer</i>	2018	145,000	132,627	—	—	—	—	94,500(4)	372,127

(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 Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“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 9 of our financial statements included in this Annual Report on Form 10-K.

(2) On October 21, 2019, Mr. Dietrich was issued 1,000 shares of Series C Preferred Stock with a value of \$10,000.

(3) During fiscal year 2019, Mr. Dietrich received a housing and relocation allowance of \$252,000 (of which \$95,500 was attributable to state and federal tax liability).

(4) During fiscal year 2018, Mr. Dietrich received a housing and relocation allowance of \$94,500 (of which \$19,500 was attributable to state and federal tax liability).

### Outstanding Equity Awards at December 31, 2019

There were no outstanding equity awards held by our executive officers as of December 31, 2019.

### Employment Agreement

#### Isaac Dietrich

On December 12, 2017, the Company entered into an employment agreement with Isaac Dietrich pursuant to which Mr. Dietrich serves as the Company’s Chief Executive Officer. Pursuant to the terms of the employment agreement, Mr. Dietrich shall receive an annual base salary of \$145,000. In addition, Mr. Dietrich shall be eligible to receive an annual bonus and shall be eligible to receive such awards under the Company’s incentive plans as determined by the Company’s Compensation Committee. Mr. Dietrich may be terminated by the Company or may voluntarily resign, at any time, with or without cause. Either the Company or Mr. Dietrich may terminate Mr. Dietrich’s employment upon two weeks prior written notice.



Upon termination except by death (the “Termination Date”), the Company shall pay Mr. Dietrich (i) any accrued but unpaid compensation, (ii) a pro-rata portion of his annual bonus calculated as of the Termination Date and (iii) reimbursement of expenses incurred on or prior to the Termination Date. In addition, Mr. Dietrich may elect to receive Consolidated Omnibus Budget Reconciliation Act benefits for up to twelve months from the Termination Date. Upon termination of Mr. Dietrich’s employment for death, the Company shall pay Mr. Dietrich (i) any accrued but unpaid compensation and (ii) reimbursement of expenses incurred on or prior to the such date. Mr. Dietrich is also entitled to participate in any and all benefit plans such as health, dental and life insurance, from time to time, in effect for senior executives, along with vacation, sick and holiday pay in accordance with the Company’s policies established and in effect from time to time.

### Director Compensation

Our employee director does not receive any additional compensation for his service as a director.

The following table shows information with respect to the compensation of all non-employee directors of the Company for the fiscal year ended December 31, 2019:

Name	Fees Earned or Paid in Cash	Stock Awards <sup>(1)</sup>	Option and Warrant Awards <sup>(1)</sup>	Total
Charles Blum (2)	\$ 37,500	\$ 6,000 <sup>(5)</sup>	\$ —	\$ 43,500
Cecil Kyte (3)	\$ 63,860	\$ 12,000 <sup>(6)</sup>	\$ —	\$ 75,860
Graham Farrar (4)	\$ 35,000	\$ 7,500 <sup>(7)</sup>	\$ —	\$ 42,500

(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.

(2) Mr. Blum resigned from our Board effective July 16, 2019.

(3) Mr. Kyte resigned from our Board effective July 16, 2019.

(4) Mr. Farrar resigned from our Board effective July 16, 2019.

(5) On July 16, 2019, the Company’s Compensation Committee approved the grant of 600,000 shares of common stock to Mr. Blum which vested in full upon grant.

(6) On July 16, 2019, the Company’s Compensation Committee approved the grant of 1,200,000 shares of common stock to Mr. Kyte which vested in full upon grant.

(7) On July 16, 2019, the Company’s Compensation Committee approved the grant of 750,000 shares of common stock to Mr. Farrar which vested in full upon grant.

## Our Equity Incentive Plans

Our stockholders approved our 2014 Equity Incentive Plan (“2014 Plan”) in June 2014, our 2015 Equity Incentive Plan (the “2015 Plan”) in December 2015, our 2016 Equity Incentive Plan (“2016 Plan”) in October 2016, our 2017 Equity Incentive Plan (“2017 Plan”) in December 2016 and our 2018 Equity Incentive Plan (“2018 Plan”) and together with the 2014 Plan, 2015 Plan, 2016 Plan and 2017 Plan, the “Plans”) in June 2018. The 2014 Plan, 2015 Plan, 2016 Plan and 2017 Plan (collectively, the “Prior Plans”) are identical, except for number of shares reserved for issuance under each.

The Prior Plans provide for the grant of incentive stock options, non-statutory 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 Prior 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 2018 Plan provides for the grant of incentive stock options (“ISOs”), non-qualified stock options (“NQSOs”), restricted stock, restricted stock units (“RSUs”), stock appreciation rights (“SARs”), other equity awards and/or cash awards to employees, directors and consultants as may be determined by the 2018 Plan Committee (as defined herein).

### Plan Details

The following table and information below sets forth information as of December 31, 2019 with respect to 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	1,685,792	\$ 0.31	—
2015 Equity Incentive Plan	3,059,157	\$ 0.94	—
2016 Equity Incentive Plan	1,715,104	\$ 0.51	—
2017 Equity Incentive Plan	7,660,850	\$ 0.87	—
2018 Equity Incentive Plan	13,700,000	\$ 0.20	190,000
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>27,820,903</b>	<b>\$ 0.50</b>	<b>190,000</b>

### Summary of the Prior Plans

#### *Authorized Shares*

No shares of our common stock are reserved for issuance pursuant to the 2014 Plan, 2015 Plan, the 2016 Plan and the 2017 Plan. Shares issued under our Prior Plans may be authorized but unissued or reacquired shares of our common stock. Shares subject to stock awards granted under our Prior 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 Prior Plans. Additionally, shares issued pursuant to stock awards under our Prior 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 Prior Plans.

### *Administration*

Our Board, or a duly authorized committee thereof (collectively, the “Committee”), has the authority to administer our Prior 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.

Subject to the terms of our Prior 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 Prior Plans. The Committee has the power to modify outstanding awards under the Prior Plans, subject to the terms of the Prior Plans and applicable law. Subject to the terms of our Prior Plans, the Committee has the authority to reprice any outstanding option or SAR, cancel and re-grant any outstanding option or SAR 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 Prior Plans. The exercise price of options granted under our Prior Plans must at least be equal to the fair market value of our common stock on the date of grant. The term of an ISO 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 Prior Plans, the Committee determines the other terms of options.

### *Performance Shares*

Performance shares may be granted under our Prior 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 Prior 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 Prior Plans.

### *Other Share-Based Awards and Cash Awards*

The Committee may make other forms of equity-based awards under our Prior Plans, including, for example, deferred shares, stock bonus awards and dividend equivalent awards. In addition, our Prior 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 Prior Plans, unless provisions are made in connection with such transaction for the continuance of the Prior 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.

### *Prior Plan Amendment or Termination*

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

### Summary of the 2018 Plan

#### **Key Features of the 2018 Plan**

Certain key features of the 2018 Plan are summarized as follows:

- If not terminated earlier by the Board, the 2018 Plan will terminate on April 27, 2028.
- Up to a maximum aggregate of 25,000,000 shares of common stock may be issued under the 2018 Plan. The maximum number of shares that may be issued pursuant to the exercise of ISOs is also 25,000,000.
- The 2018 Plan will generally be administered by a committee comprised solely of independent members of the Board. This committee will be the Compensation Committee unless otherwise designated by the Board (the "2018 Plan Committee"). The Board may designate a separate committee to make awards to employees who are not officers subject to the reporting requirements of Section 16 of the Exchange Act.
- Employees, consultants and Board members are eligible to receive awards, provided that the 2018 Plan Committee has the discretion to determine (i) who shall receive any awards, and (ii) the terms and conditions of such awards.
- Awards may consist of ISOs, NQSOs, restricted stock, RSUs, SARs, other equity awards and/or cash awards.

- Stock options and SARs may not be granted at a per share exercise price below the fair market value of a share of our common stock on the date of grant.
- Stock options and SARs may not be repriced or exchanged without stockholder approval.

The maximum exercisable term of stock options and SARs may not exceed ten years.

- Awards are subject to recoupment of compensation policies adopted by the Company.
- A non-employee director serving in the following positions cannot receive awards in any fiscal year which in the aggregate exceeds the following number of shares: (i) chairperson or Lead Director (as defined in the 2018 Plan) – 2,500,000 shares; (ii) other non-employee director - 2,500,000 shares. In addition, the aggregate amount of all cash compensation (including annual retainers and other fees, whether or not granted under the 2018 Plan) plus the aggregate grant date fair market value of all awards issued under the 2018 Plan (or under any other incentive plan) provided to any non-employee director during any single calendar year may not exceed \$1,000,000.

**Background and Purpose of the 2018 Plan.** The purpose of the 2018 Plan is to promote our long-term success and the creation of stockholder value by:

- Attracting and retaining the services of key employees who would be eligible to receive grants as selected participants;
- Motivating selected participants through equity-based compensation that is based upon the performance of our common stock; and
- Further aligning selected participants’ interests with the interests of our stockholders, through the award of equity compensation grants which increases their interest in the Company, to achieve long-term growth over short-term performance.

The 2018 Plan permits the grant of the following types of equity-based incentive awards: (1) stock options (which can be either ISOs or NQSOs), (2) SARs, (3) restricted stock, (4) RSUs, (5) other equity awards and (6) cash awards. The vesting of awards can be based on either continuous service and/or performance goals. Awards are evidenced by a written agreement between the selected participant and the Company.

**Eligibility to Receive Awards.** Employees, consultants and Board members of the Company and certain of our affiliated companies are eligible to receive awards under the 2018 Plan. The 2018 Plan Committee determines, in its discretion, the selected participants who will be granted awards under the 2018 Plan.

**Non-Employee Director Limitations.** With respect to our non-employee directors, the 2018 Plan provides that any non-employee director serving in the following positions cannot receive awards in any fiscal year which in the aggregate exceeds the following number of shares: (i) chairperson or Lead Director (as defined in the 2018 Plan) - 2,500,000 shares; (ii) other non-employee director - 2,500,000 shares. In addition, the aggregate amount of all compensation (including annual retainers and other fees, whether or not granted under the 2018 Plan) plus the aggregate grant date fair market value of all awards issued under the 2018 Plan (or under any other incentive plan) provided to any non-employee director during any single calendar year may not exceed \$1,000,000 in any calendar year. Provided that the Board affirmatively acts to implement such a process, the 2018 Plan also provides that non-employee directors may elect to receive stock grants or stock units (which would be issued under the 2018 Plan) in lieu of fees that would otherwise be paid in cash.

**Shares Subject to the 2018 Plan.** The maximum number of shares of common stock that can be issued under the 2018 Plan is 25,000,000 shares. The shares underlying forfeited or terminated awards (without payment of consideration), or unexercised awards become available again for issuance under the 2018 Plan. The 2018 Plan also imposes certain share grant limits such as the limit on grants to non-employee directors described above and other limits that are intended to comply with the legal requirements of Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”) and which are discussed elsewhere in this proposal. No fractional shares may be issued under the 2018 Plan. No shares will be issued with respect to a participant’s award unless applicable tax withholding obligations have been satisfied by the participant.

**Administration of the 2018 Plan.** The 2018 Plan will be administered by our Board’s Compensation Committee, acting as the 2018 Plan Committee, which shall consist of independent Board members, if such committee is in place or by the full Board. With respect to certain awards issued under the 2018 Plan, the members of the 2018 Plan Committee also must be “Non-Employee Directors” under Rule 16b-3 of the Exchange Act. Subject to the terms of the 2018 Plan, the 2018 Plan Committee has the sole discretion, among other things, to:

- Select the individuals who will receive awards;
- Determine the terms and conditions of awards (for example, performance conditions, if any, and vesting schedule);
- Correct any defect, supply any omission, or reconcile any inconsistency in the 2018 Plan or any award agreement;
- Accelerate the vesting, extend the post-termination exercise term or waive restrictions of any awards at any time and under such terms and conditions as it deems appropriate, subject to the limitations set forth in the 2018 Plan;
- Permit a participant to defer compensation to be provided by an award; and
- Interpret the provisions of the 2018 Plan and outstanding awards.

The 2018 Plan Committee may suspend vesting, settlement, or exercise of awards pending a determination of whether a selected participant’s service should be terminated for cause (in which case outstanding awards would be forfeited). Awards may be subject to any policy that the Board may implement on the recoupment of compensation (referred to as a “clawback” policy). The members of the Board, the 2018 Plan Committee and their delegates shall be indemnified by the Company to the maximum extent permitted by applicable law for actions taken or not taken regarding the 2018 Plan. In addition, the 2018 Plan Committee may use the 2018 Plan to issue shares under other plans or sub-plans as may be deemed necessary or appropriate, such as to provide for participation by non-U.S. employees and those of any of our subsidiaries and affiliates.

#### ***Types of Awards.***

**Stock Options.** A stock option is the right to acquire shares at a fixed exercise price over a fixed period of time. The 2018 Plan Committee will determine, among other terms and conditions, the number of shares covered by each stock option and the exercise price of the shares subject to each stock option, but such per share exercise price cannot be less than the fair market value of a share of our common stock on the date of grant of the stock option. The fair market value of a share of our common stock for the purposes of pricing our awards shall be equal to the closing price for our common stock as reported by the OTC Pink or such other principal trading market on which our securities are traded on the date of determination. Stock options may not be repriced or exchanged without stockholder approval, and no re-load options may be granted under the 2018 Plan.

Stock options granted under the 2018 Plan may be either ISOs or NQSOs. As required by the Code and applicable regulations, ISOs are subject to various limitations not imposed on NQSOs. For example, the exercise price for any ISO granted to any employee owning more than 10% of our common stock may not be less than 110% of the fair market value of the common stock on the date of grant, and such ISO must expire no later than five years after the grant date. The aggregate fair market value (determined at the date of grant) of common stock subject to all ISOs held by a participant that are first exercisable in any single calendar year cannot exceed \$100,000. ISOs may not be transferred other than upon death, or to a revocable trust where the participant is considered the sole beneficiary of the stock option while it is held in trust. In order to comply with Treasury Regulation Section 1.422-2(b), the 2018 Plan provides that no more than 25,000,000 shares may be issued pursuant to the exercise of ISOs.

A stock option granted under the 2018 Plan generally cannot be exercised until it becomes vested. The 2018 Plan Committee establishes the vesting schedule of each stock option at the time of grant. The maximum term for stock options granted under the 2018 Plan may not exceed ten years from the date of grant although the 2018 Plan Committee may establish a shorter period at its discretion. The exercise price of each stock option granted under the 2018 Plan must be paid in full at the time of exercise, either with cash, or through a broker-assisted “cashless” exercise and sale program, or net exercise, or through another method approved by the 2018 Plan Committee. The optionee must also make arrangements to pay any taxes that are required to be withheld at the time of exercise.

SARs. A SAR is the right to receive, upon exercise, an amount equal to the difference between the fair market value of the shares on the date of the SAR’s exercise and the aggregate exercise price of the shares covered by the exercised portion of the SAR. The 2018 Plan Committee determines the terms of SARs, including the exercise price (provided that such per share exercise price cannot be less than the fair market value of a share of our common stock on the date of grant), the vesting and the term of the SAR. The maximum term for SARs granted under the 2018 Plan may not exceed ten years from the date of grant, subject to the discretion of the 2018 Plan Committee to establish a shorter period. Settlement of a SAR may be in shares of common stock or in cash, or any combination thereof, as the 2018 Plan Committee may determine. SARs may not be repriced or exchanged without stockholder approval.

Restricted Stock. A restricted stock award is the grant of shares of our common stock to a selected participant and such shares may be subject to a substantial risk of forfeiture until specific conditions or goals are met. The restricted shares may be issued with or without cash consideration being paid by the selected participant as determined by the 2018 Plan Committee. The 2018 Plan Committee also will determine any other terms and conditions of an award of restricted stock. In determining whether an award of restricted stock should be made, and/or the vesting schedule for any such award, the 2018 Plan Committee may impose whatever conditions to vesting it determines to be appropriate. During the period of vesting, the participant will not be permitted to transfer the restricted shares but will generally have voting and dividend rights (subject to vesting) with respect to such shares.

RSUs. RSUs are the right to receive an amount equal to the fair market value of the shares covered by the RSU at some future date after the grant. The 2018 Plan Committee will determine all of the terms and conditions of an award of RSUs, including the vesting period. Upon each vesting date of a RSU, a selected participant will become entitled to receive an amount equal to the number of shares indicated in the grant notice, or, if expressed in dollar terms, the fair market value of the shares on the settlement date. Payment for vested RSUs may be in shares of common stock or in cash, or any combination thereof, as the 2018 Plan Committee may determine. Settlement of vested stock units will generally occur at or around the time of vesting but the 2018 Plan Committee may permit a participant to defer such compensation until a later point in time. Stock units represent an unfunded and unsecured obligation for us, and a holder of a stock unit has no rights other than those of a general creditor.

Other Awards. The 2018 Plan also provides that other equity awards, which derive their value from the value of our shares or from increases in the value of our shares, may be granted. In addition, cash awards may also be issued. Substitute awards may be issued under the 2018 Plan in assumption of or substitution for or exchange for awards previously granted by an entity which we (or an affiliate) acquire.

Limited Transferability of Awards. Awards granted under the 2018 Plan generally are not transferrable other than by will or by the laws of descent and distribution. However, the 2018 Plan Committee may in its discretion permit the transfer of awards other than ISOs. Generally, where transfers are permitted, they will be permitted only by gift to a member of the selected participant’s immediate family or to a trust or other entity for the benefit of the selected participant and/or member(s) of his or her immediate family.

Termination of Employment, Death or Disability. The 2018 Plan generally determines the effect of the termination of employment on awards, which determination may be different depending on the nature of the termination, such as terminations due to cause, resignation, death, or disability and the status of the award as vested or unvested, unless the award agreement or a selected participant’s employment agreement or other agreement provides otherwise.

Dividends and Dividend Equivalents. Any dividend equivalents distributed in the form of shares under the 2018 Plan will count against the 2018 Plan’s maximum share limit. The 2018 Plan also provides that dividend equivalents will not be paid or accrue on unexercised stock options or unexercised SARs. Dividends and dividend equivalents that may be paid or accrue with respect to unvested Awards shall be subject to the same vesting conditions as the underlying award and shall only be distributed to the extent that such vesting conditions are satisfied.

Adjustments upon Changes in Capitalization.

In the event of the following actions:

- stock split of our outstanding shares of common stock;
- stock dividend;
- dividend payable in a form other than shares in an amount that has a material effect on the price of the shares;
- consolidation;
- combination or reclassification of the shares;
- recapitalization;
- spin-off; or
- other similar occurrences,

then the following shall each be equitably and proportionately adjusted by the Committee:

- maximum number of shares that can be issued under the 2018 Plan (including the ISO share grant limit);
- number and class of shares issued under the 2018 Plan and subject to each award;
- exercise prices of outstanding awards; and
- number and class of shares available for issuance under the 2018 Plan.

Change in Control. In the event that we are a party to a merger or other reorganization or similar transaction, outstanding 2018 Plan awards will be subject to the agreement pertaining to such merger or reorganization. Such agreement may provide for (i) the continuation of the outstanding awards by us if we are a surviving corporation, (ii) the assumption or substitution of the outstanding awards by the surviving entity or its parent, (iii) full exercisability and/or full vesting of outstanding awards, or (iv) cancellation of outstanding awards either with or without consideration, in all cases with or without consent of the selected participant. The Board or the Committee need not adopt the same rules for each award or selected participant.

The Committee will decide the effect of a change in control of the Company on outstanding awards. The Committee may, among other things, provide that awards will fully vest and/or be cancelled upon a change in control, or fully vest upon an involuntary termination of employment following a change in control. The Committee may also include in an award agreement provisions designed to minimize potential negative income tax consequences for the participant or the Company that could be imposed under the golden parachute tax rules of Code Section 280G.

Term of the 2018 Plan. The 2018 Plan is in effect until April 27, 2028 or until earlier terminated by the Board. Outstanding awards shall continue to be governed by their terms after the termination of the 2018 Plan.

Governing Law. The 2018 Plan shall be governed by the laws of the State of Delaware (which is the state of our incorporation) except for conflict of law provisions.

Amendment and Termination of the 2018 Plan. The Board generally may amend or terminate the 2018 Plan at any time and for any reason, except that it must obtain stockholder approval of material amendments to the extent required by applicable laws, regulations or rules.



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

The following table sets forth certain information regarding the beneficial ownership of our common stock by (i) each person who, to our knowledge, owns more than 5% of our common stock, (ii) each of our current directors and the named executive officer identified under the heading “Executive Compensation” and (iii) all of our current directors and named executive officers as a group. We have determined beneficial ownership in accordance with applicable rules of the SEC, and the information reflected in the table below is not necessarily indicative of beneficial ownership for any other purpose. Under applicable SEC rules, beneficial ownership includes any shares of common stock as to which a person has sole or shared voting power or investment power and any shares of common stock which the person has the right to acquire within 60 days after July 10, 2020 through the exercise of any option, warrant or right or through the conversion of any convertible security. Unless otherwise indicated in the footnotes to the table below and subject to community property laws where applicable, we believe, based on the information furnished to us that each of the persons named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned.

The information set forth in the table below is based on 493,726,405 shares of our common stock issued and outstanding on July 10, 2020. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed to be outstanding all shares of common stock subject to options, warrants, rights or other convertible securities held by that person that are currently exercisable or will be exercisable within 60 days after July 10, 2020. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, the principal address of each of the stockholders below is in care of MassRoots, Inc., 1560 Broadway, Office 17-105, Denver, Colorado 80202.

<b>NAME OF OWNER</b>	<b>NUMBER OF SHARES OWNED</b>	<b>PERCENTAGE OF COMMON STOCK</b>	<b>PERCENTAGE OF VOTING SECURITIES (12)</b>
<b><i>5% or Greater Stockholders</i></b>			
Iliad Research & Trading, L.P. (1)	54,797,542(2)	9.99%	7.35%
Cavalry Fund I LP (3)	54,797,542(4)	9.99%	7.35%
L1 Capital Global Opportunities Master Fund (5)	54,797,542(6)	9.99%	7.35%
Odyssey Research and Trading, LLC (7)	31,378,906(8)	5.72%	4.02%
John Fife (9)	54,797,542(10)	9.99%	7.35%
<b><i>Named Executive Officers and Directors</i></b>			
Isaac Dietrich	18,738,831(11)	3.66%	31.14%
<b>All directors and named executive officers as a group (1 person)</b>	18,738,831	3.66%	31.14%

(1) Pursuant to a Schedule 13G/A filed by Iliad Research & Trading, L.P. (“Iliad”) with the SEC on June 19, 2020 (the “Iliad Schedule 13G”), Iliad Management, LLC is the General Partner of Iliad, Fife Trading, Inc. is the Manager of Iliad Management, LLC and John Fife is the President of Fife Trading, Inc.

- (2) Includes 54,797,542 shares of common stock issuable upon conversion of an outstanding note. Excludes 1,387,567,483 shares of common stock issuable upon conversion of an outstanding note which contains a 9.99% beneficial ownership blocker.
- (3) Pursuant to a Schedule 13G filed by Cavalry Fund I LP (“Cavalry”) with the SEC on February 13, 2020, Cavalry Fund I Management LLC is the General Partner of Cavalry, and Thomas Walsh is the Manager of Cavalry Fund I Management LLC. As such, Cavalry Fund I Management LLC and Mr. Walsh may be deemed to beneficially own the securities held by Cavalry. To the extent Mr. Walsh is deemed to beneficially own such shares, Mr. Walsh disclaims beneficial ownership of these securities for all other purposes.
- (4) Includes 54,797,542 shares of common stock issuable upon conversion of outstanding notes. Excludes (i) 7,156,100,196 shares of common stock issuable upon conversion of outstanding notes which contain a 4.99% beneficial ownership blocker and (ii) 218,466,600 shares of common stock issuable upon exercise of warrants which contain a 4.99% beneficial ownership blocker.
- (5) David Feldman as Director of L1 Capital Global Opportunities Master Fund as voting and dispositive power over the securities held by such entity.
- (6) Includes 54,797,542 shares of common stock issuable upon conversion of outstanding notes. Excludes (i) 7,287,176,055 shares of common stock issuable upon conversion of outstanding notes which contain a 9.99% beneficial ownership blocker and (ii) 214,825,823 shares of common stock issuable upon exercise of warrants which contain a 4.99% beneficial ownership blocker.
- (7) John Fife is the President of Fife Trading, Inc. which is the Manager of Iliad Management, LLC which is the Manager of Odyssey Research and Trading, LLC.
- (8) Includes 31,378,906 shares of common stock issuable upon conversion of outstanding notes.
- (9) John Fife is the President of Fife Trading, Inc. which is the Manager of Iliad Management, LLC which is the General Partner of Iliad. In addition, Iliad Management, LLC is the Manager of Odyssey Research and Trading, LLC.
- (10) Includes (i) 31,378,906 shares of common stock issuable upon conversion of outstanding notes held by Odyssey Research and Trading, LLC and (ii) 23,418,636 shares of common stock issuable upon conversion of an outstanding note held by Iliad. Excludes (i) 1,418,946,389 shares of common stock issuable upon conversion of an outstanding note held by Iliad which contains a 9.99% beneficial ownership blocker.
- (11) Consists of (i) 17,738,831 shares of common stock and (ii) 1,000,000 shares of common stock underlying shares of Series C Preferred Stock.
- (12) Collectively the shares of Series C Preferred Stock are entitled to cast such number of votes equal to 40% of the issued and outstanding Common Stock. Accordingly, collectively, the Series C Preferred Stock can vote 197,490,562 shares.

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

During our fiscal years ended December 31, 2019 and 2018, we have not been a party to any transaction in which the amount involved in the transaction exceeds the lesser of \$120,000 or 1% of the average of our total assets at year-end for the last two completed fiscal years, and in which any of our directors, executive officers or, to our knowledge, beneficial owners of more than 5% of our capital stock or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest, other than equity and other compensation which are described elsewhere in this Annual Report on Form 10-K.

#### **Director Independence**

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 this time. 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. Based on the foregoing, the Board has determined that none of our directors currently meet the independence standards established by the Nasdaq Stock Market and the applicable independence rules and regulations of the SEC

## ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table sets forth the aggregate fees billed to us by RBSM LLP (“RBSM”) for the fiscal years ended December 31, 2019 and 2018.

	RBSM	
	2019	2018
Audit Fees	\$ 75,000	\$ 94,000
Audit-Related Fees	-	20,000
Tax Fees	-	-
Other Fees	-	-
Totals	\$ 75,000	\$ 114,000

### Audit Fees

The aggregate fees billed for each of the last two fiscal years for professional services rendered by RBSM for the audit of the Company’s annual financial statements and review of financial statements included in the Company’s Form 10-K or services that are normally provided by the registered independent accountant in connection with statutory and regulatory filings or engagements for the fiscal years ending December 31, 2019 and 2018 were \$75,000 and \$94,000, respectively.

### Audit-Related Fees

The aggregate fees billed in either of the last two fiscal years for assurance and related services by RBSM that are reasonably related to the performance of the audit or review of the registrant’s financial statements and are not reported under item (1) for the fiscal years ending December 31, 2019 and 2018 were \$0 and \$20,000, respectively, primarily for the review of the Company’s registration statements. Audit related fees primarily include the audit of the Company’s annual financial statements and review of financial statements included in the Company’s quarterly reports on Form 10-Q during 2019.

### Tax Fees

The aggregate fees were billed for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning for the fiscal years ending December 31, 2019 and 2018 was \$0 and \$0, respectively, for RBSM.

### All Other Fees

Other fees billed for professional services provided by the principal accountant, other than the services reported above, for the fiscal years ending December 31, 2019 and 2018 were \$0 and \$0, respectively, for RBSM.

The Company’s board of directors, acting in place of an audit committee, 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.

## PART IV

## ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

### (a) Financial Statements

<a href="#">Report of Independent Registered Public Accounting Firm</a>	F-1
<a href="#">Consolidated Balance Sheets as of December 31, 2019 and 2018</a>	F-2
<a href="#">Consolidated Statements of Operations for the Years Ended December 31, 2019 and 2018</a>	F-3
<a href="#">Consolidated Statements of Stockholders’ Deficit for the Years Ended December 31, 2019 and 2018</a>	F-4
<a href="#">Consolidated Statements of Cash Flows for the Years Ended December 31, 2019 and 2018</a>	F-5
<a href="#">Notes to Consolidated Financial Statements</a>	F-6

(b) Exhibit Index

<b>No.</b>	<b>Description</b>
2.1	<a href="#">Plan of Reorganization, dated March 18, 2014 (Incorporated by reference to our Registration Statement on Form S-1 filed with the SEC on June 13, 2014)</a>
2.2	<a href="#">Agreement and Plan of Merger between MassRoots, Inc. and Whaxy Inc. and DDDigital Inc. and Zachary Marburger and the Stockholders of DDDigital Inc., dated December 15, 2016 (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on December 16, 2016)</a>
2.3	<a href="#">Agreement and Plan of Merger between MassRoots, Inc. and MassRoots Compliance Technology, Inc. and Odava, Inc. and Scott Kveton and the Stockholders of Odava, Inc. (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on July 5, 2017)</a>
2.4	<a href="#">Agreement and Plan of Merger between MassRoots, Inc., MassRoots Supply Chain, Inc., COWA Science Corporation and Christopher Alameddin, as the representative of the Stockholders of COWA Science Corporation, dated February 11, 2019 (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on February 12, 2019)</a>
3.1	<a href="#">Second Amended and Restated Certificate of Incorporation of MassRoots, Inc. (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on June 19, 2018)</a>
3.2	<a href="#">Bylaws of the Company (Incorporated by reference to our Registration Statement on Form S-1 filed with the SEC on June 13, 2014)</a>
3.3	<a href="#">State of Delaware Certificate of Merger of Domestic Corporation Into Domestic Corporation, for MassRoots Compliance Technology, Inc. and Odava Inc., effective as of July 13, 2017 (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on July 14, 2017)</a>
3.4	<a href="#">Certificate of Designations, Preferences and Rights of the Series A Preferred Stock (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on July 12, 2019)</a>
3.5	<a href="#">Certificate of Designations, Preferences and Rights of the Series B Preferred Stock (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on July 12, 2019)</a>
3.6	<a href="#">Certificate of Designations, Preferences and Rights of the Series C Preferred Stock (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on July 22, 2019)</a>
3.7*	<a href="#">Certificate of Correction to the Certificate of Designations, Preferences and Rights of the Series C Preferred Stock</a>
4.1	<a href="#">Form of Common Stock Certificate (Incorporated by reference to our Registration Statement on Form S-1 filed with the SEC on June 13, 2014)</a>
4.2*	<a href="#">Description of Registrant's Securities</a>
10.1+	<a href="#">2014 Equity Incentive Plan and forms of stock option agreement and stock award agreement thereunder (Incorporated by reference to our Registration Statement on Form S-1 filed with the SEC on June 13, 2014)</a>
10.2+	<a href="#">2015 Equity Incentive Plan and forms of stock option agreement and stock award agreement thereunder (Incorporated by reference to our Annual Report on Form 10-K filed with the SEC on March 30, 2016)</a>
10.3	<a href="#">Form of Warrant utilized by Service Providers (Incorporated by reference our Registration Statement on Form S-1 filed with the SEC on April 11, 2016)</a>
10.4	<a href="#">Form of Warrant dated March 2016 (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on March 18, 2016)</a>

10.5	<a href="#">Form of Securities Purchase Agreement dated March 2016 (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on March 18, 2016)</a>
10.6+	<a href="#">2016 Equity Incentive Plan and forms of stock option agreement and stock award agreement thereunder. (Incorporated by reference to our Current Report on Form 8-K filed on September 23, 2016)</a>
10.7+	<a href="#">2017 Equity Incentive Plan and forms of stock option agreement and stock award agreement thereunder (Incorporated by reference to our Definitive Schedule 14C Information Statement filed with the SEC on December 9, 2016)</a>
10.8	<a href="#">Form of Joinder Agreement to Agreement and Plan of Merger made by each stockholder of Odava, Inc. and agreed to and acknowledged by MassRoots, Inc. and MassRoots Compliance Technology, Inc. (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on July 5, 2017)</a>
10.9	<a href="#">Form of Subscription Agreement dated July 2017 (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on July 24, 2017)</a>
10.10	<a href="#">Form of Warrant dated July 2017 (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on July 24, 2017)</a>
10.11	<a href="#">Form of Warrant dated August 2017 (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on August 18, 2017)</a>
10.12	<a href="#">Form of Securities Purchase Agreement dated August 2017 (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on August 18, 2017)</a>
10.13	<a href="#">Form of Security Agreement dated August 2017 (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on August 18, 2017)</a>
10.14	<a href="#">Form of Amended and Restated Simple Agreement for Future Tokens (Incorporated by reference to our Registration Statement on Form S-1 filed with the SEC on February 14, 2018)</a>
10.15	<a href="#">Form of Director Separation Agreement (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on December 14, 2017)</a>
10.16	<a href="#">Form of Warrant dated December 2017 (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on December 14, 2017)</a>
10.17	<a href="#">Form of Mutual Release and Non-Disparagement Agreement (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on December 14, 2017)</a>
10.18	<a href="#">Form of Separation Agreement (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on December 14, 2017)</a>
10.19+	<a href="#">Employment Agreement by and between the Company and Isaac Dietrich (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on December 14, 2017)</a>
10.20	<a href="#">Form of Warrant dated December 2017 (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on December 29, 2017)</a>
10.21	<a href="#">Form of Subscription Agreement dated December 2017 (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on December 29, 2017)</a>
10.22+	<a href="#">CFO Services Agreement by and between the Company and Jesus Quintero (Incorporated by reference to our Annual Report on Form 10-K filed with the SEC on April 16, 2019)</a>
10.23	<a href="#">Form of Securities Purchase Agreement dated January 31, 2018 (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on January 31, 2018)</a>
10.24	<a href="#">Form of Warrant dated January 31, 2018 (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on January 31, 2018)</a>
10.25	<a href="#">Membership Agreement between the Company and WeWork dated May 1, 2020 (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on May 5, 2020)</a>

10.26	<a href="#">Form of Securities Purchase Agreement (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on December 20, 2018)</a>
10.27	<a href="#">Form of Secured Convertible Promissory Note (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on December 20, 2018)</a>
10.28	<a href="#">Form of Security Agreement (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on December 20, 2018)</a>
10.29+	<a href="#">2018 Equity Incentive Plan (Incorporated by reference to our Definitive Proxy Statement on Schedule 14A filed with the SEC on May 11, 2018)</a>
10.30	<a href="#">Securities Purchase Agreement dated May 16, 2019 (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on May 24, 2019)</a>
10.31	<a href="#">Convertible Promissory Note dated May 16, 2019 (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on May 24, 2019)</a>
10.32	<a href="#">Form of Subscription Agreement (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on July 12, 2019)</a>
10.33	<a href="#">Form of Warrant (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on July 12, 2019)</a>
10.34	<a href="#">Form of Exchange Agreement (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on July 12, 2019)</a>
10.35	<a href="#">Form of Separation Agreement (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on July 22, 2019)</a>
10.36	<a href="#">Form of Convertible Note (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on November 26, 2019)</a>
10.37	<a href="#">Form of Series A Exchange Agreement (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on April 21, 2020)</a>
10.38	<a href="#">Form of Series A Note (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on April 21, 2020)</a>
10.39	<a href="#">Form of Series B Exchange Agreement (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on April 21, 2020)</a>
10.40	<a href="#">Form of Series B Note (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on April 21, 2020)</a>
10.41	<a href="#">Form of December Note (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on April 21, 2020)</a>
10.42	<a href="#">Form of January Note (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on April 21, 2020)</a>
10.43	<a href="#">Form of First March Note (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on April 21, 2020)</a>
10.44	<a href="#">Form of Second March Note (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on April 21, 2020)</a>
10.45	<a href="#">Form of April Note (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on April 21, 2020)</a>
14.1	<a href="#">Code of Ethics of the Company (Incorporated by reference to our Annual Report on Form 10-K filed with the SEC on April 1, 2015)</a>
21.1*	<a href="#">List of Subsidiaries</a>
23.1*	<a href="#">Consent of RBSM LLP</a>
31.1*	<a href="#">Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2*	<a href="#">Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1*	<a href="#">Certification of the Chief Executive Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2*	<a href="#">Certification of the Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Schema
101.CAL*	XBRL Taxonomy Calculation Linkbase
101.DEF*	XBRL Taxonomy Definition Linkbase
101.LAB*	XBRL Taxonomy Label Linkbase
101.PRE*	XBRL Taxonomy Presentation Linkbase

\* filed herewith.

+ Denotes a management contract or compensatory plan.

## SIGNATURES

Pursuant to the requirements of Section 13 and 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized on this 16th day of July, 2020.

### MASSROOTS, INC.

By: /s/ Isaac Dietrich  
Isaac Dietrich  
Chief Executive Officer  
(Principal Executive Officer)

By: /s/ Jesus Quintero  
Jesus Quintero  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Isaac Dietrich</u> Isaac Dietrich	Chief Executive Officer (Principal Executive Officer) and Chairman of the Board of Directors	July 16, 2020
<u>/s/ Jesus Quintero</u> Jesus Quintero	Chief Financial Officer (Principal Financial and Accounting Officer)	July 16, 2020

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
MassRoots, Inc. and Subsidiaries

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

We have audited the accompanying consolidated balance sheets of MassRoots, Inc. and subsidiaries (collectively, the “Company”) as of December 31, 2019 and 2018 and the related consolidated statements of operations, stockholders’ deficit, and cash flows for each of the years in the two-year period ended December 31, 2019, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2019 and 2018, and the consolidated results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

### **The Company’s Ability to Continue as a Going Concern**

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has an accumulated deficit, recurring losses, and expects continuing future losses that raise substantial doubt about the Company’s ability to continue as a going concern. Management’s evaluation of the events and conditions and management’s plans regarding these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### **Basis for Opinion**

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

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

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

/s/ RBSM LLP

We have served as the Company’s auditor since 2017.

Henderson, Nevada  
July 16, 2020



**MASSROOTS, INC.**  
**CONSOLIDATED BALANCE SHEETS**

	December 31,	
	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,120	\$ 29,568
Prepaid expenses	1,975	14,000
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 3,095</b>	<b>\$ 43,568</b>
Property and equipment - net	-	6,733
<b>OTHER ASSETS</b>		
Investments	-	247,912
Software cost, net of amortization and impairment of \$260,565 and \$25,701, respectively	-	234,864
Deposits and other assets	-	36,000
<b>Total Other Assets</b>	<b>-</b>	<b>518,776</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,095</b>	<b>\$ 569,077</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES</b>		
Bank overdrafts	\$ 13,749	\$ -
Accounts payable and accrued expenses	5,455,063	959,668
Accrued payroll and related expenses	3,724,050	2,992,023
Advances	337,500	932,500
Non-convertible notes payable	165,750	26,150
Derivative liability	20,236,870	-
Convertible notes payable, net of debt discount of \$380,431 and \$209,898, respectively	6,939,039	2,495,102
<b>TOTAL CURRENT LIABILITIES</b>	<b>36,872,021</b>	<b>7,405,443</b>
Commitments and Contingencies (See Note 11)		
<b>STOCKHOLDERS' DEFICIT</b>		
Preferred stock - Series A, \$0.001 par value, 6,000 shares authorized; 0 shares issued and outstanding	-	-
Preferred stock - Series B, \$0.001 par value, 2,000 shares authorized; 0 shares issued and outstanding	-	-
Preferred stock - Series C, \$0.001 par value, 1,000 shares authorized; 1,000 and 0 shares issued and outstanding, respectively	1	-
Common stock, \$0.001 par value, 500,000,000 shares authorized; 384,266,948 and 168,706,472 shares issued and outstanding, respectively	384,267	168,707
Common stock to be issued, 944,659,814 and 80,000 shares, respectively	944,660	80
Additional paid in capital	151,364,371	73,770,195
Accumulated deficit	(189,562,225)	(80,775,348)
<b>TOTAL STOCKHOLDERS' DEFICIT</b>	<b>(36,868,926)</b>	<b>(6,836,366)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$ 3,095</b>	<b>\$ 569,077</b>

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

**MASSROOTS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
REVENUES	\$ 23,703	\$ 19,597
<b>OPERATING EXPENSES</b>		
Cost of revenues	3,530	994
Advertising	29,764	501,451
Payroll and related expense	1,156,914	907,870
Stock based compensation	222,700	6,924,242
Impairment on COWA advances	360,500	-
Amortization of software costs	38,549	438,264
Impairment of software costs	196,315	606,714
Other general and administrative expenses	1,460,867	4,524,577
<b>Total operating expenses</b>	<b><u>3,469,139</u></b>	<b><u>13,904,112</u></b>
<b>LOSS FROM OPERATIONS</b>	<b><u>(3,445,436)</u></b>	<b><u>(13,884,515)</u></b>
<b>OTHER (EXPENSE)</b>		
Interest expense	(4,935,470)	(1,971,329)
Preferred stock issuance costs	(5,585,594)	-
Derivative liability for authorized shares shortfall	(18,921,537)	-
Change in fair value of derivative liabilities	(685,415)	(160,597)
Loss on sale of securities	(91,931)	-
Loss on conversion of convertible debentures	(603,529)	-
<b>Total Other (Expense)</b>	<b><u>(30,823,476)</u></b>	<b><u>(2,131,926)</u></b>
<b>Net Loss before Income Taxes</b>	<b><u>(34,268,912)</u></b>	<b><u>(16,016,441)</u></b>
Provision for Income taxes (benefit)	-	-
<b>NET LOSS</b>	<b><u>(34,268,912)</u></b>	<b><u>(16,016,441)</u></b>
Contingent beneficial conversion feature on preferred A shares	(45,147,093)	-
Deemed dividend from warrant price protection	(28,933,472)	-
Deemed dividend from exchange of preferred shares for convertible notes	(1,476,280)	-
Deemed dividend for issuance of common shares to settle warrant provision	(437,400)	-
<b>NET LOSS available to common stockholders</b>	<b><u>\$ (110,263,157)</u></b>	<b><u>\$ (16,016,441)</u></b>
Net loss per common share - basic and diluted	<u>\$ (0.19)</u>	<u>\$ (0.10)</u>
Weighted average common shares outstanding - basic and diluted	<u>576,802,421</u>	<u>155,885,213</u>

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

**MASSROOTS, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018**

	Preferred Stock B		Preferred Stock C		Common Stock		Common Stock to be Issued		Additional Paid	Accumulated	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	In Capital	Deficit	
<b>Balance as of December 31, 2018</b>	-	\$ -	-	\$ -	168,706,472	\$ 168,707	80,000	\$ 80	\$ 73,770,195	\$ (80,775,348)	\$ (6,836,366)
Issuance of common stock previously to be issued	-	-	-	-	80,000	80	(80,000)	(80)	-	-	-
Issuance of preferred Series A shares in exchange for warrants canceled	-	-	-	-	-	-	-	-	(296,746)	-	(296,746)
Sale of preferred Series B shares and warrants	1,126	1	-	-	-	-	-	-	1,407,499	-	1,407,500
Conversion of preferred Series A shares to common shares	-	-	-	-	80,000,000	80,000	903,823,564	903,824	2,153,424	-	3,137,248
Common stock issued as origination shares	-	-	-	-	1,250,000	1,250	-	-	140,083	-	141,333
Common stock issued upon conversion of convertible notes	-	-	-	-	109,583,224	109,583	37,100,000	37,100	1,548,619	-	1,695,302
Warrants exercised for cash	-	-	-	-	1,555,160	1,555	1,126,250	1,126	170,268	-	172,949
Common stock issued to satisfy a true-up provision	-	-	-	-	5,553,191	5,553	-	-	16,661	-	22,214
Common stock issued in settlement of a warrant provision	-	-	-	-	9,000,000	9,000	-	-	428,400	(437,400)	-
Common stock issued in exercise of cashless warrants	-	-	-	-	3,997,661	3,998	-	-	(3,998)	-	-
Preferred and common shares issued for services	-	-	1,000	1	2,950,000	2,950	2,550,000	2,550	203,199	-	208,700
Options issued for services	-	-	-	-	-	-	-	-	14,000	-	14,000
Common stock issued in lieu of interest expense	-	-	-	-	1,591,240	1,591	60,000	60	35,365	-	37,016
Deemed dividend related to warrant price protection	-	-	-	-	-	-	-	-	28,933,472	(28,933,472)	-
Contingent beneficial conversion feature on preferred Series A shares	-	-	-	-	-	-	-	-	45,147,093	(45,147,093)	-
Deemed dividend resulting from exchange of preferred Series A and B shares for convertible notes	-	-	-	-	-	-	-	-	(1,476,280)	-	(1,476,280)
Preferred Series B shares exchanged for convertible notes	(1,126)	(1)	-	-	-	-	-	-	(826,883)	-	(826,884)
Net loss	-	-	-	-	-	-	-	-	-	(34,268,912)	(34,268,912)
<b>Balance as of December 31, 2019</b>	-	\$ -	1,000	\$ 1	384,266,948	\$ 384,267	944,659,814	\$ 944,660	\$ 151,364,371	\$ (189,562,225)	\$ (36,868,926)
			Common Stock		Common Stock to be Issued		Additional Paid	Subscriptions	Accumulated		
			Shares	Amount	Shares	Amount	In Capital	Receivable	Deficit		Total
<b>Balance as of December 31, 2017</b>			\$ 112,165,839	\$ 112,166	\$ 12,572,500	\$ 12,573	\$ 63,315,749	(\$ 564,000)	(\$ 74,252,214)		(\$ 11,375,726)
Reclassify fair value of derivative liabilities to retained earnings			-	-	-	-	-	-	9,493,307		9,493,307
Issuance of common stock previously to be issued			14,362,500	14,363	(14,362,500)	(14,363)	-	564,000	-		564,000
Common stock shares to be retired in 2018			(1,790,000)	(1,790)	1,790,000	1,790	-	-	-		-
Common stock issued upon conversion of debentures			3,742,648	3,743	-	-	632,507	-	-		636,250

Common shares issued in lieu of interest expense	324,881	325	-	-	52,158	-	-	52,483
Sale of common stock	13,700,000	13,700	-	-	2,726,300	-	-	2,740,000
Common stock issued upon cashless exercise of options	95,134	95	-	-	(95)	-	-	-
Common stock issued upon cashless exercise warrants	7,906,470	7,906	-	-	(7,906)	-	-	-
Common stock issued upon exercise of warrants for cash	4,605,000	4,605	80,000	\$ 80	632,545	-	-	637,230
Common stock issued for services	13,594,000	13,594	-	-	3,494,593	-	-	3,508,187
Fair value of warrants repriced due to price protection	-	-	-	-	160,597	-	-	160,597
Fair value of vesting options	-	-	-	-	2,146,184	-	-	2,146,184
Issuance of convertible warrants	-	-	-	-	617,563	-	-	617,563
Net Loss	-	-	-	-	-	-	(\$ 16,016,441)	(\$ 16,016,441)
<b>Balance as of December 31, 2018</b>	<b><u>168,706,472</u></b>	<b><u>\$ 168,707</u></b>	<b><u>80,000</u></b>	<b><u>\$ 80</u></b>	<b><u>\$ 73,770,195</u></b>	<b><u>\$ -</u></b>	<b><u>(\$ 80,775,348)</u></b>	<b><u>(\$ 6,836,366)</u></b>

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

**MASSROOTS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (34,268,912)	\$ (16,016,441)
Adjustments to reconcile net loss to net cash used in operating activities:		
Change in fair value of derivative liabilities	685,415	160,597
Preferred stock issuance costs	5,585,594	-
Depreciation and amortization	45,282	443,062
Financing costs	-	32,500
Impairment on investment	65,000	-
Impairment loss on software costs	196,315	606,714
Impairment on COWA advances	360,500	-
Interest and amortization of debt discount	4,716,970	1,839,960
Loss on conversion of convertible notes payable	603,529	-
Derivative liability for authorized shares shortfall	18,921,537	-
Loss on sale of investment	91,931	-
Loss on sale of property and equipment	-	47,612
Stock based compensation	222,700	5,654,371
Changes in operating assets and liabilities:		
Prepaid and other current assets	12,025	2,556
Advances to COWA, net	(360,500)	-
Advanced settlement	-	(10,394)
Security deposit	36,000	(2,498)
Accounts payable and accrued expenses	557,360	(298,115)
Accrued payroll and related expenses	732,027	1,116,176
<b>Net cash used in operating activities</b>	<b><u>(1,797,227)</u></b>	<b><u>(6,423,900)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	-	(3,996)
Proceeds from Sale of investments	90,981	-
Purchase of software	-	(260,565)
<b>Net cash provided by (used in) investing activities</b>	<b><u>90,981</u></b>	<b><u>(264,561)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Bank overdrafts	13,749	-
Proceeds from common stock sales	-	3,304,000
Proceeds from sale of Series B Shares and warrants	1,407,500	-
Proceeds from exercise of warrants	172,949	637,230
Proceeds from issuance of convertible notes payable	549,000	3,567,500
Proceeds from issuance of non-convertible notes payable	175,000	-
Repayment of convertible notes payable	-	(2,160,938)
Repayment of non-convertible notes payable	(45,400)	-
Repayment of advances	(595,000)	(360,000)
Proceeds from advances	-	528,650
<b>Net cash provided by financing activities</b>	<b><u>1,677,798</u></b>	<b><u>5,516,442</u></b>
<b>NET DECREASE IN CASH</b>	<b><u>(28,448)</u></b>	<b><u>(1,172,019)</u></b>
Cash, beginning of period	29,568	1,201,587
Cash, end of period	<u>\$ 1,120</u>	<u>\$ 29,568</u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during period for interest	<u>\$ 218,500</u>	<u>\$ 131,369</u>
Cash paid during period for taxes	<u>\$ -</u>	<u>\$ -</u>
<b>Supplemental disclosure of non-cash investing and financing activities:</b>		
Issuance of common stock previously to be issued	<u>\$ 80</u>	<u>\$ -</u>
Issuance of preferred Series A shares in exchange for warrants canceled	<u>\$ 296,746</u>	<u>\$ -</u>
Conversions of preferred Series A shares to common shares	<u>\$ 3,137,248</u>	<u>\$ -</u>

Common stock issued as origination shares	\$ 141,333	\$ -
Common stock issued upon conversion of convertible notes	\$ 1,695,302	\$ 636,250
Common stock issued in settlement of a warrant provision	\$ 437,400	\$ -
Common stock issued in exercise of cashless warrants	\$ 3,998	\$ -
Common stock issued in lieu of interest expense	\$ 37,016	\$ 52,483
Deemed dividend related to warrant price protection	\$ 28,933,472	\$ -
Contingent beneficial conversion feature on preferred Series A shares	\$ 45,147,093	\$ -
Deemed dividend resulting from exchange of preferred Series A and Series B shares for convertible notes	\$ 1,476,280	\$ -
Preferred Series B shares exchanged for convertible notes	\$ 826,884	\$ -
Proceeds received from subscriptions receivable	\$ -	\$ 564,000
Derivative liability reclassified to retained earnings	\$ -	\$ 9,493,307

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

**MASSROOTS, INC.**  
Notes to Consolidated Financial Statements  
December 31, 2019 and 2018

**NOTE 1 – NATURE OF OPERATIONS AND BASIS OF PRESENTATION**

MassRoots, Inc. (“MassRoots” or the “Company”) has created 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.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Our consolidated financial statements include the accounts of DDDigital, Inc., Odava, Inc., MassRoots Supply Chain, Inc., and MassRoots Blockchain Technologies, Inc., our wholly-owned subsidiaries. All intercompany transactions were eliminated during consolidation.

**NOTE 2 – GOING CONCERN AND MANAGEMENT’S LIQUIDITY PLANS**

As of December 31, 2019, the Company had cash of \$1,120 and working capital deficit (current liabilities in excess of current assets) of \$36,868,926. During the year ended December 31, 2019, net cash used by the Company in operating activities was \$1,797,227. These conditions raise substantial doubt about the Company’s ability to continue as a going concern for one year from the issuance of the consolidated financial statements.

During the year ended December 31, 2019, the Company received proceeds of \$1,407,500, \$172,949, \$549,000, and \$175,000 from the sale of preferred B shares and warrants, exercise of warrants, issuance of convertible notes, and issuance of non-convertible notes, respectively. The Company does not have cash sufficient to fund operations for the next fiscal year.

The Company’s primary source of operating funds since inception has been cash proceeds from the public and private placements of the Company’s securities, including debt securities, and proceeds from the exercise of warrants and options. The Company has experienced net losses and negative cash flows from operations since inception and expects these conditions to continue for the foreseeable future. For the foreseeable future, the Company’s ability to continue its operations is dependent upon its ability to obtain additional capital through public or private equity offerings, debt financings or other sources; however, financing may not be available to the Company on acceptable terms, or at all. The Company’s failure to raise capital as and when needed could have a negative impact on its financial condition and its ability to pursue its business strategy, and the Company may be forced to curtail or cease operations.

Management’s plans with regard to these matters encompass the following actions: 1) obtain funding from new and current investors to alleviate the Company’s working capital 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 determined with any degree of certainty.

Accordingly, the accompanying consolidated financial statements have been prepared in conformity with U.S. GAAP, which contemplates continuation of the Company as a going concern and the realization of assets and satisfaction of liabilities in the normal course of business for one year from the date the consolidated financial statements are issued. The carrying amounts of assets and liabilities presented in the consolidated financial statements do not necessarily purport to represent realizable or settlement values. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In March 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally, leading to an economic downturn. It has also disrupted the normal operations of many businesses, including ours. It is not possible for us to predict the duration or magnitude of the adverse results of the outbreak of COVID-19 and its effects on our business or results of operations at this time. A health pandemic is a disease outbreak that spreads rapidly and widely by infection and affects many individuals in an area or population at the same time. Customers might avoid public gathering places in the event of a health pandemic, and local, regional or national governments might continue to limit or ban public gatherings to halt or delay the spread of disease. The conditions may impact our clients’ and our ability to raise capital.

## **NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of MassRoots, Inc. and its wholly-owned operating subsidiaries. All material intercompany accounts and transactions are eliminated in consolidation.

### **Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include stock-based compensation, fair values relating to derivative liabilities, fair value of our payroll tax liabilities, and the valuation allowance related to deferred tax assets. Actual results may differ from these estimates.

### **Fair Value of Financial Instruments**

The Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 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.

The Company follows ASC 825-10, which permits entities to choose to measure many financial instruments and certain other items at fair value.

### **Cash and Cash Equivalents**

For purposes of the Statements of Cash Flows, the Company considers highly liquid investments with an original maturity of three months or less to be cash equivalents. As of December 31, 2019, and 2018, the Company had no cash equivalents. The Company maintains its cash and cash equivalents in banks insured by the Federal Deposit Insurance Corporation in accounts that at times may be in excess of the federally insured limit of \$250,000 per bank. The Company minimizes this risk by placing its cash deposits with major financial institutions. At December 31, 2019 and 2018, the uninsured balances amounted to \$0.

### **Property and Equipment**

Property and equipment are stated at cost and depreciated using the straight-line method over their estimated useful lives of three to five years. Repair and maintenance costs are expensed as occurred. 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.

### **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.

### **Revenue Recognition**

The Company recognizes revenue when services are realized or realizable and earned less estimated future doubtful accounts.

The Company’s revenues accounted for under ASC Topic 606, Revenue From Contracts With Customers (“ASC 606”) generally do not require significant estimates or judgments based on the nature of the Company’s revenue streams. The sales prices are generally fixed at the point of sale and all consideration from contracts is included in the transaction price. The Company’s contracts do not include multiple performance obligations or material variable consideration.



In accordance with ASC 606, the Company recognizes revenue to depict the transfer of 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. MassRoots recognizes revenue in accordance with that core principle by applying the following:

- (i) Identify the contract(s) with a customer;
- (ii) Identify the performance obligation in the contract;
- (iii) Determine the transaction price;
- (iv) Allocate the transaction price to the performance obligations in the contract; and
- (v) Recognize revenue when (or as) MassRoots satisfies a performance obligation.

The Company primarily generates revenue by charging businesses to advertise on the Company's network. The Company has the ability to target advertisements directly to a client's target audience based on their location and on their mobile devices. In cases where clients sign advertising contracts for an extended period of time, the Company only realizes revenue for services provided during that quarter and defers all other revenue to future periods.

### **Acquisitions and Subsidiaries**

Subsidiaries are all entities over which MassRoots has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether MassRoots controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to MassRoots.

The purchase method of accounting is used to account for the acquisition of subsidiaries by MassRoots. The cost of an acquisition is measured as the fair value of the assets transferred as consideration, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the MassRoots' share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

### **Investments**

Investments are accounted for under the cost or the equity method of accounting, as appropriate. The Company accounts for investments in limited partnerships or limited liability corporations, whereby the Company owns a minimum of 5.0% of the investee's outstanding voting stock, under the equity method of accounting. These investments are recorded at the amount of the Company's investment and adjusted each period for the Company's share of the investee's income or loss, and dividends paid. As investments accounted for under the cost method do not have readily determinable fair values, the Company only estimates fair value if there are identified events or changes in circumstances that could have a significant adverse effect on the investment's fair value.

### **Software, Equipment and Leasehold Improvements**

Software, equipment and leasehold improvements are stated at cost. Depreciation and amortization for software, equipment and leasehold improvements is computed using the straight line method based on the useful lives of the assets (one to five years) or the remaining lease term, if shorter. Any allowance for leasehold improvements received from the landlord for improvements to our facilities is amortized using the straight-line method over the lesser of the remaining lease term or the useful life of the leasehold improvements. Repairs and maintenance costs are expensed as incurred.

### **Advertising**

The Company follows the policy of charging the costs of advertising to expense as incurred. For the twelve months ended December 31, 2019 and 2018, the Company charged to operations \$29,764 and \$501,451, respectively, as advertising expense.

### **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, non-employees and directors, the fair value of the award is measured on the grant date. 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.

### **Income Taxes**

The Company follows ASC 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.

### **Convertible Instruments**

U.S. GAAP requires companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments according to certain criteria. The criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable to generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. An exception to this rule is when the host instrument is deemed to be conventional, as that term is described under ASC 480, "Distinguishing Liabilities From Equity."

When the Company has determined that the embedded conversion options should not be bifurcated from their host instruments, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their stated date of redemption using the effective interest method.

### **Deemed Dividends and Beneficial Conversion Feature**

The Company records, when necessary, deemed dividends for: (i) warrant price protection, based on the difference between the fair value of the warrants immediately before and after the repricing (inclusive of any full ratchet provisions), (ii) the exchange of preferred shares for convertible notes, based on the amount of the face value of the convertible notes in excess of the carrying value of the preferred shares, and (iii) the settlement of warrant provisions, based on the fair value of the common shares issued. The Company also records, when necessary, a contingent beneficial conversion resulting from price protection of the conversion price of Series A preferred shares, based on the change in the intrinsic value of the conversion options embedded in the preferred stock.

### **Derivative Financial Instruments**

The Company classifies as equity any contracts that (i) require physical settlement or net-share settlement or (ii) provide the Company with a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement) providing that such contracts are indexed to the Company's own stock. The Company classifies as assets or liabilities any contracts that (i) require net-cash settlement (including a requirement to net cash settle the contract if an event occurs and if that event is outside the Company's control) or (ii) gives the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement). The Company assesses classification of its common stock purchase warrants and other free-standing derivatives at each reporting date to determine whether a change in classification between assets and liabilities is required.

The Company's free-standing derivatives consisted of warrants to purchase common stock that were issued in connection with the issuance of debt and the sale of common stock, and of embedded conversion options with convertible debentures. The Company evaluated these derivatives to assess their proper classification in the balance sheet as of December 31, 2019 and 2018 using the applicable classification criteria enumerated under ASC 815, Derivatives and Hedging. The Company determined that certain embedded conversion and/or exercise features did not contain fixed settlement provisions. The convertible debentures contained a conversion feature such that the Company could not ensure it would have adequate authorized shares to meet all possible conversion demands.

As such, the Company was required to record the derivatives which do not have fixed settlement provisions as liabilities and mark to market all such derivatives to fair value at the end of each reporting period. The Company also records derivative liabilities for instruments, including convertible notes, preferred stock, and warrants, in which the Company does not have sufficient authorized shares to cover the conversion of these instruments into shares of common stock.

## Long-Lived Assets

The Company reviews its property and equipment and any identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The test for impairment is required to be performed by management at least annually. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted operating cash flow expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. Intangible assets are stated at cost and reviewed annually to examine any impairments, usually assuming an estimated useful lives of three to five 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.

## Indefinite Lived Intangibles and Goodwill Assets

The Company accounts for business combinations under the acquisition method of accounting in accordance with ASC 805, "Business Combinations," where the total purchase price is allocated to the tangible and identified intangible assets acquired and liabilities assumed based on their estimated fair values. The purchase price is allocated using the information currently available, and may be adjusted, up to one year from acquisition date, after obtaining more information regarding, among other things, asset valuations, liabilities assumed and revisions to preliminary estimates. The purchase price in excess of the fair value of the tangible and identified intangible assets acquired less liabilities assumed is recognized as goodwill.

The Company tests for indefinite lived intangibles and goodwill impairment in the fourth quarter of each year and whenever events or circumstances indicate that the carrying amount of the asset exceeds its fair value and may not be recoverable.

## Segment Reporting

Operating segments are defined as components of an enterprise for which separate financial information is available and evaluated regularly by the Chief Executive Officer, or decision-making group, in deciding the method to allocate resources and assess performance. The Company currently has one reportable segment for financial reporting purposes, which represents the Company's core business.

## Net Earnings (Loss) Per Common Share

The Company computes earnings (loss) per share under ASC subtopic 260-10, Earnings Per Share. 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 income (loss) per share, for the twelve months ended December 31, 2019 and 2018 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 loss per share are as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Common stock issuable upon conversion of convertible notes	3,697,833,022	13,146,218
Options to purchase common shares	27,621,765	27,371,765
Warrants to purchase common shares	3,342,376,365	74,910,002
Totals	<u>7,067,831,152</u>	<u>115,427,985</u>

## 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).

## Recent Accounting Pronouncements

***FASB Accounting Standards Updates (“ASU”) 2017-04 (Topic 350), “Intangibles – Goodwill and Others”*** – Issued in January 2017, ASU 2017-04 simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill. ASU 2017-04 is effective for annual periods beginning after December 15, 2019 including interim periods within those periods. The Company is currently evaluating the effect that ASU 2017-04 will have on its consolidated financial statements and related disclosures.

***FASB ASU 2017-01 (Topic 805), “Business Combinations: Clarifying the Definition of a Business”*** – Issued in January 2017, ASU 2017-01 revises the definition of a business and provides new guidance in evaluating when a set of transferred assets and activities is a business. This guidance was effective for the Company in the first fiscal quarter of 2018. The adoption of this standard did not have a material impact on the Company’s consolidated financial statements and related disclosures.

**FASB ASU 2016-02, Leases (Topic 842)** – ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize, in the statement of financial position, a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of twelve months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (i.e. January 1, 2019, for a calendar year entity). Early application is permitted for all public business entities and all non-public business entities upon issuance. The adoption of this standard did not have a material impact on the Company’s financial position and results of operations.

**FASB issued ASU 2017-11, Earnings Per Share, Distinguishing Liabilities from Equity, and Derivatives and Hedging (“ASU 2017-11”)** – Adopted in July 2017, ASU No. 2017-11 is intended to simplify the accounting for financial instruments with characteristics of liabilities and equity. Among the issues addressed are: (i) determining whether an instrument (or embedded feature) is indexed to an entity’s own stock; (ii) distinguishing liabilities from equity for mandatorily redeemable financial instruments of certain nonpublic entities; and (iii) identifying mandatorily redeemable non-controlling interests. The Company has adopted ASU No. 2017-11 effective as of January 1, 2018. The adoption of ASU No. 2017-11 impacted the Company’s consolidated financial statements by reclassifying derivative liabilities with a fair value of \$9,493,307 on January 1, 2018 to the accumulated deficit.

**FASB ASU No. 2018-07 (Topic 718), “Compensation – Stock Compensation: Improvements to Nonemployee Share-Based Payment Accounting”** – Issued in June 2018, ASU 2018-07 expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from non-employees. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606. The new standard is effective for the Company as of January 1, 2019. The adoption of this guidance did not have a material impact on the Company’s consolidated financial condition or results of operations.

There are other 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 financial position, results of operations or cash flows.

#### **NOTE 4 – INVESTMENTS**

As of December 31, 2019 and 2018, the carrying value of our investments in privately held companies totaled \$0 and \$247,912, respectively. These investments are accounted for as cost method investments, as we owned less than 20% of the voting securities and do not have the ability to exercise significant influence over operating and financial policies of the entities.

During the twelve months ended December 31, 2017, the Company acquired 23,810 shares of Class A common stock of Hightimes Holding Corp. for \$100,002, or \$4.20 per share. As a result of a forward share split of 1.9308657-for-1 on January 15, 2018, MassRoots owned 45,974 shares of Class A common stock. The acquired Class A common stock were considered non-marketable securities. The Company incurred an impairment of \$65,000 on these shares during the year ended December 31, 2019. The Company sold 45,974 shares of Class A common stock for proceeds of \$35,000 during the twelve months ended December 31, 2019.

On July 13, 2017, the Company purchased an unsecured convertible promissory note in the principal amount of \$300,000 from CannaRegs, Ltd, a Colorado limited liability company (“CannaRegs”). The note bears interest at a rate of 5% per annum and matures on December 19, 2019. In the event CannaRegs consummates an equity financing in excess of \$2,000,000 prior to the maturity date of the note, the outstanding principal and any accrued and unpaid interest automatically converts into equity securities of the same class or series issued by CannaRegs at the lesser of: a) 90% of the price paid per equity security or b) a price reflecting a valuation cap of \$4,500,000.

On July 17, 2017, MassRoots converted the note into 430,622 shares of CannaRegs’ common stock. In 2018, CannaRegs re-incorporated as a Delaware C corporation under the name Regs Technology, Inc. (“Regs Technology”), keeping the same capitalization structure and business operations. MassRoots valued its holdings at \$0 and \$147,876 as of December 31, 2019 and 2018, respectively. The Company recorded an impairment expense of \$155,336 on its holdings during fiscal year 2018 and recorded a \$91,931 loss on the sale of investment during the year ended December 31, 2019. The Company sold its shares of Regs Technology for \$55,983 during the year ended December 31, 2019. MassRoots owned less than 1% of Regs Technology’s issued and outstanding shares prior to the sale.

#### **NOTE 5 – ADVANCES TO COWA SCIENCE CORPORATION**

On February 11, 2019, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with MassRoots Supply Chain, Inc., a wholly-owned subsidiary of the Company (“Merger Subsidiary”), COWA Science Corporation, a Delaware corporation (“COWA”), and Christopher Alameddin, an individual acting solely in his capacity as a stockholder representative (“Stockholder Representative”). Pursuant to the Merger Agreement, Merger Subsidiary will be merged with and into COWA, whereby the separate corporate existence of Merger Subsidiary will cease and COWA will be the surviving entity (the “Surviving Entity”) and will be a wholly-owned subsidiary of the Company (the “Merger”).

Upon effectiveness of the Merger (such time, the “Effective Date”), MassRoots will issue 50,000,000 shares of its common stock to the stockholders of COWA, allocated pro-rata based on each stockholder’s respective holdings of COWA immediately prior to the Effective Date and each share of the common stock of Merger Subsidiary will be converted into one newly issued, fully paid and non-assessable share of common stock of the Surviving Entity. If (i) within three years after the Effective Date, COWA has generated an aggregate of \$2.5 million in revenue, the Company shall issue an aggregate of 25 million shares of common stock to the COWA stockholders; and (ii) within three years after the Effective Date, COWA has generated an aggregate of \$7.5 million in revenue (inclusive of the \$2.5 million in revenue generated in clause (i)), the Company shall issue an aggregate of 25 million additional shares of common stock to the COWA stockholders.

As of December 31, 2019, the Merger had not been effectuated.

As of December 31, 2019, MassRoots had advanced \$370,500 to COWA for working capital, which is to be repaid on-demand should the Merger not be effectuated. As of December 31, 2019, COWA had repaid \$10,000 and the Company wrote off the \$360,500 balance of these advances.

## NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2019 and December 31, 2018 is summarized as follows:

	December 31, 2019	December 31, 2018
Computers	\$ 6,366	\$ 6,366
Office equipment	17,621	17,621
Subtotal	23,987	23,987
Less accumulated depreciation	(23,987)	(17,254)
Property and equipment, net	\$ -	\$ 6,733

Depreciation expense for the years ended December 31, 2019 and 2018 was \$6,720 and \$4,797, respectively. The Company incurred a loss on the write-off of property and equipment of \$0 and \$47,612 for fiscal years December 31, 2019 and 2018, respectively.

## NOTE 7 – SOFTWARE COSTS

On December 15, 2016, the Company entered into a merger agreement (the “DDDigital Merger Agreement”) with Whaxy, a wholly-owned subsidiary of the Company, DDDigital, a Colorado corporation, Zachary Marburger, an individual acting solely in his capacity as stockholder representative, and all of the stockholders of DDDigital. Pursuant to the DDDigital Merger Agreement, the parties agreed to merge Whaxy with and into DDDigital, whereby DDDigital survived as a wholly-owned subsidiary of MassRoots (the “DDDigital Merger”).

On January 25, 2017, the DDDigital Merger was completed and became effective upon the filing of certificates of merger with the respective Secretary of State of the States of Delaware and Colorado, in such forms as required by, and executed in accordance with, the relevant provisions of the Delaware General Corporation Law and the Colorado Business Corporation Act.

Pursuant to the terms of the DDDigital Merger Agreement, each share of DDDigital’s common stock was to be exchanged for a number of shares of the Company’s common stock (or a fraction thereof), based on an exchange ratio, as ultimately calculated, equal to approximately 5.273-for-1, such that 1 share of the Company’s common stock was issued for every 5.273 shares of DDDigital’s common stock.

On the effective date of the DDDigital Merger (the “DDDigital Effective Date”), the Company issued an aggregate of 2,926,830 shares of the Company’s common stock pro rata to all stockholders of DDDigital in exchange for all of the outstanding shares of DDDigital’s common stock. At the same time, each share of the common stock of Merger Subsidiary was converted into and exchanged for one share of common stock of DDDigital held by the Company, and all shares of DDDigital common stock outstanding immediately prior to the DDDigital Effective Date were automatically cancelled and retired. At the DDDigital Effective Date, DDDigital continued as a surviving wholly-owned subsidiary of the Company and Whaxy ceased to exist.

In addition, pursuant to the terms of the DDDigital Merger Agreement, the Company paid cash consideration, in December 2016, of \$40,000 to Zachary Marburger and \$20,000 to Micah Davidson, as repayment of outstanding debts owed by DDDigital to such individuals.

As a condition to the closing of the DDDigital Merger, the Company hired Zachary Marburger as its Vice President of Strategy and engaged Micah Davidson as a Senior Software Engineer. As a condition of Mr. Marburger’s employment and pursuant to the DDDigital Merger Agreement, the Company paid Mr. Marburger an additional \$40,000 following the one-year anniversary of his constant employment with the Company.

Cash (paid in December 2016)	\$ 60,000
2,926,830 shares of the Company's common stock	2,883,220
Liabilities assumed	40,140
Total purchase price	<u>\$ 2,983,360</u>
Cash	\$ 8,672
Accounts receivable	3,583
Property and equipment	3,333
Software	1,253,000(1)
Goodwill	<u>1,714,772</u>
Assets acquired	<u>\$ 2,983,360</u>

(1) The estimated useful life for software development is assumed at three years. The acquisition was completed in January 2017, however the allocation of proceeds to identifiable assets was recognized during fourth quarter of 2017. During management's annual review of these assets for fiscal year 2018, the remaining value of these assets was written-off due to minimal revenue generated from this software. MassRoots recorded an impairment expense of \$415,378 during fiscal year 2018 for these assets, as compared to \$1,714,772 during fiscal year 2017, a reduction of \$1,299,394.

In January 2018, MassRoots entered into a Master Services Agreement with MEV, LLC ("MEV") pursuant to which MEV will assist with the development and servicing of the Company's technology platform, including its mobile applications, business portal and WeedPass. MassRoots has capitalized the billable costs of engineers that were devoted to building the system and developing additional features that enhanced its ability to generate revenue. MassRoots did not capitalize any costs associated with maintenance, user-testing, analysis and planning of the system. The Company has been amortizing these capitalized costs using a straight-line methodology over five years, since July 5, 2018.

During fiscal year 2018, MassRoots paid MEV \$521,839 with respect to the development and maintenance of its platform, of which MassRoots has capitalized \$260,565 in development costs.

During fiscal year 2019 and 2018, MassRoots incurred amortization of software costs of \$38,549 and \$438,264, respectively. During the same period, MassRoots incurred impairment of software costs of \$196,315 and \$606,714, respectively.

#### **NOTE 8 – ADVANCES AND NON-CONVERTIBLE NOTES PAYABLE**

During the years ended December 31, 2019 and 2018, the Company received aggregate proceeds from advances of \$0 and \$528,650 and repaid an aggregate of \$595,000 and \$360,000, respectively, of advances. The advances were primarily for Simple Agreements for Future Tokens, entered into with eight accredited investors issued pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended, by virtue of Section 4(a)(2) thereof and/or Regulation D thereunder in 2017 and 2018. As of December 31, 2019 and 2018, the Company owed advances of \$337,500 and \$932,500 and accrued interest of \$10,500 and \$0, respectively.

During the years ended December 31, 2019 and 2018, the Company received aggregate proceeds from non-convertible notes of \$175,000 and \$0 and repaid an aggregate of \$45,400 and \$0, respectively, of non-convertible notes. The non-convertible notes had maturity dates from March 21, 2019 to September 15, 2019 and have annual interest rates from 0%-20%. As of December 31, 2019 and 2018, the Company owed \$165,750 and \$26,150 in principal and accrued interest of \$158,143 and \$10,000, respectively.

#### **NOTE 9 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

As of December 31, 2019, the Company owed accounts payable and accrued expenses of \$5,455,063, as compared to \$959,688 as of December 31, 2018. These are primarily comprised of payments to vendors, accrued interests on debts, and accrued legal bills.

#### **NOTE 10 – ACCRUED PAYROLL AND RELATED EXPENSES**

The Company is delinquent in filing its payroll taxes, primarily related to stock compensation awards in 2016 and 2017, but also including payroll for 2018 and 2019. At December 31, 2019 and 2018, the Company owes payroll tax liabilities, including interest and penalties, of approximately \$3,724,050 and \$2,992,023 due to federal and state taxing authorities. The actual liability may be higher or lower due to interest or penalties assessed by federal and state taxing authorities. The Company expects to settle these liabilities by December 31, 2020.



#### **NOTE 11 – COMMITMENTS AND CONTINGENCIES**

In the ordinary course of business, the Company is occasionally involved in lawsuits incidental to its business, including litigation related to its convertible debt. Although it is difficult to predict the ultimate outcome of these cases, management believes that any ultimate liability would not have a material adverse effect on the Company's consolidated financial condition or results of operations. However, any unforeseen unfavorable development in any of these cases could have a material adverse effect on the Company's consolidated financial condition, the Company records the potential results of operations or cash flows in the period in which such a determination is made.

#### **NOTE 12 – CONVERTIBLE NOTES PAYABLE**

On August 17, 2017, the Company issued secured convertible notes to certain accredited investors in the aggregate principal amount of \$1,045,000. The notes matured on February 18, 2018 and accrued no interest. Net proceeds received by the Company were \$942,500 after deduction of legal and other fees. If the Company exercises its right to prepay the notes, the Company shall make payment to the investors in an amount equal to the sum of the then outstanding principal amount of the notes that the Company desires to prepay, multiplied by (a) 1.1, during the first 90 days after the execution of the note, or (b) 1.25, 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) \$0.75 and (ii) a 25% discount to the price at which the Company next conducts an offering after the issuance date of the notes; provided, however, if any part of the principal amount of the notes 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.

In connection with the issuance of the notes, the Company and the investors also entered into a security agreement pursuant to which the notes were secured by all of the assets of the Company currently held or thereafter acquired.

In connection with the issuance of the notes, the Company issued five-year warrants to purchase an aggregate of 2,090,000 shares of Company's common stock with an initial exercise price of \$0.50 per share. The warrants contain certain anti-dilutive (reset) provisions.

From January 1 to January 16, 2018, the Company made payment to the holders of the notes in an aggregate of (i) \$510,938 in cash and (ii) pursuant to the right of conversion of the notes, an aggregate of 3,742,648 shares of the Company's common stock. The Company believes that it has completed all of its obligations under the notes and they are retired.

On July 5, 2018, the Company issued secured convertible notes to certain accredited investors in the aggregate principal amount of \$1,650,000. The notes had a maturity date of January 5, 2019 and accrued no interest. Net proceeds received by the Company were \$1,492,500 after deduction of legal and other fees. If the Company exercises its right to prepay the notes, the Company shall make payment to the investors in an amount equal to the sum of the then outstanding principal amount of the notes that the Company desires to prepay, multiplied by (a) 1.1, during the first 90 days after the execution of the note, or (b) 1.25, 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) \$0.25 and (ii) a 15% discount to the price at which the Company next conducts an offering after the issuance date of the notes; provided, however, if any part of the principal amount of the notes remains unpaid after the 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.

In connection with the issuance of the notes, the Company and the investors also entered into a security agreement pursuant to which the notes are secured by all of the assets of the Company held as of July 5, 2018 and acquired thereafter. The Company also issued five-year warrants to purchase an aggregate of 6,600,000 shares of Company's common stock with an initial exercise price of \$0.25. The warrants contain certain anti-dilutive provisions.

In December 2018, the Company made payments of an aggregate of \$1,762,500 to holders of July 2018 notes. As of December 31, 2018, the aggregate remaining face value of the notes was \$390,000. During the year ended December 31, 2019, holders of the July 2018 notes converted \$390,000 in principal and \$22,831 in interest into an aggregate of 10,102,353 shares of the Company's common stock for settlement of the remaining balance due. The balance of these notes was \$0 as of December 31, 2019.

In December 2018, the Company issued convertible promissory notes in the aggregate principal amount of \$90,000 (including an aggregate original issuance discount of \$15,000) maturing June 1, 2019 and bearing interest of 5% per annum. The Company shall have the right to prepay the notes for an amount equal to 130% multiplied by the portion of the Outstanding Balance (as defined in the notes) being prepaid. The investors shall have the right to convert the Outstanding Balance of the note at any time into shares of common stock of the Company at a conversion price of \$0.075 per share, subject to adjustment. During the year ended December 31, 2019, the holder converted \$90,000 in principal and \$9,000 of accrued interest into an aggregate of 6,879,913 shares of common stock. As of December 31, 2019, the aggregate carrying value of the notes was \$0.

On December 17, 2018, the Company issued a secured convertible promissory note in the principal amount of \$2,225,000 (including an original issuance discount of \$225,000) which matured on December 17, 2019 and bears interest at a rate of 8% per annum (which shall be increased to 22% upon the occurrence of an event of default). The Company shall have the right to prepay the note for an amount equal to 125% multiplied by the portion of the Outstanding Balance (as defined in the note) being prepaid. In addition, the note is secured by the Security Agreement (as defined below). The investor shall have the right to convert the Outstanding Balance of the note at any time into shares of common stock of the Company at a conversion price of \$0.35 per share, subject to adjustment. Commencing on June 17, 2019, the investor shall have the right to redeem all or any portion of the note; provided, however, the investor may not request redemption in an amount that exceeds \$350,000 during any single calendar month; provided, further however, upon the occurrence of an event of default, the redemption amount in any calendar month may exceed \$350,000. Payments on redemption amounts may be made in cash, by converting the redemption amount into shares of the Company's common stock at a conversion price of the lesser of (a) \$0.35 per share, subject to adjustment and (b) the Market Price (as defined in the note), or a combination thereof. Upon the occurrence of an event of default, the investor may accelerate the note pursuant to which the Outstanding Balance will become immediately due and payable in cash at the Mandatory Default Amount (as defined in the note). The Company is prohibited from effecting a conversion of the note to the extent that, as a result of such conversion, the investor, together with its affiliates, would beneficially own more than 4.99% of the number of shares of the Company's common stock outstanding immediately after giving effect to the issuance of shares of common stock upon conversion of the note, which beneficial ownership limitation may be increased by the investor up to, but not exceeding, 9.99%.

Pursuant to the terms of the agreement, the Company also entered into a security agreement (the "Security Agreement") on the closing date pursuant to which the Company granted the investor a security interest in the Collateral (as defined in the Security Agreement). On July 16, 2019, the Company received a notice from an investor indicating that events of default had occurred and asserting default penalties of \$761,330. During the year ended December 31, 2019, the holder converted \$345,000 of principal into an aggregate of 53,522,295 shares of common stock. As of December 31, 2019, the remaining carrying value of the note was \$1,880,000, net of debt discount of \$0. As of December 31, 2019, accrued interest payable of \$1,327,110 was outstanding on the note.

From January to June 2019, the Company issued convertible promissory notes in the aggregate principal amount of \$389,000 (including aggregate original issuance discount of \$39,000) maturing at various dates from July 15, 2019 through June 6, 2020 and bearing interest from 5% to 12% per annum. The Company shall have the right to prepay the notes for an amount equal to 130% multiplied by the portion of the Outstanding Balance (as defined in the notes) being prepaid. The investor shall have the right to convert the Outstanding Balance of the notes at any time into shares of common stock of the Company at a conversion price of \$0.075 per share, subject to adjustment. Upon maturity, payment may be made in cash, by converting the redemption amount into shares of the Company's common stock at a conversion price of the lesser of (a) \$0.075 per share, subject to adjustment and (b) the Market Price (as defined in the notes), or a combination thereof. Upon the occurrence of an event of default, the investor may accelerate the note pursuant to which the Outstanding Balance will become immediately due and payable in cash at the Mandatory Default Amount (as defined in the notes). The Company is prohibited from effecting a conversion of any note to the extent that, as a result of such conversion, the investor, together with its affiliates, would beneficially own more than 4.99% of the number of shares of the Company's common stock outstanding immediately after giving effect to the issuance of shares of common stock upon conversion of the note, which beneficial ownership limitation may be increased by the investor up to, but not exceeding, 9.99%. During the year ended December 31, 2019, the holders converted \$31,180 of principal and \$8,000 of accrued interest into an aggregate of 10,000,000 shares of common stock. As of December 31, 2019, the remaining carrying value of the notes was \$247,746, net of debt discount of \$110,074. As of December 31, 2019, accrued interest payable of \$456,900 was outstanding on the notes.

On November 13, 2019, the Company issued convertible promissory notes in the aggregate principal amount of \$108,900, having aggregate original issuance discount of \$9,900, resulting in net proceeds of \$99,000. The notes mature May 13, 2020 and bear interest of 12% per annum. During the first 180 days the notes are outstanding, the Company shall have the right to prepay the notes for an amount equal to 120% (during the first 90 days) or 135% (during the subsequent 90 days) of the Outstanding Balance (as defined in the notes) being prepaid. The investor shall have the right to convert the Outstanding Balance of the notes at any time into shares of common stock of the Company at a conversion price of \$0.01 per share, subject to adjustment. In the event of default, the conversion price shall be 60% of the average of the three lowest closing bid prices of the Company's common stock during the 20 days prior to the Conversion Date. The Company is prohibited from effecting a conversion of any note to the extent that, as a result of such conversion, the investor, together with its affiliates, would beneficially own more than 4.99% of the number of shares of the Company's common stock outstanding immediately after giving effect to the issuance of shares of common stock upon conversion of the note, which beneficial ownership limitation may be increased if the Market Capitalization falls below \$2,500,000, but not exceeding, 9.99%. As of December 31, 2019, the remaining carrying value of the notes was \$14,871, net of debt discount of \$94,029. As of December 31, 2019, accrued interest payable of \$48,789 was outstanding on the notes.

On December 6, 2019, the Company issued convertible promissory notes in the aggregate principal amount of \$110,000, having aggregate original issuance discount of \$10,000, resulting in net proceeds of \$100,000. The notes mature June 6, 2020 and bear interest of 12% per annum. During the first 180 days the notes are outstanding, the Company shall have the right to prepay the notes for an amount equal to 120% (during the first 90 days) or 135% (during the subsequent 90 days) of the Outstanding Balance (as defined in the notes) being prepaid. The investor shall have the right to convert the Outstanding Balance of the notes at any time into shares of common stock of the Company at a conversion price of \$0.01 per share, subject to adjustment. In the event of default, the conversion price shall be 60% of the average of the three lowest closing bid prices of the Company's common stock during the 20 days prior to the Conversion Date. The Company is prohibited from effecting a conversion of any note to the extent that, as a result of such conversion, the investor, together with its affiliates, would beneficially own more than 4.99% of the number of shares of the Company's common stock outstanding immediately after giving effect to the issuance of shares of common stock upon conversion of the note, which beneficial ownership limitation may be increased if the Market Capitalization (as defined in the notes) falls below \$2,500,000, but not exceeding, 9.99%. As of December 31, 2019, the remaining carrying value of the notes was \$15,027, net of debt discount of \$94,973. As of December 31, 2019, accrued interest payable of \$38,904 was outstanding on the notes.

In December 2019, the Company and the holders of all of the outstanding Series A and Series B Preferred Shares (the “Preferred Shares”) entered into Exchange Agreements whereby 2,800 Series A Preferred Shares outstanding and 1,126 Series B Preferred Shares outstanding were canceled in exchange for the issuance of an aggregate of \$3,500,000 and \$1,548,250 of convertible promissory notes, respectively. The notes have maturity dates from December 24, 2019 through May 18, 2020 and bear interest of 12% per annum. During the first 180 days the notes are outstanding, the Company shall have the right to prepay the notes for an amount equal to 120% (during the first 90 days) or 135% (during the subsequent 90 days) of the Outstanding Balance (as defined in the notes) being prepaid. The investor shall have the right to convert the Outstanding Balance of the notes at any time into shares of common stock of the Company at a conversion price of \$0.005 per share, subject to adjustment. In the event of default, the Outstanding Balance shall immediately increase to 130% of the Outstanding Balance and a penalty of \$100 per day shall accrue until the default is remedied. For a period of two years from the issuance date, in the event the Company issues or sells any additional common shares or common stock equivalents at a price less than the Conversion Price (as defined in the notes) then in effect (a “Dilutive Issuance”), the Conversion Price of the notes shall be reduced to the Dilutive Issuance Price and the number of shares issuable upon conversion shall be increased on a full ratchet basis. The Company is prohibited from effecting a conversion of any note to the extent that, as a result of such conversion, the investor, together with its affiliates, would beneficially own more than 9.99% of the number of shares of the Company’s common stock outstanding immediately after giving effect to the issuance of shares of common stock upon conversion of the note. During the year ended December 31, 2019, the noteholders converted \$185,500 of principal and \$300 of accrued interest into an aggregate of 30,669,903 shares of common stock and 37,160,000 shares of common stock to be issued.

As of December 31, 2019, the remaining carrying value of the notes was \$4,781,395, net of debt discount of \$81,355. As of December 31, 2019, accrued interest payable of \$1,583,795 was outstanding on the notes.

Upon the issuance of certain convertible debentures, the Company determined that the features associated with the embedded conversion option embedded in the debentures, 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 (See Note 13).

#### **NOTE 13 – DERIVATIVE LIABILITIES AND FAIR VALUE MEASUREMENTS**

Upon the issuance of certain convertible debentures, warrants, and preferred stock, the Company determined that the features associated with the embedded conversion option embedded in the debentures, 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.

On January 1, 2018 the Company estimated the fair value of the embedded derivatives of \$9,493,307 using the Binomial Option Pricing Model based on the following assumptions: (1) dividend yield of 0%, (2) expected volatility of 108.44%, (3) weighted average risk-free interest rate of 1.28% to 2.20%, and (4) expected life of 0.13 to 4.65 years.

During the year ended December 31, 2019, upon issuance, the Company estimated the fair value of the embedded derivatives using the Black-Scholes Pricing Model based on the following assumptions: (1) dividend yield of 0%, (2) expected volatility of 110.59% to 119.18%, (3) risk-free interest rate of 1.48% to 2.33%, and (4) expected life of 0.01 to 3.0 years.

On December 31, 2019, the Company estimated the fair value of the embedded derivatives of \$20,236,870 using the Black-Scholes Pricing Model based on the following assumptions: (1) dividend yield of 0%, (2) expected volatility of 119.18%, (3) risk-free interest rate of 1.48% to 1.62%, and (4) expected life of 0.01 to 3.09 years.

The Company adopted the provisions of 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 non-performance. 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, 2019, the Company did not have any derivative instruments that were designated as hedges.

Items recorded or measured at fair value on a recurring basis in the accompanying consolidated financial statements consisted of the following items as of December 31, 2019 and 2018:

	December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative liability	\$ 20,236,870	\$ -	\$ -	\$ 20,236,870

	December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative liability	\$ -	\$ -	\$ -	\$ -

The following table provides a summary of changes in fair value of the Company's Level 3 financial liabilities for the two years ended December 31, 2019:

Balance, January 1, 2018	\$ 9,493,307
Cumulative effect adjustment to reclassify fair value of derivative liabilities to retained earnings	(9,493,307)
Balance, December 31, 2018	-
Transfers in due to issuance of convertible notes and warrants with embedded conversion and reset provisions	686,059
Transfers out due to conversions of convertible notes and accrued interest into common shares	(56,142)
Derivative liability due to authorized shares shortfall	18,921,538
Mark to market to December 31, 2019	685,415
Balance, December 31, 2019	\$ 20,236,870
Loss on change in derivative liabilities for the year ended December 31, 2019	\$ (685,415)

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 increases for each of the related derivative instruments, the value to the holder of the instrument generally increases, therefore increasing the liability on the Company's 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.

#### NOTE 14 – STOCKHOLDERS' DEFICIT

##### Preferred Stock

The Company is authorized to issue 10,000,000 shares of blank check preferred stock, par value \$0.001 per share.

On July 2, 2019, the Company authorized the issuance of 6,000 Series A preferred stock, par value \$0.001 per share. The Series A preferred stock have a \$1,250 stated value and are convertible into shares of common stock at \$0.05 per share, subject to certain adjustments. The Certificate of Designation for the Series A preferred stock was filed on July 9, 2019.

On July 2, 2019 and July 11, 2019, the Company entered into exchange agreements with certain stockholders pursuant to which it exchanged warrants issued in July 2018 to purchase an aggregate of 26,000,000 shares of the Company's common stock for an aggregate of 6,000 shares of Series A Preferred Stock. Accordingly, the fair value of the Series A Preferred Stock of \$5,882,340 was recognized, offset by preferred stock issuance costs of \$5,585,594, net of a decrease in additional paid in capital of \$296,746 for the fair value of the canceled warrants.

From July 5, 2019 to September 19, 2019, the Company issued an aggregate of 80,000,000 shares of common stock and 903,823,564 shares of common stock to be issued upon the conversion of 3,200 shares of Series A Preferred Stock. Accordingly, Series A Preferred Stock was decreased by \$3,137,248, common stock was increased by the par value of the common shares issued of \$80,000, common stock to be issued was increased by the par value of the common shares to be issued \$903,824, and additional paid in capital was increased by \$2,153,424.

On December 3, 2019, the Company retired the remaining 2,800 shares of Series A Preferred Stock in exchange for the issuance of convertible notes (the "Exchange") in the aggregate principal amount of \$3,500,000. Accordingly, Series A Preferred Stock was decreased by \$2,745,086, additional paid in capital was decreased by \$754,914 (stemming from recognition of a deemed dividend recognized immediately prior to the Exchange), and convertible notes payable was increased by \$3,500,000. In addition, the derivative liabilities on the Series A Preferred Stock (stemming from the inability to convert caused by the authorized shares shortfall) of \$2,012,420 was eliminated with a corresponding decrease in derivative liability for authorized shares shortfall expense. Lastly, derivative liabilities on the newly issued convertible notes (stemming from the inability to convert caused by the authorized shares shortfall) of \$54,364 was recognized as an increase in derivative liabilities and a corresponding increase in debt discount on the convertible notes payable.

As of December 31, 2019, there were 0 shares of Series A Preferred Stock outstanding.

On June 24, 2019, the Company authorized the issuance of 2,000 shares of Series B Preferred Stock, par value \$0.001 per share. The Series B Preferred Stock have a \$1,250 stated value and are convertible into shares of common stock at \$0.05 per share, subjected to certain adjustments. The Certificate of Designation for the Series B Preferred Stock was filed on July 9, 2019.

From June 24 to November 16, 2019, the Company issued 1,126 shares of Series B Preferred Stock for proceeds of \$1,407,500.

From December 3 through December 31, 2019, the Company retired the remaining 1,126 shares of Series B Preferred Stock in exchange for the issuance of convertible notes (the "Exchange") in the aggregate principal amount of \$1,548,250. Accordingly, Series B Preferred Stock was decreased by the par value of the preferred shares of \$1, additional paid in capital was decreased by \$826,883 (for the remaining carrying value of the preferred shares), additional paid in capital was decreased by \$721,366 (stemming from recognition of a deemed dividend recognized immediately prior to the Exchange), and convertible notes payable was increased by \$1,548,250. In addition, the derivative liabilities on the Series B Preferred Stock (stemming from the inability to convert caused by the authorized shares shortfall) of \$776,965 was eliminated with a corresponding decrease in derivative liability for authorized shares shortfall expense. Lastly, derivative liabilities on the newly issued convertible notes (stemming from the inability to convert caused by the authorized shares shortfall) of \$85,370 was recognized as an increase in derivative liabilities and a corresponding increase in debt discount on the convertible notes payable.

As of December 31, 2019, there were 0 shares of Series B Preferred Stock outstanding.

On July 16, 2019, the Company authorized the issuance of 1,000 Series C Preferred Stock, par value \$0.001 per share. The 1,000 Series C preferred shares are convertible into 1,000,000 shares of common stock upon the Company listing on a national exchange and other conditions. The Certificate of Designation for the Series C Preferred Stock was filed on July 19, 2019.

On October 21, 2019, the Company issued 1,000 Series C Preferred Shares with a value of \$10,000 for services rendered.

As of December 31, 2019, there were 1,000 shares of Series C Preferred Stock outstanding.

### Common Stock

The Company is authorized to issue 500,000,000 shares of common stock, par value \$0.001 per share. As of December 31, 2019, there were 384,266,948 shares of common stock issued and outstanding.

The following common stock transactions were recorded during the years ended December 31, 2019 and 2018:

During the year ended December 31, 2018, the Company issued an aggregate of 14,362,500 shares of its common stock recorded as to be issued on December 31, 2017.

During the year ended December 31, 2018, the Company retired an aggregate of 1,790,000 shares of its common stock recorded as to be retired on December 31, 2017 in exchange for warrants issued in December 2017.

During the year ended December 31, 2018, the Company issued an aggregate of 13,594,000 shares of its common stock, having an aggregate fair value of \$3,508,187, for services rendered.

During the year ended December 31, 2018, the Company issued an aggregate of 95,134 shares for its common stock upon the cashless exercise of outstanding options.

During the year ended December 31, 2018, the Company issued an aggregate of 7,906,470 shares of its common stock upon the cashless exercise of outstanding warrants.

During the year ended December 31, 2018, the Company issued an aggregate of 3,742,648 shares of its common stock for the settlement of convertible debt with a principal amount of \$636,250.

During the year ended December 31, 2018, the Company issued an aggregate of 4,605,000 shares of its common stock upon the exercise of outstanding warrants for net proceeds of \$637,230.

During the year ended December 31, 2018, the Company issued an aggregate of 13,700,000 shares of common stock for cash proceeds of \$2,740,000.

During the year ended December 31, 2018, the Company received \$564,000 recorded as subscription receivable as of December 31, 2017.

During the year ended December 31, 2018, the Company issued an aggregate of 324,881 shares in lieu of interest expense \$52,483.

During the year ended December 31, 2018, the Company received cash proceeds of \$6,000 upon the exercise of warrants. The Company has yet not issued 80,000 shares of common stock underlying the warrants and are accounted for as common stock to be issued.

During the year ended December 31, 2019, the Company issued an aggregate of 80,000 shares of its common stock recorded as to be issued on December 31, 2018 for a cash warrant exercise.

During the year ended December 31, 2019, the Company issued an aggregate of 1,591,240 shares of its common stock as interest expense with a value of \$36,830.

During the year ended December 31, 2019, the Company issued 5,553,191 shares of its common stock to satisfy a true-up provision with a value of \$22,213.

During the year ended December 31, 2019, the Company issued an aggregate of 2,950,000 shares of its common stock and recorded an additional 2,550,000 shares as to be issued, having an aggregate fair value of \$208,700, for services rendered.

During the year ended December 31, 2019, the Company issued an aggregate of 3,997,661 shares of its common stock upon the cashless exercise of outstanding warrants. Accordingly, common stock was increased by the par value of the common shares issued of \$3,998 with a corresponding decrease in additional paid in capital.

During the year ended December 31, 2019, the Company issued 9,000,000 shares for the settlement of a warrant provision. The fair value of the common shares issued of \$437,400 was recognized as a deemed dividend whereby common stock was increased by the par value of the common shares issued of \$9,000, additional paid in capital was increased by \$428,400 and retained earnings was decreased by \$437,400.

During the year ended December 31, 2019, the Company issued an aggregate of 1,555,160 shares of its common stock and recorded an additional 1,126,250 shares of common stock as to be issued for the cash exercise of warrants for proceeds of \$172,950.

During the year ended December 31, 2019, the Company issued an aggregate of 111,174,464 shares of its common stock and 37,160,000 shares of common stock to be issued, having an aggregate fair value of \$1,732,318, for the settlement of convertible debt with a principal amount of \$1,041,680 and accrued interest of \$40,131, which resulted in the elimination of \$46,978 of derivative liabilities and an aggregate loss on conversion of convertible notes of \$603,529. Accordingly, common stock was increased by the par value of the common shares issued of \$111,174, common stock to be issued was increased by the par value of the common shares to be issued of \$37,160 and additional paid in capital was increased by \$1,583,984.

During the year ended December 31, 2019, the Company issued an aggregate of 1,250,000 shares of its common stock as origination shares with a principal amount of \$141,333.

During the year ended December 31, 2019, the Company issued an aggregate of 80,000,000 shares of common stock and 903,823,564 shares of common stock to be issued upon the conversion of 3,200 shares of Series A Preferred Stock. Accordingly, Series A Preferred Stock was decreased by \$3,137,248, common stock was increased by the par value of the common shares issued of \$80,000, common stock to be issued was increased by the par value of the common shares to be issued of \$903,824 and additional paid in capital was increased by \$2,153,424.

#### **NOTE 15 – WARRANTS**

In January 2018, the Company issued warrants to purchase up to 250,000 shares of the Company's common stock at an exercise price of \$0.20 per share to a service provider of the Company. The estimated fair value of \$86,483 was charged to current period operations. The fair market value was calculated using the Black Scholes option pricing model, assuming approximately 2.49% risk-free interest, 0% dividend yield, 112.14% volatility, and expected life of five years.

In January 2018, in conjunction with the sale of the Company's common stock, the Company granted warrants to purchase up to 13,700,000 shares of the Company's common stock at an exercise price of \$0.40 per share, exercisable through January 31, 2023. Due to price protection provisions, the exercise price of the warrants was adjusted to \$0.20 on July 26, 2018.



In July 2018, the Company issued warrants to purchase up to an aggregate of 6,600,000 shares of the Company's common stock as part of the sale of convertible debentures.

In November 2018, MassRoots repriced warrants to purchase common stock covered by the Registration Statement on Form S-1 that was declared effective by the SEC on July 17, 2018 to \$0.075 per share.

During the year ended December 31, 2019, the Company received \$172,950 from cash exercises of warrants to purchase 1,555,160 shares of common stock. During the same period, the Company issued 3,997,661 shares of common stock upon the cashless exercise of warrants to purchase 12,686,249 shares of common stock.

On July 2, 2019 and July 11, 2019, the Company entered into exchange agreements with certain stockholders pursuant to which it exchanged warrants issued in July 2018 to purchase an aggregate of 26,000,000 shares of the Company's common stock for an aggregate of 6,000 shares of Series A Preferred Stock.

During the year ended December 31, 2019, the Company issued 568,118,340 warrants to purchase shares of common stock at \$0.075 per share pursuant to the Series B Preferred Stock offering.

During the year ended December 31, 2019, as a result of the Company's Series B Preferred Stock offering, the ratchet provisions in certain warrants were triggered, causing the exercise price to be reset to \$0.00224 per share. Accordingly, warrants to purchase 600,551,672 shares of common stock were repriced to a \$0.00224 per share exercise price as of December 31, 2019. In addition, warrants to purchase an additional 2,729,734,691 shares of common stock at \$0.00224 per share were issued as a result of this ratchet provision.

The Company recorded \$28,933,472 in deemed dividends as a result of the triggering of price protection provisions in certain outstanding warrants. Accordingly, additional paid in capital was increased by \$28,933,472 with a corresponding decrease in the accumulated deficit.

Warrants outstanding and exercisable at December 31, 2019 are as follows:

<b>Exercise Price</b>	<b>Warrants Outstanding</b>	<b>Weighted Avg. Remaining Life</b>	<b>Warrants Exercisable</b>
\$0.001 – 0.25	3,341,486,363	2.96	3,341,486,363
0.26 – 0.50	565,002	1.42	565,002
0.51 – 0.75	50,000	0.27	50,000
0.76 – 1.00	275,000	0.75	275,000
	<u>3,342,376,365</u>	2.96	<u>3,342,376,365</u>

A summary of the warrant activity for the years ended December 31, 2019 and 2018 is as follows:

	<b>Shares</b>	<b>Weighted-Average Exercise Price</b>	<b>Weighted-Average Remaining Contractual Term</b>	<b>Aggregate Intrinsic Value</b>
Outstanding at January 1, 2018	35,187,847	\$ 0.41	2.30	\$ -
Grants	60,832,338	0.08		
Exercised	(20,184,508)	0.21		
Forfeited/Cancelled	(925,675)	1.89		
Outstanding at December 31, 2018	<u>74,910,002</u>	\$ 0.14	3.89	\$ -
Grants	3,321,040,292	0.00064		
Exercised	(15,367,659)	0.06		
Forfeited/Cancelled	(38,206,270)	0.12		
Outstanding at December 31, 2019	<u>3,342,376,365</u>	\$ 0.00265	2.96	\$ 8,791,956
Exercisable at December 31, 2019	<u>3,342,376,365</u>	\$ 0.00265	2.96	\$ 8,791,956

The aggregate intrinsic value outstanding stock warrants was \$8,791,956, based on warrants with an exercise price less than the Company's stock price of \$0.005 as of December 31 2019, which would have been received by the warrant holders had those holders exercised the warrants as of that date.

#### NOTE 16 – STOCK OPTIONS

Our stockholders approved our 2014 Equity Incentive Plan in June 2014 (the "2014 Plan"), our 2015 Equity Incentive Plan in December 2015 (the "2015 Plan"), our 2016 Equity Incentive Plan ("2016 Plan") in October 2016, our 2017 Equity Incentive Plan in December 2016 ("2017 Plan" and together with the 2014 Plan, 2015 Plan, 2016 Plan, the "Prior Plans") and our 2018 Equity Incentive Plan in June 2018 (the "2018 Plan", and together with the Prior Plans, the "Plans"). The Prior Plans are identical, except for number of shares reserved for issuance under each. As of December 31, 2018, the Company had granted an aggregate of 60,600,000 securities under the Plans, with 3,900,000 shares available for future issuances.

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 non-statutory 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. The Prior Plans also provide that the grant of performance stock awards may be paid out in cash as determined by the committee administering the Prior Plans.

During the year ended December 31, 2018, the Company granted ten-year options outside of our Plans to purchase up to 13,250,000 shares of the Company's common stock. The fair value of \$2,146,193, was determined using the Black-Scholes option pricing model, assuming approximately 2.78% - 2.98% risk-free interest, 0% dividend yield, 112.67% - 116.28% volatility, and expected life of ten years and will be charged to operations over the vesting terms of the options.

The summary terms of the issuances for the twelve months ended December 31, 2018 are as follows:

<b>Exercise Price</b>	<b>Number of Options</b>	<b>Vesting Terms</b>
\$ 0.20	12,000,000	Immediately
0.36	250,000	Immediately
0.40	1,000,000	Immediately

During the year ended December 31, 2019, the Company granted ten-year options outside of our Plans to purchase up to 250,000 shares of the Company's common stock for advisory services. The fair value of \$14,000, was determined using the Black-Scholes option pricing model, assuming approximately 2.43% risk-free interest, 0% dividend yield, 114% volatility, and expected life of ten years and will be charged to operations over the vesting terms of the options.

The summary terms of the issuances for the twelve months ended December 31, 2019 are as follows:

<b>Exercise Price</b>	<b>Number of Options</b>	<b>Vesting Terms</b>
\$ 0.075	250,000	Immediately

Stock options outstanding and exercisable on December 31, 2019 are as follows:

Exercise Price	Number of Options	Remaining Life In Years	Number of Options Exercisable
\$0.01 – 0.25	13,306,786	8.26	13,306,786
0.26 - 0.50	1,939,631	7.26	1,939,631
0.51 – 0.75	1,820,112	6.68	1,820,112
0.76 - 1.00	9,926,072	6.71	9,926,072
1.01 - 2.00	629,164	6.61	629,164
	<u>27,621,765</u>		<u>27,621,765</u>

A summary of the stock option activity for the years ended December 31, 2019 and 2018 is as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2018	14,378,432	\$ 0.76	7.23	\$ -
Grants	13,250,000			
Exercised	(256,667)			
Forfeiture/Cancelled	-			
Outstanding at December 31, 2018	<u>27,371,765</u>	\$ 0.50	8.42	\$ -
Grants	250,000			
Exercised	-			
Forfeiture/Cancelled	-			
Outstanding at December 31, 2019	<u>27,621,765</u>	\$ 0.49	7.49	\$ -
Exercisable at December 31, 2019	<u>27,621,765</u>	\$ 0.49	7.49	\$ -

The aggregate intrinsic value of outstanding stock options was \$0, based on options with an exercise price less than the Company's stock price of \$0.005 as of December 31, 2019, 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 pricing model with a volatility figure derived from historical data. The Company accounts for the expected life of options based on the contractual life of options for non-employees.

The fair value of all options that were vested as of the year ended December 31, 2019 and 2018 was \$14,000 and \$459,834, respectively. Unrecognized compensation expense of \$0 at December 31, 2019 will be expensed in future periods.

#### NOTE 17 – INCOME TAXES

The Tax Cuts and Jobs Acts (the "Act") was enacted on December 22, 2017. The Act reduces the U.S. federal corporate income tax rate from 35% to 21%. ASC 740, "Income Taxes", requires that effects of changes in tax rates to be recognized in the period enacted. Recognizing the late enactment of the Act and complexity of accurately accounting for its impact, the Securities and Exchange Commission in Staff Accounting Bulletin 118 provides guidance that allows registrants to provide a reasonable estimate of the Act in their financial statements and adjust the reported impact in a measurement period not to exceed one year.

At December 31, 2019, the Company has available for federal income tax purposes a net operating loss carry forward of approximately \$83,792,687, which begin expiring in the year 2033, 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, 2019, the Company has increased the valuation allowance from \$14,503,490 to \$17,520,829.

The Company has 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.

Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the "Code"), provide for annual limitations on the utilization of net operating loss and credit carryforwards if the Company were to undergo an ownership change, as defined in Section 382 of the Code. In general, an ownership change occurs whenever the percentage of the shares of a corporation owned, directly or indirectly, by 5-percent shareholders, as defined in Section 382 of the Code, increases by more than 50 percentage points over the lowest percentage of the shares of such corporation owned, directly or indirectly, by such 5-percent shareholders at any time over the preceding three years. In the event such ownership change occurs, the annual limitation may result in the expiration of the net operating losses prior to full utilization.

The Company is required to file income tax returns in the U.S. Federal jurisdiction and in California and Colorado. The Company is no longer subject to income tax examinations by tax authorities for tax years ending before December 31, 2015.

The Company's deferred taxes as of December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Non-Current deferred tax asset: (Estimated)		
Net operating loss carry-forwards	\$ 17,520,826	\$ 14,503,490
Valuation allowance	(17,520,826)	(14,503,490)
Net non-current deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

#### Income Taxes

The Company follows 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.

Reconciliation between the provision for income taxes and the expected tax benefit using the federal statutory rate of 21% for 2019 and 21% for 2018 is as follows:

	<u>2018</u>	<u>2019</u>
US federal statutory income tax rate	(21)%	(21)%
State tax – net of benefit	(5)%	(5)%
Non-deductible expenses	11%	11%
Increase in valuation allowance	15%	15%
Income tax expense	-	-

## **NOTE 18 – RELATED PARTY TRANSACTIONS**

On October 1, 2019, Isaac Dietrich, the Company's Chief Executive Officer, forfeited warrants received on July 21, 2017.

On October 21, 2019, the Company issued 1,000 shares of Series C Preferred Stock, having an aggregate fair value of \$10,000, to Isaac Dietrich in recognition of his service to the Company.

## **NOTE 19 – SUBSEQUENT EVENTS**

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued.

On January 7, 2020, the Company issued and sold a convertible note in the aggregate principal amount of \$55,000 (including an aggregate of \$5,000 original issuance discount) to an accredited investor.

On January 8, 2020, the Company issued 37,160,000 shares of common stock that were recorded as to be issued as of December 31, 2019.

On February 24, 2020, the Company terminated the Agreement and Plan of Merger dated February 11, 2019 by and among the Company, Merger Subsidiary, COWA and Christopher Alameddin.

On March 5, 2020, the Company issued and sold a convertible note in the aggregate principal amount of \$72,600 (including an aggregate of \$6,600 original issuance discount) to an accredited investor.

On March 17, 2020, the Company issued and sold a convertible note in the aggregate principal amount of \$17,600 (including an aggregate of \$1,600 original issuance discount) to an accredited investor.

On April 17, 2020, the Company issued and sold convertible notes in the aggregate principal amount of \$330,000 (including an aggregate of \$30,000 original issuance discount) to accredited investors.

On April 17, 2020, a shareholder retired 69,000 shares of the Company's common stock.

From January 8, 2020 to May 13, 2020, the Company issued 72,368,457 shares of common stock for the settlement of \$82,268 in convertible debt and accrued interest.

On May 3, 2020, the Company received a loan in the principal amount of \$50,000 pursuant to the Paycheck Protection Program ("PPP") of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The PPP loan matures in May 2022 and bears an interest rate of 1.0% per annum. Payments of principal and interest of any unforgiven balance commence in December 2020.

The Company was unable to meet the original filing deadline of this Annual Report on Form 10-K which was due on March 30, 2020 as a result of circumstances relating to COVID-19. Specifically, as set forth in the Company's Current Report on Form 8-K filed with the SEC on March 30, 2020, as a result of the volatility in the markets due to COVID-19, the Company was unable to identify and raise capital necessary for it to, among other things, pay accounting and audit fees necessary for the preparation and filing of this Annual Report.

On June 26, 2020, the Company issued and sold a secured promissory note in the principal amount of \$60,000 with 10% annual interest. On the two-year anniversary of the issuance of this note, June 26, 2022, all principal and interest becomes due and payable.

On July 8, 2020, the Company issued and sold a promissory note in the principal amount of \$22,911 with 10% annual interest maturing on December 31, 2020.

On July 13, 2020, the Company issued and sold convertible notes in the aggregate principal amount of \$110,000 (including an aggregate of \$10,000 original issuance discount) to accredited investors which notes mature on January 13, 2021.

**STATE OF DELAWARE  
CERTIFICATE OF CORRECTION**

MassRoots, Inc., a  
corporation organized and existing under and by virtue of the General Corporation Law of  
the State of Delaware.


**DOES HEREBY CERTIFY:**

1. The name of the corporation is MassRoots, Inc.
2. That a Certificate of Designation, Series C Conv. Pref Stock  
(Title of Certificate Being Corrected)  
was filed by the Secretary of State of Delaware on 07/18/2019  
and that said Certificate requires correction as permitted by Section 103 of the  
General Corporation Law of the State of Delaware.
3. The inaccuracy or defect of said Certificate is: (must be specific)  

Incorrect par value and stated value were corrected &  
ambiguous conv. language was clarified.
4. Article 4, 5 and 14(b) of the Certificate is corrected to read as follows:  

(see insert A on attached page)

IN WITNESS WHEREOF, said corporation has caused this Certificate of Correction  
this 28th day of April, A.D. 2020.

By:   
Authorized Officer  
Name: Isaac Dietrich  
Print or Type  
Title: Chief Executive Officer

State of Delaware  
Secretary of State  
Division of Corporations  
Delivered 04:50 PM 06/24/2020  
FILED 04:50 PM 06/24/2020  
SR 20205889222 - File Number 5325528

INSERT A

4. Voting Rights. Except as otherwise expressly required by law, the holders of Series C Preferred Stock shall be entitled to vote on all matters submitted to shareholders of the Corporation such that the holders shall, in the aggregate, be entitled to vote such number of shares equal to 40% of the issued and outstanding Common Stock on a pro-rata basis. Also, except as otherwise required by law, the holders of shares of Series C Preferred Stock shall vote together with the holders of Common Stock on all matters and shall not vote as a separate class.

5. Automatic Conversion. All 1,000 shares of Series C Preferred Stock shall automatically convert, without any further action on the part of the holder, into one million shares of Common Stock of the Corporation, at a ratio of 1000 shares of Common for each share of Series C Preferred, \$0.001 par value per share, upon the earlier to occur of: (i) the listing the Corporation's securities on a national securities exchange (which, for purposes of this Section 5 shall include the New York Stock Exchange, NYSE AMEX and the NASDAQ Stock Market) and (ii) a "Change in Control" of the Corporation. If there is no listing on a national exchange and/or if there is no change of control, the Series C Preferred Stock shall not convert into Common Stock.

14(b). *Applicable Per Share Stated Value*" means with respect to the Series C Preferred Stock, \$10 per share, subject to appropriate and proportionate adjustment for stock dividends, stock splits and other subdivisions and combinations of, and recapitalizations and like occurrences.

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**DESCRIPTION OF THE REGISTRANT'S SECURITIES  
REGISTERED UNDER SECTION 12 OF THE EXCHANGE ACT**

**General**

As of December 31, 2019, MassRoots, Inc. had one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). References herein to "we," "us," "our" and the "Company" refer to MassRoots, Inc. and not to any of its subsidiaries.

The following description of our common stock and certain provisions of our Second Amended and Restated Certificate of Incorporation ("Certificate of Incorporation") and Bylaws ("Bylaws") are summaries and are qualified in their entirety by reference to the full text of our Certificate of Incorporation and Bylaws, each of which have been publicly filed with the Securities and Exchange Commission (the "SEC"). We encourage you to read our Certificate of Incorporation and Bylaws and the applicable provisions of the Delaware General Corporation Law (the "DGCL") for additional information.

**Common Stock**

We are authorized to issue up to a total of 500,000,000, par value \$0.001 per share. As of December 31, 2019, 384,266,948 shares of the Company's common stock were issued and outstanding. Each share of our common stock is entitled to one vote on all matters submitted to a vote of the stockholders. Our stockholders are not permitted to cumulative voting. Holders of our common stock are entitled to receive ratably such dividends, if any, as may be declared by our Board of Directors ("Board") out of legally available funds. Upon liquidation, dissolution or winding-up, the holders of our common stock are entitled to share ratably in all of our assets which are legally available for distribution, after payment of or provision for all liabilities, subject to rights, if any, of the holders of any of our other securities. The holders of our common stock have no preemptive, subscription, redemption or conversion rights.

**Preferred Stock**

Our Board has the authority, without further action by the stockholders, to issue up to 10,000,000 shares of preferred stock in one or more series and to fix the designations, powers, preferences, privileges, and relative participating, optional, or special rights as well as the qualifications, limitations, or restrictions of the preferred stock, including dividend rights, conversion rights, voting rights, terms of redemption, and liquidation preferences, any or all of which may be greater than the rights of the common stock. Our Board, without stockholder approval, can issue convertible preferred stock with voting, conversion, or other rights that could adversely affect the voting power and other rights of the holders of common stock. Preferred stock could be issued quickly with terms calculated to delay or prevent a change of control or make removal of management more difficult. Additionally, the issuance of preferred stock may have the effect of decreasing the market price of our common stock, and may adversely affect the voting and other rights of the holders of common stock.

As of December 31, 2019, our Board has designated 6,000 shares of preferred stock as Series A Convertible Preferred Stock ("Series A Preferred Stock"), 2,000 shares of preferred stock as Series B Convertible Preferred Stock ("Series B Preferred Stock") and 1,000 shares of preferred stock as Series C Convertible Preferred Stock ("Series C Preferred Stock"). As of December 31, 2019, no shares of Series A Preferred Stock, no shares of Series Preferred Stock and 1,000 shares of Series C Preferred Stock were issued and outstanding.

**Series A Preferred Stock**

**Dividends.** The holders of Series A Preferred Stock shall have no dividend rights except as may be declared by the Company's Board.

**Liquidation.** The Series A Preferred Stock rank (i) senior to the Company's common stock and Series B Preferred Stock and (ii) senior to or on parity with all other classes and series of the Company's preferred stock, unless otherwise specified, with respect to the payment of dividends and distributions of the assets of the Company upon liquidation, dissolution or winding up of the Company.

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In the event of a liquidation, dissolution or winding up of the Company, or in the event of the Company's insolvency (a "Liquidation"), the holders of outstanding shares of the Series A Preferred Stock shall be entitled to be paid out of the assets of the Company available for distribution to holders of the Company's capital stock of all classes, whether such assets are capital, surplus or earnings ("Available Assets"), before any distribution or payment is made to any holders of common stock or any class or series of the Company's capital stock which is, with respect to the junior stock, an amount per share of Series A Preferred Stock equal to the sum of (1) the Series A Preferred Stock Applicable Per Share Stated Value (as defined below) plus (2) declared and unpaid dividends, if any, thereon.

Voting. Except as otherwise required by law, holders of Series A Preferred Stock shall be entitled to vote, together as a class with the holders of common stock, on all matters submitted to stockholders of the Company and shall have the number of votes equal to the number of shares of common stock such Series A Preferred Stock are convertible into.

Conversion. Each share of Series A Preferred Stock shall be convertible into such number of shares of the Company's common stock determined by dividing (i) the Series A Preferred Stock Applicable Per Share Stated Value by (ii) the Series A Conversion Price. The "Series A Preferred Stock Applicable Per Share Stated Value" means \$1,250 per share, subject to adjustment. The "Series A Preferred Stock Conversion Price" means \$0.05, subject to adjustment. The Company is prohibited from effecting a conversion of the Series A Preferred Stock to the extent that, as a result of such exercise, the holder would beneficially own more than 4.99% of the number of shares of common stock outstanding immediately after giving effect to the issuance of shares of common stock upon conversion of the Series A Preferred Stock, which beneficial ownership limitation may be increased by the holder up to, but not exceeding, 9.99%.

Redemption. At any time and from time to time on or after the issuance date of the Series A Preferred Stock and 24 months thereafter, any holder of Series A Preferred Stock shall have the right to elect to have, out of funds legally available therefor, all or any portion of the then shares of Series A Preferred Stock redeemed by the Company for a price per share of \$980.39, plus all unpaid accrued and accumulated dividends, if any.

#### Series B Preferred Stock

Dividends. The holders of Series B Preferred Stock shall have no dividend rights except as may be declared by the Company's Board.

Liquidation. The Series B Preferred Stock rank (i) senior to the Company's common stock, (ii) senior to or on parity with all other classes and series of the Company's preferred stock, unless otherwise specified and (iii) junior to the Series A Preferred Stock with respect to the payment of dividends and distributions of the assets of the Company upon liquidation, dissolution or winding up of the Company.

In the event of a Liquidation, the holders of outstanding shares of the Series B Preferred Stock shall be entitled to be paid the Available Assets before any distribution or payment is made to any holders of common stock or any class or series of the Company's capital stock which is, with respect to the junior stock, an amount per share of Series B Preferred Stock equal to the sum of (1) the Series B Preferred Stock Applicable Per Share Stated Value (as defined below) plus (2) declared and unpaid dividends, if any, thereon.

Voting. Except as otherwise required by law, holders of Series B Preferred Stock shall be entitled to vote, together as a class with the holder of common stock, on all matters submitted to stockholders of the Company and shall have the number of votes equal to the number of shares of common stock such Series B Preferred Stock are convertible into.

Conversion. Each share of Series B Preferred Stock shall be convertible into such number of shares of the Company's common stock determined by dividing (i) the Series B Preferred Stock Applicable Per Share Stated Value by (ii) the Series B Preferred Stock Conversion Price. The "Series B Preferred Stock Applicable Per Share Stated Value" means \$1,250 per share, subject to adjustment. The "Series B Preferred Stock Conversion Price" means \$0.05, subject to adjustment. The Company is prohibited from effecting a conversion of the Series B Preferred Stock to the extent that, as a result of such exercise, the holder would beneficially own more than 4.99% of the number of shares of common stock outstanding immediately after giving effect to the issuance of shares of common stock upon conversion of the Series B Preferred Stock, which beneficial ownership limitation may be increased by the holder up to, but not exceeding, 9.99%.

## Series C Preferred Stock

*Dividends.* The holders of Series C Preferred Stock shall have no dividend rights except as may be declared by the Board.

*Liquidation.* The Series C Preferred Stock rank (i) senior to the Company's common stock and (ii) senior to or on parity with all other classes and series of the Company's preferred stock, unless otherwise specified with respect to the payment of dividends and distributions of the assets of the Company upon liquidation, dissolution or winding up of the Company.

In the event of a Liquidation, the holders of outstanding shares of the Series C Preferred Stock shall be entitled to be paid the Available Assets before any distribution or payment is made to any holders of common stock or any class or series of the Company's capital stock which is, with respect to the junior stock, an amount per share of Series C Preferred Stock equal to the sum of (1) the Series C Preferred Stock Applicable Per Share Stated Value plus (2) declared and unpaid dividends, if any, thereon. The "Series C Preferred Stock Applicable Per Share Stated Value" means \$10 per share, subject to adjustment.

*Voting.* Except as otherwise required by law, the holders of Series C Preferred Stock shall be entitled to vote, together as a class with the holders of common stock, on all matters submitted to stockholders of the Company. The holders of all the Series C Preferred Stock shall be entitled to vote, in the aggregate, such number of shares equal to 40% of the then issued and outstanding shares of common stock on a pro-rata basis.

*Automatic Conversion.* Each share of Series C Preferred Stock shall automatically convert into 1,000 shares of the Company's common stock upon the earlier of (i) the listing of the Company's securities on a national securities exchange and (ii) a Change in Control (as defined in the Series C COD).

## **Anti-Takeover Effects of Certain Provisions of our Charter and Bylaws and the DGCL**

### ***Delaware Law***

We are governed by the provisions of Section 203 of the DGCL. In general, Section 203 prohibits a publicly traded Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. A business combination includes mergers, asset sales or other transactions resulting in a financial benefit to the stockholder. An interested stockholder is a person who, together with affiliates and associates, owns (or within three years, did own) 15% or more of the corporation's voting stock, subject to certain exceptions. The statute could have the effect of delaying, deferring or preventing a change in control of our company.

### ***Board of Directors Vacancies***

Our Bylaws authorize our Board to fill vacant directorships. In addition, the number of directors constituting our Board may be set only by resolution of the Board.

### ***Advance Notice Requirements for Stockholder Proposals and Director Nominations***

Our Bylaws provide that stockholders seeking to bring business before a meeting of stockholders, or to nominate candidates for election as directors at a meeting of stockholders must provide timely notice of their intent in writing. To be timely, such stockholder's written notice must be delivered to or mailed and received by our Secretary not less than 90 calendar days nor more than 120 calendar days before the first anniversary of the date on which we held our annual meeting of stockholders in the immediately preceding year. However, in the case of an annual meeting of stockholders that is called for a date that is not within 30 calendar days before or after the first anniversary date of the annual meeting of stockholders in the immediately preceding year, any such written proposal of nomination must be received by the Board not less than 10 calendar days after the date we mail notice to our stockholders of the date that the annual meeting of stockholders will be held or we issue a press release or otherwise publicly disseminated notice that an annual meeting of stockholders will be held and the date of the meeting. These provisions may preclude our stockholders from bringing matters before our meeting of stockholders or from making nominations for directors at our meeting of stockholders.

### ***Authorized but Unissued Shares***

Our authorized but unissued shares of common stock and preferred stock are available for future issuance without stockholder approval and may be utilized for a variety of corporate purposes, including future public and private offerings to raise additional capital, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved common stock and preferred stock could render more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

### **Listing**

Our common stock is quoted on the OTC Pink Tier of the OTC Markets under the symbol "MSRT."

### **Transfer Agent**

Our transfer agent is Pacific Stock Transfer Company, located at 173 Keith Street, Suite 3, Warrenton, Virginia 20186.

**List of Subsidiaries of MassRoots, Inc.**

MassRoots Blockchain Technologies, Inc. – Delaware  
Odava, Inc. – Delaware  
DDDigital LLC – Colorado  
MassRoots Supply Chain, Inc. – Delaware



871 Coronado Center Drive  
Suite 110  
Henderson, Nevada 89052  
702.413.6000  
702.413.6056/ Fax  
www.rbsmlp.com

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statement on Form S-8 (File No. 333-226099) of our report dated July 16, 2020, which includes an explanatory paragraph regarding the substantial doubt about the Company's ability to continue as a going concern, with respect to our audit of the consolidated financial statements of MassRoots, Inc. and its subsidiaries as of December 31, 2019 and 2018 and for the two-year period then ended, which report is included in this Annual Report on Form 10-K for the year ended December 31, 2019.

*RBSM LLP*

RBSM LLP  
Henderson, Nevada  
July 16, 2020

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New York, NY Washington DC San Francisco, CA Las Vegas, NV Athens, GRE Beijing, CHN, Mumbai and Pune, IND  
Member of ANTEA International with member offices worldwide

**Certification of Chief Executive Officer of MassRoots, Inc.  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Isaac Dietrich, certify that:

1. I have reviewed this annual report on Form 10-K of MassRoots, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over 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 reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 16, 2020

/s/ Isaac Dietrich

Isaac Dietrich

*Chief Executive Officer*

(Principal Executive Officer)

**Certification of Chief Financial Officer of MassRoots, Inc.  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Jesus Quintero, certify that:

1. I have reviewed this annual report on Form 10-K of MassRoots, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over 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 reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 16, 2020

/s/ Jesus Quintero

Jesus Quintero

*Chief Financial Officer*

(Principal Financial and Accounting Officer)

**Statement of Chief Executive Officer  
Pursuant to Section 1350 of Title 18 of the United States Code**

Pursuant to Section 1350 of Title 18 of the United States Code as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Isaac Dietrich, Chief Executive Officer of MassRoots, Inc. (the "Company"), hereby certifies that based on the undersigned's knowledge:

1. The Company's annual report on Form 10-K for the period ended December 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 16, 2020

/s/ Isaac Dietrich

Isaac Dietrich

*Chief Executive Officer*

(Principal Executive Officer)



**Statement of Chief Financial Officer  
Pursuant to Section 1350 of Title 18 of the United States Code**

Pursuant to Section 1350 of Title 18 of the United States Code as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Jesus Quintero, the Chief Financial Officer of MassRoots, Inc. (the "Company"), hereby certifies that based on the undersigned's knowledge:

1. The Company's annual report on Form 10-K for the period ended December 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 16, 2020

/s/ Jesus Quintero

Jesus Quintero

*Chief Financial Officer*

(Principal Financial and Accounting Officer)