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PART II
INFORMATION TO BE INCLUDED IN REPORT

Item 1. Business

Corporate Background and General Overview

Motivated by the belief that America can engineer and build a high quality, reliable, safe, eco-friendly and affordable vehicle for everyone, engineering veteran Paul Elio founded Elio Motors, Inc. as an Arizona corporation in October 2009. Today, Elio Motors is an American vehicle design and manufacturing company committed to providing safe, affordable and efficient vehicles. Leveraging existing technology, Elio Motors has designed a revolutionary front engine, front-wheel drive, two-seat, gasoline-powered vehicle, with two wheels in the front and one wheel in the rear – *the Elio*. Its unique design makes the vehicle more aerodynamic with significantly higher gas mileage than standard vehicles.

Elio Motors hopes to make a game-changing impact beyond sales; creating thousands of jobs, reducing dependence on foreign oil, reducing emissions, and favorably affecting the trade deficit by reducing foreign oil imports, exporting vehicles, and providing a significant return for investors.

The Elio

Target vehicle specifications for *the Elio* are as follows:

The Elio – Target Vehicle Specifications Overview	
Body and chassis	
Chassis/Body:	Unibody & panel
Layout:	Front engine, front-wheel drive, 3-wheeled, open front wheel
Powertrain	
Engine:	0.9 liter 3 cylinder, 55 horsepower
Transmission:	5 speed manual or automatic manual transmission (AMT)
Dimensions	
Wheelbase:	110 inches
Length:	160.5 inches
Track Width:	66.8 inches
Height:	54.2 inches
Target Curb Weight:	1350 pounds
Trunk Space:	27 inches x 14 inches x 10 inches (2.2 cubic feet)
Performance	
0-60 mph:	10.8 seconds
Top Speed:	100 miles per hour+
Fuel Economy:	84 miles per gallon EPA highway; 49 miles per gallon EPA city
Range:	Up to 672 miles
Other	
Fuel:	Unleaded gasoline
Fuel Capacity:	8 gallons

The Elio's expected mileage range of 672 miles exceeds that of electric vehicles (100 to 300 miles) and that of most other vehicles of its size (400 to 500 miles). Configured in a three-wheel format, it is conceived with tandem seating for two passengers to travel in a front-to-back layout. With a targeted retail price of $7,450[1] per vehicle, we believe that *the Elio* provides the efficiency and environmental friendly benefits without the price premium, driving range anxiety or safety risks of electric or hybrid vehicles. Based on the current prototype and sources for components, the bill-of-materials (BOM) cost has been developed, which is the largest component of the retail price for *the Elio* vehicle. At present, the current BOM would require a sales price of $7,526. However, during the prototype phase of any automotive vehicle program it is quite customary to have a gap to a design BOM cost target. The cost targets for *the Elio* have been set based on the management team's collective past experience in sourcing hundreds of automotive components. Actual BOM costs can vary up or down during vehicle development as engineering changes are made and validated through testing. Through continuous product refinement during vehicle development, supplier negotiation closer to production and scale economies post-production, this cost

gap is typically bridged. While design-decision driven costs are within our control, the commodity price fluctuations driven by energy prices are beyond our control.

[1] For a “base” vehicle without optional accessories, destination/delivery charges, taxes, title and registration.

The tandem seating design is a key component to the achievement of *the Elio's* fuel efficiency; it reduces vehicle body[2] width by half that of the typical side-by-side seated two to four passenger compact car (68.8 inches wide on average[3]), minimizing the wind drag on the vehicle by a corresponding one half. Drivers will benefit from the vehicle's three-wheel, two-passenger format, not only for additional practical reasons, but also as it permits them to utilize the High Occupancy Vehicle (HOV) or carpool lanes on roads and highways. By employing the three-wheel design, the vehicle qualifies as a motorcycle[4], lowering the degree of federal and state compliance requirements, as compared to vehicles with four wheels or more, and drastically reduces the cost of development and launch of the vehicle. Although the vehicle is technically classified as a motorcycle, we have designed *the Elio* to meet the more stringent safety standards of cars.

Features and Options. The vehicle is designed to have the same standard comfort and functional features customers have come to expect in modern automobiles: air conditioning, heat, AM/FM stereo, power windows and door lock, airbags, auxiliary port(s), anti-lock brakes, and traction control. An automatic manual transmission (AMT) is an option. Other optional luxury features will be available as well, such as leather seats, power seats and various exterior body aesthetic add-ons. It will also have newer generation options, such as rear view/backup camera, remote engine ignition, GPS-mapping, navigation, web radio and custom body wrapping.

Customers will be able to select from seven different body color options: Rocket Silver, Sour Apple, Creamsicle, Red Hot, True Blue, Licorice and Marshmallow.

Vehicle Development and Existing Technologies Used. While *the Elio* is unique from what exists in the current market, many of its planned components and technologies are already in use and accessible in today's automotive production market, thus reducing the need, costs and execution risks of vehicle development. Many components utilized in the construction of the vehicle's interior, chassis, powertrain and body, are either available off-the-shelf or can be modified from off-the-shelf items for use in production of the vehicle. "Off-the-shelf" means the components are in current production in other automaker vehicles and the component suppliers either own the production tooling and/or designs to these components or have the permission to sell these components to Elio Motors. The benefits of using off-the-shelf components are proven, durable performance and lowered costs due to economies of scale. We have already established letters of intent with industry-leading suppliers to provide *the Elio's* systems and components, such as Linamar Corporation for the engine, Aisin for the transmission, and Hyundai Dymos for the seats.

Automakers generally outsource a significant portion of the vehicle components to third-party suppliers. In fact, according to Oliver Wyman, in order to meet the evolving consumer demands and to remain competitive, suppliers' share of the value creation in vehicle development was 77.3% in 2012 and is projected to increase to 81.1% by 2025.[5] This means that Elio Motors is not alone in this regard. In addition, automakers single source components for a given vehicle platform, but use multiple suppliers for their portfolio of vehicle platforms in order to have pricing leverage over suppliers. Although we are single sourcing any given automotive component, our purchasing group has a reserve of two or three capable suppliers to protect against pricing or other supply risks. In fact, we have successfully switched suppliers for a few components already.

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[2] Based on the width of the vehicle's body from left side panel to right side panel, and distinct from track width.

[3] Source: Edmunds.com as of 2007 (http://usatoday30.usatoday.com/money/autos/2007-07-15-little-big-cars_N.htm)

[4] The National Highway Traffic Safety Administration (NHTSA) defines a motorcycle as "a motor vehicle with motive power having a seat or saddle for the use of the rider and designed to travel on not more than three wheels in contact with the ground."

[5] Source: Oliver Wyman Automotive Manager 2014 Articles (http://www.oliverwyman.com/content/dam/oliver-wyman/global/en/2014/jul/17-19_AM_2014_Boosting%20Engineering%20Performance.pdf)

Unibody and Body Panel Design. *The Elio* has gone through numerous changes and the design has been adapted to a unibody design. The unibody provides a reduction in weight, improved manufacturability at high volume and improved safety by elimination of fumes during the MIG (metal inert gas) welding process. Unibody also helps with the fit and finish of the vehicle by providing tighter tolerances. This change also allows for the use of steel panels for the outer body. The combination of unibody design and steel outer panels will improved the fit and finish and provide higher volume level than composite panels. With the new metals for the outer body, we are able to lower the piece price of the components, lower tooling costs, improve cycle time, design to tighter tolerances, improve crashworthiness and have a better overall product. Also, the change reduces the use of adhesives in the plant, which are volatile and a safety concern.

Engine/Powertrain. Perhaps the most critical aspect to the vehicle's performance is the engine. *The Elio* engine is an inline 0.9 liter combustible three-cylinder engine, which has been custom-developed for *the Elio* application. Like the rest of the vehicle, it relies heavily on off-the-shelf components and is a great execution of current automotive technology. To achieve *the Elio's* fuel efficiency and power requirements, this version will include existing technologies found in production automobiles today: variable valve lift and exhaust gas recirculation.

Newly Tooled Parts and Components. While much of the vehicle's construction involves readily available, off-the-shelf components and existing technologies, some parts are unique to the vehicle and will require new tooling to fabricate parts for production. As described above, it has been noted that the engine powertrain for the vehicle will involve a new engine with off-the-shelf parts where possible and unique parts, such as the engine block being manufactured by current market leaders. This system, along with other powertrain, interior, chassis and body components will also require new parts production to accommodate the performance, styling and features of the vehicle.

Engineering and Development, to Date; Prototype Build and Design Validation. Our development process of *the Elio* comprises five stages: Concept Design, Engineering Analysis, Detailed Design, Prototype Build and Validation Testing. As of this date, we have made considerable progress through the first three stages of the vehicle's development. The current stage is prototype build, vehicle test and engineering validation stage. Through this process, the vehicle safety characteristics, the gasoline efficiency and the cost of manufacturing the vehicle will be confirmed.

We are using Technosports Creative, a Livonia, Michigan-based prototype maker, to build *Elio* prototypes and certain other manufactured parts used in the engineering and safety testing process. To date, we have built five marketing (P1-P5) and three engineering (E1A, E1B, E1C) prototypes, with each newer model using the latest engineering design and improved components. We plan to build an additional eighteen engineering (E series) prototypes using a combination of fabricated and soft-tooled and off-the-shelf components provided by *the Elio* suppliers. During the prototype build process, issues will be tracked and reported back to the component and vehicle engineering teams to be resolved. A series of tests are planned for the prototypes, with some vehicles to be used for multiple tests. Since *the Elio* is classified as a motorcycle under the Federal Motor Vehicle Safety Standards and Regulations, *the Elio* does not have to meet any destructive safety tests. The crash safety testing for *the Elio* will be done purely as a due care measure and not because of any regulatory requirement. On the other hand, in order to be eligible for the Advanced Technology Vehicles Manufacturing (ATVM) loan (discussed below in Item 2. "*Management's Discussion and Analysis of Financial Condition and Results of Operation – Plan of Operations*"), *the Elio* has to qualify as an "ultra-efficient vehicle" that achieves at least 75 miles per gallon[6] while operating on diesel or gasoline. The Department of Energy (DOE) has informed us that Elio Motors has met the technical eligibility criteria for the ATVM loan based on preliminary analysis. However, it is possible that DOE may require physical testing of *the Elio* for validation of miles per gallon prior to disbursement of the ATVM loan.

Cost Estimates Developed with Vendors. We have also made considerable progress towards identifying and procuring component and parts supply partners who will provide the setup for and future production of components in the vehicle at the start of production. To date, we have obtained cost estimates from nearly 80% of our potential parts and components supply partners, with detailed estimates from each supplier for the pre-production equipment tooling and the per part costs (based on vehicle production volumes).

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[6] ATVM's 75 miles per gallon is based on the CAFÉ test method, which is a combined highway and city mileage number. *The Elio* is expected to achieve 92 mpg measured under the CAFÉ test method. On the other hand, *the Elio's* projected 84 miles per gallon is a highway mileage number, which is based on EPA's test method, which involves real-world driving conditions.

The Market

We will be selling into the North American automobile market, which is highly competitive. We have examined various considerations with regard to *the Elio's* market impact, including driving cost analyses, *the Elio's* unique profile, cost comparisons to existing vehicles in the market, market testing and target consumer markets.

Driving Cost Analyses. We expect the total cost of operating an *Elio* to be substantially below that of any available vehicle due largely to the expected retail price of an *Elio* and its anticipated fuel efficiency.

Unique profile. We have carefully assessed whether a two-passenger vehicle profile will be an impediment to broad market acceptance. According to a survey of 150,000 households completed by the US Department of Transportation's Federal Highway Administration in 2009 (the "2009 National Household Travel Survey"), the average vehicle occupancy across all types of trips (work, shopping, family errands, and social and recreational) totaled 1.67. When traveling to and from work, the average vehicle occupancy declined to just 1.13, suggesting that almost all work commutes by automobile are made with the driver as the sole vehicle occupant. Only social and recreational trips averaged more than two occupants, measuring at 2.2.

Cost comparisons to existing vehicles. When compared to internal combustion engine vehicles (i.e., those powered by gasoline or diesel oil), *the Elio* is substantially more attractive on the basis of purchase cost, operating costs and efficiency. When compared to electric vehicle alternatives, *the Elio* still represents a significantly better value proposition on the basis of purchase cost and convenience. Electric vehicles range in purchase cost from $23,000 (Mitsubishi i-MiEV) to $90,000 (Tesla Model X), and the lack of available charging stations limits the driving range of many of the models, making them less convenient and impractical for longer trips.

Market testing. Since May 2013, we have been touring a prototype *Elio* across the United States to build awareness, gather feedback and refine the offering. The vehicle has been well received at more than 150 events nationwide. We have been taking reservations through our website for future production models of *the Elio*, which require deposits of $100 to $1,000, with the average deposit received per reservation of $429, with 95% of the reservation dollar amounts being non-refundable. In August 2016, an offer was circulated that until the Company reached 65,000 total reservations, non-refundable reservation holders will receive a locked price of $7,300, exclusive of destination/deliver charges, taxes, title, registration, and options/installation. As a special incentive if non-refundable reservation holders made a binding purchase commitment, the locked price is reduced to $7,000. As of December 31, 2016, the Company has received 63,661 total reservations, of which 37,539 have received the locked price of $7,300 and 18,792 have made a binding purchase commitment and have received the locked price of $7,000.

Target markets. We have surveyed consumers several times to understand the groups most likely to purchase an *Elio.* The results of these surveys indicate that the demographics of an *Elio* purchaser will evolve, as the initial purchasers, or "early adopters," will have a slightly different demographic profile than the broader group of purchasers anticipated in future years. Based on our analyses, we are targeting the Second Vehicle and Used Car markets, the Clunker Replacement market, and the Third Vehicle market.

- Second Vehicle and Used Car Markets – According to the 2009 National Household Travel Survey, there were 1.86 vehicles per household, and greater than 41 million households had two vehicles, accounting for 36.3% of all US households. The 2014 Used Car Industry Report published by the National Independent Automobile Dealers Association indicated that for 2013, 41.99 million used vehicles and 15.58 new vehicles were sold. The 2014 Used Vehicle Market Report prepared by Edmunds.com revealed that the average transaction price for a ten-year old vehicle was $7,689. We believe that *the Elio* presents an attractive alternative to purchasing a used car for a second vehicle. Given the option of purchasing a used vehicle with 120,000 miles on it for $7,689 versus a new vehicle with all the guarantees and warranties for under $7,600, many buyers, especially first-time buyers and college students, will present a solid opportunity.

- Clunker Segment - Of the 258 million[7] vehicles on the road in the U.S. today, 120 million are six to 14 years old or older, or "Clunkers." This segment consists of clunker drivers who today, have no intention of getting a different vehicle. They do not want to (or cannot) purchase a substantially better vehicle. Given the low upfront cost of *the Elio* and its low operating cost, we believe that *the Elio* will stand out as a newer, lost-cost alternative for clunker drivers. If one were to finance the cost of *the Elio* over six years, and replace a vehicle with 18 miles per gallon or less, the savings on gas from the new *Elio* would entirely pay for the vehicle[8].

- Third Vehicle - We had Berline (a Detroit advertising agency), perform a survey to assess the market for *the Elio*. Berline surveyed 2,000 people who watched a video about *the Elio* and then completed a questionnaire. 23.8% of the respondents classified themselves as either "Very Likely" or "Extremely Likely" to purchase an *Elio*, an impressive result for a new vehicle. Even more interesting, 72.7% of this group of "Very Likely" or "Extremely Likely" indicated they would buy *an Elio* in addition to their current vehicles.

Reservations for an *Elio*

Since 2013, we have been accepting reservation deposits ranging from $100 to $1,000 for purposes of securing vehicle production slots. We offer reservations on a non-refundable and refundable basis at the following levels: $1,000, $500, $250 and $100. Those holding non-refundable reservations have priority over those holding refundable reservations and within each group, those with higher deposits have greater preference over those with lower deposits. As of December 31, 2016 and 2015, we received refundable deposits of $1,247,550 and $1,092,750, respectively, which are included as current liabilities on our balance sheets. As of December 31, 2016 and 2015, we received nonrefundable deposits of $26,035,436 and $19,587,800, respectively, which are included as long-term liabilities on our balance sheets.

Sales and Service Model

Sales Model. The sales model for our vehicle is based on the establishment and operation of our own retail store network, as opposed to the conventional model utilizing factory-authorized dealer franchises. Our distribution model is designed to enable customers to choose specific options for their vehicles at the point-of-sale. Since they will be purchasing directly from the manufacturer, customers would be able to obtain their desired mix of options and features, rather than choosing from pre-set option packages. With seven color choices and the choice of either a manual or automatic transmission, there will be 14 vehicle combinations available. Customers can then select from an extensive list of add-ons to customize their vehicles.

We envision situating our stores as small, stand-alone locations in highly visible community shopping centers of major cities, in which three full-size *Elio* vehicles can be displayed – one inside the store and two (a standard and an automatic) outside the store to accommodate test drives. Customers would access four to six interactive kiosks placed in-store to assist in their vehicle and vehicle options choices, providing such information as option/accessory menus, pricing, warranty information, service locations and financing options. With only three vehicles being displayed, our retail stores are expected to comprise approximately 4,000 square feet of space.

Fulfillment and Delivery. Once a customer has finalized his/her vehicle and option selections, the order would be transmitted to one of several *Elio* marshaling/configuration centers, positioned within nine hours of an *Elio* retail store. These marshaling centers would maintain a stock of base vehicles, provide parts installation of customers' selected option add-ons to the vehicles, and facilitate the delivery of the vehicle to the retail location of purchase. We expect vehicle orders to be transmitted real time throughout the day, then building out and customizing a base vehicle according to the customer's specifications. To provide the marshaling services, we have identified ADESA, Inc., a large national provider of vehicle remarketing services to automotive manufacturers, financial institutions, vehicle rental companies, and fleet management companies.

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[7] IHS Automotive. (2015). Average Age of Light Vehicles in the U.S. Rises Slightly in 2015 to 11.5 years, IHS Reports [Press release]. Retrieved from http://press.ihs.com/press-release/automotive/average-age-light-vehicles-us-rises-slightly-2015-115-years-ihs-reports.

[8] Assumes price of gas is $2.75 per gallon, vehicle is driven approximately 10,000 miles per year, cost of an *Elio* is $7,600 and *the Elio* gets 84 miles per gallon.

Service. Since our retail stores are planned only as sales and distribution locations, we have identified an outsourced service partner - The Pep Boys - Manny, Moe & Jack, a publicly-traded, national provider and retailer of automotive aftermarket service and parts. We believe that with an existing base of approximately 800 service centers in 36 states located in 90% of the markets in which we will operate, Pep Boys has the right combination of brand recognition and customer focus for its desired factory authorized service provider. We entered into a preliminary memorandum of understanding as a first step towards securing this working relationship.

Production Plan

Manufacturing Facility. See "Properties" for a description of the manufacturing facility.

Sourcing. We intend to sole-source components initially from major component suppliers under multi-year supply agreements and develop dual sources of certain components as quickly as practical.

Production Plan. We have developed the facility layout and production plan, based on the significant automotive experience of our manufacturing team. The facility layout has been developed to utilize the existing infrastructure and flexible design of the buildings at the Shreveport facility. Our present launch plan covers a 76-week timetable, which includes a build of 158 pre-production (S-1) prototypes. These prototypes will be built using hard tooling with the majority assembled in Shreveport at our production facility. The additional timeline is also required for the integration in Shreveport for the body shop, paint line and powertrain assembly lines in Shreveport, based on current vendor estimates.

Our previous production plan was estimated at 47 weeks, based on a management theory that timelines are like the gas law and they fill the volume given them. Thus management had taken the nominal timing and subtracted 30 to 60 days from that timing and then push the team to achieve that goal – the result would be minimum time to production, although, it would likely result in a slippage to the start of production date. Upon outside advice, management has revised that philosophy and is now working to a more conservative timeline, thus the reason for the revised timing. The team is investigating methods or techniques to reduce timing. Currently the long lead item for timing is with body assembly tooling and line tryouts at 76 weeks.

Management is committed to making this vehicle available to the public as soon as possible. However, in order to move into production, we require a significant cash inflow to kick-off long lead time production equipment and tooling. The 76-week timetable starts with the date of the next major funding and can only be maintained with continued timely funding. Each funding delay, delays the start of production. We have encountered delays in the past, the majority of which are missed funding milestones. We believe these funding delays were largely a result of the venture capital industry moving away from new vehicle startups and the reluctance of the Federal government's commitment to the ATVM funding. Fortunately, at present the investing public seems to be very interested in this category in general. As disclosed Item 2. "*Management's Discussion and Analysis of Financial Condition and Results of Operation – Plan of Operations*," we must raise an estimated $376 million to fund production. Our anticipated production timetable is dependent upon receiving such funding in a timely manner, and delays in obtaining additional funding will delay our production timetable.

Intellectual Property

Patents. In order to minimize the cost of bringing *the Elio* to market, we have chosen not to apply for patents for any of our mechanical innovations related to our development of *the Elio*. The design of *the Elio* is copyrighted, but others could design a vehicle similar to *the Elio* and argue that although similar, the design has not been copied. This means that others could develop a vehicle with a similar design and produce a competing product, which would adversely affect our business, prospects, financial condition and operating results. If we are able to successfully launch *the Elio,* we expect that other companies – whether they are traditional auto companies, motorcycle companies, or other startups – would attempt to begin producing their own three-wheeled vehicles. However, we believe Elio Motors would be well positioned due to the following:

- We will be several years ahead of the competition in terms of the design and production capabilities.
- We will have established a network of automotive supplier relationships that are not easily duplicated by motorcycle manufacturers or other startups.
- We believe we have created a sustainable brand loyalty through the manner in which we treat our customers. *The Elio* is being deliberately priced at the $7,450 base price target even though the market will bear a higher price without any competitors at the outset. By not opportunistically pricing *the Elio*, it will be difficult for competitors to attract *Elio* customers away. We believe that most major auto manufacturers are saddled with legacy costs (pension obligations, etc.) and massive corporate infrastructure and overhead that would make it very difficult for them to compete with our targeted $7,450 base price.

Trademark and Trade Name. We have registered the following with the United States Patent and Trademark Office:

- "ELIO and Design" (the logo consisting of the name "Elio" in a circle) – Registered April 8, 2014, registration number 4510655.
- "ELIO MOTORS" (name only) – Registered September 2, 2014, registration number 4598749.

Government Regulation

Many governmental standards and regulations relating to safety, fuel economy, emissions control, noise control, vehicle recycling, substances of concern, vehicle damage, and theft prevention are applicable to new motor vehicles, engines, and equipment manufactured for sale in the United States, Europe, and elsewhere. In addition, manufacturing and other automotive assembly facilities in the United States, Europe, and elsewhere are subject to stringent standards regulating air emissions, water discharges, and the handling and disposal of hazardous substances. The most significant of the standards and regulations affecting us are discussed below:

Mobile Source Emissions Control. The federal Clean Air Act imposes stringent limits on the amount of regulated pollutants that lawfully may be emitted by new vehicles and engines produced for sale in the United States. The current ("Tier 2") emissions regulations promulgated by the Environmental Protection Agency (EPA) set standards for motorcycles. Tier 2 emissions standards also establish durability requirements for emissions components to 5 years or 30,000 kilometers.

California has received a waiver from EPA to establish its own unique emissions control standards for certain regulated pollutants. New vehicles and engines sold in California must be certified by the California Air Resources Board (CARB). CARB's emissions standards for motorcycles are in line with those of the EPA.

Motor Vehicle Safety. The National Highway Traffic Safety Administration (NHTSA) defines a motorcycle as "a motor vehicle with motive power having a seat or saddle for the use of the rider and designed to travel on not more than three wheels in contact with the ground." In order for a manufacturer to sell motorcycles in the US, the manufacturer has to self-certify to meet a certain set of regulatory requirements promulgated by the NHTSA in its Federal Motor Vehicle Safety Standards (FMVSS).

Our FMVSS strategy is designed to meet motorcycle requirements and conform as much as possible to automotive FMVSS requirements while not violating the motorcycle requirements that we must meet.

The National Traffic and Motor Vehicle Safety Act of 1966 (the "Safety Act") regulates vehicles and vehicle equipment in two primary ways. First, the Safety Act prohibits the sale in the United States of any new vehicle or equipment that does not conform to applicable vehicle safety standards established by NHTSA. Meeting or exceeding many safety standards is costly, in part because the standards tend to conflict with the need to reduce vehicle weight in order to meet emissions and fuel economy standards. Second, the Safety Act requires that defects related to motor vehicle safety be remedied through safety recall campaigns. A manufacturer is obligated to recall vehicles if it determines the vehicles do not comply with a safety standard. If we or NHTSA determine that either a safety defect or noncompliance exists with respect to any of our vehicles, the cost of such recall campaigns could be substantial.

Operator's License and Helmet Requirements. Since *the Elio* is a motorcycle by NHTSA definition, laws and regulations pertaining to the operation of a motorcycle and wearing a helmet apply to us. We have worked with state legislatures to seek an exemption from the application of these requirements. As of this date, five states require the use of helmets while operating an enclosed three-wheel vehicle if the operator is under a specified age (generally under 18, although two states require a helmet if under the age of 21) and one state requires the use of helmets regardless of age.

The American Association of Motor Vehicle Administrators (AAMVA), which is a tax-exempt, nonprofit organization developing model programs in motor vehicle administration, law enforcement and highway safety, and which represents the state and provincial officials in the United States and Canada who administer and enforce motor vehicle laws, issued a report in October 2013, titled "Best Practices for the Regulation of Three-Wheel Vehicles." In that report, the AAMVA distinguishes a traditional three-wheel motorcycle from what it calls an "autocycle" – a three-wheel motorcycle that has a steering wheel and seating that does not require the operator to straddle or sit astride it. In addition, the AAMVA issued the following recommendations for autocycles:

- Registering autocycles differently than three-wheel motorcycles – using AU instead of 3W for the body style and creating a distinguishing plate alpha/numeric configuration or using a distinguishing feature on the plate to indicate the vehicle is registered as an autocycle; and

- With respect to driver license requirements, allowing operation of autocycles with a standard automobile license

As of this date, 31 states recognize the definition of autocycle (in most cases, with the added provision that it must be an enclosed or partially enclosed motorcycle).

Pollution Control Costs. We are required to comply with stationary source air and water pollution and hazardous waste control standards that are now in effect or are scheduled to come into effect with respect to our manufacturing operations. We do not yet have an estimate of the cost of compliance.

Motor Vehicle Manufacturer and Dealer Regulation. State laws regulate the manufacture, distribution, and sale of motor vehicles, and generally require motor vehicle manufacturers and dealers to be licensed in order to sell vehicles directly to consumers in the state. As described above in the "Sales and Service Model" section, establishing and operating our own retail store network means that we will need to secure dealer licenses in order to do so. It will not be possible to obtain a dealer license in all 50 states since a few states presently do not permit motor vehicle manufacturers to be licensed as dealers or to act in the capacity as a dealer, or otherwise restrict a manufacturer's ability to deliver vehicles. Where we are unable to obtain a dealer license, we may have to conduct sales out of the state using our website, phone or mail. We do not yet have an estimate of the cost of compliance with motor vehicle manufacturer and dealer regulations.

The Company will need to initiate a 50-state survey of the regulatory landscape surrounding the direct sales of motorcycles or autocycles. Once the survey is complete, we intend to pursue a legislative approach to amend current laws, which would permit autocycle manufacturers such as Elio Motors to sell autocycles directly to consumers. In those states that would ban direct sales even after all legislative efforts have been exhausted, we plan to open and operate galleries, where customers would be able to view *the Elio* vehicles and then would be directed to the Company's website to complete their purchase. We expect that certain customers may in fact be deterred from purchasing exclusively online.

Competition

The worldwide automotive market, particularly for economy and alternative fuel vehicles, is highly competitive today and we expect it will become even more so in the future. Other manufacturers have entered the three-wheeled vehicle market and we expect additional competitors to enter this market within the next several years. As they do so, we expect that we will experience significant competition. With respect to *the Elio*, we also face strong competition from established automobile manufacturers, including manufacturers of high-MPG vehicles, such as Toyota Prius, Smart, Fiat, Nissan Leaf, and other high efficiency, economy cars.

Most of our current and potential competitors have significantly greater financial, technical, manufacturing, marketing and other resources than we do and may be able to devote greater resources to the design, development, manufacturing, distribution, promotion, sale and support of their products. Virtually all of our competitors have more extensive customer bases and broader customer and industry relationships than we do. In addition, almost all of these companies have longer operating histories and greater name recognition than we do. Our competitors may be in a stronger position to respond quickly to new technologies and may be able to design, develop, market and sell their products more effectively.

Furthermore, certain large manufacturers offer financing and leasing options on their vehicles and also have the ability to market vehicles at a substantial discount, provided that the vehicles are financed through their affiliated financing company. We do not currently offer any form of direct financing on our vehicles. The lack of our direct financing options and the absence of customary vehicle discounts could put us at a competitive disadvantage.

We expect competition in our industry to intensify in the future in light of increased demand for alternative fuel vehicles, continuing globalization and consolidation in the worldwide automotive industry. Factors affecting competition include product quality and features, innovation and development time, pricing, reliability, safety, fuel economy, customer service and financing terms. Increased competition may lead to lower vehicle unit sales and increased inventory, which may result in a further downward price pressure and adversely affect our business, financial condition, operating results and prospects. Our ability to successfully compete in our industry will be fundamental to our future success in existing and new markets and our market share. There can be no assurances that we will be able to compete successfully in our markets. If our competitors introduce new cars or services that compete with or surpass the quality, price or performance of our vehicles or services, we may be unable to satisfy existing customers or attract new customers at the prices and levels that would allow us to generate attractive rates of return on our investment. Increased competition could result in price reductions and revenue shortfalls, loss of customers and loss of market share, which could harm our business, prospects, financial condition and operating results.

Research and Development

During the fiscal years ended December 31, 2016, 2015, and 2014, we spent $20,078,229, $2,085,590, and $5,469,895, respectively, on engineering, research and development activities. The 2016 increase in engineering was driven by our successful Regulation A offering.

Employees

As of December 31, 2016, we employed a total of 28 full-time and no part-time people. None of our employees are covered by a collective bargaining agreement. Most of the significant engineering work on *the Elio* design has occurred through our prospective suppliers and partners and engineering consultants. Subsequent to year end, we furloughed several employees based on limited cash resources until additional funding is in place.

Legal Proceedings

As of December 31, 2016, there are no legal proceedings material to our business or financial condition pending and, to the best of our knowledge, there are no such legal proceedings contemplated or threatened.

Subsequent to year end, we were notified of a Small Claims Court proceeding requesting the refund of a non-refundable deposit. We are defending the claim and do not expect any material adverse effect. Additionally, a claim has been made by a supplier for payment of a past due balance, which we expect to resolve with the next funding.

Properties

Our principal office is located at 2942 North 24th Street, Suite 114-700, Phoenix, Arizona, which is a mailing address of an executive suite leased on a month-to-month basis for $46 per month. In June 2016, we entered into a two-year lease agreement for administrative offices located at 120 North 44th Street, Suite 325, Phoenix, Arizona 85034 for a total of $2,557 per month.

In 2013, we acquired the former General Motors (GM) light truck assembly plant in Shreveport, Louisiana to house our manufacturing operations. The property was one of the facilities transferred to the Revitalizing Auto Communities Environmental Response ("Racer") Trust in March 2011, which was created to redevelop and sell 89 former GM facilities. The facility equipment was purchased by us from the Racer Trust, with all of the GM manufacturing equipment in place, for $3 million in cash and a $23 million promissory note. The real property was purchased by an affiliate of Industrial Realty Group, LLC ("IRG"), the Shreveport Business Park, LLC, for $7.5 million. IRG and Shreveport Business Park, LLC are entities owned and controlled by Stuart Lichter, one of our directors and significant stockholders.

A portion of the purchased machinery and equipment secures a promissory note due to CH Capital Lending, LLC in the principal amount of $9,850,000. CH Capital Lending purchased the note from GemCap Lending I, LLC in August 2014. GemCap Lending originally made the loan to us in February 2013. Interest accrues on the note at 10% per annum, which was due on July 31, 2015. We entered into an extension agreement with CH Capital Lending, LLC in which CH Capital Lending, LLC has agreed to extend the maturity date of the note to July 31, 2018. CH Capital Lending, LLC is an affiliate of Stuart Lichter and Mr. Lichter has guaranteed the repayment of this note. At December 31, 2016 and 2015, the unpaid principal balance of the note was $4,771,214 and $6,655,378, respectively. See Note 7 Long-Term Debt of the Notes to Financial Statements for more information regarding this debt obligation.

The note to Racer Trust is secured by a lien subordinated to the lien of CH Capital Lending on certain machinery and equipment and is non-interest bearing, but has default interest of 18% per annum. The note, as amended, requires a monthly principal payment of $173,500 on June 1, 2017, with the remaining outstanding principal due on July 1, 2017. We are currently in negotiations to extend the principal balloon payment beyond 2017. As of December 31, 2016 and 2015, the outstanding principal balance was $21,126,147 and $21,126,147, respectively. See Note 7 Long-Term Debt of the Notes to Financial Statements for more information regarding this debt obligation.

We identified equipment in the Shreveport plant that will not be used in production of *the Elio* and made the equipment available for sale. Through December 31, 2016, we have received net proceeds of $5.08 million from the sale of equipment, which has been applied to principal on the CH Capital Lending note. As of December 31, 2016, an additional $1.3 million in equipment was available for sale. We believe that approximately $400,000 will be sold in 2017 and approximately $900,000 will be sold in 2018 or beyond. As such, $400,000 has been recorded as assets held for sale on the December 31, 2016 balance sheet, and the remaining balance is included in net machinery and equipment.

GM invested $1.5 billion during the 2002 expansion of the facility and as a result, it is one of the most modern automobile manufacturing facilities in North America, with fully integrated chassis conveyors, and moving workstations for engine, interior, body, and glass installation and fluid filling. We believe that the use of this facility by us greatly lowers start-up production risks of the project, prospectively saving as much as $350 million in facility and equipment costs prior to the start of production.

The facility is located on approximately 437 acres in Caddo Parish, in an industrial park southwest of Shreveport, Louisiana. There are three main structures on the property, excluding the wastewater treatment and power generation facilities. The three structures include the general assembly building (to be used by us), the former metal stamping and body manufacturing building (not to be used by us) and the original manufacturing building and paint shop (to be partially used by us). Of the approximately 3.2 million square feet of manufacturing space, we will utilize less than a third.

The facility is located 2 miles from Interstate 20 and approximately 12 miles from downtown Shreveport. It is serviced by 7 active rail spurs, utilized for delivery of raw material and component supplies to the factory floor, as well as for the loading and rail transport of finished vehicles in the marshaling and shipping yard (to be used by us) at the northern end of the property.

In December 2013, we entered into an agreement with Shreveport Business Park, LLC to lease 997,375 rentable square feet of manufacturing and warehouse space for a 25-year term, which provides for a rent-free period until the earlier of four months after the start of production or August 1, 2015, after which the base rent will be $249,344 per month. We have two options to extend the term of the lease for 25 additional years each, as well as an option to expand into additional space. Since December 2013, we have been obligated to pay taxes, insurance expenses and common expenses with respect to this space. On November 17, 2016, we entered into an amendment to the lease which converted the accrued and projected payments and common area maintence, insurance and tax charges, to Series C Preferred Stock and a warrant to purchase an additional 25,000 shares of the Company's common stock, as discussed in Note 8 Capital Sublease Obligation of the Notes to Financial Statements. The agreement will convert payments through December 31, 2017 and payments will commence on January 1, 2018.

Among the terms of our purchase agreement with Racer Trust was our agreement to use and develop the property so as to create at least 1,500 new jobs. We agreed that if we had not created 1,500 new jobs by February 28, 2016, we would pay Racer Trust $5,000 for each full-time, permanent direct job that fell below the required number. This commitment was extended until July 1, 2017. We have recorded a current liability of $7.5 million as of December 31, 2016.

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

Since our incorporation in October 2009, we have been engaged primarily in design and development of *the Elio* and obtained loans, investments and reservations to fund that development. We are considered to be a development stage company, since we devote substantially all of our efforts to the establishment of our business and planned principal operations have not commenced. We completed the initial design for *the Elio* as well as our business model in December 2012. In 2013, we began accepting reservations for *the Elio,* purchased manufacturing equipment, built two prototypes and secured a manufacturing facility. During 2014, we sourced suppliers and services providers, built two prototypes and applied for the ATVM loan (described below). In 2015, we built an additional prototype, engaged in a convertible subordinated note offering, and filed an offering statement with the SEC under Regulation A, which was approved on November 20, 2015 and closed February 16, 2016 after successfully raising $15,819,993, net of offering costs. During 2016, we continued engineering design and development, created the initial bill of materials, built three engineering prototypes, obtained partial release of reservation deposits from a credit card processing company and pursued additional equity funding.

Cash investment has totaled $26,966,944, net of related expenses, from incorporation through December 31, 2016 and loans have totaled $46,816,659 from incorporation through December 31, 2016. We have also obtained reservation deposits from persons desiring to reserve an *Elio* totaling $27,282,986 through December 31, 2016.

While we have raised significant amounts of funding since the inception of our company, designing and launching the production of a vehicle is highly capital-intensive. We have encountered delays with respect to our development schedule in the past, due primarily to delays in funding. These funding delays also resulted in our having to obtain extensions from our lenders and lessor. Fortunately, the lenders and lessor, which are most critical to our future success, have been cooperative.

As described in this report, we are continuing to make progress with respect to *the Elio's* development, despite the lack of sufficient cash, due to (1) public support and acceptance of *the* Elio, as evidenced by the successful crowdfunded Regulation A offering and reservation deposits, and (2) the commitment of persons closely connected to our company, such as Stuart Lichter. Subsequent to year-end, Mr. Lichter converted over $8.5 million of loans and accrued interest into shares of Common Stock and extended the maturity dates of other loans to July 2018 and January 2019. He also controls CH Capital Lending and Shreveport Business Park, which have extended and/or deferred payment terms and waived fees.

We must still obtain relief from Racer Trust with respect to an extension of the maturity date of the note due July 1, 2017 and our agreement to create 1,500 jobs by July 1, 2017. If we fail to fulfill that agreement, we have agreed to pay Racer Trust $5,000 for each full-time, permanent direct job that falls below the 5,000 target. We have recorded a current liability of $7.5 million as of December 31, 2016. Should our negotiations with Racer Trust be successful, we will make the appropriate adjustment to our balance sheet at that time.

Operating Results

We have not yet generated any revenues and do not anticipate doing so until late in 2018.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015. Operating expenses for the year ended December 31, 2016 increased by 208% over the comparable 2015 period.

Engineering, research and development costs increased $18.0 million or 863%. This increase was primarily the result of: (1) a $6.1 million increase in soft tooling and expenses related to the prototype builds for testing and validation purposes; (2) a $10.6 million increase in ongoing engineering, design and development; (3) a $500 thousand increase in payroll and payroll related expenses due to an increase in engineering and development staff; and (4) a $200 thousand increase in engineering software charges.

General and administrative expenses increased $8.2 million or 185%, primarily resulting from: (1) a onetime charge of $7.5 million resulting from our agreement with Racer Trust to create 1,500 new jobs by July 1, 2017; (2) a $90 thousand increase in insurance expense; (3) a $700 thousand increase in guarantee expense related to warrants issued to a director and stockholder as consideration for a personal guarantee to induce PayPal to release $4 million of restricted funds; (4) a $262 thousand increase in payroll and payroll related expenses due to the increase in personnel; (5) a $841 thousand increase in legal and consulting fees resulting from increased financial reporting requirements and investor relations as a result of the Regulation A offering and the common stock listing on the OTCQX; and (6) offset by a $1.3 million decrease in common area maintenance, insurance, and property taxes associated with the terms of the Shreveport capital lease.

Sales and marketing expenses increased $3.0 million or 65% as a result of: (1) a $2.1 million increase in social media, television and print advertisements; (2) a $210 thousand increase in press release fees; (3) a $132 thousand increase in credit card processing fees; (4) a $98 thousand increase in promotion related expenses; and (5) a $277 thousand increase in payroll and related expenses due to an increase in sales and marketing staff.

Interest expense increased by 5% during the year ended December 31, 2016, as compared to the prior year, due to a $1.7 million increase in interest expense related to the amortization of deferred loan costs and the beneficial conversion feature of the Tier 1 and Tier 2 Convertible Subordinated Notes, using the effective interest method; and a $177 thousand increase in accrued interest on the Tier 1 and Tier 2 Convertible Subordinated Notes issued during 2015. The increases were offset by the cessation of default interest charges at 18% per annum on the subordinated promissory note to RACER Trust beginning January 1, 2016.

As a result, our net loss for the year ended December 31, 2016 was $52,719,773 as compared to $22,594,195 for the comparable 2015 periods, an increase of 133%. Our accumulated deficit was $141,144,405 as of December 31, 2016.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014. Operating expenses for the year ended December 31, 2015 decreased by 12% over the comparable 2014 period.

Engineering, research and development costs decreased $3.4 million or 62%. This was a result of a $4.1 million decrease in ongoing engineering, design and development as a result of a lack of funding; and offset by a $710 thousand increase in expenses related to a prototype build.

General and administrative expenses decreased $792 thousand or 15% as a result of: (1) a $1.23 million decrease consulting expense related to primarily to state and federal lobbying fees; (2) a $360 thousand decrease in travel expenses; (3) offset by a $522 thousand increase in common area maintenance, insurance, and property taxes associated with the terms of the Shreveport capital lease; (4) offset by a $110 thousand increase in payroll and payroll related expenses due to an increase in accounting personnel; (5) offset by a $90 thousand increase in professional fees; and (6) offset by a $70 thousand increase in insurance expense.

Sales and marketing expenses increased $346 thousand or 8% as a result of: (1) a $164 thousand increase in payroll and payroll related expenses due to an increase in marketing personnel; (2) a $99 thousand increase in press release fees; (3) a $409 thousand increase in travel expenses related to the Elio tour team; (4) offset by a $146 thousand decrease in promotion expenses; (5) offset by a $93 thousand decrease in promotion space rental expense; (6) offset by a $49 thousand decrease in labor expenses paid to the Elio tour team; and (7) offset by a $24 thousand decrease in advertising expense.

Interest expense increased by 8% during the year ended December 31, 2015, as compared to the prior year, due to an increase in the accrued interest on the Shreveport capital lease and the issuance of the Tier 1 and Tier 2 Convertible Subordinated Notes during 2015.

As a result, our net loss for the year ended December 31, 2015 was $22,594,195 as compared to $24,590,607 for the comparable 2014 periods, a decrease of 8%. Our accumulated deficit was $88,424,632 as of December 31, 2015.

Liquidity and Capital Resources

December 31, 2016. As of December 31, 2016, we had cash of $120,206 and a working capital deficit of $42,144,011 as compared to cash of $6,870,044 and a working capital deficit of $2,325,036 at December 31, 2015. The increase in the working capital deficit was due primarily to the decrease in cash and restricted cash as a result of the increased operating expenses incurred during 2016 and principal payments made on the note payable due to a related party. As of December 31, 2016, current liabilities increased $23.5 million as a result of the note and interest payable to Racer Trust becoming due in July 2017, and the accrual of a onetime charge of $7.5 million as a result of our agreement with Racer Trust to create 1,500 new jobs by July 1, 2017.

The Company received advances totaling $5,970,000 from directors and significant stockholders of the Company, as evidenced by Convertible Unsecured Notes. The notes are convertible into shares of our common stock at any time prior to their maturity in 2022 at a conversion price equal to $15.00 per share. Interest of 5% per annum accrues on the unpaid principal balance and all unpaid principal and interest are to be paid at maturity. Subsequent to year end the advances were converted to shares of common stock as discussed in Note 14 to the financial statements.

We obtained an extension agreement until July 31, 2018 with respect to a $4,771,214 loan due July 31, 2016, secured by a first position in equipment in the Shreveport, Louisiana manufacturing facility. The lender, CH Capital Lending, is an affiliate of Stuart Lichter, one of our directors and significant stockholders. We have three loans from Mr. Lichter totaling $1,900,500 which are also now due January 31, 2019.

We also have a capital sublease obligation with Shreveport Business Park, LLC, an affiliate of Stuart Lichter, one of our directors and significant stockholders. On November 17, 2016, we entered into a second capital sublease amendment, which converted sublease payments, common area maintenance charges, property taxes, insurance, and late fees and interest into 435,036 shares of the Company's Series C Convertible Preferred Stock and a warrant to purchase 25,000 shares of the Company's common stock. On January 1, 2017, $2,992,125 in sublease payments, and $598,324 in projected lease charges also converted into 96,380 shares of the Company's Series D Convertible Preferred Stock.

We also have a long-term loan of $23,000,000 from the Racer Trust which was incurred in March 2013 in connection with the purchase of the equipment at the Shreveport facility. This loan was to be repaid in monthly installments of $173,500 beginning on November 1, 2013, with the entire remaining balance due September 1, 2016. We were delinquent on the first payment, which triggered default interest to be charged on the loan at 18% per annum. Payments made in 2014 were applied to this interest. In March 2015, we entered into an amendment to the promissory note which deferred the installment payments until January 1, 2016 and extended the maturity date to July 1, 2017. We were late on the September and October 2016 payments, which triggered default interest to be charged on the loan at 18% per annum. A forbearance agreement was signed with RACER Trust that extended the payments until May 31, 2017, with payments commencing June 1, 2017. Default interest of 18% per annum will continue accruing as of October 1, 2016.

In August 2015, we filed an offering statement pursuant to Regulation A of the Securities Act of 1933, which was qualified by the Securities and Exchange Commission on November 20, 2015. We offered a minimum of 1,050,000 shares of common stock and a maximum of 2,090,000 shares of common stock on a "best efforts" basis, at a price of $12.00 per share. On February 16, 2016, we closed the Regulation A offering, after issuing 1,410,048 shares of common stock for proceeds of $15,819,993 net of offering expenses. During 2016, we issued an additional 63,000 shares in connection with a private placement for proceeds of $1,071,000.

In addition to the agreements made with our lenders to defer cash outlays, advances received from directors and significant stockholders, and the Regulation A offering, we have funded our operations during the year ended December 31, 2016 primarily through the advances from several directors and stockholders, the placement of our common stock, the receipt of customer reservations of $6,602,436, and the release of restricted cash held in customer deposits.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations at December 31, 2016:

		Payments due by Period			
	Total	<1 year	1-3 years	3-5 years	>5 years
Long-term debt	$ 48,322,342	$ 37,913,483	$ 10,408,859	$ -	$ -
Convertible notes payable	13,331,949	-	-	-	13,331,949
Capital lease obligations	67,817,710	2,992,125	5,984,250	5,984,250	52,857,085
Operating lease obligations	46,026	30,684	15,342	-	-
Total	$129,518,027	$ 40,936,292	$ 16,408,451	$ 5,984,250	$ 66,189,034

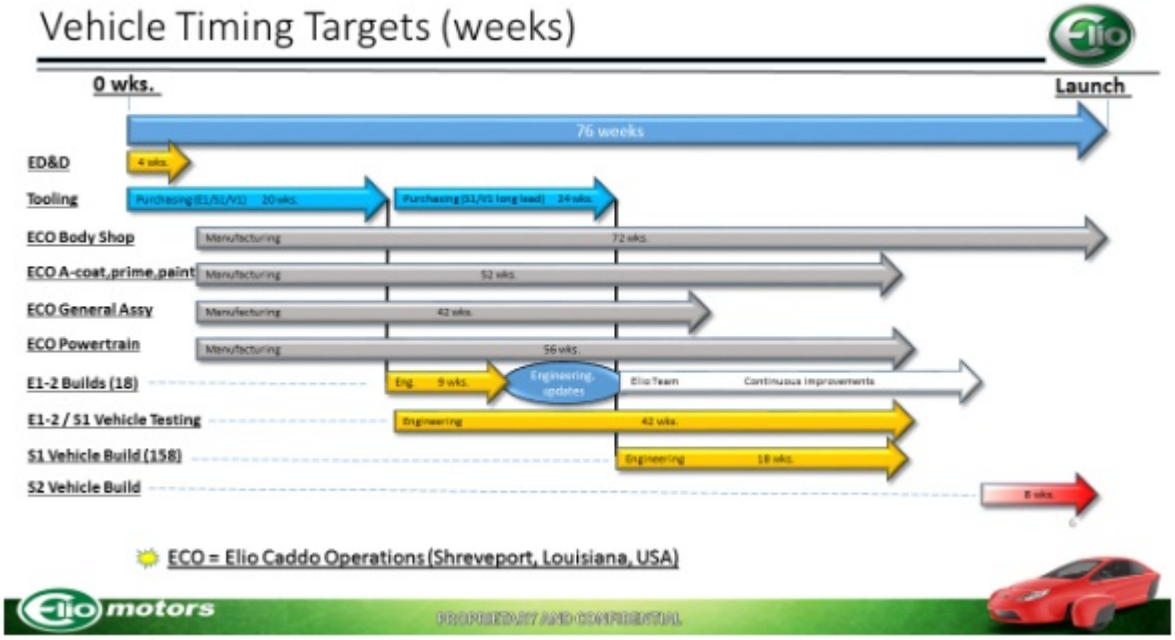
Payments due by period included accrued interest through the date that the obligation will be settled.

Subsequent to year end the Company has converted a significant portion of the convertible notes payable into shares of common stock. The conversions reduce the principal balance and accrued interest obligation to $2,547,089. We believe that the remaining balance will be converted before the convertible notes mature.

Plan of Operations

With much of the vehicle engineering completed, our engineering simulations suggest that the important vehicle performance milestones can be achieved. To date, $61 million has been invested in vehicle engineering and development, of which $26.3 million was in the form of shares of common stock granted and the assumption of liabilities of Elio Engineering, Inc. dba ESG Engineering. The Reg A+ funds of approximately $16.0 million were used to further design and build initial engineering prototypes. At this point, we need to build and test additional prototypes and kick-off long lead production equipment and hard tooling. With most of the development risks addressed, we need to raise additional capital estimated at $376 million to fund production activities.

We refined our production plans with suppliers to start commercial production on a 76-week schedule, to commence with funding of at least $33 million. The key timelines are in the chart below:



The anticipated budgets required to achieve the milestones are provided in the table below:

Uses	Total
Production Tooling	$ 113.2
Production Equipment	166.0
Store Fit-Up	6.4
Other Fixed Assets	5.4
Engineering Design & Develop	79.5
Other Expense, net	5.6
Total Uses	$ 376.1

We need to raise additional funds to complete prototypes, testing and move into production. As noted in the chart above, we need to raise an additional estimated $376 million to fund production activities in the next 76 weeks and are pursuing multiple options for such funding. The funding will come from a combination of sources discussed below, as well as more traditional sources (not discussed), such as venture equity, debt arrangements and capital leasing of equipment. Our previous funding requirement was $312 million, which did not include approximately $64 million in supplier equipment commitments. The additional commitments have been added to the current funding requirements. Several major suppliers have committed to our project, and will share in the additional cost of engineering and equipment, as discussed below.

Aisin World Corporation of America has agreed to provide our 5-speed manual and automatic manual transmissions (AMT). They estimate the total development and equipment cost to support the project will be $76.6 million and they will invest $36.6 million in the project.

Linamar Corporation has committed to manufacture and supply the engine assembly for *the Elio* at our Shreveport facility. While Elio Motors will be responsible for specialized tooling and equipment, Linamar will provide an estimated $45 to $50 million in general equipment to support the production requirements.

Hyundai DYMOS will build and supply seats for the vehicle and expect to incur approximately $1.8 million in capital equipment and building renovation in our Shreveport facility.

Customer Reservations. Customer reservations have provided significant funding for us in the past and we expect reservations to be a significant source of short-term liquidity in the future. With each progressive step in our development, we have experienced a surge in reservations. In addition, as we achieve subsequent milestones in the development of *the Elio*, customer confidence increases. Accordingly, we expect to see surges in reservations as the following milestones are achieved and announced: completion of prototypes, testing results, confirmation of mileage, hiring at the manufacturing facility, and, hopefully before production commences, scarcity.

Through December 31, 2016, we have $27.3 million in reservations, an average of $568 thousand per month. Of this amount, $766 thousand was held at December 31, 2016 by credit card processing companies as a percentage of non-refundable reservations.

Sale of Excess Equipment. We identified equipment in the Shreveport plant that will not be used in production of *the Elio* and made the equipment available for sale. Through December 31, 2016, sales of excess equipment has yielded approximately $5.08 million, which has been applied to the principal balance on the CH Capital Lending, LLC note. As of December 31, 2016, an additional $1.27 million in equipment was available for sale, which we believe will be sold prior to the commencement of production.

Advanced Technology Vehicles Manufacturing (ATVM) Loan Program. In 2007, the Advanced Technology Vehicles Manufacturing (ATVM) Program was established by Congress to support the production of fuel-efficient, advanced technology vehicles and components in the United States. To date, the program, which is administered by the U.S. Department of Energy's Loan Programs Office, has made over $8 billion in loans, including loans to Ford ($5.9 billion), Nissan ($1.45 billion) and Tesla ($465 million). This loan program provides direct loans to automotive or component manufacturers for re-equipping, expanding, or establishing manufacturing facilities in the United States that produce fuel-efficient advanced technology vehicles (ATVs) or qualifying components, or for engineering integration performed in the U.S. for ATVs or qualifying components. The ATVM loans are made attractive to applicants due to their low interest rates (set at U.S. Treasury rates (approximately 2% to 4%), minimal fees (no application fees or interest rate spread and only a closing fee of 0.1% of loan principal amount), and long loan term life of up to 25 years (set at the assets' useful life). In order to qualify, auto manufacturers must be able to deliver "light duty vehicles" having 25% greater fuel economy than comparable models produced in 2005 or "ultra-efficient vehicles" that achieve at least 75 miles per gallon. In addition, ATVM borrowers must remain financially viable over the life of the loan without the receipt of additional federal funding associated with the proposed project.

The ATVM application process is comprised of 4 stages:

1. Application – Part I: Determine basic eligibility
2. Application – Part II: Confirmatory due diligence
3. Conditional Commitment: Negotiate term sheet
4. Loan Guarantee: Negotiate final agreements

Elio Motors has completed the first stage by submitting an application for a loan of approximately $185 million, the proceeds of which would be used to partly fund the purchase of equipment and equipment installation into the Shreveport facility prior to and ramp up after the start of production. As of January 15, 2015, the Department of Energy (DOE) has confirmed that the Company has achieved the technical criteria for the loan. Due diligence has been pending upon the confirmation of the Company's financial backing. The Company has shared its production timing plans with the DOE, including the financing milestones to be achieved to kickoff production tooling in order to meet the Company's start of production date. While the DOE has acknowledged and seems to be sensitive to the Company's requirements, it has not made any commitments regarding its ability to meet these funding milestones. The specific terms and conditions of the ATVM loan will be negotiated with each applicant during the conditional commitment stage. If the Company is unable to obtain a loan under the ATVM Program, it will rely on funding through the issuance debt and/or equity securities, customer reservations, and possibly CAFE credits.

CAFE Credits. In 1975 in response to the Arab oil embargo, the U.S. Congress enacted Corporate Average Fuel Economy (CAFE) standards in an effort to reduce U.S. dependence on foreign oil and save on fuel costs through the improvement of U.S. automobile fuel efficiencies. The National Highway Traffic Safety Administration (NHTSA) is responsible for administering the CAFE program, which was amended in 2007 to establish a trading credit program to incentivize auto manufacturers to further improve vehicle fuel efficiencies. Auto manufacturers may earn CAFE credits (or be penalized) by exceeding (or failing to meet) increasingly more ambitious compliance standards for the model year of each passenger car or light duty truck produced. Accumulated CAFE credits are transferable and saleable to other auto manufacturers and can be carried forward up to five years. Credits (or penalties) are totaled for the manufacturer's entire production fleet for a particular model year, and are applied at a rate of $55 per 1 mpg above (or below) the standard. The CAFE standard has been amended to increase mpg for cars and light trucks to 48.7 to 49.7 mpg by 2025.

According to the estimated fuel economy of *the Elio*, it is expected that we could be well positioned to earn a substantial number of credits, from which we could generate extensive future revenues through the sale and transfer of these credits to other auto industry manufacturers. We have received indications from auto industry manufacturers that they would purchase our credits upon confirmation that we can participate in the CAFE program. Currently, we do not qualify for participation in the CAFE program, since *the Elio* is not an automobile. We have been working with members of Congress and with the former acting head of the NHTSA to permit participation in the program by autocycles.

Going Concern

Our financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has not generated operating revenues since inception and has never paid any dividends. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, and the ability of the Company to obtain necessary equity financing to continue. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

We have experienced recurring net losses from operations, which losses have caused an accumulated deficit of $141,144,405 as of December 31, 2016. In addition, we have a working capital deficit of $42,144,011 as of December 31, 2016. We had net losses of $52,719,773 and $22,594,195 for years ending December 31, 2016 and 2015, respectively. These factors, among others, raise substantial doubt about our ability to continue as a going concern. If we are unable to continue to obtain financing to meet our working capital requirements, we may have to curtail our business sharply or cease operations altogether. Our continuation as a going concern is dependent upon our ability to generate sufficient cash flow to meet our obligations on a timely basis to retain our current financing, to obtain additional financing, and, ultimately, to attain profitability. Should any of these events not occur, we will be adversely affected and we may have to cease operations.

The ongoing execution of our business plan is expected to result in operating losses over the next twelve months. Management believes it will need to raise capital through loans or stock issuances in order to have enough cash to maintain its operations for the next twelve months. There are no assurances that we will be successful in achieving our goals of obtaining cash through loans, stock issuances, or increasing revenues and reaching profitability.

In view of these conditions, our ability to continue as a going concern is dependent upon our ability to meet our financing requirements, and to ultimately achieve profitable operations. Management believes that its current and future plans provide an opportunity to continue as a going concern. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that may be necessary in the event we cannot continue as a going concern.

Item 3. Directors and Officers

Our directors and executive officers, and their ages as of April 30, 2017, are as follows:

Name	Position	Age	Term of Office
Executive Officers:			
Paul Elio	Chairman and Chief Executive Officer	53	October 2009
Connie Grennan	Chief Financial Officer	69	March 2013
Directors:			
Paul Elio	Director	53	October 2009
James Holden	Director	65	November 2012
Hari Iyer	Director	51	November 2012
Stuart Lichter	Director	68	November 2012
David C. Schembri	Director	63	November 2012
Kenneth L. Way	Director	77	November 2012

All of our executive officers work full-time. There are no family relationships between any directors or executive officers. During the past five years, none of the persons identified above has been involved in any bankruptcy or insolvency proceeding or convicted in a criminal proceeding, excluding traffic violations and other minor offenses.

Executive Officers

Paul Elio, Chief Executive Officer and Board Chairman. Mr. Elio founded Elio Motors and has been its CEO and Chairman since the Company's inception. He has over 18 years of experience in business management and engineering, most recently as founder and CEO, from 1998 to 2011, of Elio Engineering, dba ESG Engineering. ESG was a Tempe, Arizona company which designed, engineered and prototyped products using state-of-the-art design tools and techniques, evaluated them for engineering feasibility and designed them for high volume manufacturing and assembly. Mr. Elio held various positions at Johnson Controls from 1992 to 1997. He holds numerous patents related to various mechanisms. He graduated from the General Motors Institute of Engineering & Management (now Kettering University) with a Bachelor of Science in Mechanical Engineering in 1995.

Connie Grennan, Chief Financial Officer. Ms. Grennan has been the Chief Financial Officer of Elio Motors since March 2013, and has over 30 years of financial and operational experience in similar positions in several startup organizations, as well as valuable experience in the large corporate environment with a division of Lockheed Martin as Director of Finance and Administration. Her experience includes management of accounting and finance, banking and investor relationships, human resources, facilities, information systems, and contract management. From March 2010 to February 2013, Ms. Grennan consulted as the chief financial officer for OzMo Inc., a company based in Palo Alto, California, which developed and provided Wi-Fi compatible communication technology products. She received her Bachelor of Science in Accounting from Arizona State.

Directors

James Holden, Director. Mr. Holden is the former Chief Executive Officer of DaimlerChrysler, where he worked in various leadership positions for 19 years until November 2000. He has been a director of Sirius XM Radio, Inc. since August 2001, of Speedway Motorsports, Inc. since 2004, and of Snap-on, Inc. since 2009. Mr. Holden was a director of Motors Liquidation Company until its dissolution in December 2011. Mr. Holden earned a B.S. in political science from Western Michigan University and a MBA degree from Michigan State University.

Stuart Lichter, Director. Mr. Lichter is President and Chairman of the Board for Industrial Realty Group, LLC (IRG), a privately-held real estate development and investment firm specializing in the acquisition, development and management of commercial and industrial real estate across the United States. IRG's core competency is retrofitting otherwise obsolete buildings, corporate campuses, former military bases and industrial complexes. Mr. Lichter oversees all critical aspects of the business, including acquisitions, leasing, and property management at IRG, which he founded 40 years ago.

David C. Schembri, Director. Since August 2012, Mr. Schembri has been the CEO of the Active Aero Group, of Belleville, Michigan, a supply-chain solutions provider focused on transportation logistics for customers with sensitive or time-critical freight, principally in the United States and Mexico. From February 2010 to August 2012, he was the CEO of Vehicle Production Group, a company based in Allen Park, Michigan, that made vans for the disabled. From July 2006 to January 2010, Mr. Schembri was the President of Smart USA, a Penske Automotive Group company. He was responsible for the successful launch of Smart USA (a division of Mercedes-Benz), which included establishing and maintaining a sales and service retail network, customer relations, logistics, advertising, marketing, PR, government relations, and a parts distribution network. Much of his career was spent in various executive positions at Mercedes-Benz (1994 to 2005) and Volkswagen (1979 to 1993). He attended the University of Detroit, where he earned both his Bachelor's degree and his MBA.

Kenneth L. Way, Director. Mr. Way served as the Chief Executive Officer of Lear Corporation from 1988 to September 2000 and Chairman of the Board from 1988 to December 2002. Mr. Way served with Lear Corporation and its predecessor companies for 37 years in various engineering, manufacturing and general management capacities. During his career he has served as a director for several organizations. At present, he is a director of CMS Energy of Jackson, Mississippi, and of Cooper Standard Auto, of Novi, Michigan, positions he has held since 1997 and 2004, respectively.

Hari Iyer, Director. In addition to serving as a director, Mr. Iyer was the Chief Operating Officer of Elio Motors from January 2014 to May 2016. He left the Company to start a new business, YoYo, an on-demand, pay-per-mile car subscription service as an alternative to buying or leasing automobiles. He brings nearly 25 years of product development, business strategy and operations expertise in the automotive industry. From January 2011 to August 2013, Mr. Iyer was Executive Vice President at Envia Systems, a Silicon Valley battery manufacturer, where he led all aspects of business strategy and product commercialization. From October 2009 to November 2010 (and as a full-time consultant from ESG Engineering from October 2006 to September 2009), he served as Vice President of Engineering at Next Autoworks Company. At Next Autoworks, Mr. Iyer developed the original vehicle architecture, led the selection of vehicle technologies and suppliers and was responsible for all module engineering teams. From June 1999 to September 2009, Mr. Iyer was co-founder and Chief Operating Officer at ESG Engineering, a product development firm specializing in the automotive and cleantech space. Mr. Iyer held various positions at Johnson Controls, Automotive Systems Group from January 1989 to August 1997. He received his M.S. in Mechanical Engineering from Penn State and his M.B.A. from Stanford Graduate School of Business.

Compensation of Executive Officers

The following table sets forth information about the remuneration of our named executive officers for services rendered during our fiscal years ended December 31, 2016 and 2015.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Option Awards ($)	All Other Compensation ($)	Total ($)
Paul Elio,	2016	250,000	0	0	250,000
Chief Executive Officer	2015	250,000	0	0	250,000
Hari Iyer,	2016	104,167	0	80,000	184,167
Chief Operating Officer	2015	250,000	0	0	250,000
Connie Grennan, Chief	2016	175,000	1,099,000 (1)	0	1,274,000
Financial Officer	2015	150,000	0	0	150,000

(1) The option awards were valued using a Black-Scholes option pricing model using the following assumptions: volatility rate of 70.0%; risk-free interest rate of 1.11% based on a U.S. Treasury rate of 3 years; and a 4.5-year expected option life.

Hari Iyer resigned as our Chief Operating Officer on May 31, 2016. Effective June 1, 2016, we entered into an independent contractor consulting agreement with Mr. Iyer. Under the terms of the agreement, Mr. Iyer will continue to advance our ATVM loan application. The agreement has a term of one year and requires payment of $10,000 per month. We paid $50,000 to Mr. Iyer as a back-end retainer covering the last five months of the agreement's term in June 2016.

We have not entered into employment agreements with any our executive officers.

Outstanding Equity Awards at Fiscal Year-end

Name	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Equity incentive plan awards: Number of securities underlying unexercised unearned options (#)	Option exercise price ($)	Option expiration date
Paul Elio	0	0	0	--	--
Hari Iyer	0	0	0	--	--
Connie Grennan	0	100,000	0	19.68	10/11/2023

The options vest equally over three years beginning October 2017, and options granted to employees may not be exercised until production commences.

2016 Stock Option Plan. In May 2016, our shareholders adopted the 2016 Incentive and Nonstatutory Stock Option Plan (the "2016 Stock Option Plan"), the principal terms of which are summarized below. The following summary is qualified in its entirety by the full text of the 2016 Stock Option Plan, which is an exhibit to the registration statement filed with Securities and Exchange Commission on July 25, 2016.

The 2016 Stock Option Plan is intended to (i) encourage ownership of shares by our employees and directors and certain consultants to the Company; (ii) induce them to work for the benefit of the Company; and (iii) provide additional incentive for such persons to promote the success of the Company.

Our Compensation Committee administers the 2016 Stock Option Plan, which permits the granting of options to purchase up to 2,000,000 shares of Common Stock.

Persons eligible to receive awards under the 2016 Stock Option Plan include employees, officers and directors of the Company, and certain consultants and advisors to the Company.

The Board of Directors or committee may amend, suspend or discontinue the 2016 Stock Option Plan at any time or from time to time; provided that no action of the Board shall adversely affect any rights under stock options already granted. No amendment to the 2016 Stock Option Plan can be made to the extent shareholder approval of such amendment is required by applicable provisions of the Internal Revenue Code, the rules of any applicable stock exchange, or applicable provisions of federal securities laws or state corporate and securities laws.

The 2016 Stock Option Plan contains provisions for proportionate adjustment of the number of shares for outstanding options and the option price per share in the event of stock dividends, recapitalizations, stock splits or combinations.

Each option granted under the 2016 Stock Option Plan is evidenced by a written option agreement between us and the optionee. The option price of any incentive stock option or any non-qualified stock option may be not less than 100% of the fair market value per share on the date of grant of the option; provided, however, that any incentive stock option granted to a person owning more than 10% of the total combined voting power of the Common Stock will have an option price of not less than 110% of the fair market value per share on the date of grant. "Fair Market Value" per share as of a particular date is defined in the 2016 Stock Option Plan as the closing sales price of our Common Stock (or the closing bid, if no sales were reported), as reported on a national securities exchange or automated quotation system. If none, the Fair Market Value shall be the mean between the high bid and low asked prices for the Common Stock. In the absence of an established market for the Common Stock, the value shall be determined by the Board or committee in its discretion in good faith.

The exercise period of incentive stock options or non-qualified options granted under the 2016 Stock Option Plan may not exceed ten years from the date of grant thereof. Incentive stock options granted to a person owning more than ten percent of the total combined voting power of our Common Stock will be for no more than five years.

The Board or committee has the authority to determine the provisions, terms and conditions of each option including, but not limited to, a vesting schedule, repurchase provisions, rights of first refusal, forfeiture provisions, form of payment, payment contingencies and satisfaction of any performance criteria.

To exercise an option, the optionee must pay the full exercise price in cash, by check or such other legal consideration as may be approved by the Board or committee. Such other consideration may consist of shares of Common Stock having a fair market value equal to the option price, cashless exercise, a personal recourse note, or in a combination of cash, shares, cashless exercise and a note, subject to approval of the Board or committee.

Options granted under the 2016 Stock Option Plan generally are not transferable by the recipient other than by will or the laws of descent and distribution and are generally exercisable, during the recipient's lifetime, only by the recipient. An option may not be exercised unless the optionee then is an employee, consultant, officer, or director of our Company or its subsidiaries, and unless the optionee has remained continuously as an employee, consultant, officer, or director of our Company since the date of grant of the option. An option may be exercised after the termination of an optionee's continuous service only to the extent provided in the optionee's option agreement.

Options Granted. In October 2016, the Compensation Committee granted a total of 510,380 stock options, which are exercisable at $19.68 per share and expire in October 2023. The options vest equally over three years beginning October 2017, and options granted to employees may not be exercised until production of *the Elio* commences. As of December 31, 2016, 121,380 options were forfeited.

Employee Benefits and Perquisites. Our named executive officers are eligible to participate in our health and welfare plans. We do not provide our named executive officers with any other perquisites or other personal benefits.

Compensation of Directors

Name	Fees earned or paid in cash ($)	Option awards ($)(1)	All other compensation ($)	Total ($)
James Holden	0	263,760	0	263,760
Stuart Lichter	0	0	0	0
David Schembri	0	131,880	0	131,880
Kenneth Way	0	263,760	0	263,760

We currently do not pay directors' fees for attendance at meetings**.** We reimburse our officers and directors for reasonable expenses incurred during the course of their performance.

In October 2016, Directors Holden, Schembri and Way were granted options to purchase 24,000, 12,000 and 24,000 shares, respectively. The options vest equally over three years beginning October 2017, expire in October 2023, and are exercisable at $19.68 per share.

Item 4. Security Ownership of Management and Certain Securityholders

We have determined beneficial ownership in accordance with rules of the Securities and Exchange Commission ("SEC"). The information does not necessarily indicate beneficial ownership for any other purpose. Under these rules, the number of shares of stock deemed outstanding includes shares issuable upon exercise of stock options or warrants held by the respective person or group that may be exercised or converted within 60 days after April 12, 2017. For purposes of calculating each person's or group's percentage ownership, stock options and warrants exercisable within 60 days after April 12, 2017 are included for that person or group but not for any other person or group.

Applicable percentage ownership is based on the following shares of our voting stock outstanding at April 12, 2017: 26,819,490 shares of Common Stock, 435,036 shares of Series C Preferred Stock, and 96,380 shares of Series D Preferred Stock. Each share of Series C and Series D Preferred Stock is convertible into one share of Common Stock. The holders of the Series C and Series D Preferred Stock are entitled to vote on all matters and shall be entitled to that number of votes equal to the largest number of whole shares of Common Stock into which such holders' shares could be converted. The Series C and Series D Preferred Stock and Common Stock vote together as a single class on all matters submitted to the shareholders of the Company.

Unless otherwise indicated and subject to applicable community property laws, to our knowledge, each shareholder named in the following table possesses sole voting and investment power over the shares listed. Unless otherwise noted below, the address of each person listed on the table is c/o Elio Motors, Inc., 2942 North 24th Street, Suite 114-700, Phoenix, Arizona 85016.

	Shares Beneficially Owned	
Name and Address of Beneficial Owner	**Shares (#)**	**Percentage (%)**
5% or Greater Shareholders:		
Paul Elio (1)	17,995,000	65.8%
Elio Engineering, Inc.	12,750,000	46.6%
Stuart Lichter (2)	8,913,998	28.5%
Named Executive Officers and Directors:		
Kenneth Way (3)	176,722	0.7%
James Holden (3)	134,222	0.5%
Connie Grennan	0	--
Hari Iyer	0	--
David Schembri	0	--
All current directors and executive officers as a group (7 persons)	27,219,943	87.1%

(1) Includes 12,750,000 shares owned of record by Elio Engineering, Inc. of which Mr. Elio is the President, a director and majority shareholder.

(2) Includes 1,377,759 shares of Common Stock issuable upon conversion of promissory notes in the principal amount of $8,239,000 and 1,946,378 shares issuable upon exercise of immediately exercisable options. Includes shares of Series C and Series D Preferred Stock which are immediately convertible into 531,416 shares of Common Stock and immediately exercisable warrants to purchase 25,000 shares of Common Stock owned by Shreveport Business Park, LLC, an entity owned and controlled by Mr. Lichter. See Item 5. "Interest of Management and Others in Certain Transactions."

(3) Includes 16,722 shares of Common Stock issuable upon the conversion of a promissory in the principal amount of $100,000. See Item 5. "Interest of Management and Others in Certain Transactions."

Item 5. Interest of Management and Others in Certain Transactions

Transfer of Consumer Financing Rights

In 2012, we transferred the right to provide consumer financing for the purchase of *the Elio* to Carr Finance Company, LLC in consideration of Paul Elio's efforts to devote his time and attention to developing the business of the Company with only limited compensation. Mr. Elio is a member of Carr Finance Company, LLC.

Guaranty of Loan Repayment Provided by Stuart Lichter; Loan from CH Capital Lending

On February 28, 2013, in connection with the acquisition of certain machinery and equipment at the Shreveport facility, we entered into a promissory note with GemCap Lending I, LLC for $9,850,000, the payment of which is secured by a first lien on our equipment at the Shreveport facility. Stuart Lichter personally guaranteed the payment of this note. CH Capital Lending, LLC purchased the loan from GemCap on August 1, 2014. CH Capital Lending is an affiliate of Stuart Lichter. On July 31, 2015, we entered into a forbearance agreement with CH Capital Lending in which CH Capital Lending has agreed to forbear on enforcing the payment of this note until July 31, 2016. Subsequent to year end, we entered into a loan extension agreement, which extended and amended the maturity date to July 31, 2018.

Lease with Shreveport Business Park, LLC

Our equipment is located in a plant in Shreveport, Louisiana, which is leased by Shreveport Business Park, LLC ("SBP"), an entity owned and controlled by Stuart Lichter, one of Elio's directors and significant stockholders. We entered into an agreement with SBP in December 2013 to sublease 997,375 square feet of manufacturing and warehouse space for a 25-year term, which provides for a rent-free period until the earlier of four months after the start of production or August 1, 2015, after which the base rent will be $249,344 per month. Since December 2013, we have been obligated to pay taxes, insurance expenses and common expenses with respect to this space and are past due in paying these amounts. On July 31, 2015, we entered into an amendment to the lease which extended the base rent commencement date to February 1, 2016 and deferred payment of the base rent for the period February 1, 2016 through July 31, 2016 until August 1, 2016.

On November 17, 2016, we entered into a lease amendment agreement with SBP in which the payment of rent, common expenses, taxes and insurance was deferred until the earlier of December 31, 2017 or the commencement of commercial vehicle production. SBP waived payment of accrued fees and interest, as well as late fees and interest projected through December 31, 2017. SBP also agreed to exchange sublease payments of $2,742,784 and common expenses, taxes and insurance, accrued through December 31, 2016, for 435,036 shares of Series C preferred stock and a warrant to purchase up to 25,000 restricted shares of our Common Stock, exercisable until November 17, 2021 at an exercise price of $20.00 per share. In addition, SBP also agreed to exchange 2017 projected sublease payments of $2,992,128 and projected lease charges of $598,324 for 96,380 shares of Series D preferred stock effective January 1, 2017. Each share of Series C and Series D preferred stock is convertible into one share of Common Stock.

Advances to Paul Elio

As of December 31, 2015, we had advanced a total of $328,014, to Paul Elio, our Chief Executive Officer. The advance accrued interest at the Federal Funds rate per annum, was due on demand and was reflected on the balance sheets as other current assets. The advance was paid in full in May 2016.

Loans Made by Stuart Lichter

Stuart Lichter has made several loans to us, the proceeds of which were used for working capital and to pay amounts owed to GemCap Lending I, LLC. The promissory notes evidencing the loans are as follows:

Date	Amount	Maturity	Payment Terms	Interest Expense for 2016	Interest Expense for 2015
March 6, 2014	$ 1,000,500	January 31, 2019	Unsecured; interest accrues at 10% per annum; all accrued interest and unpaid principal are payable upon maturity; $500 drawn March 6, 2014; $1,000,000 drawn December 2, 2014	$ 101,718	$ 110,440
May 30, 2014	$ 300,000	January 31, 2019	Unsecured; interest accrues at 10% per annum; all accrued interest and unpaid principal are payable upon maturity; $100,000 drawn May 30, 2014; $200,000 drawn November 10, 2014	$ 30,500	$ 30,416
June 19, 2014	$ 600,000	January 31, 2019	Secured by Elio Motors' reservation accounts and deposit held by Racer Trust; interest accrues at 10% per annum; all accrued interest and unpaid principal are payable upon maturity; $100,000 drawn April 17, 2014; $500,000 drawn June 20, 2014	$ 61,000	$ 60,833

In addition to the loans described in the table above, during 2015, Mr. Lichter purchased convertible subordinated secured notes due September 30, 2022 in the aggregate principal amount of $1,955,000 on the same terms offered to other accredited investors in this offering made pursuant to Rule 506(c) under the Securities Act of 1933. These notes were convertible into shares of our Common Stock at any time prior to their maturity in 2022 at a conversion price equal to $5.98 per share. In April 2017, Mr. Lichter converted his notes and accrued interest into 356,036 shares.

During 2016, Mr. Lichter advanced a total of $5,770,000 to us. He has advanced an additional $514,000, and purchased 33,445 shares of Common Stock in a private placement offering at $5.98 per share during 2017. The advances are evidenced by convertible unsecured notes due September 30, 2022, which accrued interest at 5% per annum and are convertible into shares of our Common Stock at any time prior to their maturity in 2022 at an initial conversion price equal to $15.00 per share. The convertible notes contained a "most favored nation" clause. Mr. Lichter agreed to limit resales of shares obtained upon conversion to 2,500 per week so long as the trading price per share of Common Stock is above $19.50. In April 2017, Mr. Lichter converted all of these convertible unsecured notes into 1,077,752 shares.

Warrants Granted to Stuart Lichter

In consideration for the March 6, 2014 loan of $1,000,500 and the guaranty of the $9,850,000 loan originally made to us by GemCap Lending I, LLC, we granted Stuart Lichter an option to purchase a number of shares of Common Stock in Elio Motors sufficient to give him a 5% ownership interest, exclusive of his existing ownership (the "5% Option"). The 5% Option was exercisable at any time and from time to time until December 15, 2024 for $7,500,000.

We granted a second option to Mr. Lichter in consideration of the May 30, 2014 loan of $300,000. This second option permitted Mr. Lichter to purchase a number of shares of Common Stock in Elio Motors sufficient to give him a 2% ownership interest, exclusive of his existing ownership (the "2% Option"). The 2% Option was exercisable at any time and from time to time until June 29, 2025 for $3,000,000.

In May 2016, we amended and replaced the 5% and 2% Options with an option to purchase up to 1,887,554 shares of our Common Stock at a price of $5.56 per share until June 29, 2025.

We granted a third option to Mr. Lichter in consideration of his personal guaranty given to PayPal Inc. in the amount of $5,000,000. We were utilizing PayPal to process reservation deposits and PayPal had held back in excess of $4,000,000 as a reserve against possible chargebacks. Mr. Lichter provided his personal guaranty to induce PayPal to release $4,000,000 of the reserve to the Company in May 2016. This third option permits Mr. Lichter to purchase up to 58,824 shares of our Common Stock at a price of $17.00 per share until May 10, 2021.

Loans Made by Directors

In November 2016, James Holden and Kenneth Way each loaned $100,000 to us. We issued convertible unsecured notes due September 30, 2022 to them, which were convertible into shares of our Common Stock at any time prior to their maturity in 2022 at an initial conversion price equal to $15.00 per share. The convertible notes contained a “most favored nation” clause. The notes accrued interest at the rate of 5% per annum, payable at maturity. In April 2017, Messrs. Holden and Way converted their loans and accrued interest into 17,078 and 17,080 shares of Common Stock, respectively.

Future Transactions

All future affiliated transactions will be made or entered into on terms that are no less favorable to us than those that can be obtained from any unaffiliated third party. A majority of the independent, disinterested members of our board of directors will approve future affiliated transactions, and we will maintain at least two independent directors on our board of directors to review all material transactions with affiliates.

Item 6. Other Information

None.

Item 7. Financial Statements

See pages F-1 through F33.

Item 8. Exhibits

Exhibit Number	Description	Incorporated by Reference to
2.1	Articles of Incorporation, as amended	Exhibit 2.1 to Offering Statement filed August 28, 2015 (File No. 024-10473)
2.2	Amended and Restated Bylaws	Exhibit 2.2 to Offering Statement filed August 28, 2015 (File No. 024-10473)
3.1	Form of Convertible Subordinated Secured Note due September 30, 2022	Exhibit 3.1 to Offering Statement filed August 28, 2015 (File No. 024-10473)
3.2	Form of Registration Rights Agreement	Exhibit 3.2 to Offering Statement filed August 28, 2015 (File No. 024-10473)
3.3	Form of Pledge and Security Agreement	Exhibit 3.3 to Offering Statement filed August 28, 2015 (File No. 024-10473)
3.4	Form of StartEngine Warrant	Exhibit 3.4 to Offering Statement filed October 21, 2015 (File No. 024-10473)
3.5	Common Stock Purchase Warrant issued to Shreveport Business Park, LLC dated November 17, 2016	
3.6	Statement of Designation for Series C Convertible Preferred Stock	
3.7	Statement of Designation for Series D Convertible Preferred Stock	
6.1	Loan and Security Agreement with GemCap Lending I, LLC dated February 28, 2013	Exhibit 6.1 to Offering Statement filed August 28, 2015 (File No. 024-10473)
6.2	Loan Agreement Schedule with GemCap Lending I, LLC dated February 28, 2013	Exhibit 6.2 to Offering Statement filed August 28, 2015 (File No. 024-10473)
6.3	Continuing Guarantee from Stuart Lichter dated February 28, 2013	Exhibit 6.3 to Offering Statement filed August 28, 2015 (File No. 024-10473)
6.4(i)	Amendment Number 4 to the Loan and Security Agreement and Loan Agreement Schedule with CH Capital Lending, LLC dated August 1, 2014	Exhibit 6.4(i) to Offering Statement filed August 28, 2015 (File No. 024-10473)
6.4(ii)	Fourth Amended and Restated Secured Promissory Note (Term Loan) to CH Capital Lending, LLC dated August 1, 2014	Exhibit 6.4(ii) to Offering Statement filed August 28, 2015 (File No. 024-10473)
6.5	Forbearance Agreement with CH Capital Lending, LLC dated July 31, 2015	Exhibit 6.5 to Offering Statement filed August 28, 2015 (File No. 024-10473)
6.6	Promissory Note to Racer Trust	Exhibit 6.6 to Offering Statement filed August 28, 2015 (File No. 024-10473)
6.7	Security Agreement with Racer Trust	Exhibit 6.7 to Offering Statement filed August 28, 2015 (File No. 024-10473)
6.8	First Amendment to Promissory Note	Exhibit 6.8 to Offering Statement filed August 28, 2015 (File No. 024-10473)
6.9	Lease with Shreveport Business Park, LLC dated December 27, 2014	Exhibit 6.9 to Offering Statement filed August 28, 2015 (File No. 024-10473)
6.10	First Amendment to Lease with Shreveport Business Park, LLC dated July 31, 2015	Exhibit 6.10 to Offering Statement filed August 28, 2015 (File No. 024-10473)
6.11	Promissory Note to Stuart Lichter dated March 6, 2014	Exhibit 6.13 to Offering Statement filed August 28, 2015 (File No. 024-10473)
6.12	Promissory Note to Stuart Lichter dated May 30, 2014	Exhibit 6.14 to Offering Statement filed August 28, 2015 (File No. 024-10473)
6.13	Secured Promissory Note to Stuart Lichter dated June 19, 2014	Exhibit 6.15 to Offering Statement filed August 28, 2015 (File No. 024-10473)
6.14	First Amendment to Secured Promissory Note to Stuart Lichter dated July 20, 2015	Exhibit 6.16 to Offering Statement filed August 28, 2015 (File No. 024-10473)

Exhibit Number	Description	Incorporated by Reference to
6.15	Option Agreement with Stuart Lichter dated as of December 15, 2014	Exhibit 6.17 to Offering Statement filed August 28, 2015 (File No. 024-10473)
6.16	Option Agreement with Stuart Lichter dated as of June 29, 2015	Exhibit 6.18 to Offering Statement filed August 28, 2015 (File No. 024-10473)
6.17	2016 Incentive and Nonstatutory Stock Option Plan	
6.18	Form of Personal Continuing Guaranty from Stuart Lichter	
6.19	Option Agreement with Stuart Lichter dated as of May 10, 2016	
6.20	Amendment to Option Agreements with Stuart Lichter dated effective as of May 2016	
6.21	Independent Contractor Consulting Agreement with Hari Iyer dated June 1, 2016	
6.22	Loan Extension Agreement with Stuart Lichter dated September 21, 2016	Exhibit 6.24 to Form 1-SA Semiannual Report for period ended June 30, 2016 (File No. 24R-00009)
6.23	Form of Convertible Unsecured Note due September 30, 2022 for advances by directors	
6.24	Loan Extension Agreement with CH Capital Lending, LLC dated November 10, 2016	
6.25	Second Amendment to Lease Agreement with Shreveport Business Park, LLC dated November 17, 2016	
6.26	Forbearance Agreement with Racer Trust dated December 1, 2016	
6.27	Forbearance Agreement with Racer Trust dated March 1, 2017	
6.28	Loan Extension Agreement with Stuart Lichter dated April 19, 2017	
6.29	Second Loan Extension Agreement with CH Capital Lending, LLC dated April 27, 2017	
11.1	Consent of Berline	Exhibit 11.1 to Offering Statement filed August 28, 2015 (File No. 024-10473)

SIGNATURES

Pursuant to the requirements of Regulation A, the issuer has duly caused this report to be signed on its behalf by the undersigned, thereunder duly authorized.

ELIO MOTORS, INC.

Date: April 28, 2017

By: /s/ Paul Elio
Paul Elio, Chief Executive Officer

Pursuant to the requirements of Regulation A, this report has been signed below by the following persons on behalf of the issuer and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Paul Elio Paul Elio	Chief Executive Officer and Director (Principal Executive Officer)	April 28, 2017
/s/ Connie Grennan Connie Grennan	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	April 28, 2017
/s/ Hari Iyer Hari Iyer	Director	April 28, 2017
/s/ James Holden James Holden	Director	April 28, 2017
/s/ Stuart Lichter Stuart Lichter	Director	April 28, 2017
_____ David C. Schembri	Director	
/s/ Kenneth L. Way Kenneth L. Way	Director	April 28, 2017

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Elio Motors, Inc.
Phoenix, Arizona

We have audited the accompanying balance sheets of Elio Motors, Inc. (the Company) as of December 31, 2016 and 2015, and the related statements of operations, stockholders' deficit, and cash flows for the years ended December 31, 2016, 2015 and 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Elio Motors, Inc. as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years ended December 31, 2016, 2015 and 2014 in conformity with accounting principles generally accepted in the United States of America.

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

/s/ Eide Bailly LLP

Denver, Colorado
April 28, 2017

ELIO MOTORS, INC.
BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

Assets	2016	2015
Current Assets		
Cash	$ 120,206	$ 6,870,044
Restricted cash held in escrow	192,694	3,806,378
Restricted cash held for customer deposits	-	4,000,000
Prepaid expenses	418,568	471,170
Other current assets	303,000	336,733
Assets held for sale	400,000	2,200,000
Deferred loan costs	136,852	170,628
Total Current Assets	1,571,320	17,854,953
Restricted cash held for customer deposits	2,013,605	1,816,407
Machinery and equipment, net	11,988,165	12,435,481
Facility under capital sublease, net	5,482,468	5,448,964
Deferred loan costs	650,048	981,103
Deferring offering costs	117,081	-
Other assets	25,000	-
Total Assets	$ 21,847,687	$ 38,536,908
Liabilities and Stockholders' Deficit		
Current Liabilities		
Accounts payable and accrued liabilities	$ 11,723,376	$ 3,806,861
Refundable customer deposits	1,247,550	1,092,750
Advances due to related party	75,155	-
Interest payable, current portion	9,515,336	6,436,079
Derivative liabilities - fair value of warrants	838,833	907,703
Notes payable, net of discount and deferred loan costs	20,315,081	-
Notes payable due to related party, net of discount	-	7,936,597
Total Current Liabilities	43,715,331	20,179,989
Nonrefundable customer deposits	26,035,436	19,587,800
Interest payable, net of current portion	5,351,431	6,757,983
Convertible notes payable, net of discount	5,737,184	401,013
Notes payable, net of current portion, discount and deferred loan costs	-	18,878,146
Notes payable due to related party, net of current portion and discount	6,671,714	-
Capital sublease obligation	6,295,142	6,022,677
Total Liabilities	93,806,238	71,827,608
Commitments and contingencies (see notes to financial statements)		
Stockholders' Deficit:		
Common stock, no par value, 100,000,000 shares authorized, 26,769,131 and 26,320,322 shares issued and outstanding at December 31, 2016 and 2015, respectively	61,587,843	55,133,932
Preferred stock, no par value, 10,000,000 shares authorized, 435,036 shares issued and outstanding at December 31, 2016, no shares issued and outstanding at December 31, 2015	7,330,987	-
Accumulated deficit	(141,144,405)	(88,424,632)
Total Stockholders' Deficit	(72,225,575)	(33,290,700)
Total Liabilities and Stockholders Deficit	$ 21,580,663	$ 38,536,908

See accompanying notes to financial statements

ELIO MOTORS, INC.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	2016	2015	2014
Costs and Expenses:			
Engineering, research and development costs	$ 20,078,229	$ 2,085,590	$ 5,469,895
General and administrative expenses	12,678,489	4,455,831	5,247,581
Sales and marketing expenses	7,612,179	4,611,306	4,264,953
Asset impairment charges	-	1,963,448	-
Total costs and expenses	40,368,897	13,116,175	14,982,429
Loss From Operations	(40,368,897)	(13,116,175)	(14,982,429)
Other income (expense):			
Gain (loss) on sale of machinery and equipment	(874,375)	1,365,932	67,030
Gain on forgiveness of debt	-	68,399	180,000
Other income	6,750	6,119	213,382
Interest expense	(11,514,326)	(10,918,470)	(10,068,217)
Other expense	-	-	(373)
Gain on change in fair value of derivative liability	31,075	-	-
Total other expenses, net	(12,350,876)	(9,478,020)	(9,608,178)
Net Loss	$ (52,719,773)	$ (22,594,195)	$ (24,590,607)
Basic loss per common share:	$ (1.98)	$ (0.90)	$ (0.98)
Weighted-average number of common shares outstanding	26,559,566	25,127,495	25,040,164

See accompanying notes to financial statements

ELIO MOTORS, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014

	Preferred Convertible Stock		Common Stock		Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount		
Balance at December 31, 2013	-	-	25,000,000	33,459,056	(41,239,830)	(7,780,774)
Net loss	-	-	-	-	(24,590,607)	(24,590,607)
Convertible notes payable converted to equity (Note 11)	-	-	-	336,838	-	- 336,838
Issuance of stock warrants (Note 9)	-	-	-	1,224,188	-	1,224,188
Issuance of common stock (Note 11)	-	-	77,500	875,000	-	875,000
Balance at December 31, 2014	-	-	25,077,500	35,895,082	(65,830,437)	(29,935,355)
Net loss	-	-	-	-	(22,594,195)	(22,594,195)
Discount on convertible notes from beneficial conversion feature (Note 7)	-	-	-	5,113,401	-	5,113,401
Issuance of common stock, net of issuance costs (Note 11)	-	-	1,242,822	14,125,449	-	14,125,449
Balance at December 31, 2015	-	-	26,320,322	55,133,932	(88,424,632)	(33,290,700)
Net loss	-	-	-	-	(52,719,773)	(52,719,773)
Discount on convertible notes from beneficial conversion feature (Note 7)	-	-	-	1,097,317	-	1,097,317
Convertible notes payable converted to equity (Note 7)	-	-	210,571	1,343,218	-	1,343,218
Conversion of warrants (Note 9)			8,012	171,307	-	171,307
Stock-based compensation (Note 11)	-	-	-	300,429		300,429
Issuance of stock warrants (Note 9)			-	777,936	-	777,936
Issuance of convertible preferred stock (Note 8)	435,036	7,330,987	-	-	-	7,330,987
Issuance of common stock, net of issuance costs (Note 11)	-	-	230,226	2,763,704	-	2,763,704
Balance at December 31, 2016	435,036	$ 7,330,987	26,769,131	$61,587,843	$(141,144,405)	$ (72,225,575)

See accompanying notes to financial statements

ELIO MOTORS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014

	2016	2015	2014
Cash Flows From Operating Activities			
Net Loss	$ (52,719,773)	$ (22,594,195)	$ (24,590,607)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	250,630	278,753	300,000
Amortization of discount on notes payable	3,616,158	2,150,165	2,217,660
Amortization of deferred financing costs	539,936	202,987	264,628
Accrued interest on capital sublease obligation	-	2,740,795	2,241,134
Asset impairment charges	-	1,963,448	-
Gain on sale of fixed assets	874,375	(1,365,932)	(67,030)
Gain on forgiveness of debt	-	(68,399)	(180,000)
Loss on change in fair value of derivative liability	(31,075)		
Common stock issued for services	-	-	725,000
Warrant issued for service	820,360		
Stock based compensation	300,429		
Change in operating assets and liabilities:			
Prepaid expenses and other current assets	(241,679)	(375,506)	256,309
Accounts payable and accrued liabilities	12,729,323	(317,746)	4,555,078
Interest payable	4,487,301	5,647,963	2,529,816
Net Cash Used in Operating Activities	(29,374,015)	(11,737,667)	(11,748,012)
Cash Flows From Investing Activities			
Purchases of machinery and equipment	(12,987)	(94,255)	-
Proceeds from sale of machinery and equipment, net	1,374,258	3,643,985	183,739
Net Cash Used in Investing Activities	1,361,271	3,549,730	183,739
Cash Flows From Financing Activities			
Change in restricted cash	7,391,485	(4,291,231)	(3,359,796)
Customer deposits	6,602,436	4,914,667	12,949,433
Issuance of common stock	3,052,639	14,913,864	150,000
Common stock issuance costs	(155,423)	(714,752)	-
Deferred offering costs	(117,081)	-	-
Repayments of notes payable	-	(1,600,000)	-
Payment of deferred financing costs	-	(427,159)	(363,276)
Proceeds from convertible notes	5,970,000	5,341,560	-
Advances received from related party	75,000	-	1,900,500
Repayments of advances from related party	(1,884,164)	(3,200,572)	(132,078)
Advances to related party	328,014	(253,048)	(74,966)
Net Cash Provided by Financing Activities	21,262,906	14,683,329	11,069,817
Net Change in Cash	(6,749,838)	6,495,392	(494,456)
Cash at Beginning of Year	6,870,044	374,652	869,108
Cash at End of Year	$ 120,206	$ 6,870,044	$ 374,652
Supplemental disclosures of cash flow information			
Cash paid during the year for interest	$ 1,334,184	$ 176,560	$ 2,814,979
Cash paid during the year for income taxes	$ 330	$ 850	$ -
Supplemental disclosures of non-cash investing and financing activities			
Amendment of capital lease resulting in change in lease payments	$ 272,465	$ 1,477,323	$ -
Discount on Convertible Notes from Beneficial Conversion Feature	$ 1,097,317	$ 5,113,401	$ -
Issuance of warrants for services provided	$ 777,936	$ 834,040	$ 1,224,188
Issuance of warrants for stock offering costs	$ 133,512	$ 73,663	$ -

Exercise of warrants	$ 171,307	$ -	$ -
Convertible notes payable converted to equity	$ 1,343,218	$ -	$ 336,838
Conversion of accounts payable to note payable	$ -	$ -	$ 1,600,000
Expense recognized under equity grant	$ -	$ -	$ 725,000
Issuance of stock-based compensation	$ 300,429	$ -	$ -
Conversion of accounts payable and accrued interest to preferred stock under capital lease arrangement	$ 7,330,987	$ -	$ -

See accompanying notes to financial statements

NOTE 1 – BUSINESS ORGANIZATION AND NATURE OF OPERATIONS

Elio Motors, Inc., (OTCQX: ELIO), (the "Company"), was formed on October 26, 2009. The Company was created to provide affordable transportation to those commuters seeking an alternative to today's offering; at the same time provide vital American jobs. The Company is in the process of designing a three wheeled vehicle for mass production in the U.S. that achieves ultra-high fuel economy, exceeds safety standards and a targeted base price of $7,450, which excludes options, destination/delivery charges, taxes, title and registration.

Pursuant to the articles of incorporation, the Company is authorized to issue 100,000,000 shares of common stock and 10,000,000 preferred shares, of which 100,000 preferred shares are designated as Series A Convertible Preferred shares ("Series A shares"), 435,036 preferred shares are designated as Series C Convertible Preferred shares ("Series C shares"), and 96,380 preferred shares are designated as Series D Convertible Preferred shares ("Series D shares"). The Company's common stock and preferred shares have no par value. To date no dividends have been declared by the Company.

The Series A shares are convertible into an equal number of common shares, subject to certain dilution adjustments, at the holder's election. The Series A shares rank senior and prior in rights to the common shares and any other class of preferred shares with respect to dividend rights, and rights upon liquidation, winding up or dissolution. Issued Series A shares shall accrue and accumulate an 8% cumulative preferential cash dividend based on the purchase price per share. Such dividends are payable when declared by the Board of Directors of the Company. There were no Series A shares issued or outstanding at December 31, 2016 and 2015.

The Series C shares are convertible into an equal number of common shares, subject to certain dilution adjustments, at the stockholder's election. The Series C shares shall, with respect to rights upon liquidation, winding up, or dissolution, rank senior and prior in right to each class of common stock and any other class of preferred shares, other than a class or series ranking on par with or senior to the Series D shares. There were 435,036 Series C shares issued and outstanding at December 31, 2016 and no Series C shares outstanding December 31, 2015.

The Series D shares are convertible into an equal number of common shares, subject to certain dilution adjustments, at the holder's election. The Series D shares shall, with respect to rights upon liquidation, winding up, or dissolution, rank senior and prior in right to each class of common stock and any other class of preferred shares, other than a class or series ranking on par with or senior to the Series D shares. The Company's Series C shares and Series D shares shall rank on par with one another. There were no Series D shares issued or outstanding at December 31, 2016 and 2015.

On July 9, 2015, the Company completed a 500-for-1 stock split for all outstanding common stock. References made to outstanding share or per share amounts in the accompanying financial statements and applicable disclosures have been retroactively adjusted to reflect this 500-for-1 stock split. The number of authorized shares as reflected on the accompanying balance sheets was not affected by the stock split and accordingly has not been adjusted.

NOTE 2 – GOING CONCERN AND MANAGEMENT'S PLANS

As of December 31, 2016 the Company had a working capital deficiency and a stockholder's deficit of $42,144,011 and $71,958,551, respectively. During the years ended December 31, 2016, 2015 and 2014, the Company incurred losses of $52,719,773, $22,594,195, and $24,590,607, respectively. These conditions indicate that there is substantial doubt about the Company's ability to continue as a going concern within the next twelve months from the filing date of this report.

NOTE 2 – GOING CONCERN AND MANAGEMENT'S PLANS (Continued)

Through December 31, 2016, the Company has not recorded any revenues for the sale of its vehicle nor does it expect to record revenues of any significant amount prior to commercialization of its vehicle. The Company's primary source of operating funds since inception has been contributions from stockholders, debt issuance and customer deposits. The Company intends to continue to raise additional capital through debt and equity placement offerings until it consistently achieves positive cash flow from operations after starting production. If the Company is unable to obtain such additional financing on a timely basis or the Company's debt holders do not agree to convert their notes into equity or extend the maturity dates of their notes, the Company may have to curtail its engineering and development, and sales and marketing efforts, which would have an adverse effect on the Company's business, financial condition, and results of operations, and ultimately the Company could be forced to discontinue its operations and liquidate.

Once the Company's planned principal operations commence, its focus will be on the manufacturing and marketing of its vehicles and the continued research and development of new products. The Company may not be profitable even if it succeeds in commercializing its product. The Company expects to make substantial expenditures and to incur additional operating losses for at least the next few years as it continues to develop the vehicle, increase manufacturing capacity for production, and enter into production and marketing collaborations with other companies, if available on commercially reasonable terms, or develop these capabilities internally.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP"), which contemplate continuation of the Company as a going concern and the realization of assets and satisfaction of liabilities in the normal course of business. The carrying amounts of assets and liabilities presented in the financial statements do not necessarily purport to represent realizable or settlement values. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as contained within the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Significant estimates include the valuation of services provided in exchange for common stock, the utilization and realization of machinery and equipment held for production, the valuation of assets held for sale, the fair value of derivative instruments, and the discount on debt for warrants granted in connection with the issuance of promissory notes. Actual results could differ from those estimates.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments

FASB ASC Subtopic 825-10, *Financial Instruments*, requires disclosure of fair value information about financial instruments. The Company's financial instruments include cash, accounts payable, other current assets and liabilities, long-term debt and derivative instruments. The fair value of the Company's cash, accounts payable, other current assets and liabilities approximates their carrying value due to their relatively short maturities. The fair value of the Company's senior and subordinated debt instruments approximates their carrying value as the interest is tied to or approximates market rates, or is short term in nature. The fair value of the Companies convertible subordinated debt instruments approximates the carrying value as the applicable interest rate has been adjusted to account for the beneficial conversion feature, or is short term in nature. For fair value of derivative instruments refer to Note 6.

Cash

The Company maintains cash in bank accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts, and periodically evaluates the creditworthiness of the financial institutions and has determined the credit exposure to be negligible.

Restricted Cash

Restricted cash held in escrow as of December 31, 2016, includes $192,694 deposited in escrow accounts with financial institutions for future payment of property taxes and principal payments on notes payable from the sale of machinery and equipment. As of December 31, 2015, the Company had $3,806,378 deposited in escrow accounts. Of this amount $2,708,547 was deposited in escrow accounts with financial institutions from the issuance of common shares under the Company's Regulation A offering, and $1,097,831 was for future payment of property taxes and principal payments on notes payable from the sale of machinery and equipment.

In addition, the Company has recorded $2,013,605 and $5,816,407 as restricted cash held for customer deposits as of December 31, 2016 and 2015, respectively. These amounts include amounts held as restricted that relate to refundable customer deposits, as well as amounts held as reserves by credit card processors. At December 31, 2015, $4,000,000 of these funds were classified as current assets because they were released in May 2016.

Other Current Assets

As of December 31, 2016, the Company has recorded $303,000 as other current assets. This amount represents the sale of assets held for sale near year end and the proceeds were received in the escrow account January 2017. As of December 31, 2015, the Company has recorded $336,733 as other current assets. This amount represents advances made to the President and CEO. The advance incurred interest at the Federal Funds rate per annum, was due on demand, and repaid on May 3, 2016.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Property and equipment held for sale is recorded at the lower of cost or fair value less cost to sell. Major improvements are capitalized while expenditures for maintenance, repairs and minor improvements are charged to expense. When assets are retired or otherwise disposed of, the assets and related accumulated depreciation and amortization are eliminated from the accounts, and any resulting gain or loss is reflected in operations. Property and equipment held for use are depreciated and amortized using the straight-line method over the estimated useful lives of the assets once placed in service.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

The estimated useful lives for property and equipment are as follows:

Facility under capital sublease	25 years
Machinery and equipment	3-10 years
Vehicles	3-5 years
Computer equipment and software	2-5 years

Impairment of Long-Lived Assets

In accordance with FASB ASC Subtopic 360-10, *Property, Plant, and Equipment – Impairment or Disposal of Long Lived Assets*, property and equipment and identifiable intangible assets with estimable useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. There was no impairment charge for the years ended December 31, 2016 and 2014. For the year ended December 31, 2015 the Company recognized an impairment charge of $1,963,448.

Assets Held For Sale

In connection with a strategy to reduce debt, the Company decided to sell machinery and equipment held at its Shreveport, Louisiana facility that will not be used during production. The carrying value of the machinery and equipment held for sale is stated at its lower of cost or fair value less cost to sell of $400,000 and $2,200,000, which is shown as "Assets held for sale" at December 31, 2016 and 2015, respectively, in the accompanying balance sheets in accordance with FASB ASC Topic 360, *Property, Plant, and Equipment.*

The estimated value is based on negotiations with potential buyers. The amount that the Company will ultimately realize could differ materially from the amount recorded in the financial statements. The Company anticipates disposing of all assets held for sale within one year.

Accounting for Debt/Proceeds Allocation

The Company accounts for the issuance of debt with detachable warrants under FASB ASC Subtopic 470-20, *Debt with Conversion and Other Options* ("ASC 470-20"). Pursuant to ASC 470-20, the warrants issued in connection with the related party debt (Note 7) are accounted for as equity due to the stock settlement available to the holder. The Company used the Black-Scholes option pricing model as the valuation model to estimate the fair value of the warrants. These warrants were fair valued on the issuance date and recorded at the relative fair value of the warrants and underlying related party promissory notes. The warrants are not subsequently revalued.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Issuance Costs

Deferred financing costs are legal and other costs incurred in connection with obtaining new financing. During 2015, FASB Accounting Standards Update 2015-03, *Interest—Imputation of Interest (Subtopic 835-30)* ("ASU 2015-03") was issued. ASU 2015-03 simplifies the presentation of debt issuance costs and requires that debt issuance costs related to a recognized debt liability be presented in the accompanying balance sheets as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The Company has elected to early adopt such guidance in order to simplify the accounting for its debt issuance costs, with the exception of the debt issuance costs incurred in connection with the Tier 1 Subordinated Convertible Note Payable, as discussed in Note 7. As of December 31, 2015 the Tier 1 note had a beneficial conversion feature and debt issuance costs in excess of the note amount. As a result the debt issuance costs were recorded as a deferred loan cost. As of December 31, 2016, the current and long-term portions of deferred loan costs were $136,852 and $650,048, respectively. As of December 31, 2015 the current and long-term portions of deferred loan costs were $170,628 and $981,103, respectively.

ASU 2015-03 does not change the accounting for amortization of the debt issuance costs. The Company amortizes the debt issuance costs to interest expense over the term of the respective note payable using the effective yield method. Deferred financing costs amortized to interest expense amounted to $539,936, $202,987, and $264,628 for the years ended December 31, 2016, 2015, and 2014, respectively.

Beneficial Conversion Feature

From time to time, the Company may issue convertible notes that may have conversion prices that create an embedded beneficial conversion feature pursuant to FASB ASC Subtopic 470-20, *Debt with Conversion and Other Options*. A beneficial conversion feature exists on the date a convertible note is issued when the fair value of the underlying common stock to which the note is convertible is in excess of the conversion price. In accordance with this guidance, the intrinsic value of the beneficial conversion feature is recorded as a debt discount with a corresponding amount to common stock. The debt discount is amortized to interest expense over the life of the note using the effective interest method.

Warrants

The Company accounts for warrants with anti-dilution ("down-round") provisions under the guidance of FASB ASC Topic 815, *Derivatives and Hedging*, ("ASC 815") which require such warrants to be recorded as a liability and adjusted to fair value at each reporting period.

The Company used the Monte Carlo method to calculate fair value and accounts for the issuance of common stock purchase warrants issued in connection with capital financing transactions in accordance with the provisions of ASC 815. Based upon the provisions of ASC 815, the Company classifies as equity any contracts that (i) require physical settlement or net-share settlement or (ii) give the Company a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement). 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 control of the Company) or (ii) gives the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement).

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Company recognizes revenue from products sold when there is persuasive evidence of an arrangement, delivery has occurred or services have been rendered, the sales price is determinable and collection is reasonably assured. Deposits collected in advance of the period in which the product is delivered are recorded as a liability under refundable and nonrefundable deposits. Nonrefundable deposits are not considered revenue because the Company has not fulfilled their obligation to the customer as production is not expected to begin until the fourth quarter of 2018 as further discussed in Note 5.

Advertising Costs

Advertising costs are expensed as incurred. Such costs, which amounted to $7,612,179, $4,611,306 and $4,264,953 for the years ended December 31, 2016, 2015 and 2014, respectively, are included in sales and marketing expenses in the accompanying statements of operations.

Research and Development Costs

In accordance with FASB ASC Topic 730, *Research and Development,* research and development costs are expensed as incurred. Research and development expenses consist of purchased technology, purchased research and development rights and outside services for research and development activities associated with product development. In accordance with ASC Topic 730, the cost to purchase such technology and research and development rights are required to be charged to expense if there is currently no alternative future use for this technology and, therefore, no separate economic value. Research and development costs amounted to $20,078,229, $2,085,590 and $5,469,895 for the years ended December 31 2016, 2015 and 2014, respectively.

Loss per Common Share

The Company computes loss per common share, in accordance with FASB ASC Topic 260, *Earnings Per Share,* which requires dual presentation of basic and diluted earnings per share. Basic income or loss per common share is computed by dividing net income or loss by the weighted average number of common shares outstanding during the period. Diluted income or loss per common share is computed by dividing net income or loss by the weighted average number of common shares outstanding, plus the issuance of common shares, if dilutive, that could result from the exercise of outstanding stock options and warrants. These potentially dilutive securities were not included in the calculation of loss per common share for the years ended December 31, 2016, 2015, or 2014 because their effect would be anti-dilutive.

The outstanding securities consist of the following:

	Years Ended December 31,		
	2016	**2015**	**2014**
Outstanding convertible notes	1,070,285	871,356	-
Outstanding options	389,000	-	-
Outstanding warrants	2,061,549	1,983,463	1,887,554
Series C convertible preferred stock	435,036	-	-
Total potentially dilutive securities	3,955,870	2,854,819	1,887,554

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Company is taxed as a C corporation in the United States of America. The Company uses the asset and liability method of accounting for income taxes in accordance with FASB ASC 740, *Income Taxes* ("ASC 740"). Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income or expense in the period that includes the enactment date. The realizability of deferred tax assets is assessed throughout the year and a valuation allowance is established as necessary.

The Company follows the requirements of ASC 740, which clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements and prescribes a recognition threshold of more likely than not and a measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In making this assessment, the Company must determine whether it is more likely than not that a tax position will be sustained upon examination, based solely on the technical merits of the position. Management believes that the Company has taken no uncertain tax positions as of December 31, 2016, 2015 and 2014 and therefore no accruals have been made in the financial statements related to uncertain tax positions.

Stock-based Compensation

The Company accounts for stock-based compensation in accordance with FASB ASC 718 *Compensation – Stock Compensation* ("ASC 718"), which establishes accounting for equity instruments exchanged for employee services. Under such provisions, stock-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense, under the straight-line method, over the employee's requisite service period (generally the vesting period of the equity grant).

The Company accounts for equity instruments, including restricted stock or stock options, issued to non-employees in accordance with authoritative guidance for equity based payments to non-employees. Stock options issued to non-employees are accounted for at their calculated fair value of the award.

Recently Issued Accounting Standards

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards (Continued)

ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 is effective first quarter of fiscal 2018 using either of two methods: (i) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (ii) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined per ASU 2014-09. Based on our preliminary analysis we do not believe the adoption of ASU 2014-09 will have a material impact on our financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements – Going Concern: Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"). ASU 2014-15 requires management to evaluate whether there is substantial doubt about the entity's ability to continue as a going concern and, if so, provide certain footnote disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016, including interim reporting periods thereafter. We adopted ASU 2014-15 as of December 31, 2016, and have provided footnote disclosures due to our uncertainty about the entity's ability to continue as a going concern as further discussed in Note 2.

In November 2015, the FASB issued Accounting Standards Update No. 2015-17, *Balance Sheet Classification of Deferred Taxes* ("ASU 2015-17"). This standard requires that deferred income tax liabilities and assets be presented as noncurrent assets or liabilities in the balance sheet. ASU 2015-17 is effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods, and may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. Early adoption is permitted. Based on our preliminary assessment, we do not expect this new standard to have a material impact on our financial statements or related disclosures. We will adopt this standard on the effective date.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). This update substantially revises standards for the recognition, measurement and presentation of financial instruments. This standard revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. ASU 2016-01 is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods, with early adoption permitted for certain requirements. We are assessing the impact of adopting this new accounting standard on our financial statements and related disclosures.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards (Continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). The amendments in this ASU revise the accounting related to lessee accounting. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases. The new lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. The amendments in this ASU are effective for us beginning on January 1, 2019 and should be applied through a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Based on our preliminary assessment, we do not expect this new standard to have a material impact on our financial statements or related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation – Stock Compensation: Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"). The ASU includes various provisions to simplify the accounting for share-based payments with the goal of reducing the cost and complexity of accounting for share-based payments. The amendments may significantly impact net income, earnings per share and the statement of cash flows as well as present implementation and administration challenges for companies with significant share-based payment activities. ASU No. 2016-09 is effective for public companies for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows: Restricted Cash* ("ASU 2016-18"). ASU 2016-18 requires the Statement of Cash Flows to explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Therefore, restricted cash or cash equivalents should be included with cash and cash equivalents when recording the beginning-of-period and end-of-period total amounts on the Statement of Cash Flows. ASU 2016-18 will be effective for the Company on January 1, 2018 and is not expected to have a significant impact on the Company's financial statements.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2016 and 2015:

	2016	2015
Facility under capital sublease	$ 6,295,142	$ 6,022,677
Machinery and equipment	11,897,633	12,346,266
Vehicles	49,532	39,500
Computer equipment and software	57,710	54,755
Total property and equipment	18,300,017	18,463,198
Less: accumulated depreciation and amortization	(829,383)	(578,753)
Machinery and equipment, net	$11,988,165	$12,435,481
Facility under capital sublease, net	$ 5,482,469	$ 5,448,964

NOTE 4 - PROPERTY AND EQUIPMENT (Continued)

Depreciation and amortization of property and equipment held for use amounted to $250,630, $278,753, and $300,000 for the years ended December 31, 2016, 2015, and 2014, respectively. There was no depreciation and amortization expense related to manufacturing machinery and equipment held for future production at the Company's Shreveport, Louisiana facility. For the years ended December 31, 2016, and 2015, the Shreveport manufacturing machinery and equipment held for future production totaled $11,897,633, and $12,346,266, respectively. Included in the December 31, 2016 balance of machinery and equipment is $871,682 in assets management has identified will not be used in production. This amount is not classified as assets held for sale because management does not believe the sale of assets is probable within one year. The Company plans to start production in the fourth quarter of 2018 at which time the manufacturing machinery and equipment will be placed in service.

At December 31, 2016 and 2015, the Company conducted a review of the machinery and equipment held for sale. Based on the review, the Company had no impairment charge for the year ended December 31, 2016 and recorded an impairment charge of $1,963,448 for the year ended December 31, 2015. The assets to be disposed of include conveyance systems, robotics and controllers, and general manufacturing equipment held in the Shreveport Louisiana facility. The Company reviewed the estimated undiscounted future cash flows expected to be received at the disposition of the assets to determine the amount of the asset impairment.

NOTE 5 – CUSTOMER DEPOSITS

The Company has received customer deposits ranging from $100 to $1,000 per order for purposes of securing their vehicle production slot. As of December 31, 2016 and 2015, the Company received refundable deposits of $1,247,550 and $1,092,750, respectively, which are refundable upon demand. Refundable deposits are included in current liabilities in the accompanying balance sheets. As of December 31, 2016 and 2015, the Company received nonrefundable deposits of $26,035,436 and $19,587,800, respectively. The nonrefundable deposits are included in long term liabilities in the accompanying balance sheets since the Company has not fulfilled their obligation to the customer as production is not expected to begin until the fourth quarter of 2018, and is under no obligation to return the deposit to the customer. As further discussed in Note 12 Commitments and Contingencies: Sales Discounts, the Company provides a sales discount for nonrefundable deposit customers up to 50% of the nonrefundable deposit, up to $500 per deposit. As of December 31, 2016 and 2015, future committed sales discounts offered amounted to approximately $12,120,313 and $10,340,000, respectively.

NOTE 6 – FAIR VALUES OF ASSETS AND LIABILITIES

The Company groups its assets and liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1—Valuation is based on quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2—Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

NOTE 6 – FAIR VALUES OF ASSETS AND LIABILITIES (Continued)

Level 3—Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The Company uses valuation methods and assumptions that consider among other factors the fair value of the underlying stock, risk-free interest rate, volatility, expected life and dividend rates in estimating fair value for the warrants considered to be derivative instruments.

The following table presents the Company's fair value hierarchy for applicable assets and liabilities measured at fair value on a recurring basis as of December 31, 2016.

	Level 1	Level 2	Level 3	Total
Warrant liabilities	$ -	$ -	$ 838,833	$ 838,833
Assets held for sale	$ -	$ -	$ 400,000	$ 400,000
Machinery and equipment			871,682	671,682

The Company's recurring Level 3 instruments consisted of stock warrant liabilities and assets held for sale. Warrant liabilities are valued using the Monte Carlo option pricing model. The significant unobservable inputs used in the fair value measurement of the stock warrant liability are risk-free interest rate over the term of the instrument, time to liquidity event, dividend yield, and volatility of equity. The change in any of those inputs in isolation would result in a significant change of fair value measurement. The following table describes the valuation techniques used to calculate the fair value for the warrant liabilities in the Level 3 hierarchy:

	Fair Value at December 31, 2016	Valuation Techniques	Unobservable Input	Weighted Average
Warrant liabilities	$ 838,833	Monte Carlo option pricing method	Risk-free rate	2.05%
			Time to liquidity event	3.96 yrs.
			Dividend yield	0.00%
			Volatility	80.10%

Assets held for sale are being measured at fair value using the unobservable level 3 inputs by estimating the physical condition, functional and economic obsolescence, and the undiscounted cash flow expected from the sale of assets.

The following table presents the Company's fair value hierarchy for applicable assets and liabilities measured at fair value on a recurring basis as of December 31, 2015.

	Level 1	Level 2	Level 3	Total
Warrant liabilities	$ -	$ -	$ 907,703	$ 907,703
Assets held for sale	$ -	$ -	$ 2,200,000	$ 2,200,000

NOTE 6 – FAIR VALUES OF ASSETS AND LIABILITIES (Continued)

The Company's recurring Level 3 instruments consisted of stock warrant liabilities and assets held for sale. Warrant liabilities are valued using the Monte Carlo option pricing model. The significant unobservable inputs used in the fair value measurement of the stock warrant liability are risk-free interest rate over the term of the instrument, time to liquidity event, dividend yield, and volatility of equity. The change in any of those inputs in isolation would result in a significant change of fair value measurement. The following table describes the valuation techniques used to calculate the fair value for the warrant liabilities in the Level 3 hierarchy:

	Fair Value at December 31, 2015	Valuation Techniques	Unobservable Input	Weighted Average
Warrant liabilities	$ 907,703	Monte Carlo option pricing method	Risk-free rate	1.69%
			Time to liquidity event	4.84 yrs.
			Dividend yield	0.00%
			Volatility	80.16%

Assets held for sale are being measured at fair value using the unobservable level 3 inputs by estimating the physical condition, functional and economic obsolescence, and the undiscounted cash flow expected from the sale of assets.

A reconciliation of the warrant liability measured at fair value on a recurring basis with the use of significant unobservable inputs (level 3) from January 1, 2015 to December 31, 2016 follows:

Balance at January 1, 2015	$ -
Issuance of warrants	907,703
Balance at December 31, 2015	$ 907,703
Issuance of warrants	133,512
Change in fair value of warrants included in earnings	(31,075)
Conversion of warrants	(171,307)
Balance at December 31, 2016	$ 838,833

NOTE 7 – LONG-TERM DEBT

Senior Promissory Note – Related Party

On February 28, 2013, in connection with the acquisition of certain machinery and equipment, the Company entered into a promissory note with GemCap Lending I, LLC, ("GemCap"), for $9,850,000. The note was secured by a first priority lien on certain machinery and equipment with an original value of $11,659,705 and was personally guaranteed by a stockholder. The note incurred interest at 15% per annum, payable monthly. All outstanding principal and interest was due upon maturity on February 28, 2014.

On February 27, 2014, the Company entered into the second amendment to the promissory note, which extended the maturity date to May 31, 2014 and reduced the interest rate to 12% per annum. On May 31, 2014, the Company entered into the third amendment to the promissory note, which extended the maturity date to July 31, 2014.

NOTE 7 – LONG-TERM DEBT (Continued)

Senior Promissory Note – Related Party (Continued)

On August 1, 2014, CH Capital Lending, LLC, ("CH Capital") owned by a director and stockholder, purchased the $9,850,000 promissory note from GemCap. On August 1, 2014, the Company and CH Capital entered into the fourth amendment to the promissory note, which extended the maturity date to July 31, 2015 and reduced the interest rate to 10% per annum.

On July 31, 2015, the Company entered into a forbearance agreement with CH Capital, which deferred the enforcement of the collection of the promissory note until July 31, 2016. On November 10, 2016, the Company entered into a loan extension agreement, which extended and amended the maturity date to July 29, 2017, with monthly payments of $50,000 commencing January 1, 2017. In addition to the monthly payments, the Company agreed that within five business days of the receipt of net proceeds of at least $25,000,000, in the aggregate from one or more offerings of the Company's debt or equity securities, the Company shall remit a payment equal to the lessor of $2,000,000 or five percent of the net proceeds from the offerings. As of the date the financial statements were available to be issued, no monthly payments have been made.

On April 27, 2017 the Company entered into a second loan extension agreement with CH Capital, which extended and amended the maturity date to July 31, 2018. The agreement also allows for one option to further extend the maturity date until September 28, 2018 upon written notice and a payment of $125,000 to CH Capital on or before July 31, 2018. The loan extension also waived the $50,000 monthly payments that were due under the November 10, 2016 agreement, and replaced the payment of $2,000,000 or five percent of the net proceeds from an offering of at least $25,000,000, with a payment of $1,250,000 upon the receipt of net proceeds of at least $25,000,000, in the aggregate from one or more offerings of the Company's debt or equity securities. The agreement further requires a payment of $1,250,000, on or before July 31, 2017. This amount may include the payments made upon the receipt of net proceeds from an offering of at least $25,000,000. If the Company fails to make the July 31, 2017 payment of $1,250,000, the Company agrees to pay $350,000 on or before August 1, 2017 and $50,000 per month thereafter.

Interest expense incurred on this note for the years ended December 31, 2016, 2015, and 2014 amounted to $536,984, $966,016, and $1,297,644, respectively.

As of December 31, 2016 and 2015, the Company has applied cumulative payments of $5,078,786 and $3,194,622 in principal payments from the sale of machinery and equipment held for sale in the Shreveport Louisiana facility. The senior promissory note of $4,771,214 and $6,577,091 is reflected net of debt issuance costs of $0 and $78,287 in the accompanying balance sheets at December 31, 2016 and 2015, respectively.

Related Party Subordinated Promissory Notes

On June 19, 2014, the Company entered into a promissory note agreement with a director and stockholder of the Company for $600,000. The promissory note is secured by any and all accounts, receivables, and/or deposits and incurs interest at 10% per annum. All accrued interest and unpaid principal are payable upon maturity. The note matured on December 31, 2014, but was amended and the maturity date was extended to January 31, 2019. The outstanding principal and interest amounted to $600,000 and $155,944, respectively, at December 31, 2016, and $600,000 and $94,944, respectively, at December 31, 2015. Interest expense incurred on the note for the years ended December 31, 2016, 2015, and 2014 amounted to $61,000, $60,833, and $34,111, respectively.

NOTE 7 – LONG-TERM DEBT (Continued)

Related Party Promissory Notes

On March 6, 2014, the Company entered into a promissory note agreement with a director and stockholder of the Company for $1,000,500. The promissory note is unsecured and incurs interest at 10% per annum. All accrued interest and unpaid principal are payable upon maturity at January 31, 2019. The outstanding principal and interest amounted to $1,000,500 and $211,254, respectively, at December 31, 2016, and $1,000,500 and $109,537, respectively, at December 31, 2015. Interest expense incurred on the note for the years ended December 31, 2016, 2015, and 2014 amounted to $101,718, $101,440, and $8,097, respectively.

On May 30, 2014, the Company entered into a promissory note agreement with a director and stockholder of the Company for $300,000. The promissory note is unsecured and incurs interest at 10% per annum. All accrued interest and unpaid principal is payable upon maturity at January 31, 2019. The outstanding principal and interest amounted to $300,000 and $69,722, respectively, at December 31, 2016, and $300,000 and $39,222, respectively, at December 31, 2015. Interest expense incurred on the note for the years ended December 31, 2016, 2015, and 2014 amounted to $30,500, $30,416, and $8,806, respectively.

The $1,000,500 and $300,000 promissory notes described above were issued with detachable warrants. The promissory notes have been discounted using the relative fair value approach for the fair value of the warrants and the fair value of the debt. As of December 31, 2016 and 2015, the notes have been shown $1,300,500 and $759,506, net of the unamortized discount of $0 and $540,994, respectively, on the balance sheets. Amortization of the discount was $540,994, $518,115, and $165,079 during 2016, 2015, and 2014, respectively, using the effective interest method with an imputed interest rate of 59.22%, which is included in interest expense on the accompanying statements of operations. See Note 9 for additional information regarding the warrants.

Subordinated Promissory Notes

On March 3, 2013, in connection with the acquisition of certain machinery and equipment, the Company entered into a promissory note with the Revitalizing Auto Communities Environmental Response Trust (“RACER”) for $23,000,000. The promissory note is secured by a subordinated lien on the manufacturing machinery and equipment held in Shreveport, Louisiana. The note is non-interest bearing. As part of the subordination agreement RACER requires all proceeds from the sale of manufacturing machinery and equipment held in Shreveport, Louisiana to be first applied to the outstanding principal balance on the CH Capital Lending, LLC note.

In accordance with FASB ASC Subtopic 835-30, *Imputation of Interest*, a discount of $7,095,524 was recorded to reflect an imputed interest rate of 12% per annum which was based on the Company’s credit, collateral, terms of repayment and similar prevailing market rates at the time the loan agreement was executed.

The outstanding balance, unamortized debt discount, and deferred loan costs amounted to $21,126,147, $793,502, and $17,564 respectively, at December 31, 2016. The outstanding balance, unamortized debt discount, and deferred loan costs amounted to $21,126,147, $2,195,310, and $52,691 respectively, at December 31, 2015.

NOTE 7 – LONG-TERM DEBT (Continued)

Subordinated Promissory Notes (Continued)

On November 1, 2013, the Company missed a required monthly minimum payment triggering default interest of 18% per annum in accordance with the promissory note agreement. The default was cured in December 2013; however, default interest remained in effect throughout 2014. On January 1, 2015, the Company missed a required monthly minimum payment triggering interest of 18% per annum in accordance with the promissory note agreement. The outstanding principal balance continued to bear default interest of 18% until payments resumed on January 1, 2016. On March 17, 2015, the Company entered into the first amendment to the subordinated promissory note with RACER. The first amendment delayed the monthly minimum payments from January 1, 2015 until January 1, 2016. The first amendment also extended the maturity date from September 1, 2016 to July 1, 2017. The outstanding principal balance shall continue to bear default interest of 18% per annum until the payments are resumed on January 1, 2016.

The Company missed the October 1, 2016 payment, and subsequently entered into an additional forbearance agreement extending the monthly payments until May 31, 2017. The outstanding balance shall continue to bear default interest of 18% per annum until the payments are resumed June 1, 2017.

Accrued default interest under the subordinated promissory note amounted to $6,523,211 and $6,317,033 at December 31, 2016 and 2015, respectively. Default interest expense incurred amounted to approximately $1,602,943, $4,548,266, and $3,973,967 for the years ended December 31, 2016, 2015, and 2014, respectively.

On December 5, 2014, the Company converted $1,600,000 of payables owed to one of the research and development vendors to a promissory note. The note incurred interest at the Federal Funds rate per annum, which was 0.56% at December 31, 2015. The note was paid in full on December 10, 2015. Interest expense incurred on the note for the years ended December 31, 2015 and 2014 amounted to $4,197 and $255, respectively.

Convertible Subordinated Notes Payable

On March 2, 2015, the Company offered up to $30,000,000 of 5% Convertible Subordinated Secured Notes (the "Convertible Subordinated Notes"), due September 30, 2022, unless earlier converted to common shares by the holder pursuant to their terms, in a private placement to accredited investors. The first $5,000,000 (Tier 1) in Convertible Subordinated Notes have a conversion price of $5.98, the next $10,000,000 (Tier 2) in Convertible Subordinated Notes have a $9.65 conversion price, and the last $15,000,000 (Tier 3) in Convertible Subordinated Notes have a $12.98 conversion price. The Convertible Subordinated Notes contain a repricing provision, such that if the Company issues shares of its common stock at a price per share lower than the conversion price, then the conversion price shall be reduced to an amount equal to such consideration. The Company closed offering the Convertible Subordinated Notes in December 2015. The Convertible Subordinated Notes are senior secured obligations of the Company, subordinate only to a first lien obligation to CH Capital Lending, LLC and a second lien obligation to Racer Trust.

As the close of the offering the Company issued $5,000,560 of Tier 1 Convertible Subordinated Notes and $341,000 of Tier 2 Convertible Subordinated Notes. Net proceeds from the Convertible Subordinated Notes was $4,628,151 for Tier 1 and $286,250 for Tier 2, net of transaction fees. The Convertible Subordinated Notes balance, net of issuance costs and the related beneficial conversion feature is $754,607 and $401,013 as of December 31, 2016 and 2015 respectively. Accrued interest as of December 31, 2016 and 2015, amounted to $293,235 and $110,294, respectively.

NOTE 7 – LONG-TERM DEBT (Continued)

Convertible Subordinated Notes Payable (Continued)

A beneficial conversion feature discount of $5,000,560 and $112,841 was recorded for the Tier 1 and Tier 2 Convertible Subordinated Notes, respectively. The unamortized balance of the beneficial conversion feature discount amounted to $3,236,497 and $49,911 for Tier 1 and Tier 2, respectively, as of December 31, 2016. The unamortized balance of the beneficial conversion feature discount amounted to $4,737,029 and $112,841 for Tier 1 and Tier 2, respectively, as of December 31, 2015. The beneficial conversion feature discount is being amortized as interest expense over the terms of the Convertible Subordinated Notes using the effective interest method with an imputed interest rate of 11.6% on the Tier 2 Convertible Subordinated Notes.

Tier 1 issuance costs attributable to the debt component were recorded as a deferred loan cost asset, as the beneficial conversion feature and the issuance costs are in excess of the Tier 1 Convertible Subordinated Notes, and are being amortized as interest expense over the term of the Convertible Subordinated Notes. Tier 2 issuance costs attributable to the debt component were recorded as a direct deduction to the related debt liability and are being amortized as interest expense over the term of the Convertible Subordinated Notes. Deferred loan costs of $136,852 and $650,048 are recorded as current and long-term assets, respectively, as of December 31, 2016. Net issuance costs, amounted to $28,985 as of December 31, 2016 for Tier 2 Convertible Subordinated Notes. Deferred loan costs of $170,628 and $981,103 are recorded as current and long-term assets, respectively, as of December 31, 2015. Net issuance costs, amounted to $90,677 as of December 31, 2015 for Tier 2 Convertible Notes.

As of December 31, 2016, the Company converted $1,061,560 of principal and $60,775 of accrued interest from its Tier 1 Convertible Subordinated Notes into 187,682 shares of the Company's common stock. As of December 31, 2016 the Company converted $210,000 of principal and $10,883 of accrued interest from its Tier 2 Convertible Subordinated Notes into 22,889 shares of the Company's common stock. The Company has $3,939,000 and $131,000 outstanding of the Tier 1 and Tier 2 Convertible Subordinated Notes, respectively as of December 31, 2016. As of December 31, 2015, no Convertible Subordinated Notes were converted. See Note 14 for conversions and repricing of the Tier 2 Subordinated Notes subsequent to year end.

Convertible Unsecured Notes Payable

The Company received advances totaling $5,970,000 from directors and stockholders of the Company. The advances are evidenced by Convertible Unsecured Note ("Convertible Unsecured Notes") to directors and stockholders of the company. The notes can be converted into common stock at a conversion price of $15.00 and have a maturity date of September 30, 2022. The Convertible Unsecured Notes incur interest, payable upon maturity at 5% per annum on the principal amount. The Convertible Unsecured Notes contain a repricing provision, such that if the Company issues shares of its common stock at a price per share lower than the conversion price, then the conversion price shall be reduced to an amount equal to such consideration. The agreement further stipulates that the directors and stockholders of the Company may convert and sell up to 2,500 of these shares per week so long as the trading price per share of common stock is above $19.50.

A beneficial conversion feature discount of $1,097,317 was recorded for the Convertible Unsecured Notes. The unamortized balance of the beneficial conversion feature discount amounted to $987,423 as of December 31, 2016. The beneficial conversion feature discount is being amortized as interest expense over the terms of the Convertible Unsecured Notes using the effective interest method with an imputed interest rate of 8.03%.

NOTE 7 – LONG-TERM DEBT (Continued)

Convertible Unsecured Notes Payable (Continued)

As of December 31, 2016, the Convertible Unsecured Notes issued total $4,982,577, net of the beneficial conversion feature. Accrued interest as of December 31, 2016 amounted to $71,776. As of December 31, 2016 no Convertible Unsecured Notes were converted. See Note 14 for additional advances, conversions, and repricing of the Convertible Unsecured Notes subsequent to year end.

Annual principal maturities of long-term debt are as follows:

Years ending December 31,	2016	2015
2017	$ 21,126,147	
2018	-	-
2019	6,671,714	-
2020	-	-
2021	-	-
Thereafter	10,040,000	-
Total	37,837,861	35,023,585
Less: amounts representing imputed interest	(793,502)	(2,195,310)
Less: amounts representing deferred issuance costs	(46,548)	(221,654)
Less: amounts representing discount on debt	-	(540,994)
Less: amounts representing beneficial conversion feature	(4,273,831)	(4,849,870)
	32,723,979	27,215,756
Less: current portion notes payable, net of discounts and deferred loan costs	(20,315,081)	-
Less: current portion notes payable due to related party, net of discounts	-	(7,936,597)
Long-term portion convertible notes payable, net of discounts	5,737,184	401,013
Long-term portion notes payable, net of current portion, discounts and deferred loan costs	-	18,878,146
Long-term portion notes payable due to related party, net of discounts	$ 6,671,714	$ -

NOTE 8 – CAPITAL SUBLEASE OBLIGATION

On December 27, 2013, the Company entered into a noncancelable long term capital sublease agreement with a related party for its manufacturing facility in Shreveport, Louisiana with an aggregate cost of $7,500,000, which is based on the recent selling price of the property. The imputed interest under the capital sublease amounted to 26.4%. Initial sublease payments are waived until the earlier of the start of production or August 1, 2015, after which sublease payments of $249,344 are payable monthly. The capital sublease payments increase by 3% on each 10 year anniversary of the sublease commencement date. The sublease expires on December 27, 2038 and includes two 25 year options to extend.

NOTE 8 – CAPITAL SUBLEASE OBLIGATION (Continued)

The Company recognized $3,228,588, $2,740,795, and $2,241,134 in interest expense under this sublease agreement for the years ended December 31, 2016, 2015, and 2014, respectively, which is included in current and long term interest payable on the accompanying balance sheets at December 31, 2016, and 2015.

On July 31, 2015, the Company entered into an amendment to the capital sublease agreement. The amendment abated the monthly sublease payments of $249,344 from August 1, 2015 through January 1, 2016. Monthly payments for the period February 1, 2016 through July 31, 2016 were deferred and payable in full on August 1, 2016 under the amendment. As a result of the sublease amendment, the Company recorded an adjustment to reduce the capital sublease obligation and the respective facility under capital sublease by $1,477,323, which represents the change in the present value of the amended minimum lease payments in accordance with FASB ASC Subtopic 840-30-35, *Capital Leases.*

On November 17, 2016, the Company entered into a second amendment to the capital sublease agreement. The amendment converted accrued sublease payments of $2,742,781 and accrued and common area maintenance charges, property taxes, insurance ("lease charges"), late fees and interest of $4,812,806 into 435,036 shares of the Company's Series C Convertible Preferred Stock and a warrant to purchase 25,000 shares of the Company's common stock. The Series C Convertible Preferred Stock convert into an equal number of shares of the Company's common stock. The conversion prepaid the December 1, 2016 sublease payment and lease charges. The aggregate fair value attributed to these detachable warrants was $224,600 at the grant date. See Note 9 for additional information regarding the warrants.

The November 17, 2016 amendment will also convert projected sublease payments of $2,992,125 and projected lease charges of $598,324 into 96,380 shares of the Company's Series D Convertible Preferred Stock, which convert into an equal number of shares of the Company's common stock. This conversion will be effective on January 1, 2017 and will prepay the sublease payments and lease charges through December 31, 2017. As a result of the second sublease amendment, the Company recorded an adjustment to increase the capital sublease obligation and the respective facility under capital sublease by $272,465, which represents the change in the present value of the amended minimum lease payments in accordance with FASB ASC Subtopic 840-30-35, *Capital Leases.*

For the years ended December 31, 2016, 2015, and 2014, the Company incurred common area maintenance charges, property tax, and insurance expense of $734,238, $2,067,957, and $1,545,521, respectively.

Future minimum sublease payments under the noncancelable capital sublease are as follows:

Years ending December 31,	
2017	$ 2,992,125
2018	2,992,125
2019	2,992,125
2020	2,992,125
2021	2,992,125
Thereafter	52,857,085
Total minimum sublease payments	67,817,710
Less: amount representing interest	(61,522,568)
	$ 6,295,142

NOTE 8 – CAPITAL SUBLEASE OBLIGATION (Continued)

Facility under capital sublease as of December 31, 2016 and 2015, is $6,295,142 and $6,022,677, respectively. Accumulated depreciation as of December 31, 2016 and 2015, is $812,673 and $573,713, respectively.

NOTE 9 – WARRANTS AND WARRANTS LIABILITY

The Company follows FASB ASC Subtopic 815-40, *Contract in An Entity's Own Equity*, as it relates to outstanding warrants.

In connection with the Shreveport Business Park, LLC second capital sublease amendment, which occurred on November 17, 2016, the Company issued a warrants to purchase 25,000 shares of common stock at an exercise price of $20.00 per share. These warrants are exercisable, in whole or in part at any time up until the expiration of the warrant agreement at November 17, 2021. The aggregate fair value attributed to these warrants was $224,600 at the grant date. These warrants are classified as equity in the accompanying balance sheets.

The December 31, 2016 fair value for the warrants issued was calculated using the Black-Scholes model with the following assumptions:

Dividend yield	0.00%
Volatility	85.00%
Risk free interest rate	1.72%
Expected life	5 years

As of December 31, 2016 and 2015, none of the warrants had been exercised.

In May 2016, as consideration for a personal guaranty in the amount of $5,000,000 given by a director and stockholder of the company to induce a credit card processor to release $4,000,000 of reserved funds, the Company issued warrants to purchase 58,824 shares of common stock at an exercise price of $17.00 per share. These warrants are exercisable, in whole or in part at any time up until the expiration of the warrant agreement in May, 2021. The aggregate fair value attributed to these warrants was $820,360 at the grant date. These warrants are classified as equity in the accompanying balance sheets.

The December 31, 2016 fair value for the warrants issued was calculated using the Black-Scholes model with the following assumptions:

Dividend yield	0.00%
Volatility	82.00%
Risk free interest rate	1.00%
Expected life	5 years

As of December 31, 2016 and 2015, none of the warrants had been exercised.

NOTE 9 – WARRANTS AND WARRANTS LIABILITY (Continued)

In connection with the November 2015 Regulation A stock offering of 1,410,048 shares of the Company's common stock at a price of $ 12.00 per share, the Company issued an aggregate of warrants to purchase 21,408 shares of common stock at an exercise price of $12.00 per share to the intermediary technology platform provider. 10,708 of the warrants expire 3 years from the grant date and 10,700 of the warrants expire 7 years from the grant date. These warrants contain provisions that protect holders from a decline in the issue price of the Company's common stock ("down-round" provision). Due to these down-round provisions, the Company accounted for these warrants as liabilities instead of equity in the accompanying balance sheets. The Company will revalue the fair value adjustment of this derivative instrument at each reporting period. As of December 31, 2016 and 2015 the fair value of the derivative instrument was $25,540 and $73,663, respectively.

The December 31, 2016 fair value for the warrants issued was calculated using the Monte Carlo Simulation model with the following assumptions:

Dividend yield	0.00%
Volatility	80.00% - 83.00%
Risk free interest rate	1.20% - 2.09%
Expected life	2 - 6 years

The December 31, 2015 fair value for the warrants issued was calculated using the Monte Carlo Simulation model with the following assumptions:

Dividend yield	0.00%
Volatility	82.00%
Risk free interest rate	1.30% - 1.34%
Expected life	3 years

As of December 31, 2016, 18,384 warrants were exercised using the cashless conversion option, resulting in the Company issuing an additional 8,012 shares of common stock. As of December 31, 2015, none of the warrants had been exercised. On March 31, 2017, the Company issued common stock in a private placement offering to a director and stockholder of the Company. The common stock was issued at $5.98 per share. The issuance triggered the "down-round" provision in the outstanding warrants, and reduced the exercise price from $12.00 per share to $5.98 per share.

In connection with the private placement of the Convertible Subordinated Secured Notes, which occurred through December 17, 2015, the Company issued an aggregate of warrants to purchase 83,621 shares of common stock at an exercise price of $7.18 per share, and 3,534 shares of common stock at an exercise price of $11.58 per share. These warrants expire December 2020. These warrants contain provisions that protect holders from a decline in the issue price of the Company's common stock ("down-round" provision). Due to these down-round provisions, the Company accounted for these warrants as liabilities instead of equity in the accompanying balance sheets. The Company will revalue the fair value adjustment of this derivative instrument at each reporting period. As of December 31, 2016 and 2015 the fair value of the derivative instrument was $813,293 and $834,040, respectively.

NOTE 9 – WARRANTS AND WARRANTS LIABILITY (Continued)

The December 31, 2016 fair value for the warrants issued was calculated using the Monte Carlo Simulation model with the following assumptions:

Dividend yield	0.00%
Volatility	81.00%
Risk free interest rate	1.68%
Expected life	5 years

The December 31, 2015 fair value for the warrants issued was calculated using the Monte Carlo Simulation model with the following assumptions:

Dividend yield	0.00%
Volatility	80.00%
Risk free interest rate	1.72%
Expected life	5 years

As of December 31, 2016 and 2015, none of the warrants had been exercised. On March 31, 2017, the Company issued common stock in a private placement offering to a director and stockholder of the Company. The common stock was issued at $5.98 per share. The issuance triggered the "down-round" provision in the outstanding warrants, and reduced the exercise price of the Tier 1 and Tier 2 from $7.18 and $11.58, respectively, per share to $5.98 per share.

During 2014, in connection with obtaining subordinated promissory notes for $1,000,500 and $300,000 from a director and stockholder, the Company issued detachable warrants for the purchase of 1,887,554 shares of common stock at an exercise price of $5.56 per share. These warrants are exercisable, in whole or in part at any time up until the expiration of the warrant agreement at June 29, 2025. The aggregate fair value attributed to these detachable warrants was $1,224,188 at the grant date. These warrants are classified as equity in the accompanying balance sheets.

The fair value for the warrants issued was calculated using the Black-Scholes model with the following assumptions:

Dividend yield	0.00%
Volatility	87.00%
Risk free interest rate	0.40%
Expected life	10.5 years

As of December 31, 2016 and 2015, none of the warrants had been exercised.

NOTE 9 – WARRANTS AND WARRANTS LIABILITY (Continued)

Below is a summary of warrants outstanding at December 31, 2016 and 2015:

	Number of Shares	Weighted average exercise price	Weighted average remaining contractual term
Balance at January 1, 2015	1,887,554	5.56	10.5
Issued	95,909	7.78	4.8
Exercised	-		
Expired/Forfeited	-	-	-
Balance at December 31, 2016	1,983,463	5.67	9.3
Granted	96,478	17.12	5.2
Exercised	(18,384)	12.00	-
Expired/Forfeited	-	-	-
Balance at December 31, 2016	2,061,557	6.15	8.1

NOTE 10 – INCOME TAXES

For the years ended December 31, 2016, 2015 and 2014, no income tax expense was recorded.

The Company's effective tax rate differs from the federal statutory rate of 34.0% primarily due to the impact of state income taxes and the valuation allowance recorded against its deferred tax assets.

Reconciliation of the federal statutory rate to the effective tax rate is as follows:

	2016	2015
Federal statutory rate	34.0%	34.0%
State income taxes, net of federal tax benefit	2.71	1.5
Permanent differences	(1.7)	(1.5)
Valuation allowance adjustments	(35.01)	(28.4)
Others	0.0	(5.6)
Effective tax rate	0.0%	0.0%

NOTE 10 – INCOME TAXES (Continued)

The principal components of deferred tax assets and liabilities are as follows as of December 31:

	2016	2015
Non-current deferred tax assets:		
Property and equipment	$ 3,056,006	$ 2,869,354
Nonrefundable customer deposits	9,978,443	5,405,381
Net operating losses	25,841,238	14,220,992
Others	429,558	-
Total non-current deferred tax assets	39,305,245	22,495,727
Valuation allowance	(37,581,853)	(21,419,829)
Non-current deferred tax liabilities:		
Imputed interest	(304,121)	(548,518)
Deferred state taxes	(1,407,361)	(532,380)
Others	(11,910)	-
Total non-current deferred tax liabilities	(1,723,392)	(1,080,898)
Total non-current deferred tax assets	$ -	$ -
Net deferred income taxes	$ -	$ -

As of December 31, 2016, the Company has approximately $68.1 million and $61.3 million of federal and state net operating loss carryovers, respectively. These net operating loss carryovers will begin to expire in 2031 and 2024 for federal and state income tax purposes, respectively. The actual utilization of the federal and state net operating losses may be limited by the provisions of Internal Revenue Code Section 382.

Given the lack of book income in the history of the Company and the uncertainty as to the likelihood of future taxable income, the Company has recorded a full valuation allowance against all its deferred tax assets because it is more likely than not that any of its deferred tax assets would be realized. The Company will evaluate the appropriateness of the valuation allowance on an annual basis and adjust the allowance as considered necessary. The Company is subject to U.S. federal and state income tax examinations for all years from inception. No examinations are currently pending.

NOTE 11 – COMMON STOCK

The Company received engineering and prototype development services from Elio Engineering, Inc. dba ESG Engineering, valued at $25,000,000. In exchange for these services, the Company transferred 25,000,000 shares of common stock to Elio Engineering, Inc. in October 2011.

During December 2013, in connection with an investor's capital contribution of $7,484,056, net of equity issuance fees of $15,944- the President and CEO transferred 5,000,000 shares of common stock from his personal holdings to the investor. The President and CEO did not receive any compensation for this transfer of shares. The Company's total shares issued and outstanding did not change as a result of this transfer during 2013.

NOTE 11 – COMMON STOCK (Continued)

During February 2014, outstanding convertible notes and accrued interest in the amount of $275,000 and $61,838, respectively, were converted to 412,500 shares of common stock. The shares were transferred from the President and CEO's personal holdings to the convertible note holders. The President and CEO did not receive any compensation for this transfer of shares.

During 2009, the Company received lobbying services from Black Swan, LLC ("Black Swan"). In exchange for these lobbying services, the Company issued a contingent equity grant. Black Swan was entitled to receive up to 4% of outstanding common stock of the Company if the Company were to receive funding in excess of $10,000,000 under the Advanced Technology Vehicle Manufacturing program. On July 17, 2014, the Company entered into an amended agreement where Black Swan relinquished their contingent equity grant in exchange for 62,500 shares of common stock. The Company recorded the common stock granted to Black Swan using the relative fair value approach based on the Company's estimated fair value. The grant vested immediately and $725,000 was recorded to general and administrative expenses in the accompanying statement of operations for the year ended December 31, 2014.

During December 2014, two of the Company's directors contributed $150,000 in exchange for 15,000 shares of common stock.

The Company filed an offering statement pursuant to Regulation A of the Securities Act of 1933, which was qualified by the Securities and Exchange Commission on November 20, 2015. The Company offered a minimum of 1,050,000 shares of common stock and a maximum of 2,090,000 shares of common stock on a "best efforts" basis, at a price of $12.00 per share. The offering was authorized to continue until the earlier of March 31, 2016 (which could have been extended at the Company's option) or the date when all shares have been sold.

The Company reserved the right to accept subscriptions for up to an additional 418,000 shares, for an additional $5,016,000 in gross proceeds. As of December 31, 2015 the Company sold 1,242,822 shares of common stock for $14,125,449, net of offering costs of $788,415 of which $73,663 is related to the issuance of warrant liabilities as further discussed in Note 9 above.

On February 16, 2016, the Company closed the Regulation A offering, after issuing an additional 167,226 shares of common stock for $1,694,544, net of offering costs of $312,168 of which $133,512 is related to the issuance of warrant liabilities as further discussed in Note 9 above and is included in the issuance of stock warrants on the Statement of Stockholders Equity.

In June 2016, the Company issued an additional 63,000 shares of common stock in connection with a private placement for proceeds of $1,069,160.

As of December 31, 2016 the Company issued an additional 210,571 shares of common stock in connection with the conversion of the convertible subordinated secured notes payable as further discussed in Note 7 above.

As of December 31, 2016 the Company issued an additional 8,012 shares of common stock in connection with the exercise of warrants issued in connection with the Regulation A offering as further discussed in Note 9 above.

NOTE 11 – COMMON STOCK (Continued)

Stock Options

At the May 23, 2016 annual shareholder meeting, shareholders approved the adoption of the 2016 Incentive and Nonstatutory Stock Option Plan, which was adopted, subject to shareholder approval, by the board of directors on April 25, 2016. The plan permits the granting of options to purchase up to 2,000,000 shares of common stock. During October 2016, the Company awarded 510,380 options to certain Company personnel, and directors. Stock options granted vest equally over a three year period. Director options are exercisable once the vesting date has occurred, and Company personnel options are exercisable once production begins. All options expire seven years from the award date and have an exercise price of $19.68 share. As of December 31, 2016, 121,380 options were forfeited.

The fair value for the options granted was calculated using the Black-Scholes model with the following assumptions:

Dividend yield	0.00%
Volatility	70.00%
Risk free interest rate	1.11%
Expected life	4.5 years

The total employee and director stock-based compensation recorded as operating expenses was $300,429 for the year ended December 31, 2016. At December 31, 2016 there was $3,974,681 of total unrecognized compensation cost related to unvested stock options. This cost is expected to be recognized over the next three years.

	Number of Shares	Weighted average exercise price	Weighted average remaining contractual term
Balance at December 31, 2015	-	-	-
Granted	510,380	19.85	2.8
Exercised	-	-	-
Expired/Forfeited	(121,380)	19.85	-
Balance at December 31, 2016	389,000	19.85	2.8
Vested and exercisable at December 31, 2016	-	-	-

The Company currently uses authorized and unissued shares to satisfy share award exercises.

NOTE 11 – COMMON STOCK (Continued)

Common Stock Reserved for Future Issuance

Common stock reserved for future issuance consists of the following at December 31, 2016:

Common stock warrants outstanding - related parties	1,971,378
Common stock warrants outstanding	90,171
Common stock options outstanding under the 2016 Plan	389,000
Authorized for future grant or issuance under the 2016 Plan	1,489,620
Convertible notes payable - related party	724,843
Convertible notes payable	345,270
Series C Convertible Preferred Stock	435,036
	5,445,318

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Litigation

In management's opinion, the Company is not currently involved in any legal proceedings, which, individually or in the aggregate, could have a material effect on its financial condition, operations and/or cash flows.

Sales Discounts

The Company provides a sales discount for nonrefundable deposit customers of up to 50% of the nonrefundable deposit, up to $500 per deposit. The deposit will be applied toward the purchase of the vehicle at the time of the customer purchase. No liability has been recorded for the nonrefundable deposit sales discount since revenues have not commenced and the utilization cannot be reasonably estimated at this time. Future committed sales discounts offered amounted to approximately $12,120,000 and $10,340,000 as of December 31, 2016 and 2015, respectively.

Sales Commitments

In August 2016, an offer was circulated that until the Company reached 65,000 total reservations, non-refundable reservation holders will receive a locked price of $7,300, exclusive of destination/deliver charges, taxes, title, registration, and options/installation. As a special incentive if non-refundable reservation holders make a binding purchase commitment the locked price is reduced to $7,000. As of December 31, 2016, the Company has received 63,661 total reservations, of which 37,539 have received the locked price of $7,300 and 18,792 have made a binding purchase commitment and have received the locked price of $7,000.

Creation of New Jobs

Among the terms of the Company's purchase agreement with Racer was an agreement to use and develop the property so as to create at least 1,500 new jobs. The Company agreed that if it had not created 1,500 new jobs by February 28, 2016, it would pay Racer $5,000 for each full-time, permanent direct job that fell below the required number. On March 17, 2015, the Company entered into the second amendment and extended the deadline of this agreement to July 1, 2017. At December 31, 2016, the Company record an accrued liability of $7,500,000. The expense is included in general and administrative expenses in the Statement of Operations.

NOTE 13 – RELATED PARTY TRANSACTIONS

During 2013, the Company entered into a capital sublease with a related party owned by a director and stockholder as described in Note 8. On November 17, 2016 the Company entered into the second amendment to the capital sublease agreement as further discussed in Note 8. As part of the second amendment to the capital sublease, the Company converted the 2016 lease payments of $2,742,781, as well as the accrued common area maintenance charges, insurance, property taxes, and late fees and interest through December 31, 2016 of $4,812,806 into 435,036 shares of the Company's Series C Convertible Preferred Stock and a warrant to purchase 25,000 shares of the Company's common stock as further discussed in Note 8 and Note 9 above.

On August 1, 2014, CH Lending, a related party owned by a director and stockholder, purchased the promissory note from GemCap as further described in Note 7. The Company entered into an extension agreement, which defers the enforcement of the collection of the promissory note until July 31, 2018.

During 2014, the Company entered into three subordinated promissory notes with a director and stockholder of the Company for total proceeds of $1,900,500 as further discussed in Note 7 above. The secured promissory notes included detachable warrants as discussed in Note 7 and Note 9 above.

During 2015, the Company advanced to its President and CEO $253,048. This advance is reflected on the accompanying balance sheets in other current assets. The note incurs interest at the Federal Funds rate per annum and is due on demand. At December 31, 2015, the Federal Funds rate was 0.56%. As of May 3, 2016 the President and CEO has repaid the principal and interest on the advance.

During 2015, a director and stockholder of the Company purchased a total of $1,955,000 of the Tier 1 Convertible Subordinated Notes described in Note 7.

In May 2016, the Company granted an option to purchase 58,824 shares of common stock at an exercise price of $17.00 per share to a director and stockholder of the Company. The shares were granted in consideration of the personal guaranty in the amount of $5,000,000 given by the director to induce a credit card processor to release $4,000,000 of reserved funds. The options had a fair value of $820,340 as of the grant date as discussed in Note 9 above.

During 2016, several directors and stockholders have advanced the Company $5,970,000 as evidenced by Convertible Unsecured Notes. The notes can be converted into common stock at a conversion price of $15.00 per share as further discussed in Note 7 above. See Note 14 for conversions subsequent to year end.

In March 2017, the Company issued 33,445 shares of common stock in a private placement offering to a director and shareholder of the Company at $5.98 per share. The common stock was issued at $5.98 per share. See Note 14 for additional information.

During 2016, several employees advanced the Company $75,155. The amount was outstanding at December 31, 2016, and will be repaid during 2017.

NOTE 14 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events that have occurred through April 28, 2017 which is the date that the financial statements were available to be issued, and determined that there were no subsequent events or transactions that required recognition or disclosure in the financial statements except as discussed in Note 7, Note 8, Note 9, Note 13 and below.

NOTE 14 - SUBSEQUENT EVENTS (Continued)

In order to reduce costs, effective January 1, 2017, the Company furloughed a significant portion of the engineering, manufacturing, and sales and marketing workforce. At this time the Company is focusing its efforts on raising capital through a combination of debt and equity offerings. Once capital has been raised, the Company will resume engineering, manufacturing, and sales and marketing efforts.

As of March 31, 2017, the Company has received total refundable and nonrefundable customer deposits for purposes of securing their vehicle production slot of approximately $1.2 million and $26.6 million, respectively.

On March 31, 2017, the Company issued common stock in a private placement offering to a director and stockholder of the Company. The common stock was issued at $5.98 per share. The issuance triggered the repricing provision on the outstanding Tier 2 Convertible Subordinated Notes and reduced the conversion rate from $9.65 per share of common stock to $5.98 per share of common stock. The repricing provision of the Tier 2 Convertible Subordinated Notes will increase the number of potential shares outstanding from 8,912 to 14,381. The issuance also triggered the down-round provision on the warrants issued in connection with the 2015 Regulation A offering and the Convertible Secured Notes issuance. The down-round provision reduced the exercise price of the Regulation A warrants from $12.00 to $5.98 per share and increased the number of potential shares outstanding from 3,024 to 6,068. The down-round provision reduced the exercise price of the Convertible Secured Note warrants from $7.18 and $11.58 to $5.98 and increased the number of potential shares outstanding from 87,155 to 107,245.

Subsequent to year end the Company has received additional advances from a director and stockholder of the Company amounting to $514,000. The March 31, 2017 common stock private placement discussed above triggered the repricing provision on the outstanding Convertible Unsecured Notes, and reduced the conversion price from $15.00 per share of common stock to $5.98 per share of common stock. On April 17, 2017, the principal balance and accrued interest of $6,484,000 and $165,220, respectively, was converted into 1,111,910 shares of common stock. As of the date of this filing there were no Convertible Unsecured Notes outstanding.

The Company has converted $2,200,000 of principal and $190,800 of accrued interest from its Tier 1 Convertible Subordinated Notes into 399,799 shares of the Company's common stock at a conversion price of $5.98. Of this amount, $1,955,000 of principal and $174,095 of accrued interest, was converted by a director and stockholder of the Company. The Company has converted $45,000 of principal and $2,713 of accrued interest from its Tier 2 Convertible Subordinated Notes into 4,944 shares of the Company's common stock at a conversion price of $9.65. Future conversions of the Tier 2 Convertible Subordinated Notes will have a conversion price of $5.98 due to the triggering of the repricing provision, as discussed above. The Company has $1,704,980 outstanding of the Tier 1 and $86,000 outstanding of the Tier 2 Convertible Subordinated Secured Notes as of the date the financial statements were available to be issued.

Exhibit 3.5

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS. THIS SECURITY AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

COMMON STOCK PURCHASE WARRANT

ELIO MOTORS, INC.

Warrant Shares: 25,000 Initial Exercise Date: November 17, 2016

THIS COMMON STOCK PURCHASE WARRANT (the "Warrant") certifies that, for value received, Shreveport Business Park, LLC, a Delaware limited liability company, or its assigns (the "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after the date hereof (the "Initial Exercise Date") and on or prior to the close of business on the fifth anniversary of the Initial Exercise Date (the "Termination Date") but not thereafter, to subscribe for and purchase from ELIO MOTORS, INC., an Arizona corporation (the "Company"), up to 25,000 shares (as subject to adjustment hereunder, the "Warrant Shares") of the Company's common stock ("Common Stock"). The purchase price of one share of Common Stock under this Warrant shall be equal to the Exercise Price, as defined in Section 2(b).

Section 1. Definitions. In addition to the terms defined elsewhere in this Agreement, the following terms have the meanings indicated in this Section 1:

"Affiliate" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 under the Securities Act.

"Board of Directors" means the board of directors of the Company.

"Business Day" means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

"Commission" means the United States Securities and Exchange Commission.

"Exempt Issuance" means the issuance of (a) shares of Common Stock or options to employees, officers or directors of the Company as compensation or pursuant to any stock or option plan duly adopted for such purpose by the Board of Directors or a committee of the Board of Directors established for such purpose, (b) securities upon the exercise or exchange of or conversion of any Securities issued hereunder and/or other securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on Initial Exercise Date, and (c) securities issued pursuant to acquisitions or strategic transactions approved by a majority of the disinterested directors of the Company, provided that any such issuance shall only be to a Person which is, itself or through its subsidiaries, an operating company in a business synergistic with the business of the Company and in which the Company receives benefits in addition to the investment of funds, but shall not include a transaction in which the Company is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Going Public Date" Such first date whereby the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act or the Common Stock is qualified under Regulation A.

"Liens" means a lien, charge pledge, security interest, encumbrance, right of first refusal, preemptive right or other restriction.

"Person" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

"Proceeding" means an action, claim, suit, investigation or proceeding (including, without limitation, an informal investigation or partial proceeding, such as a deposition), whether commenced or threatened.

"Rule 144" means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Trading Day" means a day on which the Common Stock is traded on a Trading Market.

"Trading Market" means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE MKT, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange, the OTCQX or the OTC Bulletin Board (or any successors to any of the foregoing.

"Transfer Agent" means VStock Transfer, LLC, the current transfer agent of the Company, with a mailing address of 18 Lafayette Place, Woodmere, New York 11598 and a facsimile number of (646) 536-3179, and any successor transfer agent of the Company.

"VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if the OTC Bulletin Board is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the OTC Bulletin Board, (c) if the Common Stock is not then listed or quoted for trading on the OTC Bulletin Board and if prices for the Common Stock are then reported in the "Pink Sheets" published by Pink OTC Markets, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holder and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

Section 2. Exercise.

a) Exercise of Warrant. Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date by delivery to the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) of a duly executed facsimile copy (or e-mail attachment) of the Notice of Exercise form annexed hereto. Within three (3) Trading Days following the date of exercise as aforesaid, the Holder shall deliver the aggregate Exercise Price for the shares specified in the applicable Notice of Exercise by wire transfer or cashier's check drawn on a United States bank unless the cashless exercise procedure specified in Section 2(c) below is specified in the applicable Notice of Exercise. No ink-original Notice of Exercise shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Exercise form be required. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within three (3) Trading Days of the date the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases. The Company shall deliver any objection to any Notice of Exercise within one (1) Business Day of receipt of such notice. **The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.**

b) Exercise Price. The exercise price per share of the Common Stock under this Warrant shall be **$20.00**, subject to adjustment hereunder (the "Exercise Price").

c) Cashless Exercise. If at the time of exercise hereof there is no effective registration statement registering for sale or resale the Warrant Shares, then this Warrant may also be exercised, in whole or in part, at such time by means of a "cashless exercise" in which the Holder shall be entitled to receive a number of Warrant Shares equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A) = the VWAP on the Trading Day immediately preceding the date on which Holder elects to exercise this Warrant by means of a "cashless exercise," as set forth in the applicable Notice of Exercise;

(B) = the Exercise Price of this Warrant, as adjusted hereunder; and

(X) = the number of Warrant Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

If Warrant Shares are issued in such a cashless exercise, the parties acknowledge and agree that in accordance with Section 3(a)(9) of the Securities Act, the Warrant Shares shall take on the registered characteristics of the Warrants being exercised, and the holding period of the Warrants being exercised may be tacked on to the holding period of the Warrant Shares. The Company agrees not to take any position contrary to this Section 2(c).

d) Mechanics of Exercise.

i. Delivery of Warrant Shares Upon Exercise. The Company shall cause the Warrant Shares purchased hereunder to be transmitted by the Transfer Agent to the Holder by crediting the account of the Holder's or its designee's balance account with The Depository Trust Company through its Deposit or Withdrawal at Custodian system ("DWAC") if the Company is then a participant in such system and either (A) there is an effective registration statement permitting the issuance of the Warrant Shares to or resale of the Warrant Shares by Holder or (B) this Warrant is being exercised via cashless exercise, and otherwise by physical delivery of a certificate, registered in the Company's share register in the name of the holder or its designee, for the number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the address specified by the Holder in the Notice of Exercise by the date that is three (3) Trading Days after the delivery to the Company of the Notice of Exercise (such date, the "Warrant Share Delivery Date"). The Warrant Shares shall be deemed to have been issued, and Holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been exercised, with payment to the Company of the Exercise Price (or by cashless exercise, if permitted) and all taxes required to be paid by the Holder, if any, pursuant to Section 2(d)(vi) prior to the issuance of such shares, having been paid.

ii. Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the Warrant Shares, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

iii. Rescission Rights. If the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant Shares pursuant to Section 2(d)(i) by the Warrant Share Delivery Date, then the Holder will have the right to rescind such exercise.

iv. Compensation for Buy-In on Failure to Timely Deliver Warrant Shares Upon Exercise. Following the Going Public Date, in addition to any other rights available to the Holder, if the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant Shares in accordance with the provisions of Section 2(d)(i) above pursuant to an exercise on or before the Warrant Share Delivery Date, and if after such date the Holder is required by its broker to purchase (in an open market transaction or otherwise) or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Warrant Shares which the Holder anticipated receiving upon such exercise (a "Buy-In"), then the Company shall (A) pay in cash to the Holder the amount, if any, by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (1) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue times (2) the price at which the sell order giving rise to such purchase obligation was executed, and (B) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored (in which case such exercise shall be deemed rescinded) or deliver to the Holder the number of shares of Common Stock that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted exercise of shares of Common Stock with an aggregate sale price giving rise to such purchase obligation of $10,000, under clause (A) of the immediately preceding sentence the Company shall be required to pay the Holder $1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

v. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall, at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price or round to the nearest whole share.

vi. Charges, Taxes and Expenses. Issuance of Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such Warrant Shares, all of which taxes and expenses shall be paid by the Company, and such Warrant Shares shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto. The Company shall pay all Transfer Agent fees required for same-day processing of any Notice of Exercise and all fees to the Depository Trust Company (or another established clearing corporation performing similar functions) required for same-day electronic delivery of the Warrant Shares.

vii. Closing of Books. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

Section 3. Certain Adjustments.

a) Stock Dividends and Splits. If the Company, at any time while this Warrant is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon exercise of this Warrant), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares or (iv) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) Subsequent Rights Offerings. In addition to any adjustments pursuant to Section 3(a) above, if at any time the Company grants, issues or sells any Common Stock Equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the "Purchase Rights"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant.

c) Pro Rata Distributions. During such time as this Warrant is outstanding, if the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "Distribution"), at any time after the issuance of this Warrant, then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant.

d) Fundamental Transaction. If, at any time while this Warrant is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Stock, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person or group of Persons whereby such other Person or group acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a "Fundamental Transaction"), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, at the option of the Holder, the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the "Alternate Consideration") receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such Fundamental Transaction. For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. Notwithstanding anything to the contrary, in the event of a Fundamental Transaction, the Company or any Successor Entity (as defined below) shall, at the Holder's option, exercisable at any time concurrently with, or within 30 days after, the consummation of the Fundamental Transaction, purchase this Warrant from the Holder by paying to the Holder an amount of cash equal to the Black Scholes Value of the remaining unexercised portion of this Warrant on the date of the consummation of such Fundamental Transaction. "Black Scholes Value" means the value of this Warrant based on the Black and Scholes Option Pricing Model obtained from the "OV" function on Bloomberg, L.P. ("Bloomberg") determined as of the day of consummation of the applicable Fundamental Transaction for pricing purposes and reflecting (A) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the time between the date of the public announcement of the applicable Fundamental Transaction and the Termination Date, (B) an expected volatility equal to the greater of 100% and the 100 day volatility obtained from the HVT function on Bloomberg as of the Trading Day immediately following the public announcement of the applicable Fundamental Transaction, (C) the underlying price per share used in such calculation shall be the sum of the price per share being offered in cash, if any, plus the value of any non-cash consideration, if any, being offered in such Fundamental Transaction and (D) a remaining option time equal to the time between the date of the public announcement of the applicable Fundamental Transaction and the Termination Date. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the "Successor Entity") to assume in writing all of the obligations of the Company under this Warrant and the other Transaction Documents in accordance with the provisions of this Section 3(d) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and approved by the Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the Holder, deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant which is exercisable for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the shares of Common Stock acquirable and receivable upon exercise of this Warrant prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein.

e) Calculations. All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 3, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding treasury shares, if any) issued and outstanding.

f) Notice to Holder.

i. Adjustment to Exercise Price. Whenever the Exercise Price is adjusted pursuant to any provision of this Section 3, the Company shall promptly mail to the Holder a notice setting forth the Exercise Price after such adjustment and any resulting adjustment to the number of Warrant Shares and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Exercise by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be mailed to the Holder at its last address as it shall appear upon the Warrant Register of the Company, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. The Holder shall remain entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Section 4. Transfer of Warrant.

a) Transferability. Subject to compliance with any applicable securities laws and the conditions set forth in Section 4(d) hereof, this Warrant and all rights hereunder are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

b) New Warrants. This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 4(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the Initial Exercise Date and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

c) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "Warrant Register"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

d) Transfer Restrictions. If, at the time of the surrender of this Warrant in connection with any transfer of this Warrant, the transfer of this Warrant shall not be either (i) registered pursuant to an effective registration statement under the Securities Act and under applicable state securities or blue sky laws or (ii) eligible for resale without volume or manner-of-sale restrictions or current public information requirements pursuant to Rule 144, the Company may require, as a condition of allowing such transfer, that the Holder or transferee of this Warrant, as the case may be, provides to the Company an opinion of counsel, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that the transfer of this Warrant does not require registration under the Securities Act.

e) Representation by the Holder. The Holder, by the acceptance hereof, represents and warrants that it is acquiring this Warrant and, upon any exercise hereof, will acquire the Warrant Shares issuable upon such exercise, for its own account and not with a view to or for distributing or reselling such Warrant Shares or any part thereof in violation of the Securities Act or any applicable state securities law, except pursuant to sales registered or exempted under the Securities Act.

Section 5. Miscellaneous.

a) No Rights as Stockholder Until Exercise. This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a stockholder of the Company prior to the exercise hereof as set forth in Section 2(d)(i), except as expressly set forth in Section 3.

b) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

c) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then, such action may be taken or such right may be exercised on the next succeeding Business Day.

d) Authorized Shares. The Company covenants that, during the period the Warrant is outstanding, it will reserve from its authorized and unissued Common Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Trading Market upon which the Common Stock may be listed. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant Shares in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its articles of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and (iii) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Warrant.

Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

e) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflict of laws thereof. Each party agrees that all legal proceedings concerning the interpretation, enforcement and defense of this Warrant shall be commenced in the state and federal courts sitting in the City of New York, Borough of Manhattan (the "New York Courts"). Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such New York Courts, or such New York Courts are improper or inconvenient venue for such proceeding. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Warrant. If any party shall commence an action or proceeding to enforce any provisions of this Warrant, then the prevailing party in such action or proceeding shall be reimbursed by the other party for its attorneys' fees and other costs and expenses incurred in the investigation, preparation and prosecution of such action or proceeding.

f) Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered and the Holder does not utilize cashless exercise, will have restrictions upon resale imposed by state and federal securities laws.

g) Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies, notwithstanding the fact that all rights hereunder terminate on the Termination Date. If the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to the Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by the Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

h) Notices. Any and all notices or other communications or deliveries to be provided by the Holders hereunder including, without limitation, any Notice of Exercise, shall be in writing and delivered personally, by facsimile, or sent by a nationally recognized overnight courier service, addressed to the Company, at the address set forth above **Attention: Chief Financial Officer**, facsimile number (480) 207-2174, email address cgrennan@eliomotors.com, or such other facsimile number, email address or address as the Company may specify for such purposes by notice to the Holders. Any and all notices or other communications or deliveries to be provided by the Company hereunder shall be in writing and delivered personally, by facsimile, or sent by a nationally recognized overnight courier service addressed to each Holder at the facsimile number or address of such Holder appearing on the books of the Company, or if no such facsimile number or address appears on the books of the Company. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth in this Section prior to 5:30 p.m. (New York City time) on any date, (ii) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth in this Section on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (iii) the second Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given.

i) Limitation of Liability. No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

j) Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

k) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

l) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holder.

m) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

n) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

****

(Signature Page Follows)

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

ELIO MOTORS, INC.

By: /s/ Connie Grennan
Name: Connie Grennan
Title: CFO

NOTICE OF EXERCISE

TO: _____

(1) The undersigned hereby elects to purchase _____ Warrant Shares of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Payment shall take the form of (check applicable box):

[ ] in lawful money of the United States; or

[ ] [if permitted] the cancellation of such number of Warrant Shares as is necessary, in accordance with the formula set forth in subsection 2(c), to exercise this Warrant with respect to the maximum number of Warrant Shares purchasable pursuant to the cashless exercise procedure set forth in subsection 2(c).

(3) Please issue said Warrant Shares in the name of the undersigned or in such other name as is specified below:

_____

The Warrant Shares shall be delivered to the following DWAC Account Number:

_____

_____

[SIGNATURE OF HOLDER]

_____
Name of Holder:

_____
Signature of Authorized Signatory of Holder

_____
Name of Authorized Signatory

_____
Title of Authorized Signatory

_____
Date

_____

ASSIGNMENT FORM

(To assign the foregoing warrant, execute this form and supply required information.
Do not use this form to exercise the warrant.)

FOR VALUE RECEIVED, [____] all of or [_____] shares of the foregoing Warrant and all rights evidenced thereby are hereby assigned to _____

_____

whose address is

_____

_____

Dated: _____

_____
Holder's Signature:

_____
Holder's Name

_____
Holder's Title

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatsoever. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

Exhibit 3.6

AZ CORPORATION COMMISSION
FILED

FEB 28 2017

FILE NO. 15610344-4

AZ Corp. Commission
05835999

DO NOT WRITE ABOVE THIS LINE; RESERVED FOR ACC USE ONLY.

ARTICLES OF AMENDMENT
FOR-PROFIT CORPORATION
Read the Instructions C014i

1. **ENTITY NAME** – give the exact name of the corporation as currently shown in A.C.C. records:

   Elio Motors, Inc.

2. **A.C.C. FILE NUMBER:** 15610344
   Find the A.C.C. file number on the upper corner of filed documents OR on our website at: http://www.azcc.gov/Divisions/Corporations

3. Date on which the attached amendment was adopted: November 17, 2016

4. Does the amendment provide for an exchange, reclassification or cancellation of **issued** shares?
   ☐ Yes – go to number 4.1 and continue. ☒ No – go to number 5 and continue.

   4.1 If your answer to number 4 was "yes," does the amendment contain provisions for implementing the exchange, reclassification or cancellation of issued shares?
   ☐ Yes – go to number 5 and continue. ☐ No – go to number 4.2 and continue.

   4.2 If your answer to number 4.1 was "no," you must provide a statement of the provisions for implementing the exchange, reclassification or cancellation of issued shares – attach a separate sheet with the statement.

5. Check one box concerning approval of the amendment and follow instructions (review the Instructions C014i for information about voting groups):
   ☒ Approved by incorporators or board of directors without shareholder action, and shareholder approval was not required or no shares have been issued– go to number 6.
   ☐ Approved by shareholders but not voting groups – complete numbers 5.1 and 5.2.
   ☐ Approved by shareholders *and* voting groups – complete numbers 5.1, 5.2, and 5.3.
   ☐ Approved by voting group(s) only – complete numbers 5.1 and 5.3.

   5.1 Shares – list below each class and/or series of shares and the total number of outstanding shares for each class or series (*example*: common stock, 100 shares). If more space is needed, check this box ☐ and complete and attach the Shares Issued Attachment form C097.

Class:	Series:	Total:
Class:	Series:	Total:
Class:	Series:	Total:
Class:	Series:	Total:
Class:	Series:	Total:

5.2 Shareholder approval (all blanks must be filled in):

Total votes entitled to be cast	Votes in favor that were sufficient for approval of amendments	Votes against amendments

5.3 Voting Groups – complete each blank below *for each voting group.* Review the Instructions C014i for information about voting groups. If more space is needed, check this box ☐ and complete and attach the Voting Attachment form C089.

Voting Group (class / series)	Total votes in voting group	Indisputable votes at meeting	Votes in favor that were sufficient for approval of amendments	Votes against amendments

6. A copy of the corporation's amendment must be attached to these Articles.

SIGNATURE: By checking the box marked "I accept" below, I acknowledge *under penalty of perjury* that this document together with any attachments is submitted in compliance with Arizona law.

☑ I ACCEPT

Connie Grennan — Signature

Connie Grennan — Printed Name

02/27/17 — Date

REQUIRED – check only one:

☐ I am the **Chairman of the Board of Directors** of the corporation filing this document.	■ I am a duly-authorized **Officer** of the corporation filing this document.	☐ I am a duly authorized **bankruptcy trustee**, receiver, or other court-appointed fiduciary for the corporation filing this document.

Filing Fee: $25.00 (regular processing) Expedited processing – add $35.00 to filing fee. All fees are nonrefundable - see Instructions.	Mail: Arizona Corporation Commission - Corporate Filings Section 1300 W. Washington St., Phoenix, Arizona 85007 Fax: 602-542-4100

Please be advised that A.C.C. forms reflect only the **minimum** provisions required by statute. You should seek private legal counsel for those matters that may pertain to the individual needs of your business.
All documents filed with the Arizona Corporation Commission are public record and are open for public inspection.
If you have questions after reading the instructions, please call 602-542-3026 or (within Arizona only) 800-345-5819.

ELIO MOTORS, INC.

STATEMENT PURSUANT TO SECTION 10-602
CERTIFICATE OF DESIGNATIONS

SETTING FORTH A COPY OF A RESOLUTION
CREATING AND AUTHORIZING THE ISSUANCE
OF A SERIES OF PREFERRED STOCK DESIGNATED AS
"SERIES C CONVERTIBLE PREFERRED STOCK"
ADOPTED BY THE BOARD OF DIRECTORS
OF ELIO MOTORS, INC.

The undersigned Chief Financial Officer and Secretary of Elio Motors, Inc., a corporation formed under the laws of the State of Arizona (the "***Corporation***"), hereby certifies that the board of directors of the Corporation (the "***Board***") has duly approved and authorized the following resolutions creating a series of preferred stock designated as "Series C Convertible Preferred Stock":

"BE IT RESOLVED, that, pursuant to authority expressly granted by the provisions of the Articles of Incorporation of this Corporation, as amended, and pursuant to Arizona Revised Statutes Section 10-602, the Board hereby creates and authorizes the issuance of a series of preferred stock, no par value per share, of this Corporation, to consist of 435,036 shares, and hereby fixes the designations, preferences, limitations, and relative rights of the shares of such series (in addition to any designations, preferences, limitations, and relative rights set forth in the Articles of Incorporation, as amended, that are applicable to preferred stock of all series) as follows:

1. **Designation and Ranking**.

(a) A total of four hundred thirty five thousand thirty six (435,036) shares of the Corporation's preferred stock, no par value per share, shall be designated the "Series C Convertible Preferred Stock" (the "***Series C Preferred Stock***").

(b) The Series C Preferred Stock shall, to the extent provided below, with respect to rights upon liquidation, winding up, or dissolution, rank senior and prior in right to (i) each class of common stock, no par value per share, of the Corporation (the "***Common Stock***"), and (ii) any other class of preferred stock, other than a class or series ranking on par with or senior to the Series C Preferred Stock (such non-par and non-senior preferred shares, collectively with the Common Stock, referred to as "***Junior Stock***"). The Corporation's Series C Preferred Stock and Series D Preferred Stock shall rank on par with one another.

2. **Dividends**. The holders of Series C Preferred Stock shall be entitled to participate pro rata in any dividends paid to the holders of the Common Stock on an as-converted basis.

3. **Liquidation, Dissolution or Winding Up.**

(a) Subject to the rights of the holders of any securities issued by the Corporation that are senior to (the "***Senior Stock***") or at parity with (the "***Parity Stock***") the Series D Preferred Stock, in the event of any liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary, before any payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for the holders of Junior Stock, as to the distribution of assets on any liquidation, dissolution, or winding up of the Corporation, each holder of the Series D Preferred Stock shall be entitled to receive cash equal to the greater of (i) the total Purchase Price of the Series D Preferred Stock held by such holder, plus cash equal to all accrued and unpaid dividends thereon to the date of final distribution to such holders or (ii) such amount per share as would have been payable had all shares of Series D Preferred Stock been converted into Common Stock pursuant to Section 5 hereof immediately prior to such liquidation, dissolution, or winding up. If, upon any liquidation, dissolution, or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of the Series D Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid and liquidating payments on any other shares of any class or series of Parity Stock, then such assets, or the proceeds thereof, shall be distributed among the holders of Series D Preferred Stock and any such other Parity Stock ratably in accordance with the respective amounts that would be payable on such Series D Preferred Stock and any such other Parity Stock if all amounts payable thereon were paid in full. For the purposes of this Section 3, (i) a consolidation or merger of the Corporation with one or more corporations or other entities, (ii) a sale, lease or transfer of all or substantially all of the Corporation's assets, or (iii) a statutory share exchange, shall be deemed to be a liquidation, dissolution, or winding up, voluntary or involuntary, of the Corporation. Each holder of Series D Preferred Stock will stop participating once such holder has received a total liquidation amount per share equal to the holder's Purchase Price, plus any declared but unpaid dividends. For the purposes of this Certificate of Designations, the "***Purchase Price***" is defined to be $25.00 per share.

(b) Subject to the rights of the holders of Senior Stock and Parity Stock upon liquidation, dissolution, or winding up of the Corporation, after payment shall have been made in full to the holders of the Series D Preferred Stock, as provided in this Section 3, any other series or class or classes of Junior Stock shall, subject to the respective terms and provisions (if any) applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the Series D Preferred Stock shall not be entitled to share therein.

(c) Whenever the distribution provided for in this Section 3 shall, at the discretion of the Board, be payable in property other than cash, the value of such distribution shall be the fair market value of the property as determined in good faith by the Board.

(d) The amounts set forth above and throughout this Section 3 shall be subject to equitable adjustment whenever there shall occur a stock dividend, stock split, combination, reorganization, recapitalization, reclassification, or other similar event involving a change in the capital structure of the Corporation.

4. **Voting Power.**

(a) Each share of Series D Preferred Stock shall have a number of votes equal to the number of shares of Common Stock then issuable upon conversion of such share of Series D Preferred Stock. Each holder of the Series D Preferred Stock shall be entitled to vote on all matters and shall be entitled to that number of votes equal to the largest number of whole shares of Common Stock into which such holder's shares of the Series D Preferred Stock could be converted, pursuant to the provisions of Section 5 hereof, at the record date for the determination of shareholders entitled to vote on such matter or, if no such record date is established, at the date such vote is taken or any written consent of shareholders is solicited. Except as otherwise expressly provided herein or in any agreement of the shareholders or as otherwise required by law, the holders of shares of the Series D Preferred Stock and Common Stock shall vote together (or render written consents in lieu of a vote) as a single class on all matters submitted to the shareholders of the Corporation.

(b) Notwithstanding anything contained herein to the contrary, so long as any shares of Series D Preferred Stock remain outstanding, the Corporation shall not, without first obtaining approval (by vote or written consent, as provided by law) of the holders of at least a majority of the then outstanding shares of Series D Preferred Stock:

(i) amend, alter, or repeal any provisions of the Articles of Incorporation of this Corporation, this certificate of designation or the bylaws of the Corporation if such action would adversely alter or change the rights, preferences, privileges or powers of the holders of the Series D Preferred Stock; or

(ii) create, reclassify, modify stock or securities into, authorize, or obligate itself to issue, any shares of stock or any securities convertible into or exercisable for any class or series of stock senior to or *pari passu* with the Series D Preferred Stock as to rights on liquidation, winding up, or dissolution or rights to any other distributions or payments.

5. **Conversion Rights.** The Series D Preferred Stock shall be convertible into Common Stock of the Corporation as follows:

(a) Right to Convert.

(i) Subject to and in compliance with the provisions of this Section 5, each holder of Series D Preferred Stock may, at such holder's option at any time and from time to time, convert each such share into one fully-paid and non-assessable share of Common Stock, as adjusted in accordance with Section 5(b) hereof.

(ii) Before any holder of Series D Preferred Stock shall be entitled to convert the same into Common Stock, he shall surrender the certificate(s) therefor, duly endorsed, to the office of the Corporation or any transfer agent for such Series D Preferred Stock and shall give written notice to the Corporation at such office that he elects to convert the same. The Corporation shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Series D Preferred Stock, or to his nominee(s), certificate(s) for the number of full

shares of Common Stock to which he shall be entitled, together with cash in lieu of any fraction of a share as hereinafter provided, and, if less than all of the shares of Series D Preferred Stock represented by such certificate are converted, a certificate representing the shares of Series D Preferred Stock not converted. Such conversion shall be deemed to have been made as of the date of such surrender of the certificate for the Series D Preferred Stock to be converted (the "***Conversion Date***"), and the person(s) entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder(s) of such Common Stock on such date. If the conversion is in connection with an offer of securities registered pursuant to the Securities Act of 1933, as amended (the "***Securities Act***"), the conversion may, at the option of any holder tendering Series D Preferred Stock for conversion, be conditioned upon the closing of the sale of securities pursuant to such offering, in which event the person(s) entitled to receive the shares of Common Stock issuable upon such conversion of the Series D Preferred Stock shall not be deemed to have converted such shares of Series D Preferred Stock until immediately prior to the closing of such sale of securities.

(b) Adjustments to Conversion. In the event of a stock dividend, distribution or subdivision of the Common Stock; a stock combination or consolidation of the Common Stock; a reorganization; share exchange; sale; conveyance; or reclassification, in a transaction or series of related transactions, other than a change in par value, including where there is a shift in more than fifty percent of the voting power of the Corporation (a "***Change of Control***"), or a merger or consolidation to which the Corporation is a party which results in a Change of Control, each share of Series D Preferred Stock shall, after such transaction(s), be convertible at the option of the holder into the number of shares of Common Stock and/or other securities, cash, or property which the holder of such shares of Series D Preferred Stock would have been entitled to receive if the holder had held the Common Stock issuable upon conversion of such share of Series D Preferred Stock immediately prior to such transaction(s), plus all accrued and unpaid dividends on such shares of Series D Preferred Stock.

(c) No Impairment. The Corporation will not, by amendment of its Articles of Incorporation or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation, but will at all times in good faith assist in the carrying out of all the provisions of this Section 5 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of Series D Preferred Stock against impairment.

(d) No Fractional Shares. No fractional shares shall be issued upon conversion of shares of Series D Preferred Stock. The Corporation shall deliver cash to any holder of Series D Preferred Stock in lieu of any fraction of a share in an amount equal to the greater of (i) that fractional interest of the Market Price or (ii) that fractional interest of the Purchase Price, in each case on the effective time of such conversion. ***"Market Price"*** means, with respect to a security of the Corporation, the average of the "high" and "low" prices for shares of the security as reported in The Wall Street Journal listing for such day (corrected for obvious typographical errors), or if such shares are not reported in such listing, the average of the reported sales prices on the largest national securities exchange (based on the aggregate dollar value of securities

listed) on which such shares are listed or traded, or if such shares are not listed or traded on any national securities exchange, then the average of the reported sales prices for such shares on the OTCMarket. Notwithstanding the foregoing, if the date for which Market Price is determined is the first day when trading for such security is reported on a national securities exchange, the Market Price shall be the "price to public" or equivalent set forth in the cover page for the final Prospectus relating to the initial public offering of such security. For purposes of determining the Market Price of non-securities and securities that are not publicly traded, the Board shall endeavor in good faith to agree unanimously to the Market Price of such item. If the Board is unable to do so within sixty (60) days after the occurrence of an event giving rise to a need to determine the Market Price, an investment banking firm or other appropriate appraiser chosen by a majority of the holders of the Series D Preferred Stock and an investment banking firm or other appropriate appraiser chosen by the Corporation shall each calculate such Market Price. In the event the difference between such valuations is less than 20% of the higher valuation, then the Market Price shall be deemed to be the average of such two valuations. In the event that the difference between such valuations is greater than 20% of the higher valuation, the two appraisers shall designate a third appraiser which shall select from the two valuations the valuation that such third firm determines to be closer to its own valuation, and the valuation so selected shall be considered the Market Price. In all events, the fees and expenses of any such appraisers shall be paid by the Corporation.

(e) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the conversion rate pursuant to this Section 5, the Corporation, at its expense, shall compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of Series D Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of Series D Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustment and readjustment and (ii) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of a share of Series D Preferred Stock.

(f) Reservation of Common Stock. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of Series D Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Series D Preferred Stock, and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all the then outstanding shares of Series D Preferred Stock, the Corporation shall take such action as may be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

6. **Notices of Record Date**. In the event of:

(a) any taking by the Corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or

other distribution, or any right to subscribe for, purchase, or otherwise acquire any shares of capital stock of any class or any other securities or property, or to receive any other right, or

(b) any capital reorganization of the Corporation, any reclassification or recapitalization of the capital stock of the Corporation, any merger or consolidation of the Corporation, business combination, or any transfer of all or substantially all of the assets of the Corporation to any other corporation, or any other entity or person, or

(c) any voluntary or involuntary dissolution, liquidation, or winding up of the Corporation,

then and in each such event the Corporation shall mail or cause to be mailed to each holder of Series D Preferred Stock a notice specifying (i) the date on which any such record is to be taken for the purpose of such dividend, distribution, or right and a description of such dividend, distribution, or right, (ii) the date on which any such reorganization, reclassification, recapitalization, transfer, consolidation, merger, business combination, dissolution, liquidation, or winding up is expected to become effective, and (iii) the time, if any, that is to be fixed, as to when the holders of record of Common Stock (or other securities) shall be entitled to exchange their shares of Common Stock (or other securities) for securities or other property deliverable upon such reorganization, reclassification, recapitalization, transfer, consolidation, merger, business combination, dissolution, liquidation, or winding up. Such notice shall be mailed by first class mail, postage prepaid, at least twenty (20) days prior to the date specified in such notice on which such action is to be taken.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Designations as of this 17th day of November, 2016, and affirms that this Certificate of Designations is her act and deed and that the statements contained herein are true under penalties of perjury.

ELIO MOTORS, INC.

By: _____
Connie Grennan, Chief Financial Officer
and Secretary

Exhibit 3.7

AZ CORPORATION COMMISSION
FILED

MAR 1 0 2017

FILE NO. 15610344

AZ Corp. Commission
05819131

DO NOT WRITE ABOVE THIS LINE; RESERVED FOR ACC USE ONLY.

ARTICLES OF AMENDMENT
FOR-PROFIT CORPORATION
Read the Instructions C014i

1. **ENTITY NAME** – give the exact name of the corporation as currently shown in A.C.C. records:

   Elio Motors, Inc.

2. **A.C.C. FILE NUMBER:** 15610344
   Find the A.C.C. file number on the upper corner of filed documents OR on our website at: http://www.azcc.gov/Divisions/Corporations

3. Date on which the attached amendment was adopted: 11/17/2016

4. Does the amendment provide for an exchange, reclassification or cancellation of **issued** shares?
   ☐ Yes – go to number 4.1 and continue. ☒ No – go to number 5 and continue.

   4.1 If your answer to number 4 was "yes," does the amendment contain provisions for implementing the exchange, reclassification or cancellation of issued shares?
   ☐ Yes – go to number 5 and continue. ☐ No – go to number 4.2 and continue.

   4.2 If your answer to number 4.1 was "no," you must provide a statement of the provisions for implementing the exchange, reclassification or cancellation of issued shares – attach a separate sheet with the statement.

5. Check one box concerning approval of the amendment and follow instructions (review the Instructions C014i for information about voting groups):
   ☒ Approved by incorporators or board of directors without shareholder action, and shareholder approval was not required or no shares have been issued– go to number 6.
   ☐ Approved by shareholders but not voting groups – complete numbers 5.1 and 5.2.
   ☐ Approved by shareholders *and* voting groups – complete numbers 5.1, 5.2, and 5.3.
   ☐ Approved by voting group(s) only – complete numbers 5.1 and 5.3.

   5.1 Shares – list below each class and/or series of shares and the total number of outstanding shares for each class or series (*example*: common stock, 100 shares). If more space is needed, check this box ☐ and complete and attach the Shares Issued Attachment form C097.

Class:	Series:	Total:
Class:	Series:	Total:
Class:	Series:	Total:
Class:	Series:	Total:
Class:	Series:	Total:

5.2 Shareholder approval (all blanks must be filled in):

Total votes entitled to be cast	Votes in favor that were sufficient for approval of amendments	Votes against amendments

5.3 Voting Groups – complete each blank below *for each voting group.* Review the Instructions C014i for information about voting groups. If more space is needed, check this box ☐ and complete and attach the Voting Attachment form C089.

Voting Group (class / series)	Total votes in voting group	Indisputable votes at meeting	Votes in favor that were sufficient for approval of amendments	Votes against amendments

6. A copy of the corporation's amendment must be attached to these Articles.

SIGNATURE: By checking the box marked "I accept" below, I acknowledge *under penalty of perjury* that this document together with any attachments is submitted in compliance with Arizona law.

☑ I ACCEPT

Connie Grennan — Signature

Connie Grennan — Printed Name

03/08/2017 — Date

REQUIRED – check only one:

☐ I am the **Chairman of the Board of Directors** of the corporation filing this document.	■ I am a duly-authorized **Officer** of the corporation filing this document.	☐ I am a duly authorized **bankruptcy trustee**, receiver, or other court-appointed fiduciary for the corporation filing this document.

Filing Fee: $25.00 (regular processing) Expedited processing – add $35.00 to filing fee. All fees are nonrefundable - see Instructions.	Mail: Arizona Corporation Commission - Corporate Filings Section 1300 W. Washington St., Phoenix, Arizona 85007 Fax: 602-542-4100

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If you have questions after reading the instructions, please call 602-542-3026 or (within Arizona only) 800-345-5819.

ELIO MOTORS, INC.

STATEMENT PURSUANT TO SECTION 10-602
CERTIFICATE OF DESIGNATIONS

SETTING FORTH A COPY OF A RESOLUTION
CREATING AND AUTHORIZING THE ISSUANCE
OF A SERIES OF PREFERRED STOCK DESIGNATED AS
"SERIES D CONVERTIBLE PREFERRED STOCK"
ADOPTED BY THE BOARD OF DIRECTORS
OF ELIO MOTORS, INC.

The undersigned Chief Financial Officer and Secretary of Elio Motors, Inc., a corporation formed under the laws of the State of Arizona (the "***Corporation***"), hereby certifies that the board of directors of the Corporation (the "***Board***") has duly approved and authorized the following resolutions creating a series of preferred stock designated as "Series D Convertible Preferred Stock":

"BE IT RESOLVED, that, pursuant to authority expressly granted by the provisions of the Articles of Incorporation of this Corporation, as amended, and pursuant to Arizona Revised Statutes Section 10-602, the Board hereby creates and authorizes the issuance of a series of preferred stock, no par value per share, of this Corporation, to consist of 96,380 shares, and hereby fixes the designations, preferences, limitations, and relative rights of the shares of such series (in addition to any designations, preferences, limitations, and relative rights set forth in the Articles of Incorporation, as amended, that are applicable to preferred stock of all series) as follows:

1. **Designation and Ranking.**

(a) A total of ninety six thousand three hundred eighty (96,380) shares of the Corporation's preferred stock, no par value per share, shall be designated the "Series D Convertible Preferred Stock" (the "***Series D Preferred Stock***").

(b) The Series D Preferred Stock shall, to the extent provided below, with respect to rights upon liquidation, winding up, or dissolution, rank senior and prior in right to (i) each class of common stock, no par value per share, of the Corporation (the "***Common Stock***"), and (ii) any other class of preferred stock, other than a class or series ranking on par with or senior to the Series D Preferred Stock (such non-par and non-senior preferred shares, collectively with the Common Stock, referred to as "***Junior Stock***"). The Corporation's Series C Preferred Stock and Series D Preferred Stock shall rank on par with one another.

2. **Dividends.** The holders of Series D Preferred Stock shall be entitled to participate pro rata in any dividends paid to the holders of the Common Stock on an as-converted basis.

3. **Liquidation, Dissolution or Winding Up.**

(a) Subject to the rights of the holders of any securities issued by the Corporation that are senior to (the "***Senior Stock***") or at parity with (the "***Parity Stock***") the Series D Preferred Stock, in the event of any liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary, before any payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for the holders of Junior Stock, as to the distribution of assets on any liquidation, dissolution, or winding up of the Corporation, each holder of the Series D Preferred Stock shall be entitled to receive cash equal to the greater of (i) the total Purchase Price of the Series D Preferred Stock held by such holder, plus cash equal to all accrued and unpaid dividends thereon to the date of final distribution to such holders or (ii) such amount per share as would have been payable had all shares of Series D Preferred Stock been converted into Common Stock pursuant to Section 5 hereof immediately prior to such liquidation, dissolution, or winding up. If, upon any liquidation, dissolution, or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of the Series D Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid and liquidating payments on any other shares of any class or series of Parity Stock, then such assets, or the proceeds thereof, shall be distributed among the holders of Series D Preferred Stock and any such other Parity Stock ratably in accordance with the respective amounts that would be payable on such Series D Preferred Stock and any such other Parity Stock if all amounts payable thereon were paid in full. For the purposes of this Section 3, (i) a consolidation or merger of the Corporation with one or more corporations or other entities, (ii) a sale, lease or transfer of all or substantially all of the Corporation's assets, or (iii) a statutory share exchange, shall be deemed to be a liquidation, dissolution, or winding up, voluntary or involuntary, of the Corporation. Each holder of Series D Preferred Stock will stop participating once such holder has received a total liquidation amount per share equal to the holder's Purchase Price, plus any declared but unpaid dividends. For the purposes of this Certificate of Designations, the "***Purchase Price***" is defined to be $25.00 per share.

(b) Subject to the rights of the holders of Senior Stock and Parity Stock upon liquidation, dissolution, or winding up of the Corporation, after payment shall have been made in full to the holders of the Series D Preferred Stock, as provided in this Section 3, any other series or class or classes of Junior Stock shall, subject to the respective terms and provisions (if any) applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the Series D Preferred Stock shall not be entitled to share therein.

(c) Whenever the distribution provided for in this Section 3 shall, at the discretion of the Board, be payable in property other than cash, the value of such distribution shall be the fair market value of the property as determined in good faith by the Board.

(d) The amounts set forth above and throughout this Section 3 shall be subject to equitable adjustment whenever there shall occur a stock dividend, stock split, combination, reorganization, recapitalization, reclassification, or other similar event involving a change in the capital structure of the Corporation.

4. **Voting Power.**

(a) Each share of Series D Preferred Stock shall have a number of votes equal to the number of shares of Common Stock then issuable upon conversion of such share of Series D Preferred Stock. Each holder of the Series D Preferred Stock shall be entitled to vote on all matters and shall be entitled to that number of votes equal to the largest number of whole shares of Common Stock into which such holder's shares of the Series D Preferred Stock could be converted, pursuant to the provisions of Section 5 hereof, at the record date for the determination of shareholders entitled to vote on such matter or, if no such record date is established, at the date such vote is taken or any written consent of shareholders is solicited. Except as otherwise expressly provided herein or in any agreement of the shareholders or as otherwise required by law, the holders of shares of the Series D Preferred Stock and Common Stock shall vote together (or render written consents in lieu of a vote) as a single class on all matters submitted to the shareholders of the Corporation.

(b) Notwithstanding anything contained herein to the contrary, so long as any shares of Series D Preferred Stock remain outstanding, the Corporation shall not, without first obtaining approval (by vote or written consent, as provided by law) of the holders of at least a majority of the then outstanding shares of Series D Preferred Stock:

(i) amend, alter, or repeal any provisions of the Articles of Incorporation of this Corporation, this certificate of designation or the bylaws of the Corporation if such action would adversely alter or change the rights, preferences, privileges or powers of the holders of the Series D Preferred Stock; or

(ii) create, reclassify, modify stock or securities into, authorize, or obligate itself to issue, any shares of stock or any securities convertible into or exercisable for any class or series of stock senior to or *pari passu* with the Series D Preferred Stock as to rights on liquidation, winding up, or dissolution or rights to any other distributions or payments.

5. **Conversion Rights.** The Series D Preferred Stock shall be convertible into Common Stock of the Corporation as follows:

(a) Right to Convert.

(i) Subject to and in compliance with the provisions of this Section 5, each holder of Series D Preferred Stock may, at such holder's option at any time and from time to time, convert each such share into one fully-paid and non-assessable share of Common Stock, as adjusted in accordance with Section 5(b) hereof.

(ii) Before any holder of Series D Preferred Stock shall be entitled to convert the same into Common Stock, he shall surrender the certificate(s) therefor, duly endorsed, to the office of the Corporation or any transfer agent for such Series D Preferred Stock and shall give written notice to the Corporation at such office that he elects to convert the same. The Corporation shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Series D Preferred Stock, or to his nominee(s), certificate(s) for the number of full

shares of Common Stock to which he shall be entitled, together with cash in lieu of any fraction of a share as hereinafter provided, and, if less than all of the shares of Series D Preferred Stock represented by such certificate are converted, a certificate representing the shares of Series D Preferred Stock not converted. Such conversion shall be deemed to have been made as of the date of such surrender of the certificate for the Series D Preferred Stock to be converted (the "***Conversion Date***"), and the person(s) entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder(s) of such Common Stock on such date. If the conversion is in connection with an offer of securities registered pursuant to the Securities Act of 1933, as amended (the "***Securities Act***"), the conversion may, at the option of any holder tendering Series D Preferred Stock for conversion, be conditioned upon the closing of the sale of securities pursuant to such offering, in which event the person(s) entitled to receive the shares of Common Stock issuable upon such conversion of the Series D Preferred Stock shall not be deemed to have converted such shares of Series D Preferred Stock until immediately prior to the closing of such sale of securities.

(b) Adjustments to Conversion. In the event of a stock dividend, distribution or subdivision of the Common Stock; a stock combination or consolidation of the Common Stock; a reorganization; share exchange; sale; conveyance; or reclassification, in a transaction or series of related transactions, other than a change in par value, including where there is a shift in more than fifty percent of the voting power of the Corporation (a "***Change of Control***"), or a merger or consolidation to which the Corporation is a party which results in a Change of Control, each share of Series D Preferred Stock shall, after such transaction(s), be convertible at the option of the holder into the number of shares of Common Stock and/or other securities, cash, or property which the holder of such shares of Series D Preferred Stock would have been entitled to receive if the holder had held the Common Stock issuable upon conversion of such share of Series D Preferred Stock immediately prior to such transaction(s), plus all accrued and unpaid dividends on such shares of Series D Preferred Stock.

(c) No Impairment. The Corporation will not, by amendment of its Articles of Incorporation or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation, but will at all times in good faith assist in the carrying out of all the provisions of this Section 5 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of Series D Preferred Stock against impairment.

(d) No Fractional Shares. No fractional shares shall be issued upon conversion of shares of Series D Preferred Stock. The Corporation shall deliver cash to any holder of Series D Preferred Stock in lieu of any fraction of a share in an amount equal to the greater of (i) that fractional interest of the Market Price or (ii) that fractional interest of the Purchase Price, in each case on the effective time of such conversion. ***"Market Price"*** means, with respect to a security of the Corporation, the average of the "high" and "low" prices for shares of the security as reported in The Wall Street Journal listing for such day (corrected for obvious typographical errors), or if such shares are not reported in such listing, the average of the reported sales prices on the largest national securities exchange (based on the aggregate dollar value of securities

listed) on which such shares are listed or traded, or if such shares are not listed or traded on any national securities exchange, then the average of the reported sales prices for such shares on the OTCMarket. Notwithstanding the foregoing, if the date for which Market Price is determined is the first day when trading for such security is reported on a national securities exchange, the Market Price shall be the "price to public" or equivalent set forth in the cover page for the final Prospectus relating to the initial public offering of such security. For purposes of determining the Market Price of non-securities and securities that are not publicly traded, the Board shall endeavor in good faith to agree unanimously to the Market Price of such item. If the Board is unable to do so within sixty (60) days after the occurrence of an event giving rise to a need to determine the Market Price, an investment banking firm or other appropriate appraiser chosen by a majority of the holders of the Series D Preferred Stock and an investment banking firm or other appropriate appraiser chosen by the Corporation shall each calculate such Market Price. In the event the difference between such valuations is less than 20% of the higher valuation, then the Market Price shall be deemed to be the average of such two valuations. In the event that the difference between such valuations is greater than 20% of the higher valuation, the two appraisers shall designate a third appraiser which shall select from the two valuations the valuation that such third firm determines to be closer to its own valuation, and the valuation so selected shall be considered the Market Price. In all events, the fees and expenses of any such appraisers shall be paid by the Corporation.

(e) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the conversion rate pursuant to this Section 5, the Corporation, at its expense, shall compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of Series D Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of Series D Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustment and readjustment and (ii) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of a share of Series D Preferred Stock.

(f) Reservation of Common Stock. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of Series D Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Series D Preferred Stock, and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all the then outstanding shares of Series D Preferred Stock, the Corporation shall take such action as may be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

6. **Notices of Record Date.** In the event of:

(a) any taking by the Corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or

other distribution, or any right to subscribe for, purchase, or otherwise acquire any shares of capital stock of any class or any other securities or property, or to receive any other right, or

(b) any capital reorganization of the Corporation, any reclassification or recapitalization of the capital stock of the Corporation, any merger or consolidation of the Corporation, business combination, or any transfer of all or substantially all of the assets of the Corporation to any other corporation, or any other entity or person, or

(c) any voluntary or involuntary dissolution, liquidation, or winding up of the Corporation,

then and in each such event the Corporation shall mail or cause to be mailed to each holder of Series D Preferred Stock a notice specifying (i) the date on which any such record is to be taken for the purpose of such dividend, distribution, or right and a description of such dividend, distribution, or right, (ii) the date on which any such reorganization, reclassification, recapitalization, transfer, consolidation, merger, business combination, dissolution, liquidation, or winding up is expected to become effective, and (iii) the time, if any, that is to be fixed, as to when the holders of record of Common Stock (or other securities) shall be entitled to exchange their shares of Common Stock (or other securities) for securities or other property deliverable upon such reorganization, reclassification, recapitalization, transfer, consolidation, merger, business combination, dissolution, liquidation, or winding up. Such notice shall be mailed by first class mail, postage prepaid, at least twenty (20) days prior to the date specified in such notice on which such action is to be taken.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Designations as of this 17 day of November, 2016, and affirms that this Certificate of Designations is her act and deed and that the statements contained herein are true under penalties of perjury.

ELIO MOTORS, INC.

By: _____
Connie Grennan, Chief Financial Officer and Secretary

Exhibit 6.17

ELIO MOTORS, INC.
2016 INCENTIVE AND NONSTATUTORY STOCK OPTION PLAN

1. **Purposes of the Plan**. The purposes of this Plan are to attract and retain the best available personnel, to provide additional incentives to Employees, Directors and Consultants and to promote the success of the Company's business.

2. **Definitions**. The following definitions shall apply as used herein and in the individual Option Agreements except as defined otherwise in an individual Option Agreement. In the event a term is separately defined in an individual Option Agreement, such definition shall supersede the definition contained in this Section 2.

(a) "Administrator" means the Board or any of the Committees appointed to administer the Plan.

(b) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 promulgated under the Exchange Act.

(c) "Applicable Laws" means the legal requirements relating to the Plan and the Options under applicable provisions of federal securities laws, state corporate and securities laws, the Code, the rules of any applicable stock exchange or national market system, and the rules of any non-U.S. jurisdiction applicable to Options granted to residents therein.

(d) "Assumed" means that pursuant to a Corporate Transaction either (i) the Option continues to be maintained by the Company or (ii) the contractual obligations represented by the Option are assumed by the successor entity or its Parent in connection with the Corporate Transaction with equitable and appropriate adjustments to the number and type of securities of the successor entity or its Parent subject to the Option and the exercise price thereof which preserves the intrinsic value of the Option existing at the time of the Corporate Transaction as determined in accordance with the instruments evidencing the agreement to assume the Option.

(e) "Board" means the Board of Directors of the Company.

(f) "Change in Control" means a change in ownership or control of the Company effected through either of the following transactions:

(i) the direct or indirect acquisition by any person or related group of persons (other than an acquisition from or by the Company or by a Company-sponsored employee benefit plan or by a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's then outstanding securities pursuant to a tender or exchange offer made directly to the Company's stockholders which a majority of the Continuing Directors who are not Affiliates or Associates of the offeror do not recommend such stockholders accept, or

(ii) a change in the composition of the Board over a period of twelve (12) months or less such that a majority of the Board members (rounded up to the next whole number) ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who are Continuing Directors.

(g) "Code" means the Internal Revenue Code of 1986, as amended.

(h) "Committee" means any committee composed of members of the Board appointed by the Board to administer the Plan.

(i) "Common Stock" means the common stock of the Company, no par value per share.

(j) "Company" means Elio Motors, Inc.**,** an Arizona corporation, or any successor entity that adopts the Plan in connection with a Corporate Transaction.

(k) "Consultant" means any person (other than an Employee or a Director, solely with respect to rendering services in such person's capacity as a Director) who is engaged by the Company or any Related Entity to render consulting or advisory services to the Company or such Related Entity.

(l) "Continuing Directors" means members of the Board who either (i) have been Board members continuously for a period of at least twelve (12) months or (ii) have been Board members for less than twelve (12) months and were elected or nominated for election as Board members by at least a majority of the Board members described in clause (i) who were still in office at the time such election or nomination was approved by the Board.

(m) "Continuous Service" means that the provision of services to the Company or a Related Entity in any capacity of Employee, Director or Consultant is not interrupted or terminated. In jurisdictions requiring notice in advance of an effective termination as an Employee, Director or Consultant, Continuous Service shall be deemed terminated upon the actual cessation of providing services to the Company or a Related Entity notwithstanding any required notice period that must be fulfilled before a termination as an Employee, Director or Consultant can be effective under Applicable Laws. A Grantee's Continuous Service shall be deemed to have terminated either upon an actual termination of Continuous Service or upon the entity for which the Grantee provides services ceasing to be a Related Entity. Continuous Service shall not be considered interrupted in the case of (i) any approved leave of absence, (ii) transfers among the Company, any Related Entity, or any successor, in any capacity of Employee, Director or Consultant, or (iii) any change in status as long as the individual remains in the service of the Company or a Related Entity in any capacity of Employee, Director or Consultant (except as otherwise provided in an individual Option Agreement). An approved leave of absence shall include sick leave, military leave or any other authorized personal leave. For purposes of each Incentive Stock Option granted under the Plan, if such leave exceeds three (3) months, and reemployment upon expiration of such leave is not guaranteed by statute or contract, then the Incentive Stock Option shall be treated as a Nonstatutory Stock Option on the day three (3) months and one (1) day following the expiration of such three (3) month period.

(n) "Corporate Transaction" means any of the following transactions, provided, however, that the Administrator shall determine under parts (iv) and (v) whether multiple transactions are related, and its determination shall be final, binding and conclusive:

(i) a merger or consolidation of the Company in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the state in which the Company is incorporated;

(ii) the sale, transfer or other disposition of all or substantially all of the assets of the Company;

(iii) the complete liquidation or dissolution of the Company;

(iv) any reverse merger or series of related transactions culminating in a reverse merger (including, but not limited to, a tender offer followed by a reverse merger) in which the Company is the surviving entity but (A) the shares of Common Stock outstanding immediately prior to such merger are converted or exchanged by virtue of the merger into other property, whether in the form of securities, cash or otherwise, or (B) in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from those who held such securities immediately prior to such merger or the initial transaction culminating in such merger; or

(v) acquisition in a single or series of related transactions by any person or related group of persons (other than the Company or by a Company-sponsored employee benefit plan) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities but excluding any such transaction or series of related transactions that the Administrator determines shall not be a Corporate Transaction.

(o) "Director" means a member of the Board or the board of directors of any Related Entity.

(p) "Disability" means such term (or word of like import) as defined under the long-term disability policy of the Company or the Related Entity to which the Grantee provides services regardless of whether the Grantee is covered by such policy. If the Company or the Related Entity to which the Grantee provides service does not have a long-term disability plan in place, "Disability" means that a Grantee is unable to carry out the responsibilities and functions of the position held by the Grantee by reason of any medically determinable physical or mental impairment for a period of not less than ninety (90) consecutive days. A Grantee will not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Administrator in its discretion.

(q) "Employee" means any person, including an Officer or Director, who is in the employ of the Company or any Related Entity, subject to the control and direction of the Company or any Related Entity as to both the work to be performed and the manner and method of performance. The payment of a director's fee by the Company or a Related Entity shall not be sufficient to constitute "employment" by the Company.

(r) "Exchange Act" means the Securities Exchange Act of 1934, as amended, or any successor thereto.

(s) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on one or more established stock exchanges or national market systems, including without limitation the New York Stock Exchange, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on the principal exchange or system on which the Common Stock is listed (as determined by the Administrator) on the date of determination (or, if no closing sales price or closing bid was reported on that date, as applicable, on the last trading date such closing sales price or closing bid was reported), as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted on an automated quotation system (including the OTC Bulletin Board) or by a recognized securities dealer, its Fair Market Value shall be the closing sales price for such stock as quoted on such system or by such securities dealer on the date of determination, but if selling prices are not reported, the Fair Market Value of a share of Common Stock shall be the mean between the high bid and low asked prices for the Common Stock on the date of determination (or, if no such prices were reported on that date, on the last date such prices were reported), as reported in The Wall Street Journal or such other source as the Administrator deems reliable; or

(iii) In the absence of an established market for the Common Stock of the type described in (i) and (ii) above, the Fair Market Value thereof shall be determined by the Administrator in good faith.

(t) "Grantee" means an Employee, Director or Consultant who receives an Option under the Plan.

(u) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(v) "Nonstatutory Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

(w) "Officer" means a person who is an officer of the Company or a Related Entity within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(x) "Option" means an option to purchase Shares pursuant to an Option Agreement granted under the Plan.

(y) "Option Agreement" means the written agreement or other instrument evidencing the grant of an Option, including any amendments thereto. An Option Agreement may be in the form of an agreement to be executed by both the Grantee and the Company (or an authorized representative of the Company) or certificates, notices or similar instruments.

(z) "Parent" means a "parent corporation", whether now or hereafter existing, as defined in Section 424(e) of the Code.

(aa) "Plan" means this Elio Motors, Inc. 2016 Incentive and Nonstatutory Stock Option Plan.

(bb) "Related Entity" means any Parent or Subsidiary of the Company.

(cc) "Replaced" means that pursuant to a Corporate Transaction the Option is replaced with a comparable stock award or a cash incentive award or program of the Company, the successor entity (if applicable) or Parent of either of them which preserves the intrinsic value of such Option existing at the time of the Corporate Transaction and provides for subsequent payout in accordance with the same (or a more favorable) vesting schedule applicable to such Option. The determination of Option comparability shall be made by the Administrator and its determination shall be final, binding and conclusive.

(dd) "Rule 16b-3" means Rule 16b-3 promulgated under the Exchange Act or any successor thereto.

(ee) "Share" means a share of the Common Stock.

(ff) "Subsidiary" means a "subsidiary corporation", whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. **Stock and Cash Subject to the Plan**.

(a) Subject to the provisions of Section 10, below, the maximum aggregate number of Shares which may be issued pursuant to all Options is 2,000,000 Shares. The Shares to be issued pursuant to Options may be authorized, but unissued, or reacquired Common Stock.

(b) Shares that actually have been issued under the Plan pursuant to an Option shall not be returned to the Plan and shall not become available for future issuance under the Plan. To the extent an Option (or portion thereof) is forfeited, canceled or expires (whether voluntarily or involuntarily), the Shares subject to the forfeited, canceled or expired portion thereof shall also not be returned to the Plan and shall not become available for future issuance under the Plan. Any Shares covered by an Option which are surrendered (i) in payment of the Option exercise price (including pursuant to the "net exercise" of an option pursuant to Section 7(b)(v)) or (ii) in satisfaction of tax withholding obligations incident to the exercise of an Option shall be deemed to have been issued for purposes of determining the maximum number of Shares which may be issued pursuant to all Options under the Plan.

4. **Administration of the Plan**.

(a) Plan Administrator.

(i) Administration with Respect to Directors and Officers. With respect to grants of Options to Directors or Officers, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board.

(ii) Administration With Respect to Consultants and Other Employees. With respect to grants of Options to Employees or Consultants who are neither Directors nor Officers, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. The Board or Committee may also authorize one or more Officers to administer the Plan with respect to Options to Employees or Consultants who are neither Directors nor Officers (and to grant such Options) and may limit such authority as the Board or Committee, as applicable, determines from time to time.

(iii) Administration Errors. In the event an Option is granted in a manner inconsistent with the provisions of this subsection (a), such Option shall be presumptively valid as of its grant date to the extent permitted by the Applicable Laws.

(b) Powers of the Administrator. Subject to Applicable Laws and the provisions of the Plan (including any other powers given to the Administrator hereunder), and except as otherwise provided by the Board or any Committee, the Administrator shall have the authority, in its discretion to do all things that it determines to be necessary or appropriate in connection with the administration of the Plan, including, without limitation:

(i) to select the Employees, Directors and Consultants to whom Options may be granted from time to time hereunder;

(ii) to determine whether, when and to what extent Options are granted hereunder;

(iii) to determine the number of Shares to be covered by each Option granted hereunder;

(iv) to approve forms of Option Agreements for use under the Plan;

(v) to determine the terms and conditions of any Option granted hereunder;

(vi) to amend the terms of any outstanding Option granted under the Plan, provided that any amendment that would adversely affect the Grantee's rights under an outstanding Option shall not be made without the Grantee's written consent; provided, however, that an amendment or modification that may cause an Incentive Stock Option to become a Nonstatutory Stock Option shall not be treated as adversely affecting the rights of the Grantee. The reduction of the exercise price of any Option awarded under the Plan and canceling an Option at a time when its exercise price exceeds the Fair Market Value of the underlying Shares, in exchange for another Option or for cash, in each case, shall not be subject to stockholder approval;

(vii) to prescribe, amend and rescind rules and regulations relating to the Plan and to define terms not otherwise defined herein;

(viii) to construe and interpret the terms of the Plan, any rules and regulations under the Plan and Options, including without limitation, any notice of award or Option Agreement, granted pursuant to the Plan;

(ix) to approve corrections in the documentation or administration of any Option;

(x) to grant Options to Employees, Directors and Consultants employed outside the United States or to otherwise adopt or administer such procedures or subplans that the Administrator deems appropriate or necessary on such terms and conditions different from those specified in the Plan as may, in the judgment of the Administrator, be necessary or desirable to further the purpose of the Plan; and

(xi) to take such other action, not inconsistent with the terms of the Plan, as the Administrator deems appropriate.

The express grant in the Plan of any specific power to the Administrator shall not be construed as limiting any power or authority of the Administrator; provided that the Administrator may not exercise any right or power reserved to the Board. Any decision made, or action taken, by the Administrator or in connection with the administration of this Plan shall be final, conclusive and binding on all persons having an interest in the Plan. The Administrator shall consider such factors as it deems relevant, in its sole and absolute discretion, to making such decisions, determinations and interpretations including, without limitation, the recommendations or advice of any Officer or other Employee of the Company and such attorneys, consultants and accountants as it may select.

(c) Indemnification. In addition to such other rights of indemnification as they may have as members of the Board or as Officers or Employees, members of the Board and any Officers or Employees to whom authority to act for the Board is delegated by the Administrator or the Company shall be defended and indemnified by the Company to the extent permitted by law on an after-tax basis against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any claim, investigation, action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any Option granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by the Company) or paid by them in satisfaction of a judgment in any such claim, investigation, action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such claim, investigation, action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct; provided, however, that within thirty (30) days after the institution of such claim, investigation, action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at the Company's expense to defend the same.

5. **Eligibility**. Nonstatutory Stock Options may be granted to Employees, Directors and Consultants as the Administrator may determine from time to time. Incentive Stock Options may be granted only to Employees of the Company or a Parent or a Subsidiary of the Company as the Administrator may determine from time to time. An Employee, Director or Consultant who has been granted an Option may, if otherwise eligible, be granted additional Options. Options may be granted to such Employees, Directors or Consultants who are residing in non-U.S. jurisdictions as the Administrator may determine from time to time.

6. **Terms and Conditions of Options**.

(a) Designation of Option. Each Option shall be designated in the Option Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, an Option will qualify as an Incentive Stock Option under the Code only to the extent the $100,000 limitation of Section 422(d) of the Code is not exceeded. The $100,000 limitation of Section 422(d) of the Code is calculated based on the aggregate Fair Market Value of the Shares subject to Options designated as Incentive Stock Options which become exercisable for the first time by a Grantee during any calendar year (under all plans of the Company or any Parent or Subsidiary of the Company). For purposes of this calculation, Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares shall be determined as of the grant date of the relevant Option. In the event that the Code or the regulations promulgated thereunder are amended after the date the Plan becomes effective to provide for a different limit on the Fair Market Value of Shares permitted to be subject to Incentive Stock Options, then such different limit will be automatically incorporated herein and will apply to any Options granted after the effective date of such amendment.

(b) Conditions of Option. Subject to the terms of the Plan, the Administrator shall determine the provisions, terms, and conditions of each Option including, but not limited to, the Option vesting schedule, repurchase provisions, rights of first refusal, forfeiture provisions, form of payment (cash, Shares, or other consideration) upon exercise of the Option, payment contingencies, and satisfaction of any performance criteria.

(c) Term of Option. The term of each Option shall be the term stated in the Option Agreement, provided, however, that the term of an Option shall be no more than ten (10) years from the date of grant thereof. However, in the case of an Incentive Stock Option granted to a Grantee who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary of the Company, the term of the Incentive Stock Option shall be five (5) years from the date of grant thereof or such shorter term as may be provided in the Option Agreement.

(d) Transferability of Options. Incentive Stock Options may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Grantee, only by the Grantee. Nonstatutory Stock Options shall be transferable (i) by will and by the laws of descent and distribution and (ii) during the lifetime of the Grantee, to the extent and in the manner authorized by the Administrator, but only to the extent such transfers are made to family members, to family trusts, to family controlled entities, to charitable organizations, and pursuant to domestic relations orders or agreements, in all cases without payment for such transfers to the Grantee. Unless otherwise agreed to by the Administrator, all vesting, exercisability and forfeiture provisions that are conditioned on the Grantee's continued employment or service shall continue to be determined with reference to the Grantee's employment or service (and not to the status of the transferee) after any transfer of a Nonstatutory Stock Option pursuant to this Section 6(d), and the responsibility to pay any taxes in connection with a Nonstatutory Stock Option shall remain with the Grantee notwithstanding any transfer other than by will or the laws of descent and distribution. Notwithstanding the foregoing, the Grantee may designate one or more beneficiaries of the Grantee's Option in the event of the Grantee's death on a beneficiary designation form provided by the Administrator.

(e) Time of Granting Options. The date of grant of an Option shall for all purposes be the date on which the Administrator makes the determination to grant such Option, or such other later date as is determined by the Administrator.

7. **Option Exercise Price, Consideration and Taxes**.

(a) Exercise Price. The exercise price for an Option shall be as follows:

(i) In the case of an Incentive Stock Option:

(A) granted to an Employee who, at the time of the grant of such Incentive Stock Option owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary of the Company, the per Share exercise price shall be not less than one hundred ten percent (110%) of the Fair Market Value per Share on the date of grant; or

(B) granted to any Employee other than an Employee described in the preceding paragraph, the per Share exercise price shall be not less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(ii) In the case of a Nonstatutory Stock Option, the per Share exercise price shall be not less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(b) Consideration. Subject to Applicable Laws, the consideration to be paid for the Shares to be issued upon exercise of an Option including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined at the time of grant). In addition to any other types of consideration the Administrator may determine, the Administrator is authorized to accept as consideration for Shares issued under the Plan the following:

(i) cash;

(ii) check;

(iii) surrender of Shares or delivery of a properly executed form of attestation of ownership of Shares as the Administrator may require which have a Fair Market Value on the date of surrender or attestation equal to the aggregate exercise price of the Shares as to which said Option shall be exercised;

(iv) payment through a broker-assisted cashless exercise program made available by the Company;

(v) payment through a "net exercise" procedure established by the Company such that, without the payment of any funds, the Grantee may exercise the Option and receive the net number of Shares; or

(vi) any combination of the foregoing methods of payment.

The Administrator may at any time or from time to time, by adoption of or by amendment to the standard forms of Option Agreement, or by other means, grant Options which do not permit all of the foregoing forms of consideration to be used in payment for the Shares or which otherwise restrict one or more forms of consideration.

(c) Taxes. Upon exercise of an Option, if required by Applicable Law, the Company shall withhold or collect from the Grantee an amount sufficient to satisfy such tax obligations, including, but not limited to, by surrender of the whole number of Shares covered by the Option, if applicable, sufficient to satisfy the applicable tax withholding obligations incident to the exercise or vesting of an Option (calculated at the statutory minimum amount for such withholding).

8. **Exercise of Option**.

(a) Procedure for Exercise; Rights as a Stockholder.

(i) Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator under the terms of the Plan and specified in the Option Agreement.

(ii) An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been made, including, to the extent selected, use of the broker-dealer sale and remittance procedure to pay the purchase price as provided in Section 7(b)(v).

(b) Exercise of Option Following Termination of Continuous Service.

(i) An Option may not be exercised after the termination date of such Option set forth in the Option Agreement and may be exercised following the termination of a Grantee's Continuous Service only to the extent provided in the Option Agreement.

(ii) Where the Option Agreement permits a Grantee to exercise an Option following the termination of the Grantee's Continuous Service for a specified period, the Option shall terminate to the extent not exercised on the last day of the specified period or the last day of the original term of the Option, whichever occurs first.

(iii) Any Option designated as an Incentive Stock Option to the extent not exercised within the time permitted by law for the exercise of Incentive Stock Options following the termination of a Grantee's Continuous Service shall convert automatically to a Nonstatutory Stock Option and thereafter shall be exercisable as such to the extent exercisable by its terms for the period specified in the Option Agreement.

9. **Conditions Upon Issuance of Shares.**

(a) If at any time the Administrator determines that the delivery of Shares pursuant to the exercise of an Option is or may be unlawful under Applicable Laws, the vesting or right to exercise an Option or to otherwise receive Shares pursuant to the terms of an Option shall be suspended until the Administrator determines that such delivery is lawful and shall be further subject to the approval of counsel for the Company with respect to such compliance. The Company shall have no obligation to effect any registration or qualification of the Shares under federal or state laws.

(b) The Administrator may provide that the Shares issued upon exercise of an Option shall be subject to such further agreements, restrictions, conditions or limitations as the Administrator in its discretion may specify prior to the exercise of such Option, including without limitation, conditions on vesting or transferability, forfeiture or repurchase provisions and method of payment for the Shares issued upon exercise of such Option (including the actual or constructive surrender of Shares already owned by the Grantee) or payment of taxes arising in connection with an Option. Without limiting the foregoing, such restrictions may address the timing and manner of any resales by the Grantee or other subsequent transfers by the Grantee of any Shares issued under an Option, including without limitation (i) restrictions under an insider trading policy or pursuant to applicable law, (ii) restrictions designed to delay and/or coordinate the timing and manner of sales by the Grantee and holders of other Company equity compensation arrangements, (iii) restrictions as to the use of a specified brokerage firm for such resales or other transfers, and (iv) provisions requiring Shares to be sold on the open market or to the Company in order to satisfy tax withholding or other obligations.

10. **Adjustments Upon Changes in Capitalization**. Subject to any required action by the stockholders of the Company and Section 11 hereof, the number of Shares covered by each outstanding Option, and the number of Shares which have been authorized for issuance under the Plan but as to which no Options have yet been granted or which have been returned to the Plan, the exercise or purchase price of each such outstanding Option, as well as any other terms that the Administrator determines require adjustment shall be proportionately adjusted for (i) any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, stock dividend, recapitalization, combination or reclassification of the Shares, or similar transaction affecting the Shares, (ii) any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company, (iii) any other transaction with respect to Common Stock including a corporate merger, consolidation, acquisition of property or stock, separation (including a spin-off or other distribution of stock or property), reorganization, liquidation (whether partial or complete) or any similar transaction; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration" or (iv) any distribution of cash or other assets to stockholders other than a normal cash dividend (collectively "adjustments"). Any such adjustments to outstanding Options will be effected in a manner that precludes the enlargement of rights and benefits under such Options and shall be designed to comply with Sections 409A and 424 of the Code (to the extent applicable). In connection with the foregoing adjustments, the Administrator may, in its discretion, prohibit the exercise of Options during certain periods of time. Such adjustments shall be made by the Administrator and its determination shall be final, binding and conclusive. Except as the Administrator determines, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason hereof shall be made with respect to, the number or price of Shares subject to an Option.

11. **Corporate Transactions and Changes in Control**.

(a) Termination of Option to Extent Not Assumed in Corporate Transaction. Effective upon the consummation of a Corporate Transaction, all outstanding Options under the Plan shall terminate. However, all such Options shall not terminate to the extent they are Assumed in connection with the Corporate Transaction.

(b) Acceleration of Option Upon Corporate Transaction or Change in Control.

(i) Corporate Transaction. Except as provided otherwise in an individual Option Agreement, in the event of a Corporate Transaction, for the portion of each Option that is neither Assumed nor Replaced, such portion of the Option shall automatically become fully vested and exercisable and be released from any repurchase or forfeiture rights (other than repurchase rights exercisable at Fair Market Value) for all of the Shares at the time represented by such portion of the Option, immediately prior to the specified effective date of such Corporate Transaction, provided that the Grantee's Continuous Service has not terminated prior to such date.

(ii) Change in Control. Except as provided otherwise in an individual Option Agreement, in the event of a Change in Control (other than a Change in Control which also is a Corporate Transaction), each Option which is at the time outstanding under the Plan automatically shall become fully vested and exercisable and be released from any repurchase or forfeiture rights (other than repurchase rights exercisable at Fair Market Value), immediately prior to the specified effective date of such Change in Control, for all of the Shares at the time represented by such Option, provided that the Grantee's Continuous Service has not terminated prior to such date.

(c) Effect of Acceleration on Incentive Stock Options. Any Incentive Stock Option accelerated under this Section 11 in connection with a Corporate Transaction or Change in Control shall remain exercisable as an Incentive Stock Option under the Code only to the extent the $100,000 dollar limitation of Section 422(d) of the Code is not exceeded.

12. **Effective Date and Term of Plan**. Subject to approval of the Plan by the stockholders of the Corporation prior to 12 months following the date of grant of the first Option hereunder, this Plan shall be deemed effective as of the date it is adopted by the Board. It shall continue in effect for a term of ten (10) years unless sooner terminated. Subject to Applicable Laws, Options may be granted under the Plan upon its becoming effective.

13. **Amendment, Suspension or Termination of the Plan**.

(a) The Board may at any time amend, suspend or terminate the Plan; provided, however, that no such amendment shall be made without the approval of the Company's stockholders to the extent such approval is required by Applicable Laws.

(b) No Option may be granted during any suspension of the Plan or after termination of the Plan.

(c) No suspension or termination of the Plan (including termination of the Plan under Section 12, above) shall adversely affect any rights under Options already granted to a Grantee.

14. **Limitation of Liability**. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

15. **No Effect on Terms of Employment/Consulting Relationship**. The Plan shall not confer upon any Grantee any right with respect to the Grantee's Continuous Service, nor shall it interfere in any way with his or her right or the right of the Company or a Related Entity to terminate the Grantee's Continuous Service at any time, with or without cause including, but not limited to, Cause, and with or without notice. The ability of the Company or any Related Entity to terminate the employment of a Grantee who is employed at will is in no way affected by its determination that the Grantee's Continuous Service has been terminated for Cause for the purposes of this Plan.

16. **No Effect on Retirement and Other Benefit Plans**. Except as specifically provided in a retirement or other benefit plan of the Company or a Related Entity, Options shall not be deemed compensation for purposes of computing benefits or contributions under any retirement plan of the Company or a Related Entity, and shall not affect any benefits under any other benefit plan of any kind or any benefit plan subsequently instituted under which the availability or amount of benefits is related to level of compensation. The Plan is not a "Retirement Plan", "Pension Plan" or "Welfare Plan" under the Employee Retirement Income Security Act of 1974, as amended.

17. **Unfunded Obligation**. Grantees shall have the status of general unsecured creditors of the Company. Any amounts payable to Grantees pursuant to the Plan shall be unfunded and unsecured obligations for all purposes, including, without limitation, Title I of the Employee Retirement Income Security Act of 1974, as amended. Neither the Company nor any Related Entity shall be required to segregate any monies from its general funds, or to create any trusts, or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Grantee account shall not create or constitute a trust or fiduciary relationship between the Administrator, the Company or any Related Entity and a Grantee, or otherwise create any vested or beneficial interest in any Grantee or the Grantee's creditors in any assets of the Company or a Related Entity. The Grantees shall have no claim against the Company or any Related Entity for any changes in the value of any assets that may be invested or reinvested by the Company with respect to the Plan.

18. **Construction**. Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

19. **Nonexclusivity of the Plan**. Neither the adoption of the Plan by the Board, the submission of the Plan to the stockholders of the Company for approval, nor any provision of the Plan will be construed as creating any limitations on the power of the Board to adopt such additional compensation arrangements as it may deem desirable, including, without limitation, the granting of Options otherwise than under the Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

20. **Governing Law**. This Plan and any agreements or other documents hereunder shall be interpreted and construed in accordance with the laws of Arizona to the extent not preempted by federal law. Any reference in this Plan or in the agreement or other document evidencing any Options to a provision of law or to a rule or regulation shall be deemed to include any successor law, rule or regulation of similar effect or applicability.

The foregoing 2016 Incentive and Nonstatutory Stock Option Plan (consisting of 16 pages, including this page) was duly adopted and approved by the Board of Directors on April 25, 2016.

/s/ Connie Grennan

Connie Grennan,
Secretary

ELIO MOTORS, INC.
2016 INCENTIVE AND NONSTATUTORY STOCK OPTION PLAN
NOTICE OF STOCK OPTION AWARD

[Grantee's Name and Address]:

You (the "Grantee") have been granted an option to purchase shares of Common Stock, subject to the terms and conditions of this Notice of Stock Option Award (the "Notice"), the Elio Motors, Inc. 2016 Incentive and Nonstatutory Stock Option Plan, as amended from time to time (the "Plan") and the Stock Option Award Agreement (the "Option Agreement") attached hereto, as follows. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Notice.

Date of Award: _____

Exercise Price per Share: _____

Total Number of Shares
Subject to the Option (the "Shares"): _____

Total Exercise Price: _____

Type of Option: ☐ Incentive Stock Option
☐ Nonstatutory Stock Option

Expiration Date: _____

Vesting Schedule:

Subject to the Grantee's Continuous Service and other limitations set forth in this Notice, the Plan and the Option Agreement, the Option may be exercised, in whole or in part, in accordance with the following schedule: _____

Definition:

"Cause" shall mean a finding by the Administrator, with respect to the termination by the Company or a Related Entity, that the Grantee (i) committed theft, dishonesty or falsification of any documents or records related to the Company or any of its Related Entities; (ii) improperly used or disclosed the Company's or any of its Related Entity's confidential or proprietary information; (iii) took any action which has a material detrimental effect on the reputation or business of the Company or any of its Related Entities; (iv) failed or was unable to perform any reasonable assigned duties, provided, however, that if such failure or inability is reasonably capable of being cured, the Grantee is provided with a reasonable opportunity to cure such failure or inability; (v) materially breached any employment or service agreement between the Grantee and the Company or any of its Related Entities or applicable policy of the Company or any of its Related Entities, which breach is not cured pursuant to the terms of such agreement or policy; or (vi) was convicted (including any plea of guilty or nolo contendere) of any criminal act that, in the determination of the Board, impairs the Grantee's ability to perform his or her duties with the Company or any of its Related Entities.

IN WITNESS WHEREOF, the Company and the Grantee have executed this Notice and agree that the Option is to be governed by the terms and conditions of this Notice, the Plan, and the Option Agreement.

ELIO MOTORS, INC.

Date: _____

By: _____
Name: _____
Title: _____

THE GRANTEE ACKNOWLEDGES AND AGREES THAT THE SHARES SUBJECT TO THE OPTION SHALL VEST, IF AT ALL, ONLY DURING THE PERIOD OF THE GRANTEE'S CONTINUOUS SERVICE (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THE OPTION OR ACQUIRING SHARES HEREUNDER). THE GRANTEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS NOTICE, THE OPTION AGREEMENT OR THE PLAN SHALL CONFER UPON THE GRANTEE ANY RIGHT WITH RESPECT TO FUTURE AWARDS OR CONTINUATION OF THE GRANTEE'S CONTINUOUS SERVICE, NOR SHALL IT INTERFERE IN ANY WAY WITH THE GRANTEE'S RIGHT OR THE RIGHT OF THE COMPANY OR RELATED ENTITY TO WHICH THE GRANTEE PROVIDES SERVICES TO TERMINATE THE GRANTEE'S CONTINUOUS SERVICE, WITH OR WITHOUT CAUSE, AND WITH OR WITHOUT NOTICE. THE GRANTEE ACKNOWLEDGES THAT UNLESS THE GRANTEE HAS A WRITTEN EMPLOYMENT AGREEMENT WITH THE COMPANY TO THE CONTRARY, THE GRANTEE'S STATUS IS AT WILL.

The Grantee acknowledges receipt of a copy of the Plan and the Option Agreement, and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts the Option subject to all of the terms and provisions hereof and thereof. The Grantee has reviewed this Notice, the Plan and the Option Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Notice, and fully understands all provisions of this Notice, the Plan and the Option Agreement. The Grantee hereby agrees that all questions of interpretation and administration relating to this Notice, the Plan and the Option Agreement shall be resolved by the Administrator in accordance with Section 13 of the Option Agreement. The Grantee further agrees to the venue selection and waiver of a jury trial in accordance with Section 14 of the Option Agreement. The Grantee further agrees to notify the Company upon any change in the residence address indicated in this Notice.

GRANTEE

Date: _____

Signature: _____

Name: _____

ELIO MOTORS, INC.
2016 INCENTIVE AND NONSTATUTORY STOCK OPTION PLAN
STOCK OPTION AWARD AGREEMENT

1. **Grant of Option**. Elio Motors, Inc., an Arizona corporation (the "Company"), hereby grants to the Grantee (the "Grantee") named in the Notice of Stock Option Award (the "Notice"), an option (the "Option") to purchase the Total Number of Shares of Common Stock subject to the Option (the "Shares") set forth in the Notice, at the Exercise Price per Share set forth in the Notice (the "Exercise Price") subject to the terms and provisions of the Notice, this Stock Option Award Agreement (the "Option Agreement") and the Company's 2016 Incentive and Nonstatutory Stock Option Plan, as amended from time to time (the "Plan"), which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Option Agreement.

If designated in the Notice as an Incentive Stock Option, the Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code. However, notwithstanding such designation, the Option will qualify as an Incentive Stock Option under the Code only to the extent the $100,000 dollar limitation of Section 422(d) of the Code is not exceeded. The $100,000 limitation of Section 422(d) of the Code is calculated based on the aggregate Fair Market Value of the Shares subject to options designated as Incentive Stock Options which become exercisable for the first time by the Grantee during any calendar year (under all plans of the Company or any Parent or Subsidiary of the Company). For purposes of this calculation, Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the shares subject to such options shall be determined as of the grant date of the relevant option.

2. **Exercise of Option**.

(a) Right to Exercise. The Option shall be exercisable during its term in accordance with the Vesting Schedule set out in the Notice and with the applicable provisions of the Plan and this Option Agreement. The Option shall be subject to the provisions of Section 11 of the Plan relating to the exercisability or termination of the Option in the event of a Corporate Transaction or Change in Control. The Grantee shall be subject to reasonable limitations on the number of requested exercises during any monthly or weekly period as determined by the Administrator. In no event shall the Company issue fractional Shares.

(b) Method of Exercise. The Option shall be exercisable by delivery of an exercise notice (a form of which is attached as Exhibit A) or by such other procedure as specified from time to time by the Administrator which shall state the election to exercise the Option, the whole number of Shares in respect of which the Option is being exercised, and such other provisions as may be required by the Administrator. The exercise notice shall be delivered in person, by certified mail, or by such other method (including electronic transmission) as determined from time to time by the Administrator to the Company accompanied by payment of the Exercise Price and, if required, all applicable income and employment taxes required to be withheld. The Option shall be deemed to be exercised upon receipt by the Company of such notice accompanied by the Exercise Price, which, to the extent selected, shall be deemed to be satisfied by use of the broker-dealer sale and remittance procedure to pay the Exercise Price provided in Section 3(d) below to the extent such procedure is available to the Grantee at the time of exercise and such an exercise would not violate any Applicable Law.

(c) Taxes. To the extent required by Applicable Law, upon exercise of the Option, the Company or the Grantee's employer may offset or (from any amount owed by the Company or the Grantee's employer to the Grantee) or collect from the Grantee or other person an amount sufficient to satisfy such tax obligations. Furthermore, in the event of any determination that the Company has failed to collect a sum sufficient to pay all taxes due in connection with the Option, the Grantee agrees to pay the Company the amount of such deficiency in cash within five (5) days after receiving a written demand from the Company to do so, whether or not the Grantee is an employee of the Company at that time.

3. **Method of Payment**. Payment of the Exercise Price shall be made by any of the following, or a combination thereof, at the election of the Grantee; provided, however, that such exercise method does not then violate any Applicable Law:

(a) cash;

(b) check;

(c) surrender of Shares held for the requisite period, if any, necessary to avoid a charge to the Company's earnings for financial reporting purposes, or delivery of a properly executed form of attestation of ownership of Shares as the Administrator may require which have a Fair Market Value on the date of surrender or attestation equal to the aggregate Exercise Price of the Shares as to which the Option is being exercised;

(d) if permitted by the Administrator, payment through a "net exercise" such that, without the payment of any funds, the Grantee may exercise the Option and receive the net number of Shares equal to (i) the number of Shares as to which the Option is being exercised, multiplied by (ii) a fraction, the numerator of which is the Fair Market Value per Share (on such date as is determined by the Administrator) less the Exercise Price per Share, and the denominator of which is such Fair Market Value per Share (the number of net Shares to be received shall be rounded down to the nearest whole number of Shares); or

(e) if permitted by the Administrator, payment through a broker-dealer sale and remittance procedure pursuant to which the Grantee (i) shall provide written instructions to a Company-designated brokerage firm to effect the immediate sale of some or all of the purchased Shares and remit to the Company sufficient funds to cover the aggregate exercise price payable for the purchased Shares and (ii) shall provide written directives to the Company to deliver the certificates for the purchased Shares directly to such brokerage firm in order to complete the sale transaction.

4. **Restrictions on Exercise**. The Option may not be exercised if the issuance of the Shares subject to the Option upon such exercise would constitute a violation of any Applicable Laws. If the exercise of the Option within the applicable time periods set forth in Section 5, 6 and 7 of this Option Agreement is prevented by the provisions of this Section 4, the Option shall remain exercisable until one (1) month after the date the Grantee is notified by the Company that the Option is exercisable, but in any event no later than the Expiration Date set forth in the Notice.

5. **Termination or Change of Continuous Service**.

(a) In the event of the Grantee's change in status from Employee, Director or Consultant to any other status of Employee, Director or Consultant, the Option shall remain in effect and the Option shall continue to vest in accordance with the Vesting Schedule set forth in the Notice; provided, however, that with respect to any Incentive Stock Option that shall remain in effect after a change in status from Employee to Director or Consultant, such Incentive Stock Option shall cease to be treated as an Incentive Stock Option and shall be treated as a Nonstatutory Stock Option on the day three (3) months and one (1) day following such change in status.

(b) In the event the Grantee's Continuous Service is terminated by the Company or a Related Entity for Cause (other than pursuant to clause (iv) or (v) of the definition of Cause), the Grantee may, but only within thirty (30) days commencing on the date of Grantee's termination ("Termination Date") but in no event later than the Expiration Date, exercise the portion of the Option that was vested on the Termination Date.

(c) In the event the Grantee's Continuous Service is terminated by the Company or a Related Entity for Cause pursuant to clause (iv) or (v) of the definition of Cause or terminated by the Grantee for any reason, the Grantee may, but only within ninety (90) days commencing on the Termination Date but in no event later than the Expiration Date, exercise the portion of the Option that was vested on the Termination Date.

(d) In the event the Grantee's Continuous Service is terminated by the Company or a Related Entity without Cause the Grantee may, but only within ninety (90) days commencing on the Termination Date but in no event later than the Expiration Date, exercise the portion of the Option that was vested on the Termination Date.

(e) The post-termination exercise periods described in this Section 5 shall commence on the Termination Date. In no event shall the Option be exercised later than the Expiration Date set forth in the Notice.

(f) If the Grantee does not exercise the Option within the applicable post-termination exercise period, the Option shall terminate.

6. **Disability of Grantee**. In the event the Grantee's Continuous Service terminates as a result of his or her Disability, the Grantee may, but only within one hundred eighty (180) days commencing on the Termination Date (but in no event later than the Expiration Date), exercise the portion of the Option that was vested on the Termination Date. If the Grantee does not exercise the Option within the time specified herein, the Option shall terminate.

7. **Death of Grantee**. In the event of the termination of the Grantee's Continuous Service as a result of his or her death, the person who acquired the right to exercise the Option pursuant to Section 8 may exercise the portion of the Option that was vested at the date of termination within one hundred eighty (180) days commencing on the date of death (but in no event later than the Expiration Date). If the Option is not exercised within the time specified herein, the Option shall terminate.

8. **Transferability of Option**. The Option, if an Incentive Stock Option, may not be transferred in any manner other than by will or by the laws of descent and distribution and may be exercised during the lifetime of the Grantee only by the Grantee. The Option, if a Nonstatutory Stock Option, may not be transferred in any manner other than by will or by the laws of descent and distribution; provided, however, that a Nonstatutory Stock Option may be transferred during the lifetime of the Grantee to the extent and in the manner authorized by the Administrator. Notwithstanding the foregoing, the Grantee may designate one or more beneficiaries of the Grantee's Incentive Stock Option or Nonstatutory Stock Option in the event of the Grantee's death on a beneficiary designation form provided by the Administrator. Following the death of the Grantee, the Option, to the extent provided in Section 7, may be exercised (a) by the person or persons designated under the deceased Grantee's beneficiary designation or (b) in the absence of an effectively designated beneficiary, by the Grantee's legal representative or by any person empowered to do so under the deceased Grantee's will or under the then applicable laws of descent and distribution. The terms of the Option shall be binding upon the executors, administrators, heirs, successors and transferees of the Grantee.

9. **Term of Option**. The Option must be exercised no later than the Expiration Date set forth in the Notice or such earlier date as otherwise provided herein. After the Expiration Date or such earlier date, the Option shall be of no further force or effect and may not be exercised.

10. **Tax Consequences**. The Grantee may incur tax liability as a result of the Grantee's purchase or disposition of the Shares. THE GRANTEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THE OPTION OR DISPOSING OF THE SHARES.

11. **Entire Agreement: Governing Law**. The Notice, the Plan and this Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Grantee with respect to the subject matter hereof, and may not be modified adversely to the Grantee's interest except by means of a writing signed by the Company and the Grantee. Nothing in the Notice, the Plan and this Option Agreement (except as expressly provided therein) is intended to confer any rights or remedies on any persons other than the parties. The Notice, the Plan and this Option Agreement are to be construed in accordance with and governed by the internal laws of the State of Arizona without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of Arizona to the rights and duties of the parties. Should any provision of the Notice, the Plan or this Option Agreement be determined to be illegal or unenforceable, such provision shall be enforced to the fullest extent allowed by law and the other provisions shall nevertheless remain effective and shall remain enforceable.

12. **Construction**. The captions used in the Notice and this Option Agreement are inserted for convenience and shall not be deemed a part of the Option for construction or interpretation. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

13. **Administration and Interpretation**. Any question or dispute regarding the administration or interpretation of the Notice, the Plan or this Option Agreement shall be submitted by the Grantee or by the Company to the Administrator. The resolution of such question or dispute by the Administrator shall be final and binding on all persons.

14. **Venue and Waiver of Jury Trial**. The Company, the Grantee, and the Grantee's assignees pursuant to Section 8 (the "parties") agree that any suit, action, or proceeding arising out of or relating to the Notice, the Plan or this Option Agreement shall be brought in the United States District Court for the District of Arizona (or should such court lack jurisdiction to hear such action, suit or proceeding, in an Arizona state court in the County of Maricopa) and that the parties shall submit to the jurisdiction of such court. The parties irrevocably waive, to the fullest extent permitted by law, any objection the party may have to the laying of venue for any such suit, action or proceeding brought in such court. THE PARTIES ALSO EXPRESSLY WAIVE ANY RIGHT THEY HAVE OR MAY HAVE TO A JURY TRIAL OF ANY SUCH SUIT, ACTION OR PROCEEDING. If any one or more provisions of this Section 14 shall for any reason be held invalid or unenforceable, it is the specific intent of the parties that such provisions shall be modified to the minimum extent necessary to make it or its application valid and enforceable.

15. **Notices**. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery, upon deposit for delivery by an internationally recognized express mail courier service or upon deposit in the United States mail by certified mail (if the parties are within the United States), with postage and fees prepaid, addressed to the other party at its address as shown in these instruments, or to such other address as such party may designate in writing from time to time to the other party.

[Signature page follows]

[*Signature page to Stock Option Award Agreement*]

Submitted by Grantee:	***Accepted by:***
	ELIO MOTORS, INC. an Arizona corporation
By: _____	By: _____
Name: _____	Name: _____
	Its: _____
Date: _____	Date: _____
Address: _____	Address: 2942 North 24th Street, Suite 114-700 Phoenix, AZ 85016

EXHIBIT A
ELIO MOTORS, INC.
2016 INCENTIVE AND NONSTATUTORY STOCK OPTION PLAN
EXERCISE NOTICE

Elio Motors, Inc.
2942 North 24th Street, Suite 114-700
Phoenix, AZ 85016
Attention: Secretary

1. **Exercise of Option**. Effective as of today, _____, 20___ the undersigned (the "Grantee") hereby elects to exercise the Grantee's option to purchase _____ shares of the Common Stock (the "Shares") of Elio Motors, Inc. (the "Company") under and pursuant to the Company's 2016 Incentive and Nonstatutory Stock Option Plan, as amended from time to time (the "Plan") and the [ ] Incentive [ ] Nonstatutory Stock Option Award Agreement (the "Option Agreement") and Notice of Stock Option Award (the "Notice") dated _____, 20___.

Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Exercise Notice.

2. **Representations of the Grantee**. The Grantee acknowledges that the Grantee has received, read and understood the Notice, the Plan and the Option Agreement and agrees to abide by and be bound by their terms and conditions.

3. **Rights as Stockholder**. Until the stock certificate evidencing such Shares is issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Shares, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 11 of the Plan.

4. **Delivery of Payment**. The Grantee herewith delivers to the Company the full Exercise Price for the Shares, which, to the extent selected, shall be deemed to be satisfied by use of the broker-dealer sale and remittance procedure to pay the Exercise Price provided in Section 3(e) of the Option Agreement.

5. **Tax Consultation**. The Grantee understands that the Grantee may suffer adverse tax consequences as a result of the Grantee's purchase or disposition of the Shares. The Grantee represents that the Grantee has consulted with any tax consultants the Grantee deems advisable in connection with the purchase or disposition of the Shares and that the Grantee is not relying on the Company for any tax advice.

6. **Taxes**. The Grantee agrees to satisfy all applicable foreign, federal, state and local income and employment tax withholding obligations and has made arrangements to satisfy such obligations. In the case of an Incentive Stock Option, the Grantee also agrees, as partial consideration for the designation of the Option as an Incentive Stock Option, to notify the Company in writing within thirty (30) days of any disposition of any shares acquired by exercise of the Option if such disposition occurs within two (2) years from the Date of Award or within one (1) year from the date the Shares were transferred to the Grantee.

7. **Successors and Assigns**. The Company may assign any of its rights under this Exercise Notice to single or multiple assignees, and this agreement shall inure to the benefit of the successors and assigns of the Company. This Exercise Notice shall be binding upon the Grantee and his or her heirs, executors, administrators, successors and assigns.

8. **Construction**. The captions used in this Exercise Notice are inserted for convenience and shall not be deemed a part of this agreement for construction or interpretation. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

9. **Administration and Interpretation**. The Grantee hereby agrees that any question or dispute regarding the administration or interpretation of this Exercise Notice shall be submitted by the Grantee or by the Company to the Administrator. The resolution of such question or dispute by the Administrator shall be final and binding on all persons.

10. **Governing Law; Severability**. This Exercise Notice is to be construed in accordance with and governed by the internal laws of the State of Arizona without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of Arizona to the rights and duties of the parties. Should any provision of this Exercise Notice be determined by a court of law to be illegal or unenforceable, such provision shall be enforced to the fullest extent allowed by law and the other provisions shall nevertheless remain effective and shall remain enforceable.

11. **Notices**. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery, upon deposit for delivery by an internationally recognized express mail courier service or upon deposit in the United States mail by certified mail (if the parties are within the United States), with postage and fees prepaid, addressed to the other party at its address as shown below beneath its signature, or to such other address as such party may designate in writing from time to time to the other party.

12. **Further Instruments**. The parties agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the purposes and intent of this agreement.

13. **Entire Agreement**. The Notice, the Plan and the Option Agreement are incorporated herein by reference and together with this Exercise Notice constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Grantee with respect to the subject matter hereof, and may not be modified adversely to the Grantee's interest except by means of a writing signed by the Company and the Grantee. Nothing in the Notice, the Plan, the Option Agreement and this Exercise Notice (except as expressly provided therein) is intended to confer any rights or remedies on any persons other than the parties.

Submitted by Grantee:	***Accepted by:***
	ELIO MOTORS, INC. an Arizona corporation
By: _____	By: _____
Name: _____	Name: _____
	Its: _____
Date: _____	Date: _____
Address: _____	Address: 2942 North 24th St, Suite 114-700 Phoenix, AZ 85016

Exhibit 6.18

PERSONAL CONTINUING GUARANTY

Merchant:	Elio Motors, Inc.
Merchant Account No.:	1164460101181859796
Account Open date:	Oct 18, 2012
Guarantor Name:	Stuart Lichter
Guarantor Address:	
Guarantor Date of Birth:	
Guarantor Social Security Number:	

For good and valuable consideration, and as an inducement for PayPal Inc. (PayPal) to (1) continue to do business with the Merchant and Guarantor named above and (2) release Four Million Dollars ($4,000,000.00) from Merchant's Account to Merchant, the undersigned hereby guarantees to PayPal the prompt, punctual, and full payment of all monies now or hereinafter due PayPal from either the Merchant or Guarantor named above.

This continuing guaranty is a guaranty of payment and not of collectability, and is not conditioned or contingent on the validity or enforceability of the documents or instruments underlying the obligations guaranteed hereunder, or the pursuit by PayPal of any remedies it has or may hereafter have with relation to such underlying obligations at law, in equity, or otherwise. This guaranty is limited in amount to Five Million Dollars ($5,000,000.00) and shall remain in full force and effect notwithstanding any extension, compromise, adjustment, forbearance, waiver, release, or discharge of any party obligor or guarantor, or release in whole or in part of any security granted for said indebtedness or compromise or adjustment thereto, and the undersigned waives all notices thereto.

In the event that PayPal makes demand upon this guaranty in an amount in excess of Twenty Five Thousand Dollars ($25,000.00) in any calendar year, PayPal hereby grants Guarantor the right to assume the defense of any claims being made on Merchant's Account.

The guaranty hereunder shall be unconditional and absolute and the undersigned waives all rights of subrogation and set-off until all sums under this guaranty are fully paid. The undersigned further waives all suretyship defenses or defenses in the nature thereof, generally.

In the event payment due under this guaranty are not punctually paid upon demand, then the undersigned shall pay all reasonable costs and attorney's fees necessary for collection, and/or enforcement of this guaranty.

The undersigned warrants and represents that she or he has full authority to enter into this guaranty.

This guaranty shall be binding upon and inure to the benefit of the parties, their successors, assigns, and personal representatives.

This guaranty has been delivered in California, and shall be construed and enforced under the laws of the State of California, without giving effect to conflict of laws principles. The courts of California, federal or state, shall have exclusive jurisdiction of all legal actions arising out of this guaranty. By executing this guaranty, the undersigned consents and submits to the jurisdiction of the federal and state courts of California. The undersigned waives any right to a trial by jury in any action arising out of or relating to this guaranty.

The undersigned may only revoke this guaranty after providing written notice to PayPal sent via register mail. Revocation will take place thirty (30) days after receipt of the written revocation by PayPal. The undersigned understands and agrees to prompt, punctual, and full payment of all monies due PayPal from either the Merchant or Guarantor named above that are incurred prior to the revocation date.

The undersigned also agrees to promptly provide any and all information requested by PayPal concerning her or his financial condition, business history, trade relationships, and employment information. The undersigned agrees that you are providing PayPal with written instructions in accordance with the Fair Credit Reporting Act, and you are authorizing PayPal to obtain your personal credit report from a credit bureau. You further understand that you are authorizing PayPal to obtain your credit report on an ongoing basis for account review purposes.

_____ Date: _____

Acknowledged:

_____ Date: _____

Witnessed and Notarized:

Exhibit 6.19

OPTION AGREEMENT

This Option Agreement (this "***Agreement***") is entered into effective as of the 10th day of May, 2016, by and between ELIO MOTORS, INC., an Arizona corporation (the "***Company***") and STUART LICHTER ("***Optionee***").

1. Grant of Option. In consideration of the Personal Continuing Guaranty in the amount of $5,000,000 given by Optionee to induce PayPal to release $4,000,000 from the Company's account with PayPal, the Company grants to Optionee the option (the "***Option***") to purchase up to 58,824 shares of common stock of the Company (the "***Shares***").

2. Grant Date of Option. The effective date of this Option shall be May 10, 2016, the date of this Option Agreement.

3. Option Price. The price at which Optionee may exercise the Option shall be $17.00 per share (the "***Option Price***").

4. When Option Exercisable. Optionee may exercise the Option at any time, and from time-to-time, after the date of this Agreement and for a period of five (5) years thereafter (the "***Option Period***").

5. Limited Transferability of Option. Optionee shall be entitled, in its discretion, to allocate interests in the Option and to distribute the Option so long as any transfer is in compliance with all applicable federal and state securities laws.

6. Merger or Reorganization of the Company. If, during the Option Period but before Optionee has exercised all of the rights under the Option with regard to the total number of Shares available for purchase by Optionee, the Shares are changed into or changed for a different number or different kind of shares or other securities, this Agreement shall remain in force. However, there shall be substituted for each of the Shares the number and kind of shares or other securities for which each Share was exchanged or into which share was changed. The shares or securities substituted for each Share of the Company may be purchased by Optionee or its permitted assignee(s) under this Agreement for the price set for the Shares in Paragraph 3.

7. Manner in Which Option is Exercised. Any of Optionee's Option rights may be exercised by written notice to the Company, delivered to the Company and accompanied by payment for the purchase price for the Shares being purchased. Following receipt of payment for the Shares, the Company shall issue and deliver the Shares that have been purchased to Optionee or permitted holder(s) of the Option.

8. Violation of Law. The Option granted by this Agreement may not be exercised if its exercise would violate any applicable state securities law, any registration under or any requirements of the Securities Act of 1933, as amended, or the rules of an exchange on which the Shares are then traded.

9. Unregistered Security. Optionee acknowledges and understands that the Shares that may be acquired upon exercise of this Option have not been registered under the Securities Act of 1933, as amended, and such Shares will not be so registered. Accordingly, the Shares may not be sold, assigned, transferred or otherwise disposed of unless such interests are first registered pursuant to all such applicable laws or unless counsel reasonably satisfactory to the Company shall have rendered a satisfactory opinion that such registration is not required.

10. General. This Agreement shall bind and inure to the benefit of the Company and Optionee. The terms and provisions of this Agreement may not be modified or amended, or any of the provisions hereof waived except, in the case of modification and amendment, pursuant to the written consent of the Company and Optionee, and, in the case of waiver, pursuant to a writing by the party so waiving. This Agreement may be executed in counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument; in making proof of this Agreement, it shall not be necessary to produce or account for more than one counterpart thereof executed by the party to be charged. Section headings in this Agreement are for convenience of reference only.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the 10th day of May, 2016.

COMPANY:

Elio Motors, Inc.

By:/s/ Paul Elio
Paul Elio, CEO

OPTIONEE:

/s/ Stuart Lichter
Stuart Lichter

Exhibit 6.20

AMENDMENT TO OPTION AGREEMENTS

This Amendment to Option Agreements (this "***Amendment***") is entered into effective as of the __ day of May, 2016, by and between ELIO MOTORS, INC., an Arizona corporation (the "***Company***"), and STUART LICHTER ("***Optionee***").

RECITALS

A. The Company and Optionee entered into an Option Agreement as of December 15, 2014, pursuant to which the Company granted Optionee the option to purchase a number of shares of common stock of the Company sufficient to give Optionee up to a five percent (5%) ownership interest in the Company as of Optionee's exercise of such option and exclusive of his then existing ownership of shares in the Company (the "***5% Option***").

B. The Company and Optionee entered into a second Option Agreement as of June 29, 2015, pursuant to which the Company granted Optionee the option to purchase a number of shares of common stock of the Company sufficient to give Optionee up to a two percent (2%) ownership interest in the Company as of Optionee's exercise of such option and exclusive of his then existing ownership of shares in the Company (the "***2% Option***").

C. The Company and Optionee desire to eliminate the non-dilutive nature of the 5% Option and the 2% Option as specified below.

AGREEMENT

1. Amendment and Replacement. This Amendment shall replace in its entirety the Option Agreement dated December 15, 2014 and the Option Agreement dated June 29, 2015.

2. Grant of Option. In consideration of (i) the loan of $1,000,500 made by Optionee to the Company, (ii) the guaranty of a $9,850,000 loan originally made to the Company by GemCap Lending I, LLC, (iii) the loan of $300,000 made by Optionee to the Company, and (iv) other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company grants to Optionee the option (the "***Option***") to purchase One Million Eight Hundred Eighty-Seven Thousand Five Hundred Fifty-Four (1,887,554) shares of the Company's common stock (the "***Shares***").

3. Option Price. The price at which Optionee may exercise the Option shall be Five Dollars and Fifty-Six Cents ($5.56) per Share.

4. When Option Exercisable. Optionee may exercise the Option at any time, and from time-to-time, after the date of this Amendment and through the close of business on June 29, 2025 (the "***Option Period***").

5. Limited Transferability of Option. Optionee shall be entitled, in his discretion, to allocate interests in the Option and to distribute the Option so long as any transfer is in compliance with all applicable federal and state securities laws.

6. Merger or Reorganization of the Company. If, during the Option Period but before Optionee has exercised all of the rights under the Option with regard to the total number of Shares available for purchase by Optionee, the Shares are changed into or changed for a different number or different kind of shares or other securities, this Amendment shall remain in force. However, there shall be substituted for each of the Shares the number and kind of shares or other securities for which each Share was exchanged or into which share was changed. The shares or securities substituted for each Share of the Company may be purchased by Optionee or his permitted assignee(s) under this Amendment for the price set for the Shares in Paragraph 3.

7. Manner in Which Option is Exercised. Any of Optionee's Option rights may be exercised by written notice to the Company, delivered to the Company and accompanied by payment for the purchase price for the Shares being purchased. Following receipt of payment for the Shares, the Company shall issue and deliver the Shares that have been purchased to Optionee or permitted holder(s) of the Option.

8. Violation of Law. The Option granted by this Amendment may not be exercised if its exercise would violate any applicable state securities law, any registration under or any requirements of the Securities Act of 1933, as amended, or the rules of an exchange on which the Shares are then traded.

9. Unregistered Securities. Optionee acknowledges and understands that the Shares that may be acquired upon exercise of this Option have not been registered under the Securities Act of 1933, as amended, and such Shares will not be so registered. Accordingly, the Shares may not be sold, assigned, transferred or otherwise disposed of unless such interests are first registered pursuant to all such applicable laws or unless counsel reasonably satisfactory to the Company shall have rendered a satisfactory opinion that such registration is not required.

10. General. This Amendment shall bind and inure to the benefit of the Company and Optionee. The terms and provisions of this Amendment may not be modified or amended, or any of the provisions hereof waived except, in the case of modification and amendment, pursuant to the written consent of the Company and Optionee, and, in the case of waiver, pursuant to a writing by the party so waiving. This Amendment may be executed in counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument; in making proof of this Amendment, it shall not be necessary to produce or account for more than one counterpart thereof executed by the party to be charged. Section headings in this Amendment are for convenience of reference only.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the ___ day of May, 2016.

"Company"
ELIO MOTORS, INC.

By: /s/ Paul Elio
Paul Elio, CEO

"Optionee"

/s/ Stuart Lichter
Stuart Lichter

Exhibit 6.21

INDEPENDENT CONTRACTOR CONSULTING AGREEMENT

This Independent Contractor Consulting Agreement is made effective as of June 1, 2016 (the "***Effective Date***") by and between ELIO MOTORS, INC., an Arizona corporation, 2942 North 24th Street, Suite 114-700, Phoenix, Arizona 85016 ("***Company***"); and HARI IYER, 4261 Ruthelma Ave, Palo Alto, CA 94306 ("***Contractor***").

RECITALS

A. Company engages in designing, developing and manufacturing of highly fuel-efficient, low cost vehicles known as *the Elio* (the "***Business***").

B. Contractor served as Company's Chief Operating Officer immediately prior to this Agreement and continues to serve as a member of Company's board of directors.

C. While serving as Company's Chief Operating Officer, Contractor had primary responsibility for the submission of a loan application under the Advanced Technology Vehicles Manufacturing ("***ATVM***") Loan Program.

D. Company's ATVM loan application is still under consideration by the Loan Programs Office of the U.S. Department of Energy ("***DOE***").

E. Company desires to engage Contractor to continue pursuing its ATVM loan application, and Contractor desires to accept the engagement, as specified below.

AGREEMENT

1. **Services**.

(a) Company engages Contractor, and Contractor accepts the engagement for a period of up to one (1) year, in accordance with the provisions in this Agreement, as the Company's ATVM loan consultant. In this capacity, Contractor will, to the best of his ability, respond on a timely basis to all inquiries for additional information from the DOE related to Company's ATVM loan application and do everything possible to enable Company to obtain the ATVM loan (the "***Services***").

(b) Contractor shall copy Company's Chief Executive Officer ("***CEO***") and Chief Financial Officer ("***CFO***") on all correspondence with the DOE related to the ATVM loan application and shall brief Company's CEO and CFO on all conversations about the ATVM loan application with DOE personnel by providing a memo regarding such conversations. All of the Services will be performed by Contractor in accordance with guidelines, specifications, procedures, rules, and/or requirements provided by Company to Contractor from time to time.

2. **Independent Contractor Status**.

(a) Under the terms of this Agreement, Contractor is an independent contractor and not an employee, servant, partner, associate, or joint venturer of Company. Although (i) Company determines the services to be provided by Contractor, (ii) Company may specify the desired results, and (iii) a representative of Company may review all work completed by Contractor, Company will not supervise Contractor in his day-to-day conduct nor otherwise exercise control over the means and manner by which he provides the Services. Contractor is not required or expected to perform work exclusively for Company.

(b) **Company is not responsible for withholding or deducting from Contractor's fees FICA or taxes of any kind, unless such withholding becomes legally required. Company will not provide to Contractor, and Contractor is not entitled to receive from Company, unemployment compensation, medical insurance, or any other insurance or employee benefits from Company. Contractor is not entitled to workers' compensation benefits. Contractor is obligated to pay federal and state income tax on any monies earned pursuant to this independent contractor relationship.**

3. **Work Assignments**. Company will specify the particular services to be performed by Contractor in each work assignment. Company agrees to supply Contractor with any necessary information and materials needed by Contractor to satisfactorily complete the assignment. Company may specify reasonable constraints on, or requirements related to, the project.

4. **Fees and Expenses**.

(a) As payment for Contractor's Services, Company will pay to Contractor a monthly fee of Ten Thousand Dollars ($10,000) per month (the "***Services Fee***") for all work performed by Contractor, which is payable by Company to Contractor on or before the 15th day of the month for the prior month. A back-end retainer for Fifty Thousand Dollars ($50,000) covering the last five (5) months of the term of this Agreement shall be paid upon execution of this Agreement.

(b) The Services Fee covers all expenses of Contractor, except if the DOE should wish to meet in person with Company and Contractor. In that event, Company will pay for or reimburse Contractor for his reasonable travel and lodging expenses.

5. **Compliance with Laws, Regulations and Rules**. Contractor agrees that in performing the Services for Company, he will comply with the applicable laws, regulations and rules pertaining to the ATVM loan application.

6. **Confidentiality and Covenant against Competition**.

(a) Contractor acknowledges that much of the information imparted to Contractor by Company or obtained by Contractor during his employment with Company is confidential, constitutes trade secrets and remains the sole exclusive property of Company. Contractor further acknowledges that Company's confidential information and trade secrets are unique and novel. Accordingly, Contractor will not disclose any such information, except as authorized by Company. Contractor shall promptly return all materials containing proprietary information of Company in his possession or control, (i) upon the expiration or termination, for any cause, of this Agreement or (ii) as otherwise requested to do so by Company.

(b) Before disclosing confidential information or trade secrets of Company to others, Contractor shall require those persons to sign confidentiality agreements in a form supplied or approved by Company, binding those persons not to disclose the information except as may be authorized in the agreement. Contractor agrees he will take all steps necessary, at Contractor's own expense, to protect the confidential information and trade secrets mentioned in this Agreement. Contractor agrees that he will not divulge this information to anyone without Company's prior written consent.

(c) During the term of this Agreement, and for a period of two (2) years after its expiration or termination for any cause, Contractor will not engage in any business In Competition (as defined below) with Company. The provisions of this Agreement bind Contractor in any capacity, including as a sole proprietor, officer, director, partner, limited liability company manager or member, shareholder or employee. Notwithstanding the prior sentences, Contractor will not be prohibited from owning securities in a similar business if the securities are listed on a stock exchange or publicly-traded on the over-the-counter market and represent not more than two percent (2%) of the total securities of that entity issued and outstanding. For purposes of this provision, "***In Competition***" means the design, development or manufacture of highly fuel-efficient vehicles for sale in North America.

(d) During the term of this Agreement, and for a period of two (2) years after its expiration or termination for any reason, Contractor will not divert or attempt to divert any business, partners or potential partners, or customers or potential customers of the Business to any business In Competition with Company by direct or indirect inducement or otherwise. In addition, Contractor will not at any time do or perform any act, directly or indirectly, that harms the goodwill or reputation of the Business.

(e) If a court of competent jurisdiction determines that the restrictions of Section 6(c) or Section 6(d) above are excessive in time, geographic scope, or otherwise, the court or arbitrator may reduce the restriction to the level that provides the maximum restriction allowed by law.

7. **Enhancements Developed by Contractor**.

(a) If Contractor develops, enhances, or otherwise improves any aspect of, or related to, the Business engaged in by Company, any and all plans, methods, ideas, and/or systems related to the development, enhancement, or other improvement (collectively, the "***Enhancement***") will be solely owned by Company and will inure to the benefit of Company, and may become part of the Business. Company may, in Company's sole determination, use the Enhancement in its business and/or make it available to others as it deems appropriate.

(b) Contractor sells, assigns, and transfers to the Company and its successors and assigns all of Contractor's right, title, and interest in any Enhancement that is an idea, invention, technique, modification, process, or improvement (whether patentable or not), or a trademark or service mark (whether registerable or not).

(c) Without limiting the generality of the foregoing, Contractor agrees to do all of the following:

(i) Disclose to Company in writing any Enhancement.

(ii) Assign to Company or to a party designated by Company, at Company's request and without additional compensation, all of Contractor's rights (including all copyrights, patents, and other intellectual property rights) to the Enhancement for the United States and all foreign jurisdictions.

(iii) Execute and deliver to Company such applications, assignments, and other documents as Company may request in order to apply for and obtain in the United States and any foreign jurisdictions patents, copyright registrations, trademark registrations, or other registrations with respect to any Enhancement.

(iv) Sign all other papers necessary to carry out the obligations above.

(v) Give testimony and render any other assistance, but without expense to Contractor, in support of Company's rights to any Enhancement.

(d) The provisions of this Section 7 are binding on Contractor if for any reason an Enhancement created by Contractor is not a "work made for hire".

8. **Term/Termination**.

(a) The term of this Agreement will commence as of its Effective Date, and will expire one (1) year thereafter, unless terminated by either party as specified below.

(b) Company may terminate this Agreement if Contractor breaches any provision of this Agreement and Contractor fails to cure the breach within thirty (30) days after written notice is given by Company to Contractor.

(c) Contractor may terminate this Agreement if Company breaches any provision of this Agreement and Company fails to cure the breach within thirty (30) days after written notice is given by Contractor to Company.

(d) Upon expiration or termination of this Agreement for any reason, Company's obligation to pay further Services Fees will cease. The Services Fee for the month of expiration or termination will be prorated, if expiration or termination occurs on a day other than the last day of the month.

(e) If termination is by Contractor, Contractor will use reasonable efforts to ensure that any work assignments accepted by Contractor are complete, or that Company has time to find another person to complete the work assignment (b) before it/they need to be completed.

9. **Notices**. All notices required or permitted by this Agreement or by law may be (i) personally delivered to the intended recipient; or (ii) sent by courier or by certified mail with return receipt requested, with delivery charges or postage prepaid, and addressed to the intended recipient as set forth above. Notices may also be given by e-mail or facsimile if the recipient has previously notified the sender of its e-mail address and/or facsimile number and has not previously advised the sender in writing not to send notices by e-mail and/or facsimile. Notices will deemed delivered when received, if given by personal delivery, courier, or if applicable, by e-mail or facsimile; or three (3) days after deposit with the U.S. Postal Service with proper address and postage paid. If delivery of any notice properly given under this provision is refused or delivery cannot otherwise be completed, the notice will be deemed delivered on the first attempted delivery. Payments by Company may be sent to Contractor by regular, uncertified mail or any other method of delivery.

10. **Contractor Indemnification**. Contractor shall indemnify and hold Company and its affiliates and their respective directors, officers, employees, agents, other representatives, successors and assigns (collectively, the "***Company Group Members***") harmless from and against any and all claims, demands, losses, and expenses incurred by Company and/or any of the Company Group Members in connection with or arising from (i) the Services or (ii) any breach by Contractor of this Agreement, except if and to the extent caused by the acts, or omissions where it had a duty to act, of Company or Company Group Members.

11. **Company Indemnification**. Company shall indemnify and hold Contractor and his successors and assigns (collectively, the "***Contractor Group Members***") harmless from and against any and all claims, demands, losses, and expenses incurred by Contractor or a Contractor Group Member in connection with or arising from (i) any breach by Company of this Agreement or (ii) any claim related to Company's ATVM loan application, except if and to the extent caused by the acts, or omissions where he had a duty to act, of Contractor or a Contractor Group Member.

12. **Modifications; Waiver**. Any modification of this Agreement must be in writing and signed by the parties to this Agreement. Failure of any of the parties to insist upon the strict performance of any of the provisions of this Agreement will not constitute or be construed as a waiver or relinquishment of the right to thereafter enforce that provision, and it will continue in full force and effect.

13. **Governing Law; Venue; Waiver of Jury Trials**. This Agreement will be governed by and construed in accordance with the laws of the State of Arizona. The parties agree that any appropriate state or federal court in Arizona has exclusive jurisdiction and venue over any case or controversy arising under or related to this Agreement, and is the proper forum in which to adjudicate the case or controversy. The parties expressly consent to personal jurisdiction in the State of Arizona. EACH PARTY WAIVES ITS RIGHTS TO A TRIAL BY JURY, EXCEPT IF PROHIBITED BY APPLICABLE LAW.

14. **Litigation Expense**. The prevailing party in any legal action arising out of or related to this Agreement will be entitled to recover from the other party its costs and expenses incurred in the action, including its reasonable attorneys' and experts' fees. If more than one party is awarded a judgment in any dollar amount, the court will determine the prevailing party taking into consideration the merits of the claims asserted by each party, the amount of the judgment received by each party, and the relative equities between the parties.

15. **Partial Invalidity**. If a court of competent jurisdiction makes a final determination that any provision of this Agreement is invalid or unenforceable, that provision will be modified by the court so as to best continue to carry out the intent of the parties, or severed from this Agreement if it cannot be so modified; and the remaining provisions remain unimpaired.

16. **Entire Agreement**. This Agreement constitutes the entire agreement of the parties related to its subject matter (into which all prior negotiations, commitments, representations, and undertakings with respect to its subject matter are merged). No oral or other written understandings or agreements exist between the parties relating to the subject matter of this Agreement.

"Company" ELIO MOTORS, INC.	"Contractor"
By: /s/ Paul Elio	/s/ Hari Iyer
Paul Elio President and CEO	Hari Iyer

Exhibit 6.23

NEITHER THIS SECURITY NOR THE SECURITIES INTO WHICH THIS SECURITY IS CONVERTIBLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THIS SECURITY AND THE SECURITIES ISSUABLE UPON CONVERSION OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

Original Issue Date:
Original Conversion Price (subject to adjustment herein): **$15.00**
Note Number:

$_____

CONVERTIBLE UNSECURED NOTE DUE SEPTEMBER 30, 2022

THIS CONVERTIBLE UNSECURED NOTE is one of a series of duly authorized and validly issued Convertible Unsecured Notes of Elio Motors, Inc., an Arizona corporation (the "Company"), having its principal place of business at 2942 North 24th Street, Suite 114-700, Phoenix, Arizona 85016, designated as its Convertible Unsecured Note due September 30, 2022 (this note, the "Note" and, collectively with the other such series of Notes, the "Notes").

FOR VALUE RECEIVED, the Company promises to pay to _____ or his registered assigns (the "Holder"), or shall have paid pursuant to the terms hereunder, the principal sum of **$**_____ on September 30, 2022 (the "Maturity Date") or such earlier date as this Note is required or permitted to be repaid as provided hereunder, and to pay interest to the Holder on the aggregate unconverted and then outstanding principal amount of this Note in accordance with the provisions hereof. This Note is subject to the following additional provisions:

Section 1. Definitions. For the purposes hereof, in addition to the terms defined elsewhere in this Note, the following terms shall have the following meanings:

"Alternate Consideration" shall have the meaning set forth in Section 5(c).

"Bankruptcy Event" means any of the following events: (a) the Company commences a case or other proceeding under any bankruptcy, reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction relating to the Company; (b) there is commenced against the Company any such case or proceeding that is not dismissed within 60 days after commencement; (c) the Company is adjudicated insolvent or bankrupt or any order of relief or other order approving any such case or proceeding is entered; (d) the Company suffers any appointment of any custodian or the like for it or any substantial part of its property that is not discharged or stayed within 60 calendar days after such appointment; (e) the Company makes a general assignment for the benefit of creditors; (f) the Company calls a meeting of its creditors with a view to arranging a composition, adjustment or restructuring of its debts; or (g) the Company, by any act or failure to act, expressly indicates its consent to, approval of or acquiescence in any of the foregoing or takes any corporate or other action for the purpose of effecting any of the foregoing.

"Business Day" means any day except Saturday, Sunday, any day which shall be a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

"Common Stock" means the common stock, no par value per share, of the Company and stock of any other class of securities into which such securities may hereafter be reclassified or changed into.

"Conversion Date" shall have the meaning set forth in Section 4(a).

"Conversion Price" shall have the meaning set forth in Section 4(b).

"Conversion Shares" means, collectively, the shares of Common Stock issuable upon conversion of this Note in accordance with the terms hereof.

"Default Amount" shall have the meaning set forth in Section 7(b).

"Event of Default" shall have the meaning set forth in Section 7.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Exempt Issuance" means the issuance of (a) shares of Common Stock or options to employees, officers or directors of the Company pursuant to any stock or option plan duly adopted for such purpose by a majority of the members of the Board of Directors of the Company or a majority of the members of a committee of directors established for such purpose by the Board of Directors of the Company, (b) securities upon the exercise or exchange of or conversion of any Securities issued hereunder and/or other securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the date of this Agreement, provided that such securities have not been amended since the date of this Agreement to increase the number of such securities or to decrease the exercise, exchange or conversion price of such securities, and (c) securities issued pursuant to acquisitions or strategic transactions approved by a majority of the disinterested directors of the Company, provided that any such issuance shall only be to a Person which is, itself or through its subsidiaries, an operating company in a business synergistic with the business of the Company and in which the Company receives benefits in addition to the investment of funds, but shall not include a transaction in which the Company is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities.

"Fundamental Transaction" shall have the meaning set forth in Section 5(d).

"Note Register" shall have the meaning set forth in Section 2(b).

"Notice of Conversion" shall have the meaning set forth in Section 4(a).

"Original Issue Date" means the date of the first issuance of the Notes, regardless of any transfers of any Note and regardless of the number of instruments which may be issued to evidence such Notes.

"Person" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Share Delivery Date" shall have the meaning set forth in Section 4(c).

"Trading Day" means a day on which the principal Trading Market is open for business.

"Trading Market" means the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange, the NYSE MKT, the OTCQB, the OTCQX or the OTC Bulletin Board.

Section 2. Interest.

a) Payment of Interest in Cash. The Company shall pay interest to the Holder on the aggregate then unconverted and outstanding principal amount of this Note at the rate of 5% per annum, payable on the Maturity Date, in cash.

b) Interest Calculations. Interest shall be calculated on the basis of a 360-day year, consisting of twelve 30 calendar day periods, and shall accrue daily commencing on the Original Issue Date until payment in full of the principal sum, together with all accrued and unpaid interest, liquidated damages and other amounts which may become due hereunder, has been made. Interest shall cease to accrue with respect to any principal amount converted, provided that the Company actually delivers the Conversion Shares within the time period required by Section 4(c)(ii) herein. Interest hereunder will be paid to the Person in whose name this Note is registered on the records of the Company regarding registration and transfers of this Note (the "Note Register").

Section 3. Registration of Transfers and Exchanges.

a) Different Denominations. This Note is exchangeable for an equal aggregate principal amount of Notes of different authorized denominations, as requested by the Holder surrendering the same. No service charge will be payable for such registration of transfer or exchange.

b) Limitations on Transfer. This Note may be transferred or exchanged only in compliance with applicable federal and state securities laws and regulations.

c) Reliance on Note Register. Prior to due presentment for transfer to the Company of this Note, the Company and any agent of the Company may treat the Person in whose name this Note is duly registered on the Note Register as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Note is overdue, and neither the Company nor any such agent shall be affected by notice to the contrary.

Section 4. Conversion.

a) Voluntary Conversion. At any time after the Original Issue Date until this Note is no longer outstanding, this Note, including the accrued and unpaid interest thereon, shall be convertible, in whole or in part, into shares of Common Stock at the option of the Holder, at any time and from time to time. The Holder shall effect conversions by delivering to the Company a Notice of Conversion, the form of which is attached hereto as Annex A (a "Notice of Conversion"), specifying therein the principal amount of this Note to be converted and the date on which such conversion shall be effected (such date, the "Conversion Date"). If no Conversion Date is specified in a Notice of Conversion, the Conversion Date shall be the date that such Notice of Conversion is deemed delivered hereunder. To effect conversions hereunder, the Holder shall not be required to physically surrender this Note to the Company unless the entire principal amount of this Note, plus all accrued and unpaid interest thereon, has been so converted. Conversions hereunder shall have the effect of lowering the outstanding principal amount of this Note in an amount equal to the applicable conversion, less the amount allocable to the accrued and unpaid interest. The Holder and the Company shall maintain records showing the principal amount(s) converted and the date of such conversion(s). The Company may deliver an objection to any Notice of Conversion within 1 Business Day of delivery of such Notice of Conversion. In the event of any dispute or discrepancy, the records of the Holder shall be controlling and determinative in the absence of manifest error. **The Holder, and any assignee by acceptance of this Note, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of a portion of this Note, the unpaid and unconverted principal amount of this Note may be less than the amount stated on the face hereof.**

b) Conversion Price. The conversion price in effect on any Conversion Date shall be equal to **$15.00**, subject to adjustment herein (the "Conversion Price").

c) Mechanics of Conversion.

i. Conversion Shares Issuable Upon Conversion of Principal Amount. The number of shares of Common Stock issuable upon a conversion hereunder shall be determined by the quotient obtained by dividing (x) the outstanding amount of this Note to be converted by (y) the Conversion Price.

ii. Delivery of Certificate Upon Conversion. Not later than five Trading Days after each Conversion Date (the "Share Delivery Date"), the Company shall deliver, or cause to be delivered, to the Holder a certificate or certificates representing the Conversion Shares.

iii. Failure to Deliver Certificates. If in the case of any Notice of Conversion such certificate or certificates are not delivered to or as directed by the applicable Holder by the fifth Trading Day after the Conversion Date, the Holder shall be entitled to elect by written notice to the Company at any time on or before its receipt of such certificate or certificates, to rescind such Conversion, in which event the Company shall promptly return to the Holder any original Note delivered to the Company and the Holder shall promptly return the Common Stock certificates representing the principal amount of this Note tendered for conversion to the Company.

iv. Reservation of Shares Issuable Upon Conversion. The Company covenants that it will at all times reserve and keep available out of its authorized and unissued shares of Common Stock for the sole purpose of issuance upon conversion of this Note and payment of interest on this Note, each as herein provided, free from preemptive rights or any other actual contingent purchase rights of Persons other than the Holder (and the other holders of the Notes), not less than such aggregate number of shares of the Common Stock as shall be issuable (taking into account the adjustments and restrictions of Section 5) upon the conversion of the outstanding principal amount of this Note and payment of interest hereunder. The Company covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid and nonassessable.

v. Fractional Shares. Upon a conversion hereunder the Company shall not be required to issue stock certificates representing fractions of shares of Common Stock.

vi. Transfer Taxes. The issuance of certificates for shares of the Common Stock on conversion of this Note shall be made without charge to the Holder hereof for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificates, provided that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the Holder of this Note so converted and the Company shall not be required to issue or deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

Section 5. Certain Adjustments.

a) Stock Dividends and Stock Splits. If the Company, at any time while this Note is outstanding: (A) pays a stock dividend or otherwise makes a distribution or distributions payable in shares of Common Stock on shares of Common Stock or any Common Stock Equivalents (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon conversion of, or payment of interest on, the Notes); (B) subdivides outstanding shares of Common Stock into a larger number of shares; (C) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares; or (D) issues, in the event of a reclassification of shares of the Common Stock, any shares of capital stock of the Company, then the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding any treasury shares of the Company) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to this Section shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) Subsequent Stock Issuances. If the Company, at any time while the Note is outstanding, shall, other than in an Exempt Issuance transaction, issue shares of its Common Stock or rights, options or warrants with respect to its Common Stock at a price per share that is lower than the Conversion Price, then the Conversion Price shall be reduced to an amount equal to such consideration per share. Such adjustment shall be made whenever such shares, rights or warrants are issued, and shall become effective immediately after the issuance of the shares or the record date for the determination of stockholders entitled to receive such rights, options or warrants, as the case may be.

c) Fundamental Transaction. If, at any time while this Note is outstanding, (A) the Company effects any merger or consolidation of the Company with or into another Person, (B) the Company effects any sale of all or substantially all of its assets in one transaction or a series of related transactions, (C) any tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to tender or exchange their shares for other securities, cash or property, or (D) the Company effects any reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (in any such case, a "Fundamental Transaction"), then, upon any subsequent conversion of this Note, the Holder shall have the right to receive, for each Conversion Share that would have been issuable upon such conversion immediately prior to the occurrence of such Fundamental Transaction, the same kind and amount of securities, cash or property as it would have been entitled to receive upon the occurrence of such Fundamental Transaction if it had been, immediately prior to such Fundamental Transaction, the holder of 1 share of Common Stock (the "Alternate Consideration"). For purposes of any such conversion, the determination of the Conversion Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of 1 share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Conversion Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any conversion of this Note following such Fundamental Transaction. To the extent necessary to effectuate the foregoing provisions, any successor to the Company or surviving entity in such Fundamental Transaction shall issue to the Holder a new Note consistent with the foregoing provisions and evidencing the Holder's right to convert such Note into Alternate Consideration. The terms of any agreement pursuant to which a Fundamental Transaction is effected shall include terms requiring any such successor or surviving entity to comply with the provisions of this Section 5(c) and insuring that this Note (or any such replacement security) will be similarly adjusted upon any subsequent transaction analogous to a Fundamental Transaction.

d) Calculations. All calculations under this Section 5 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 5, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding any treasury shares of the Company) issued and outstanding.

e) Notice to the Holder.

i. Adjustment to Conversion Price. Whenever the Conversion Price is adjusted pursuant to any provision of this Section 5, the Company shall promptly mail to each Holder a notice setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Conversion by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting to all holders of the Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, of any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be filed at each office or agency maintained for the purpose of conversion of this Note, and shall cause to be delivered to the Holder at its last address as it shall appear upon the Note Register, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange, provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. The Holder is entitled to convert this Note during the 20-day period commencing on the date of such notice through the effective date of the event triggering such notice.

Section 6. Negative Covenants. As long as any portion of this Note remains outstanding, the Company shall not, directly or indirectly:

a) amend its charter documents, including, without limitation, its articles of incorporation and bylaws, in any manner that materially and adversely affects any rights of the Holder;

b) pay cash dividends or distributions on any equity securities of the Company;

c) enter into any transaction with any Affiliate of the Company which would be required to be disclosed in any public filing with the Commission, unless such transaction is made on an arm's-length basis and expressly approved by a majority of the disinterested directors of the Company (even if less than a quorum otherwise required for board approval); or

d) enter into any agreement with respect to any of the foregoing.

Section 7. Events of Default.

a) "Event of Default" means, wherever used herein, any of the following events (whatever the reason for such event and whether such event shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body):

i. any default in the payment of (A) the principal amount of any Note or (B) interest, liquidated damages and other amounts owing to a Holder on any Note, as and when the same shall become due and payable (whether on the Maturity Date or by acceleration or otherwise) which default, solely in the case of an interest payment or other default under clause (B) above, is not cured within 20 Trading Days;

ii. any representation or warranty made in this Note, any written statement pursuant hereto or any other report, financial statement or certificate made or delivered to the Holder or any other Holder shall be untrue or incorrect in any material respect as of the date when made or deemed made;

iii. the Company shall be subject to a Bankruptcy Event;

iv. the Company shall default on any of its obligations under any mortgage, credit agreement or other facility, indenture agreement, factoring agreement or other instrument under which there may be issued, or by which there may be secured or evidenced, any indebtedness for borrowed money or money due under any long term leasing or factoring arrangement that (a) involves an obligation greater than $10,000,000, whether such indebtedness now exists or shall hereafter be created, and (b) results in such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable;

v. the Company shall fail for any reason to deliver certificates to a Holder prior to the fifth Trading Day after a Conversion Date pursuant to Section 4(c) or the Company shall provide at any time notice to the Holder, including by way of public announcement, of the Company's intention to not honor requests for conversions of any Notes in accordance with the terms hereof; or

vi. any monetary judgment, writ or similar final process shall be entered or filed against the Company or any of its property or other assets for more than $10,000,000, and such judgment, writ or similar final process shall remain unvacated, unbonded or unstayed for a period of 45 calendar days.

b) Remedies Upon Event of Default. If any Event of Default occurs, the outstanding principal amount of this Note, plus accrued but unpaid interest, liquidated damages and other amounts owing in respect thereof through the date of acceleration, shall become, at the Holder's election, immediately due and payable in cash (the "Default Amount"). Commencing 5 days after the occurrence of any Event of Default that results in the eventual acceleration of this Note, the interest rate on this Note shall accrue at an interest rate equal to the lesser of 10% per annum or the maximum rate permitted under applicable law. Upon the payment in full of the Default Amount, the Holder shall promptly surrender this Note to or as directed by the Company. In connection with such acceleration described herein, the Holder need not provide, and the Company hereby waives, any presentment, demand, protest or other notice of any kind, and the Holder may immediately and without expiration of any grace period enforce any and all of its rights and remedies hereunder and all other remedies available to it under applicable law. Such acceleration may be rescinded and annulled by Holder at any time prior to payment hereunder and the Holder shall have all rights as a holder of the Note until such time, if any, as the Holder receives full payment pursuant to this Section 7(b). No such rescission or annulment shall affect any subsequent Event of Default or impair any right consequent thereon.

Section 8. Miscellaneous.

a) Notices. Any and all notices or other communications or deliveries to be provided by the Holder hereunder, including, without limitation, any Notice of Conversion, shall be in writing and delivered personally, by facsimile, or sent by a nationally recognized overnight courier service, addressed to the Company, at the address set forth above, facsimile number (602) 424-5757 Attention: Connie Grennan or such other facsimile number or address as the Company may specify for such purpose by notice to the Holder delivered in accordance with this Section 8. Any and all notices or other communications or deliveries to be provided by the Company hereunder shall be in writing and delivered personally, by facsimile, or sent by a nationally recognized overnight courier service addressed to each Holder at the facsimile number or address of such Holder appearing on the books of the Company, or if no such facsimile number or address appears, at the principal place of business of the Holder. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in this Section 8 prior to 5:30 p.m. (New York City time), (ii) the date immediately following the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in this Section 8 between 5:30 p.m. (New York City time) and 11:59 p.m. (New York City time) on any date, (iii) the second Business Day following the date of mailing, if sent by nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given.

b) Absolute Obligation. Except as expressly provided herein, no provision of this Note shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, liquidated damages and accrued interest, as applicable, on this Note at the time, place, and rate, and in the coin or currency, herein prescribed. This Note is a direct debt obligation of the Company. This Note ranks pari passu with all other Notes now or hereafter issued under the terms set forth herein.

c) Lost or Mutilated Note. If this Note shall be mutilated, lost, stolen or destroyed, the Company shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated Note, or in lieu of or in substitution for a lost, stolen or destroyed Note, a new Note for the principal amount of this Note so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such Note, and of the ownership hereof, reasonably satisfactory to the Company.

d) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Note shall be governed by and construed and enforced in accordance with the internal laws of the State of Arizona, without regard to the principles of conflict of laws thereof. Each party agrees that all legal proceedings concerning the interpretation, enforcement and defense of the transactions contemplated by this Note (whether brought against a party hereto or its respective Affiliates, directors, officers, shareholders, employees or agents) shall be commenced in the state and federal courts sitting in the Maricopa County, Arizona. Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the Maricopa County for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of this Note), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such courts, that such suit, action or proceeding is improper or in an inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Note and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by applicable law. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Note or the transactions contemplated hereby. If either party shall commence an action or proceeding to enforce any provisions of this Note, then the prevailing party in such action or proceeding shall be reimbursed by the other party for its attorneys fees and other costs and expenses incurred in the investigation, preparation and prosecution of such action or proceeding.

e) Waiver. Any waiver by the Company or the Holder of a breach of any provision of this Note shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Note. The failure of the Company or the Holder to insist upon strict adherence to any term of this Note on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Note. Any waiver by the Company or the Holder must be in writing.

f) Severability. If any provision of this Note is invalid, illegal or unenforceable, the balance of this Note shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law. The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive the Company from paying all or any portion of the principal of or interest on this Note as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this indenture, and the Company (to the extent it may lawfully do so) hereby expressly waives all benefits or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impeded the execution of any power herein granted to the Holder, but will suffer and permit the execution of every such as though no such law has been enacted.

g) Next Business Day. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

h) Headings. The headings contained herein are for convenience only, do not constitute a part of this Note and shall not be deemed to limit or affect any of the provisions hereof.

i) Assumption. Any successor to the Company or any surviving entity in a Fundamental Transaction shall (i) assume, prior to such Fundamental Transaction, all of the obligations of the Company under this Note pursuant to written agreements in form and substance satisfactory to the Holder (such approval not to be unreasonably withheld or delayed) and (ii) issue to the Holder a new Note of such successor entity evidenced by a written instrument substantially similar in form and substance to this Note, including, without limitation, having a principal amount and interest rate equal to the principal amount and the interest rate of this Note and having similar ranking to this Note, which shall be satisfactory to the Holder (any such approval not to be unreasonably withheld or delayed). The provisions of this Section 8(i) shall apply similarly and equally to successive Fundamental Transactions and shall be applied without regard to any limitations of this Note.

****

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

ELIO MOTORS, INC.

By: _____
Name:
Title:

ANNEX A

NOTICE OF CONVERSION

The undersigned hereby elects to convert principal under the Convertible Subordinated Secured Note due September 30, 2022 of Elio Motors, Inc., an Arizona corporation (the "Company"), into shares of common stock, no par value per share (the "Common Stock"), of the Company according to the conditions hereof, as of the date written below. If shares of Common Stock are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by the Company in accordance therewith. No fee will be charged to the holder for any conversion, except for such transfer taxes, if any.

The undersigned agrees to comply with the prospectus delivery requirements under the applicable securities laws in connection with any transfer of the aforesaid shares of Common Stock.

Date to Effect Conversion:	
Principal Amount of Note to be Converted:	
Conversion Price:	
Number of shares of Common Stock to be issued:	
Signature:	
Name:	
Address:	

Schedule 1

CONVERSION SCHEDULE

The Convertible Subordinated Secured Note due on September 30, 2022 in the aggregate principal amount of $_____ is issued by Elio Motors, Inc. This Conversion Schedule reflects conversions made under Section 4 of the above referenced Note.

Dated:

Date of Conversion (or for first entry, Original Issue Date)	Amount of Conversion	Aggregate Principal Amount Remaining Subsequent to Conversion (or original Principal Amount)	Company Attest

Exhibit 6.24

LOAN EXTENSION AGREEMENT

THIS LOAN EXTENSION AGREEMENT (this "**Agreement**") is entered into as of this 10th day of November, 2016 (the "**Effective Date**"), by and between ELIO MOTORS, INC., an Arizona corporation ("**Borrower**") and CH Capital Lending, LLC, a Delaware limited liability company (together with its successors and assigns, "**Lender**").

RECITALS:

A. Borrower and GemCap Lending I, LLC, a Delaware limited liability company (the "**Prior Lender**") are parties to the Loan and Security Agreement dated as of February 28, 2013 (the "**Loan Agreement**") pursuant to which Prior Lender made a loan to Borrower in the original principal amount of $9,850,000 (the "**Loan**").

B. In connection with the Loan Agreement, Borrower executed and delivered to the Prior Lender the (i) Loan Agreement Schedule dated as of February 28, 2013 (the "**Loan Schedule**"), (ii) Secured Promissory Note (Term Loan) in the principal amount of $9,850,000 dated as of February 28, 2013 (the "**Note**"), and (iii) other Loan Documents.

C. Borrower and the Prior Lender are parties to Amendment Number 1 to the Loan and Security Agreement and to the Loan Agreement Schedule dated as of December 24, 2013 ("**Amendment No. 1**").

D. In connection with Amendment No. 1, Borrower executed and delivered to the Prior Lender the Amended and Restated Secured Promissory Note (Term Loan) dated as of December 24, 2013 (the "**First Amended Note**").

E. Borrower and the Prior Lender are parties to Amendment Number 2 to the Loan and Security Agreement and to the Loan Agreement Schedule dated as of February 27, 2014 ("**Amendment No. 2**").

F. In connection with Amendment No. 2, Borrower executed and delivered to the Prior Lender the Second Amended and Restated Secured Promissory Note (Term Loan) dated February 27, 2014 (the "**Second Amended Note**").

G. Borrower and the Prior Lender are parties to Amendment Number 3 to the Loan and Security Agreement and to the Loan Agreement Schedule dated as of May 31, 2014 ("**Amendment No. 3**").

H. In connection with Amendment No. 3, Borrower executed and delivered to the Prior Lender the Third Amended and Restated Secured Promissory Note (Term Loan) dated May 31, 2014 (the "**Third Amended Note**").

I. Prior Lender sold and assigned the Loan Agreement and the other Loan Documents to Lender on August 1, 2014 pursuant to a Loan Purchase Agreement, dated as of August 1, 2014, between Prior Lender and Lender (the "**Loan Purchase Agreement**").

J. Borrower and the Lender are parties to Amendment Number 4 to the Loan and Security Agreement and to the Loan Agreement Schedule dated as of August 1, 2014 ("**Amendment No. 4**").

K. In connection with Amendment No. 4, Borrower executed and delivered to the Prior Lender the Fourth Amended and Restated Secured Promissory Note (Term Loan) dated August 1, 2014 (the "**Fourth Amended Note**").

L. In connection with the Loan Purchase Agreement, Lender pledged all of its interest in and to the Loan Documents to California Bank & Trust ("**CB&T**") to secure a loan from CB&T to Lender in the original principal amount of $7,880,000 (the "**CB&T Loan**"), the proceeds of which were used to acquire the Note from Prior Lender.

M. The Maturity Date under the Loan Agreement and other Loan Documents, as amended, was July 31, 2015.

N. Borrower and the Lender entered into that certain Forbearance Agreement dated as of July 31, 2015 ("**Forbearance Agreement**") in which, as an accommodation to Borrower, Lender consented to forebear on the enforcement of certain terms and conditions of the Loan during the Forbearance Period, as more fully set forth therein.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and agreements herein contained and other good and valuable consideration, Lender and Borrower mutually covenant, warrant and agree as follows:

1. General Acknowledgments. Borrower acknowledges and agrees to the following:

(a) The foregoing recitals are hereby incorporated into and made a part of this Agreement by this reference;

(b) Capitalized terms used but not defined herein have the meanings set forth in the Loan Agreement;

(c) Neither this Agreement nor any other agreement entered in connection herewith or pursuant to the terms hereof shall be deemed or construed to be a compromise, satisfaction, reinstatement, accord and satisfaction, novation or release of any of the Loan Documents, or any rights or obligations thereunder, or a waiver by Lender of any of its rights under the Loan Documents or at law or in equity;

(d) Except as specifically set forth herein, neither this Agreement nor any other agreement executed in connection herewith pursuant to the terms hereof, nor any actions taken pursuant to this Agreement or such other agreement shall be deemed to cure any Event of Default which may exist under the Loan Documents, or to be a waiver by Lender of any Event of Default under the Loan Documents, or of any rights or remedies in connection therewith or with respect hereto, evidencing the parties' intention that Borrower's obligations under the Loan Documents shall remain in full force and effect;

(e) All liens, security interests, rights and remedies granted to Lender for its benefit under the Loan Documents are hereby renewed, confirmed and continued; and

(f) Borrowers reaffirm the validity, binding effect and enforceability of each of the Loan Documents, as modified by provisions of this Agreement, and acknowledge that Borrower is liable to Lender for the full amount of the principal and interest evidenced by the Loan Documents (as modified hereby), without offset, deduction, claim, counterclaim, defense or recoupment of any kind.

2. Maturity Date. The Maturity Date under the Loan Agreement and other Loan Documents, as amended, is hereby extended and amended to mean July 29, 2017.

3. Conditions. Lender's willingness to amend the Maturity Date as provided in this Agreement is conditioned on the following:

(a) Borrower making all required payments of interest to Lender pursuant to the terms of the Fourth Amended Note;

(b) Borrower complying with all requirements of the Loan Documents to the extent not inconsistent with this Agreement;

(c) Borrower paying to Lender, on demand, (i) all of Lender's fees, costs and expenses (including Lender's attorneys' fees and costs) incurred in connection with this Agreement and the transactions relating thereto, and (ii) all of Lender's costs and expenses related to the CB&T Loan, including extension fees and points, but specifically excluding any payments of principal and interest related thereto;

(d) Commencing January 1, 2017, Borrower shall make monthly payments to Lender in the amount of fifty thousand dollars ($50,000) as payment to be applied pursuant to the terms of the Loan Documents, as amended;

(e) Within five (5) business days of receipt by Borrower of net proceeds of at least $25,000,000, in the aggregate from one or more offerings of Borrower's equity or debt hereafter ("**Offerings**"), Borrower shall remit to Lender a payment (to be applied pursuant to the terms of the Loan Documents, as amended) equal to the lesser of: (i) $2,000,000 or (ii) five percent (5%) of the net proceeds of the Offerings; and

4. Default. An Agreement Default ("**Agreement Default**") shall exist under this Agreement if any one or more of the following events shall have occurred, and which remain uncured past any applicable cure period:

(a) Any breach or default in performance by Borrower, of any of the agreements, payments, terms, conditions, covenants, warranties, or representations set forth in this Agreement;

(b) Any breach or default in performance by Borrower, of any of the agreements, payments, terms, conditions, covenants, warranties, or representations set forth in any of the Loan Documents; and

(c) Borrower's failure to satisfy the outstanding principal and interest under the Fourth Amended Note, including all interest accrued thereon through the Maturity Date.

5. Remedies in Event of Default. Immediately upon the occurrence of an Agreement Default which remains uncured past any applicable cure period, and notwithstanding anything to the contrary set forth herein, Lender shall have the rights and remedies set forth in the Loan Documents.

6. Incorporation of Other Documents. The Loan Documents and all other agreements, documents and writings between or among Borrower and Lender are expressly reaffirmed and incorporated herein by this reference, and shall remain in full force and effect and continue to govern and control the relationship between the parties hereto except to the extent they are inconsistent with, amended or superseded by this Agreement. To the extent of any inconsistency, amendment or superseding provision, this Agreement shall govern and control.

7. Amendments. This Agreement may not be amended or modified except in a writing signed by Lender and Borrower.

8. Indulgence: Modifications. No delay or failure of Lender to exercise any right, power or privilege hereunder shall affect such right, power or privilege, nor shall any single or partial exercise thereof preclude any further exercise thereof, nor the exercise of any other right, power or privilege. The rights of Lender hereunder are cumulative and are not exclusive of any rights or remedies which Lender would otherwise have accept as modified herein. No amendment, modification, supplement, termination, consent or waiver of or to any provision of this Agreement or the Loan Documents, nor any consent to any departure therefrom, shall in any event be effective unless the same shall be in writing and signed by or on behalf of Lender.

9. Waivers Voluntary. The releases and waivers contained in this Agreement are freely, knowingly and voluntarily given by each party, without any duress or coercion, after each party has had opportunity to consult with its counsel and has carefully and completely read all of the terms and provisions of this Agreement.

10. Governing Law and Venue. This Agreement is made in the State of California and the validity of this Agreement, any documents incorporated herein or executed in connection herewith, and (notwithstanding anything to the contrary therein) the Loan Documents, and the construction, interpretation, and enforcement thereof, and the rights of the parties thereto shall be determined under, governed by and construed in accordance with the internal laws of The State of California, without regard to principles of conflicts of law.

11. Counterparts and Electronic Signatures. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts shall together constitute but one and the same Agreement. The parties shall be entitled to sign and transmit an electronic signature of this Agreement (whether by facsimile, PDF or other email transmission), which signature shall be binding on the party whose name is contained therein. Any party providing an electronic signature agrees to promptly execute and deliver to the other parties an original signed Agreement upon request.

12. Entire Agreement. This Agreement, and any agreements, documents and instruments executed and delivered pursuant hereto or in connection herewith, or incorporated herein by reference, contains the entire agreement of the parties hereto and no party shall be bound by anything not expressed in writing.

13. Severability. If any part, term or provision of this Agreement is held by a court of competent jurisdiction to be illegal, unenforceable or in conflict with any law of the State of California, federal law or any other applicable law, the validity and enforceability of the remaining portions or provisions of this Agreement shall not be affected thereby.

14. Further Assurance. Borrower agrees to execute such other and further documents and instruments as Lender may request to implement the provisions of this Agreement and to perfect and protect the liens and security interests created by the Loan Documents.

15. WAIVER OF A JURY TRIAL. LENDER AND BORROWER EACH ACKNOWLEDGE AND AGREE THAT THERE MAY BE A CONSTITUTIONAL RIGHT TO A JURY TRIAL IN CONNECTION WITH ANY CLAIM DISPUTE OR LAWSUIT ARISING BETWEEN OR AMONG THEM, BUT THAT SUCH RIGHT MAY BE WAIVED. ACCORDINGLY, EACH PARTY AGREES THAT NOTWITHSTANDING SUCH CONSTITUTIONAL RIGHT, IN THIS COMMERCIAL MATTER EACH PARTY BELIEVES AND AGREES THAT IT SHALL BE IN ITS BEST INTEREST TO WAIVE SUCH RIGHT, AND ACCORDINGLY, HEREBY WAIVE SUCH RIGHT TO A JURY TRIAL, AND FURTHER AGREE THAT THE BEST FORUM FOR HEARING ANY CLAIM, DISPUTE OR LAWSUIT, IF ANY, ARISING IN CONNECTION WITH THIS AGREEMENT, ANY LOAN DOCUMENT OR THE RELATIONSHIP AMONG LENDER AND BORROWER SHALL BE A COURT OF COMPETENT JURISDICTION SITTING WITHOUT A JURY.

[***Signatures contained on the following page***]

IN WITNESS WHEREOF, this Forbearance Agreement has been duly executed as of the day and year first above written.

BORROWER:

ELIO MOTORS, INC.

By: /s/ Paul Elio
Name: Paul Elio
Title: CEO

LENDER:

CH CAPITAL LENDING, LLC

By: HOLDINGS SPE MANAGER, LLC
Its: Manager

By: /s/ Richard H. Klein
Richard H. Klein,
Chief Financial Officer

Exhibit 6.25

SECOND AMENDMENT TO LEASE AGREEMENT

This Second Amendment to Lease Agreement ("**Second Amendment**"), is entered into as of the 17th day of November 2016 ("**Effective Date**"), by and between SHREVEPORT BUSINESS PARK, LLC, a Delaware limited liability company ("**Landlord**") and ELIO MOTORS, INC., an Arizona corporation ("**Tenant**").

RECITALS:

A. Landlord and Tenant entered into that certain Lease Agreement dated as of December 27, 2013 ("**Original Lease**") as amended by that certain First Amendment to Lease dated as of July 31, 2015 ("**First Amendment**, and together with the Original Lease, the "**Lease**") for 997,375 square feet of space located in those certain buildings commonly known as 7600 General Motors Boulevard, Shreveport, Louisiana ("**Premises**").

B. The First Amendment extended the Base Rent Commencement Date (as originally defined in Paragraph 2.2 of the Lease) to February 1, 2016 and deferred payment of the Base Rent for the period February 1, 2016 through July 31, 2016 until August 1, 2016.

C. As of October 31, 2016, Tenant owed Landlord approximately $6,767,983 ("**October 2016 Balance**"), consisting of Base Rent of approximately $2,244,096 and Additional Rent of approximately $3,247,996, late charges of approximately $324,604, and interest of approximately $951,287.

D. Tenant is projected to owe to Landlord, for the period commencing November 1, 2016 ending December 31, 2016, approximately $787,607 ("**Future 2016 Balance**"), consisting of Base Rent of approximately $498,688 and Additional Rent of approximately $99,721, late charges of approximately $29,920, and interest of approximately $159,278.

E. Including both the October 2016 Balance and the Future 2016 Balance, Tenant will collectively owe to Landlord (through December 31, 2016): (i) approximately $6,090,500 ("**2016 Base and Additional Rent Owed**"), consisting of approximately $2,742,784 in Base Rent and approximately $3,347,717 in Additional Rent; and (ii) approximately $1,465,089 ("**2016 Late Charges and Interest Owed**"), consisting of late charges of approximately $354,524, and interest of approximately $1,110,565.

F. Tenant is projected to owe to Landlord, for the period commencing January 1, 2017 and ending December 31, 2017, approximately $3,590,452 ("**2017 Balance**"), consisting of Base Rent of $2,992,128 and Additional Rent of approximately $598,324.

G. Landlord and Tenant desire to waive the 2016 Late Charges and Interest Owed and forgive the 2016 Base and Additional Rent Owed in exchange for the issuance by Tenant to Landlord of convertible preferred stock and warrants to purchase common stock in Tenant, as set forth herein.

H. Landlord and Tenant mutually desire to amend the Lease in accordance with the terms and conditions hereto.

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Recitals/Definitions. The foregoing recitals are hereby incorporated into and made a part of this Second Amendment by this reference. All capitalized terms in this Second Amendment shall have the same meaning ascribed thereto in the Lease, unless otherwise provided herein.

2. Securities In Lieu of Rent.

A. Contemporaneously with the execution and delivery of this Second Amendment, Tenant and Landlord shall enter into a Preferred Stock and Warrant Purchase Agreement in the form attached hereto as ***Exhibit A*** ("**Securities Purchase Agreement**").

B. Contemporaneously with the execution and delivery of this Second Amendment, Tenant shall deliver to Landlord warrants to purchase up to 25,000 shares of Tenant's common stock ("**Warrants**") pursuant to the Securities Purchase Agreement.

C. Upon filing of the Certificate of Designations creating 435,036 shares of Series C Convertible Preferred Stock ("**Series C Stock**") with the Arizona Corporation Commission, Tenant shall issue a certificate evidencing such shares pursuant to the Securities Purchase Agreement;

D. Upon the delivery to Landlord of the Series C Stock and the Warrants in accordance with the terms and conditions of the Securities Purchase Agreement, Landlord shall waive the 2016 Late Charges and Interest Owed and forgive the 2016 Base and Additional Rent Owed.

E. Following the filing of the Certificate of Designations creating 96,380 shares of Series D Convertible Preferred Stock ("**Series D Stock**") with the Arizona Corporation Commission, Tenant shall issue a certificate evidencing such shares pursuant to the Securities Purchase Agreement;

F. Upon the delivery to Landlord of the Series D Stock in accordance with the terms and conditions of the Securities Purchase Agreement, Landlord shall waive the 2017 Balance.

G. Until the Series C Stock and Series D Stock ("**Preferred Stock**") has been issued to Landlord, Tenant shall not (i) amend, alter, or repeal any provisions of the Articles of Incorporation of Tenant, the Certificates of Designations designating the Preferred Stock or the bylaws of Tenant if such action would adversely alter or change the rights, preferences, privileges or powers of holders of the Preferred Stock; or (ii) create, reclassify, modify stock or securities into, authorize, or obligate itself to issue, any shares of stock or any securities convertible into or exercisable for any class or series of stock senior to or *pari passu* with the Preferred Stock as to rights on liquidation, winding up, or dissolution or rights to any other distributions or payments without the consent of Landlord, which consent may be withheld in Landlord's sole discretion.

3. Base Rent Commencement Date; Additional Rent. In addition to the matters set forth in Paragraph 2 above, and notwithstanding anything to the contrary contained in the Lease, the Base Rent Commencement Date shall be further amended to mean the earlier of (i) January 1, 2018 or (ii) the date of SOP (as defined in Paragraph 2.2 of the Lease). In addition, no Additional Rent (as defined in Paragraph 5.1 of the Lease) shall be due from Tenant for any period prior to the Base Rent Commencement Date.

4. Effect of Second Amendment. Except as specifically amended in this Second Amendment, all of the terms and conditions of the Lease shall continue in full force and effect. In the event of any conflict between the terms of this Second Amendment and the terms of the Lease Agreement, the terms of this Second Amendment shall prevail.

5. Counterparts and Electronic Signatures. This Second Amendment may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts shall together constitute but one and the same Second Amendment. The parties shall be entitled to sign and transmit an electronic signature of this Second Amendment (whether by facsimile, PDF or other email transmission), which signature shall be binding on the party whose name is contained therein. Any party providing an electronic signature agrees to promptly execute and deliver to the other parties an original signed Second Amendment, upon request.

6. Entire Agreement. This Second Amendment contains the entire understanding and agreement between the parties relating to the matters covered hereby and supersedes all prior or contemporaneous negotiations, arrangements, agreements, understandings, representations, and statements, whether oral or written, with respect to the matters covered hereby, all of which are merged herein and shall be of no further force or effect.

[Signatures appear on the following page]

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment to Lease as of the date first written above.

LANDLORD:

SHREVEPORT BUSINESS PARK, LLC,
a Delaware limited liability company

By: Holdings SPE Manager, LLC,
a Delaware limited liability company,
its Manager

By: /s/ John A. Mase
John A. Mase
Chief Executive Officer

TENANT:

ELIO MOTORS, INC.,
an Arizona corporation

By: /s/ Paul Elio
Paul Elio
Chief Executive Officer

Exhibit A

Preferred Stock and Warrant Purchase Agreement

[to be attached]

Exhibit 6.26

FORBEARANCE AGREEMENT

This Forbearance Agreement (this "**Agreement**") is made effective as of the 1st day of December, 2016 (the "**Effective Date**"), between Revitalizing Auto Communities Environmental Response Trust ("**RACER**") and Elio Motors, Inc. ("**Elio**").

RECITALS

A. Racer Properties LLC, an affiliate of RACER, and Elio are parties to that certain Purchase and Sale Agreement dated February 28, 2013 (the "**PSA**"). In connection with the PSA, Elio, as the maker, and RACER, as the holder, entered into that certain Promissory Note dated February 28, 2013, as amended by that certain First Amendment to Promissory Note dated March 17, 2015 (the "**Note**"), whereby RACER made a loan to Elio in the original principal amount of $23,000,000.

B. Pursuant to that certain Intercreditor and Subordination Agreement dated February 28, 2013, as amended, among CH Capital Lending, LLC, as successor in interest to GemCap Lending I, LLC ("**Senior Lender**"), RACER, and Elio, RACER agreed to subordinate the Note with Elio to Senior Lender's promissory note with Elio.

C. As of the Effective Date, Elio has failed to pay to RACER in full the October and November 2016 payments due under the Note.

D. As of the Effective Date, the outstanding Note balance, including accrued interest and unpaid late charges, is $27,029,342.

AGREEMENT

NOW THEREFORE, in consideration of the mutual promises set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Incorporation of Recitals**. The foregoing Recitals are incorporated as though fully set forth herein.

2. **Forbearance**. Subject to the terms and conditions of this Agreement and provided that Elio is not in default hereunder or in connection with any other term or condition of the Note, PSA or any related agreements, RACER agrees to forebear exercising its rights under the Note and applicable law from October 1, 2016 through December 31, 2016 (the "**Forbearance Period**"). Provided that Elio is not in default hereunder or in connection with any other term or condition of the Note, PSA or any related agreements, Elio may request that RACER extend the Forbearance Period for one (1) month by providing written notice to RACER no later than December 20, 2016. Any extension of the Forbearance Period will be at RACER's sole discretion. Interest will continue to accrue during the Forbearance Period (and any extension thereof, if applicable) as set forth in the Note. Upon the conclusion of the Forbearance Period, Elio will pay RACER all amounts due and owing, including interest accrued during the Forbearance Period. In the event that Elio defaults hereunder or in connection with any other term or condition of the Note, PSA or any related agreements, the Forbearance Period shall immediately terminate and all amounts owed to RACER will become immediately due and payable.

3. **Refinancing**. As of the Effective Date, Elio shall promptly commence and diligently pursue refinancing the Note and shall provide RACER with a written update detailing its progress in finding a replacement lender every ninety (90) days after the Effective Date. If Elio obtains a commitment for financing substantially similar to the financing under the Note (the "**Replacement Financing**"), Elio shall promptly enter into such Replacement Financing and, simultaneously with the receipt by Elio of the Replacement Financing, pay the outstanding balance under the Note in full.

4. **Acknowledgement; Other Debt**. Elio acknowledges that as of November 15, 2016, the outstanding principal balance of that certain loan made by Senior Lender to Elio is $4,732,639.18. In the event that (a) Senior Lender is paid all amounts owed to it by Elio, and (b) Elio pays any other creditor after the Effective Date, including suppliers, before such payment is due, the Forbearance Period shall immediately terminate and all payments due to RACER under the Note shall be increased to the monthly sum of $347,000, until the Note is paid in full.

5. **No Modification of the Note**. Other than the modifications set forth herein, nothing in this Agreement shall be deemed to modify, reduce or effect Elio's obligations under the Note.

6. **Amendments**. No provision of this Agreement may be amended or modified unless the parties consent thereto in writing.

7. **Further Assurances**. The parties agree to execute any and all additional documents that may reasonably be required in order to evidence, secure or carry out the agreements and undertakings set forth in this Agreement.

8. **Counterparts**. This Agreement may be executed in multiple counterparts and by facsimile or other electronic signatures, each of which shall constitute a duplicate original, but all of which together shall constitute one and the same instrument.

9. **Applicable Law**. This Agreement is executed in and shall be construed under and governed by the laws of the State of Louisiana, without regard to conflict of laws principles.

10. **Successors and Assigns**. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

11. **Costs of Enforcement**. In the event that any party to this Agreement commences any legal action to enforce its rights hereunder as a result of the breach of this Agreement by other party, the prevailing party in such action shall be entitled to recovery all of its costs and expenses in connection therewith, including all reasonable legal fees and costs.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have signed this Agreement as of the Effective Date.

REVITALIZING AUTO COMMUNITIES
ENVIRONMENTAL RESPONSE TRUST

By: EPLET, LLC, acting solely in its capacity
as Administrative Trustee of Revitalizing Auto
Communities Environmental Response Trust

By: /s/ Elliott P. Laws
ELLIOTT P. LAWS, not individually,
but acting solely in his capacity
as Managing Member

ELIO MOTORS, INC.

By: /s/ Paul Elio

Its: **CEO**

Exhibit 6.27

FORBEARANCE AGREEMENT

This Forbearance Agreement (this "**Agreement**") is made effective as of the 1st day of March, 2017 (the "**Effective Date**"), between Revitalizing Auto Communities Environmental Response Trust ("**RACER**") and Elio Motors, Inc. ("**Elio**").

RECITALS

A. Racer Properties LLC, an affiliate of RACER, and Elio are parties to that certain Purchase and Sale Agreement dated February 28, 2013 (the "**PSA**"). In connection with the PSA, Elio, as the maker, and RACER, as the holder, entered into that certain Promissory Note dated February 28, 2013, as amended by that certain First Amendment to Promissory Note dated March 17, 2015 (the "**Note**"), whereby RACER made a loan to Elio in the original principal amount of $23,000,000.

B. As of the Effective Date, Elio has failed to pay to RACER in full the September 2016, October 2016, November 2016, December 2016, January 2017, February 2017, March 2017, and April 2017 payments due under the Note, and Elio anticipates that it will fail to pay to RACER in full the May 2017 payment due under the Note.

AGREEMENT

NOW THEREFORE, in consideration of the mutual promises set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Incorporation of Recitals**. The foregoing Recitals are incorporated as though fully set forth herein.

2. **Forbearance**. Subject to the terms and conditions of this Agreement and provided that Elio is not in default hereunder or in connection with any other term or condition of the Note, PSA or any related agreements, RACER agrees to forebear exercising its rights under the Note and applicable law from September 1, 2016 through May 31, 2017 (the "**Forbearance Period**"), provided that Elio pay to RACER an administrative fee in the amount of Ten Thousand Dollars ($10,000) by certified check or electronic funds transfer on or before April 18, 2017. Provided that Elio is not in default hereunder or in connection with any other term or condition of the Note, PSA or any related agreements, Elio may request that RACER extend the Forbearance Period for one (1) month by providing written notice to RACER no later than May 15, 2017. Any extension of the Forbearance Period will be at RACER's sole discretion and will be subject to additional payments of administrative fees by Elio to RACER. Interest will continue to accrue during the Forbearance Period (and any extension thereof, if applicable) as set forth in the Note. Upon the conclusion of the Forbearance Period, Elio will pay RACER all amounts due and owing, including interest accrued. In the event that Elio defaults hereunder or in connection with any other term or condition of the Note, PSA or any related agreements, the Forbearance Period shall immediately terminate and all amounts owed to RACER will become immediately due and payable.

3. **Refinancing**. As of the Effective Date, Elio shall promptly commence and diligently pursue refinancing the Note and shall provide RACER with a written update detailing its progress in finding a replacement lender every ninety (90) days after the Effective Date. If Elio obtains a commitment for financing substantially similar to the financing under the Note (the "**Replacement Financing**") as determined by RACER in its sole discretion, Elio shall promptly enter into such Replacement Financing and, simultaneously with the receipt by Elio of the Replacement Financing, pay the outstanding balance under the Note in full.

4. **No Modification of the Note**. Other than the modifications set forth herein, nothing in this Agreement shall be deemed to modify, reduce or effect Elio's obligations under the Note.

5. **Amendments**. No provision of this Agreement may be amended or modified unless the parties consent thereto in writing.

6. **Further Assurances**. The parties agree to execute any and all additional documents that may reasonably be required in order to evidence, secure or carry out the agreements and undertakings set forth in this Agreement.

7. **Counterparts**. This Agreement may be executed in multiple counterparts and by facsimile or other electronic signatures, each of which shall constitute a duplicate original, but all of which together shall constitute one and the same instrument.

8. **Applicable Law**. This Agreement is executed in and shall be construed under and governed by the laws of the State of Louisiana, without regard to conflict of laws principles.

9. **Successors and Assigns**. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

10. **Costs of Enforcement**. In the event that any party to this Agreement commences any legal action to enforce its rights hereunder as a result of the breach of this Agreement by other party, the prevailing party in such action shall be entitled to recovery all of its costs and expenses in connection therewith, including all reasonable legal fees and costs.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have signed this Agreement as of the Effective Date.

REVITALIZING AUTO COMMUNITIES
ENVIRONMENTAL RESPONSE TRUST

By: EPLET, LLC, acting solely in its capacity as Administrative Trustee of Revitalizing Auto Communities Environmental Response Trust

By: /s/ Elliott P. Laws
ELLIOTT P. LAWS, not individually, but acting solely in his capacity as Managing Member

ELIO MOTORS, INC.

By: /s/ Paul Elio

Its: **CEO**

Exhibit 6.28

LOAN EXTENSION AGREEMENT

This Loan Extension Agreement ("***Agreement***") is made as of this 19th day of April, 2017, by and between ELIO MOTORS, INC., an Arizona corporation ("***Borrower***"), and STUART LICHTER ("***Lender***").

RECITALS

A. Borrower has executed and delivered the following promissory notes, all of which accrue interest at 10% per annum and were due September 30, 2017 (the "***Notes***"):

- Unsecured note dated March 6, 2014 in the principal amount of $1,000,500;
- Unsecured note dated May 30, 2014 in the principal amount of $300,000; and
- Secured note dated June 19, 2014 in the principal amount of $600,000.

B. Borrower and Lender wish to extend the maturity date of the Notes on the terms set forth below.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, Lender and Borrower agree as follows:

1. The maturity date of the Indebtedness shall be extended to January 31, 2019.

2. Except to the extent inconsistent with the terms of this Agreement, the terms of the Notes remain unchanged.

IN WITNESS WHEREOF, this Loan Extension Agreement has been duly executed as of the day and year first above written.

BORROWER:
ELIO MOTORS, INC.

By: /s/ Paul Elio
Paul Elio, Chief Executive Officer

LENDER

/s/ Stuart Lichter
Stuart Lichter

Exhibit 6.29

SECOND LOAN EXTENSION AGREEMENT

THIS SECOND LOAN EXTENSION AGREEMENT (this "**Agreement**") is entered into as of this 27th day of April, 2017 (the "**Effective Date**"), by and between ELIO MOTORS, INC., an Arizona corporation ("**Borrower**") and CH Capital Lending, LLC, a Delaware limited liability company (together with its successors and assigns, "**Lender**").

RECITALS:

A. Borrower and GemCap Lending I, LLC, a Delaware limited liability company (the "**Prior Lender**") are parties to the Loan and Security Agreement dated as of February 28, 2013 (the "**Loan Agreement**") pursuant to which Prior Lender made a loan to Borrower in the original principal amount of $9,850,000 (the "**Loan**").

B. In connection with the Loan Agreement, Borrower executed and delivered to the Prior Lender the (i) Loan Agreement Schedule dated as of February 28, 2013 (the "**Loan Schedule**"), (ii) Secured Promissory Note (Term Loan) in the principal amount of $9,850,000 dated as of February 28, 2013 (the "**Note**"), and (iii) other Loan Documents.

C. Borrower and the Prior Lender are parties to Amendment Number 1 to the Loan and Security Agreement and to the Loan Agreement Schedule dated as of December 24, 2013 ("**Amendment No. 1**").

D. In connection with Amendment No. 1, Borrower executed and delivered to the Prior Lender the Amended and Restated Secured Promissory Note (Term Loan) dated as of December 24, 2013 (the "**First Amended Note**").

E. Borrower and the Prior Lender are parties to Amendment Number 2 to the Loan and Security Agreement and to the Loan Agreement Schedule dated as of February 27, 2014 ("**Amendment No. 2**").

F. In connection with Amendment No. 2, Borrower executed and delivered to the Prior Lender the Second Amended and Restated Secured Promissory Note (Term Loan) dated February 27, 2014 (the "**Second Amended Note**").

G. Borrower and the Prior Lender are parties to Amendment Number 3 to the Loan and Security Agreement and to the Loan Agreement Schedule dated as of May 31, 2014 ("**Amendment No. 3**").

H. In connection with Amendment No. 3, Borrower executed and delivered to the Prior Lender the Third Amended and Restated Secured Promissory Note (Term Loan) dated May 31, 2014 (the "**Third Amended Note**").

I. Prior Lender sold and assigned the Loan Agreement and the other Loan Documents to Lender on August 1, 2014 pursuant to a Loan Purchase Agreement, dated as of August 1, 2014, between Prior Lender and Lender (the "**Loan Purchase Agreement**").

J. Borrower and the Lender are parties to Amendment Number 4 to the Loan and Security Agreement and to the Loan Agreement Schedule dated as of August 1, 2014 ("**Amendment No. 4**").

K. In connection with Amendment No. 4, Borrower executed and delivered to the Prior Lender the Fourth Amended and Restated Secured Promissory Note (Term Loan) dated August 1, 2014 (the "**Fourth Amended Note**").

L. In connection with the Loan Purchase Agreement, Lender pledged all of its interest in and to the Loan Documents to California Bank & Trust ("**CB&T**") to secure a loan from CB&T to Lender in the original principal amount of $7,880,000 (the "**CB&T Loan**"), the proceeds of which were used to acquire the Note from Prior Lender.

M. The Maturity Date under the Loan Agreement and other Loan Documents, as amended, was July 31, 2015.

N. Borrower and the Lender entered into that certain Forbearance Agreement dated as of July 31, 2015 ("**Forbearance Agreement**") in which, as an accommodation to Borrower, Lender consented to forebear on the enforcement of certain terms and conditions of the Loan during the Forbearance Period, as more fully set forth therein.

O. Borrower and Lender entered into that certain Loan Extension Agreement dated as of November 10, 2016 ("**Loan Extension Agreement**"), in which Lender extended the Maturity Date to July 29, 2017, conditioned, among other things, upon Borrower making monthly payments of fifty thousand dollars ($50,000) commencing January 1, 2017 and agreeing to remit an additional payment upon Borrower's receipt of net proceeds of at least $25,000,000 in the aggregate from one or more offerings of Borrower's equity or debt hereafter ("**Offerings**") in an amount equal to the lesser of (i) $2,000,000 or (ii) five percent (5%) of the net proceeds of the Offerings.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and agreements herein contained and other good and valuable consideration, Lender and Borrower mutually covenant, warrant and agree as follows:

1. General Acknowledgments. Borrower acknowledges and agrees to the following:

(a) The foregoing recitals are hereby incorporated into and made a part of this Agreement by this reference;

(b) Capitalized terms used but not defined herein have the meanings set forth in the Loan Agreement;

(c) Neither this Agreement nor any other agreement entered in connection herewith or pursuant to the terms hereof shall be deemed or construed to be a compromise, satisfaction, reinstatement, accord and satisfaction, novation or release of any of the Loan Documents, or any rights or obligations thereunder, or a waiver by Lender of any of its rights under the Loan Documents or at law or in equity;

(d) Except as specifically set forth herein, neither this Agreement nor any other agreement executed in connection herewith pursuant to the terms hereof, nor any actions taken pursuant to this Agreement or such other agreement shall be deemed to cure any Event of Default which may exist under the Loan Documents, or to be a waiver by Lender of any Event of Default under the Loan Documents, or of any rights or remedies in connection therewith or with respect hereto, evidencing the parties' intention that Borrower's obligations under the Loan Documents shall remain in full force and effect;

(e) All liens, security interests, rights and remedies granted to Lender for its benefit under the Loan Documents are hereby renewed, confirmed and continued; and

(f) Borrowers reaffirm the validity, binding effect and enforceability of each of the Loan Documents, as modified by provisions of this Agreement, and acknowledge that Borrower is liable to Lender for the full amount of the principal and interest evidenced by the Loan Documents (as modified hereby), without offset, deduction, claim, counterclaim, defense or recoupment of any kind.

2. Maturity Date. The Maturity Date under the Loan Agreement and other Loan Documents, as amended, is hereby extended and amended to mean Tuesday, July 31, 2018.

3. Option to Extend. Borrower shall have one (1) option to further extend the Maturity Date, under the Loan Agreement and other Loan Documents, as amended, until Friday, September 28, 2018 ("**Option to Extend**") upon prior written notice to Lender and payment to Lender of one hundred twenty five thousand dollars ($125,000) on or before Tuesday, July 31, 2018; provided, however, that Borrower is not in default of this Agreement, the Loan Agreement and/or other Loan Documents, as amended, on the date of exercise of the Option to Extend. Borrower shall thereafter pay to Lender an additional one hundred twenty five thousand dollars ($125,000) on or before Friday, August 31, 2018. The foregoing payments shall be applied pursuant to the terms of the Loan Documents, as amended.

4. Conditions. Lender's willingness to amend the Maturity Date as provided in this Agreement is conditioned on the following:

(a) Borrower making all required payments of interest to Lender pursuant to the terms of the Fourth Amended Note;

(b) Borrower complying with all requirements of the Loan Documents to the extent not inconsistent with this Agreement;

(c) Borrower paying to Lender, on demand, (i) all of Lender's fees, costs and expenses (including Lender's attorneys' fees and costs) incurred in connection with this Agreement and the transactions relating thereto, and (ii) all of Lender's costs and expenses related to the CB&T Loan, including extension fees and points, but specifically excluding any payments of principal and interest related thereto;

(d) Paragraph 3(d) of the Loan Extension Agreement shall be deleted in its entirety; and

(e) Paragraph 3(e) of the Loan Extension Agreement shall be deleted and replaced in its entirety with: "Within five (5) business days of receipt by Borrower of net proceeds of at least twenty five million dollars ($25,000,000), in the aggregate from one or more offerings of Borrower's equity or debt hereafter, Borrower shall remit to Lender a payment (to be applied pursuant to the terms of the Loan Documents, as amended) equal to one million two hundred fifty thousand dollars ($1,250,000), which payment shall be applied to the outstanding principal balance of the Loan."

(f) Borrower shall pay to Lender one million two hundred fifty thousand dollars ($1,250,000), on or before Monday, July 31, 2017, which may include the payment to Lender set forth in Paragraph 4(e) above. If Borrower fails to timely make the payment due in this Paragraph 4(f), Borrower shall pay to Lender three hundred fifty five thousand dollars ($350,000) on or before Tuesday, August 1, 2017 and thereafter pay to Lender fifty thousand dollars ($50,000) per month, no later than the first day of each month. The foregoing payments shall be applied to the outstanding principal balance of the Loan.

5. Default. An Agreement Default ("**Agreement Default**") shall exist under this Agreement if any one or more of the following events shall have occurred, and which remain uncured past any applicable cure period:

(a) Any breach or default in performance by Borrower, of any of the agreements, payments, terms, conditions, covenants, warranties, or representations set forth in this Agreement;

(b) Any breach or default in performance by Borrower, of any of the agreements, payments, terms, conditions, covenants, warranties, or representations set forth in any of the Loan Documents; and

(c) Borrower's failure to satisfy the outstanding principal and interest under the Fourth Amended Note, including all interest accrued thereon through the Maturity Date.

6. Remedies in Event of Default. Immediately upon the occurrence of an Agreement Default which remains uncured past any applicable cure period, and notwithstanding anything to the contrary set forth herein, Lender shall have the rights and remedies set forth in the Loan Documents.

7. Incorporation of Other Documents. The Loan Documents and all other agreements, documents and writings between or among Borrower and Lender are expressly reaffirmed and incorporated herein by this reference, and shall remain in full force and effect and continue to govern and control the relationship between the parties hereto except to the extent they are inconsistent with, amended or superseded by this Agreement. To the extent of any inconsistency, amendment or superseding provision, this Agreement shall govern and control.

8. Amendments. This Agreement may not be amended or modified except in a writing signed by Lender and Borrower.

9. Indulgence: Modifications. No delay or failure of Lender to exercise any right, power or privilege hereunder shall affect such right, power or privilege, nor shall any single or partial exercise thereof preclude any further exercise thereof, nor the exercise of any other right, power or privilege. The rights of Lender hereunder are cumulative and are not exclusive of any rights or remedies which Lender would otherwise have accept as modified herein. No amendment, modification, supplement, termination, consent or waiver of or to any provision of this Agreement or the Loan Documents, nor any consent to any departure therefrom, shall in any event be effective unless the same shall be in writing and signed by or on behalf of Lender.

10. Waivers Voluntary. The releases and waivers contained in this Agreement are freely, knowingly and voluntarily given by each party, without any duress or coercion, after each party has had opportunity to consult with its counsel and has carefully and completely read all of the terms and provisions of this Agreement.

11. Governing Law and Venue. This Agreement is made in the State of California and the validity of this Agreement, any documents incorporated herein or executed in connection herewith, and (notwithstanding anything to the contrary therein) the Loan Documents, and the construction, interpretation, and enforcement thereof, and the rights of the parties thereto shall be determined under, governed by and construed in accordance with the internal laws of The State of California, without regard to principles of conflicts of law.

12. Counterparts and Electronic Signatures. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts shall together constitute but one and the same Agreement. The parties shall be entitled to sign and transmit an electronic signature of this Agreement (whether by facsimile, PDF or other email transmission), which signature shall be binding on the party whose name is contained therein. Any party providing an electronic signature agrees to promptly execute and deliver to the other parties an original signed Agreement upon request.

13. Entire Agreement. This Agreement, and any agreements, documents and instruments executed and delivered pursuant hereto or in connection herewith, or incorporated herein by reference, contains the entire agreement of the parties hereto and no party shall be bound by anything not expressed in writing.

14. Severability. If any part, term or provision of this Agreement is held by a court of competent jurisdiction to be illegal, unenforceable or in conflict with any law of the State of California, federal law or any other applicable law, the validity and enforceability of the remaining portions or provisions of this Agreement shall not be affected thereby.

15. Further Assurance. Borrower agrees to execute such other and further documents and instruments as Lender may request to implement the provisions of this Agreement and to perfect and protect the liens and security interests created by the Loan Documents.

16. WAIVER OF A JURY TRIAL. LENDER AND BORROWER EACH ACKNOWLEDGE AND AGREE THAT THERE MAY BE A CONSTITUTIONAL RIGHT TO A JURY TRIAL IN CONNECTION WITH ANY CLAIM DISPUTE OR LAWSUIT ARISING BETWEEN OR AMONG THEM, BUT THAT SUCH RIGHT MAY BE WAIVED. ACCORDINGLY, EACH PARTY AGREES THAT NOTWITHSTANDING SUCH CONSTITUTIONAL RIGHT, IN THIS COMMERCIAL MATTER EACH PARTY BELIEVES AND AGREES THAT IT SHALL BE IN ITS BEST INTEREST TO WAIVE SUCH RIGHT, AND ACCORDINGLY, HEREBY WAIVE SUCH RIGHT TO A JURY TRIAL, AND FURTHER AGREE THAT THE BEST FORUM FOR HEARING ANY CLAIM, DISPUTE OR LAWSUIT, IF ANY, ARISING IN CONNECTION WITH THIS AGREEMENT, ANY LOAN DOCUMENT OR THE RELATIONSHIP AMONG LENDER AND BORROWER SHALL BE A COURT OF COMPETENT JURISDICTION SITTING WITHOUT A JURY.

[***Signatures contained on the following page***]

IN WITNESS WHEREOF, this Forbearance Agreement has been duly executed as of the day and year first above written.

BORROWER:

ELIO MOTORS, INC.

By: /s/ Paul Elio
Name: Paul Elio
Title: CEO

LENDER:

CH CAPITAL LENDING, LLC

By: HOLDINGS SPE MANAGER, LLC
Its: Manager

By: /s/ Richard H. Klein
Richard H. Klein,
Chief Financial Officer