

VIASPACE Inc.  
Form 10-K  
April 14, 2016

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-K**

**xANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2015**

**OR**

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934**

**Commission file number: 333-110680**

**VIASPACE INC.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of  
incorporation or organization)

**76-0742386**

(I.R.S. Employer Identification No.)

**382 N. Lemon Ave, Suite 364**

**Walnut, California**

(Address of principal executive offices)

**91789**

(Zip Code)

**(626) 768-3360**

Issuer's telephone number

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Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act: None

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

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

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

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

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

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☒

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

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State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: \$3,335,804

State the number of shares outstanding of each of issuer's classes of common equity, as of April 14, 2016:  
2,256,684,676

**VIASPACE INC.**

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## **FORWARD-LOOKING STATEMENTS**

This document and the documents incorporated by reference herein contain forward-looking statements. We have based these statements on our beliefs and assumptions, based on information currently available to us. These forward-looking statements are subject to risks and uncertainties. Forward-looking statements include the information concerning our possible or assumed future results of operations, our total market opportunity and our business plans and objectives set forth under the sections entitled “Description of Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Forward-looking statements are not guarantees of performance. Our future results and requirements may differ materially from those described in the forward-looking statements. Many of the factors that will determine these results and requirements are beyond our control. In addition to the risks and uncertainties discussed in “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” investors should consider those discussed under “Risk Factors Which May Affect Future Results” and, among others, the following:

- our ability to successfully implement our business strategy,
- market acceptance of our products and product development,
- the effect of regulation on our ability to commercialize our products,
- the impact of competition and changes to the competitive environment on our products and services, and
- other factors detailed from time to time in our filings with the Securities and Exchange Commission.

These forward-looking statements speak only as of the date of this report. We do not intend to update or revise any forward-looking statements to reflect changes in our business anticipated results of our operations, strategy or planned capital expenditures, or to reflect the occurrence of unanticipated events, except as required by law.

## **PART I**

### **ITEM 1. BUSINESS**

## **Overview**

VIASPACE Inc. (“we”, “us”, “VIASPACE”, or the “Company”) was founded in July 1998. Its business involves renewable energy and is based on biomass, in particular our license to a dedicated energy crop with the trademark “Giant King® Grass” (“GKG”). Through a sublicense for GKG we obtained from VIASPACE Green Energy Inc. (“VGE”), we are able to commercialize GKG throughout the world, except for the People’s Republic of China (“China”) and the Republic of China (“Taiwan”).

GKG can be burned in 100% biomass power plants to generate electricity; made into pellets that can be burned together with coal to reduce carbon emissions from existing power plants; generate bio methane through anaerobic digestion, and can be used as a feedstock for low carbon liquid biofuels for transportation, biochemicals and bio plastics. Cellulosic ethanol, bio butanol and other liquid cellulosic biofuels, do not use corn or other food sources as feedstock. GKG can also be used as animal feed. GKG and other plants absorb and store carbon dioxide from the atmosphere as they grow. When they are burned, they release the carbon dioxide back into the atmosphere, but it is the same carbon dioxide that was removed from the atmosphere, and so this process is carbon neutral. Small amounts of fossil fuel are used by the farm equipment, transportation of GKG and fertilizer, so that the overall process of growing and burning GKG probably has some net carbon dioxide emissions, but much lower emissions than burning coal or other fossil fuels directly to create the same amount of energy. GKG has been independently tested by customers and been shown to have excellent energy content, high bio methane production, and the cellulosic sugar content needed for biofuels and biochemicals.

The Company’s web site is [www.VIASPACE.com](http://www.VIASPACE.com). Information contained on, or accessible through, our website should not be deemed as part of this report.

## **Corporate History**

ViaSpace Technologies LLC (“ViaSpace LLC”) was founded in July 1998 as a private company to commercialize proven space and defense technologies from NASA and the Department of Defense. ViaSpace LLC had licensed patents, and software technology from California Institute of Technology (“Caltech”), which manages the Jet Propulsion Laboratory (“JPL”) for NASA. On June 22, 2005, ViaSpace LLC acquired the non-operating shell company Global-Wide Publication Ltd. (“GW”). GW was incorporated in the State of Nevada on July 14, 2003. At the closing of the merger, GW was renamed VIASPACE Inc. The transaction was accounted for as a reverse merger and a recapitalization of the Company. VIASPACE became a public company on June 22, 2005.

## **Grass Business**

The Company focuses on GKG, a natural hybrid, non-genetically modified, fast-growing, perennial grass which we are growing as a dedicated energy crop that can be used to generate low carbon and renewable electricity by direct burning in a biomass power plant, and can be made into pellets that can replace some of the coal in existing power plants thus reducing carbon emissions. GKG may also be used to produce bio methane through anaerobic digestion and as a feedstock for non-food liquid biofuels such as bio ethanol and bio butanol. It can also be used as a feedstock for biochemicals and bio plastics. This perennial grass can grow up to 14 feet in height. It can be harvested at least twice a year in tropical and semitropical areas with a yield of up to 375 metric tons per hectare (freshly cut, referred to as wet yield). We believe that GKG has the highest yield of any crop. Note that one hectare (ha) is 10,000 square meters and equal to 2.47 US acres or approximately the size of two US football fields.

GKG has been independently tested by multiple potential customers. Proximate and ultimate analyses are available as well as ash composition, biogas production test data and sugar composition, pretreatment and hydrolysis data are available. To our knowledge, the results have been very positive and consistent. GKG has excellent energy content of 18.4 megajoules (MJ) per dry kilogram. Its chemical and physical properties are very similar to corn straw, which is material left behind from the corn plant after the ear of corn has been harvested. Corn straw is used as fuel in many biomass power plants, and a leading international biomass power provider, has declared GKG as suitable for their power plants. The bio methane production from GKG has been tested in three customer laboratories and shows the outstanding production of 91 liters of methane per kilogram of fresh grass. The methane can be used to generate clean electricity or can be burned to produce process heat. There are potentially thousands of biogas plants worldwide that may use GKG. A large European electric utility has tested GKG and examined prototype pellets. In addition to these current markets, GKG can be used as animal feed and has been tested for this purpose.

GKG can also be used as a feedstock to make cellulosic biofuels such as bio ethanol, bio butane and green gasoline. GKG has previously been tested as a potential feedstock for producing biofuels, biochemicals and bio plastics through fermentation method. Laboratory results from these tests show that GKG has almost identical composition including sugar content as corn straw or wheat straw which are the agricultural waste products often targeted as a feedstock for



cellulosic biofuels. The projected bio ethanol yield is approximately 80 gallons per dry ton of GKG based on these tests.

Corn straw and wheat straw are the leftovers after food production. This agricultural waste material can only be collected after the food is harvested which means that the feedstock supply is very seasonal and must be stored for a long time--up to one year-- between harvests. To support a single biofuel or power plant, agricultural waste must be collected from farms up to 50 or more miles away. Giant King Grass is a high yield dedicated nonfood energy crop that can be harvested at any time in a tropical or subtropical climate. If the biofuel or power plant is co-located with a GKG plantation, the collection radius will only be about 3 miles. The high yield and logistical advantages mean that GKG can be grown and delivered to a co-located plant at a substantially lower price than currently paid for agricultural waste. The largest operating cost of a biomass power plant or biofuels plant is the cost of the fuel or feedstock, and the low cost and high quality of GKG are of major interest to these customers.

Energy pellets made from dried GKG can be used as a replacement for coal in electricity generating power plants. Reports by the U.S. Department of Energy state that 15% to 20% of coal used in the power plant may be replaced by burning grass in an existing power plant with only minor modifications. This process called co-firing allows utilization of the large capital investment in existing coal fired power plants while reducing their carbon dioxide emissions by 15 to 20%. GKG and other biomass have lower mercury, arsenic and sulfur emissions than coal.

During 2012-2015, we entered into Giant King Grass collaborative supply agreements with partners in the Philippines, Pakistan, Papua New Guinea, Jamaica, Guyana, Imperial Valley California, Arizona, St. Croix Virgin Islands, Nicaragua, South Africa and Myanmar. We have shipped Giant King Grass to these states/countries as part of the collaborative agreements. The first phase for each of these partners is for the joint operation of test plots to establish that GKG grows well in the area and optimal agronomic practices are developed. If this initial phase is completed successfully, each partner would then expand the initial growing site as they develop more land to grow GKG. Each partner has different planned uses for the Giant King Grass.

We grow Giant King Grass on leased land in San Diego County, California. This location serves as a nursery for our Giant King Grass and a place from which we can harvest Giant King Grass seedlings and send them to customers in the US and throughout the world.

We plan to expand our grass business into other areas of the world, and are in discussions with developers of power plants, pellet mills and biogas facilities throughout the world other than China and Taiwan.

Having a reliable source of feedstock is critical for all energy users of biomass. Today, power plants and pellet mills use agricultural and forestry waste such as corn straw, wheat straw, rice husks and wood waste as feedstock. Increasing demand for biomass has caused the price of this agricultural and forestry waste to rise dramatically and in some places it is in short supply. Biomass supply issues have caused some power plants to become unprofitable, idle or abandoned. We believe that dedicated energy crops such as GKG may be necessary and advantageous for successful operation of biomass processing facilities. Agricultural waste will still be used, but the dedicated energy crop could provide a reliable and consistent base. In part because of the feedstock uncertainty issue, many proposed biomass power plant and biogas projects have been unable to obtain financing. A dedicated energy crop may help alleviate this obstacle.

Because of its high yield, GKG provides feedstock with less use of land and we believe therefore lower costs compared to its alternatives. Other energy crops providing half the yield will require twice the land and therefore land and other costs are nearly doubled.

Another major advantage of GKG is that it can be harvested at any time-- particularly in a tropical or subtropical area. When corn straw is used, there is a delay for the corn to mature before any feedstock is produced. Then at the corn harvest, a lot of feedstock is available all at one time. This corn straw has to be collected, stored and used until the next corn harvest which will be one year later. This creates a major logistics issue. If the climate permits, GKG can be planted so that it matures continuously and allows just-in-time harvesting.

Higher food prices have led to food shortages around the globe. This argument has resonated with many world leaders and resulted in a global effort to derive biofuels from plants that are not in the human food chain. Using such plants as fuel sources helps avoid the political issue and perception that prices are rising because foods are being diverted for use as biofuels. These plants are called cellulosic biofuels.

Cellulosic biofuels are based on nonfood plants including grass, shrubs and trees. These plants do not have a lot of sugar and cannot be fermented directly like corn. They do, however, have a lot of cellulose in their leaves, stalks and branches which contain carbon and hydrogen which can then be converted into ethanol called cellulosic ethanol. GKG has been recently tested and shown to have potential for producing cellulosic biofuels including ethanol and for

making biochemicals and bio plastics using a fermentation process.

The Company has four revenue models for GKG: 1. grass plantation integrated with a power plant or processing facility such as a pellet mill under company or joint venture control; 2. contract plantation establishment, support and licensing for a customer that owns and operates the plantation and power plant; 3. collaborative agreements to establish a test plot in the customer's location to determine that GKG grows sufficiently for the customer to use in their particular application; and 4. consulting agreement services for customers considering the establishment of a grass plantation in their particular country or location.

Under a contract plantation establishment and licensing model, the customer would provide the land, labor and management and be responsible for growing GKG. We will provide initial seedlings, crop management services and knowledge transfer for a negotiated price. In addition, there would be an ongoing license fee based on grass production.

Management believes both models will be important contributors to our revenue streams. We believe all our revenues initially will result from the integrated plantation & end-user model. Rapid global expansion requires local joint venture partners that have land and labor, but lack the energy crop and the expertise to grow it. The contract plantation establishment and licensing model with joint venture partners will be used for most of these projects. We may also serve as a developer for integrated Giant King Grass plantations and bioenergy projects.

#### **Other VIASPACE Projects**

The Company retains a worldwide nonexclusive license to certain patents and patent applications in the areas of interactive radio technology; however, the Company is devoting no attention to this license.

## **Research and Development**

The Company did not record any research and development activities in 2015 or 2014. If we do in the future, it will be expensed as incurred.

## **Competition**

Many companies, universities and research laboratories worldwide are investigating grass as a feedstock for cellulosic ethanol and other applications. Monsanto is an example of a large company focusing on grass as a biofuel. Ceres is an example of a company focusing on biomass and grass in particular. Much of the competition is looking at miscanthus or switchgrass. These grasses are suitable for temperate areas. Much of the competition also is focused on selling seeds. GKG is a natural hybrid that is not genetically modified nor generally available, and to our knowledge no one else is growing GKG besides VGE, as a commercial crop. Based on publicly available data on switchgrass and miscanthus, compared to our data on GKG, we believe that GKG has higher productivity than these and other competing grasses. GKG is most suitable for tropical and subtropical areas, which are the focus of the company's efforts. Because GKG is propagated by seedlings and not by seeds, it is not an invasive species. The Company is focusing on projects involving growing the grass and securing long-term supply contracts for biofuel production, as a replacement for coal and electricity generation, and as animal feed. With long-term supply contracts and joint ventures, we plan to capture these recurring revenue streams.

Other grasses such as alfalfa are suitable for animal feed and are also competitors of GKG.

Many of our competitors have substantially greater financial, research, human resources, and product development capabilities. In addition, many of our competitors have greater experience in marketing such technologies and products and greater potential to develop revenue streams. As a result, our competitors may be able to develop and expand their competing product offerings more rapidly, adapt to new or emerging technologies and changes in customer requirements more quickly, devote greater resources to marketing and sales of their products and adopt more aggressive pricing policies than we can.

## **Customers**

The Company has a relatively small number of customers that have planted Giant King Grass. We believe this concentration of sales made to a small number of customers will continue in the near future. A loss of any customer by the Company could significantly reduce our future revenues.

## **Intellectual Property**

On or about October 20, 2008, IPA China entered into an agreement with China Gate whereby VGE purchased seedlings of GKG and other grasses from China Gate and the parties agreed to assist each other in growing, developing and commercializing GKG. The agreement does not limit IPA China's right to grow, harvest and market the grass anywhere in the world. No term was specified in the agreement. To our knowledge, China Gate has not entered into similar agreements with any other party.

On September 30, 2012, IPA China granted to VGE a reciprocal worldwide license for GKG, not to exceed the rights IPA China had in GKG. Additionally on September 30, 2012, VIASPACE and VGE entered into a Supply, License and Commercialization Agreement ("License Agreement") pursuant to which VGE granted to VIASPACE a nontransferable, royalty-bearing exclusive license to commercialize Giant King Grass everywhere in the world other than China and Taiwan. Additionally, the License Agreement allows VIASPACE to use the Giant King Grass intellectual property and VIASPACE Green Energy trade name in connection with its efforts to commercialize Giant King Grass.

Executed on April 4, 2016 and effective as of March 28, 2016, the Company, VGE and IPA China, entered into the Global Supply, License, and Commercialization Agreement (the "New Agreement").

Prior to the New Agreement, IPA China and VGE had entered into a certain Supply and Commercialization Agreement dated September 30, 2012 regarding a license and supply arrangement between IPA China and VGE regarding Giant King Grass ("IPA-VGE Agreement"). In turn, VGE and the Company also entered into a certain Supply and Commercialization Agreement dated September 30, 2012 regarding a license and supply arrangement between VGE and the Company regarding Giant King Grass ("VGE-VIASPACE Agreement").

Under the New Agreement, VGE and the Company terminated the VGE-VIASPACE Agreement and IPA directly granted the Company an exclusive, perpetual license to commercialize its intellectual property rights to three (3) types of high yield, non-genetically modified grasses (“Three GK Grasses”) throughout the world except Cambodia, People’s Republic of China, Taiwan, Thailand, Myanmar, Malaysia, Laos, Vietnam and Singapore (“VIASPACE Territory”). It and VGE agreed to subordinate the terms of the IPA-VGE Agreement to the terms of the New Agreement. IPA China also granted the right to use and market the name “Giant King Grass” and other related names.

The Company would owe royalty payments on the Net Sales of the Three GK Grasses. This license would be sublicenseable in the VIASPACE Territory. IPA China held all rights of ownership to the Three GK Grasses. The Company would own any grasses resulting from any modifications or improvements to the Three GK Grasses. IPA China would use commercially reasonable efforts to maintain its intellectual property rights. The Company would use commercially reasonable efforts to commercialize the Three GK Grasses throughout the VIASPACE Territory.

### **Employees**

As of December 31, 2015 we have 3 full time employees and 2 part time employees based in the US. We believe that our relations with our employees are good. We have never had a work stoppage, and our employees are not subject to a collective bargaining agreement.

### **Regulatory Issues**

None

### **Trademarks**

The Company has a trademark registration for “VIASPACE”.

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

Our business is subject to a number of risks. You should carefully consider the following risk factors, together with all of the other information included or incorporated by reference in this report, before you decide whether to purchase our common stock. The risks set out below are not the only risks we face. If any of the following risks occur, our business, financial condition and results of operations could be materially adversely affected. In such case, the trading price of our common stock could decline, and you may lose all or part of your investment. We wish to caution that the following important factors, among others, in some cases have affected and in the future could affect our actual results and could cause such results to differ materially from those expressed in forward-looking statements made by or on behalf of us.

## **Risks Related To Our Business**

*We are solely dependent on our grass business and if such business should not succeed, we will likely be forced to terminate our company.*

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***We have incurred losses and anticipate continued losses for the foreseeable future.***

Our net loss for the year ended December 31, 2015 was \$2,006,000. We have not yet achieved profitability and expect to continue to incur net losses until we recognize increased revenues from GKG related sales. Further, we no longer have any ownership interest in VGE, and therefore no longer have any revenue from framed artwork business. We rely solely on the GKG licensing agreement we have put in place effective September 30, 2012, to generate revenues or our GKG grass business. Because we do not have an operating history upon which an evaluation of our prospects can be based, our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies seeking to develop new and rapidly evolving technologies. To address these risks, we must, among other things, respond to competitive factors, continue to attract, retain and motivate qualified personnel and continue to develop our technologies. We may not be successful in addressing these risks. We can give no assurance that we will achieve or sustain profitability.

***Our ability to continue as a going concern is dependent on future revenues or future financing.***

Hein & Associates LLP, our independent registered public accounting firm, included an explanatory paragraph in its report on our financial statements for 2015, which expresses substantial doubt about our ability to continue as a going concern. The inclusion of a going concern explanatory paragraph in Hein & Associates LLP's report on our financial statements could have a detrimental effect on our stock price and our ability to raise additional capital if needed. However, on September 30, 2012, as discussed in Note 5, the Company entered into a Loan Agreement with Dr. Kevin Schewe, a member of the Company's Board of Directors, whereby Dr. Schewe agreed to fund the Company up to \$1,000,000 over a five year period in accordance with such agreement. Schewe completed the funding of \$1,000,000 on January 13, 2016. On January 25, 2016, Schewe entered into a new Loan Agreement whereby he agreed to fund the Company an additional \$300,000 over a one year period. The Company expects loans from Dr. Schewe and revenue generated from future contracts using the sublicense it has for Giant King Grass to fund operations for the foreseeable future.

Our financial statements were prepared on the basis of a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. We have not made any adjustments to the financial statements as a result of the outcome of the uncertainty described above. Accordingly, the value of the Company in liquidation may be different from the amounts set forth in our financial statements.

Our continued success will depend on our ability to achieve profitability or to raise capital in order to fund the development and commercialization of our products. Failure to be profitable or to raise additional capital may result in substantial adverse circumstances, including our inability to continue the development of our products and our liquidation.



***If we fail to comply with our obligations in our intellectual property licenses, we could lose license rights that are important to our business.***

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If the Company does not make its required royalty payments, it could lose its license.

***Our growth prospects may be materially and adversely affected if we are unable to produce Giant King Grass in sufficient quantities for our customer or if our competitors develop products that are favored by our customers.***

We believe the future growth of our Company will depend on the value of our grass business for biofuel, power plant, or animal feed purposes. The ability to develop orders from customers, if at all, is uncertain due to several factors, many of which are beyond our control. If we are unable to produce Giant King Grass to meet the initial demands of our customers, or if our competitors develop products that are favored by our customers, our growth will be adversely affected.

In addition, our business depends on the success of our Giant King Grass business. Effective September 30, 2012, we no longer own VGE, and therefore, we will no longer control the plantations where GKG is currently grown in the Guangdong province of China. Instead, under an agreement with VGE, VGE will be a supplier of seedlings to us. Since we will not directly own the farms, however, we are subject to greater risk if VGE is unable or unwilling to supply us the seedlings. To mitigate this risk, the Company leases land in San Diego County, California where it grows Giant King Grass. For the long term prospects, we will likely have to continue to produce GKG in other locations outside China including the US. If we are unable to generate our existing products in sufficient quantities – either from VGE or through our own locations - our growth prospects may be materially and adversely affected and our revenues and profitability may decline.

***If we lose key personnel or are unable to hire additional qualified personnel, it could impact our ability to grow our business.***

We believe our future success will depend in large part upon our ability to attract and retain highly skilled technical, managerial, sales and marketing, finance and operations personnel. We face intense competition for all such personnel, and we may not be able to attract and retain these individuals. Our failure to do so could delay product development, affect the quality of our products and services, and/or prevent us from sustaining or growing our business. In addition, employees may leave our company and subsequently compete against us. Key personnel include Dr. Carl Kukkonen, our chief technology officer. The loss of key personnel, especially if without advanced notice, could harm our ability to maintain and build our business operations. Furthermore, we have no key man life insurance for any of our key employees.

***Our revenues to date have been to a few customers, the loss of which could result in a material decline in revenues.***

In 2014 and 2015, the Company has recorded a minor amount of grass revenues related to several Giant King Grass supply contract agreements to a few customers. We believe this concentration of sales made to a small number of customers will continue in the near future. A loss of any customer by the Company could significantly reduce our

future revenues.

***Our success depends upon market acceptance of our technologies and product development.***

The markets for our renewable energy technologies are either new or non-existent at the present time. Our success will depend upon the market acceptance of Giant King Grass. This acceptance may require in certain instances a modification to the culture and behavior of customers to be more accepting of other forms of technology. Potential customers may be reluctant or slow to adopt changes or new ways of performing processes. There is no assurance that our current or future products or services will gain widespread acceptance or that we will generate sufficient revenues to allow us to ever achieve profitability.

In addition, our products require continuing improvement and development. Our products may not succeed or may not succeed as intended. As a result, we may need to change our product offerings, discontinue certain products and services or pursue alternative product strategies. There is no assurance that we will be able to successfully improve our current products or that we will continue to develop or market some of our products and services.

***We operate in competitive markets against companies that have significantly greater resources than we have.***

Overall, the markets for our products are highly competitive and many of our competitors have greater resources and better name recognition than we do. We intend to compete primarily by leveraging our intellectual property rights and our unique product value added features.

***Due to uncertainties in our business, the capital on hand may not be sufficient to fund our operations until we achieve positive cash flow.***

We have expended and will continue to expend substantial amounts of money for research and development, capital expenditures, working capital needs and manufacturing and marketing of our products and services. Although we have reduced expenses significantly, our business requires funds for operations.

The exact timing and amount of spending required cannot be accurately determined and will depend on several factors, including:

- progress of our research and development efforts;
- competing technological and market developments;
- commercialization of products currently under development by us and our competitors; and
- market acceptance and demand for our products and services.

The cost of developing our technologies may require financial resources greater than we currently have available. Therefore, in order to successfully complete development of our technologies, we may be required to obtain additional financing. We cannot assure you additional financing will be available if needed or on terms acceptable to us. If adequate and acceptable financing is not available, we may have to delay development or commercialization of certain of our products and services or eliminate some or all of our development activities. We may also reduce our marketing or other resources devoted to our products and services. Any of these options could reduce our sales growth and result in continued net losses.

***Failure of our internal controls over financial reporting could harm our business and financial results.***

Our management is responsible for establishing and maintaining effective internal control over financial reporting. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that we would prevent or detect a misstatement of our financial statements or fraud. Any growth in our business may place significant additional pressure on our system of internal control over financial reporting. Any

failure to maintain an effective system of internal control over financial reporting could limit our ability to report our financial results accurately and timely or to detect and prevent fraud. A significant financial reporting failure or material weakness in internal control over financial reporting could cause a loss of investor confidence and decline in the market price of our common stock.

### **Risks Related to our Grass Business**

*We currently have a few meaningful customers for our grass business and are starting to make progress. If we are unable to attract any customers or our existing customers do not continue operations, our grass business will suffer.*

We commenced our grass business in October 2008. Our revenues increased from 2014 to 2015 but revenues are still not at a material or significant level. While we believe we will be able to attract more customers and achieve meaningful revenues, we cannot assure you we will. There is no assurance that our potential customers will determine that using GKG for biomass or animal feed purposes will be commercially viable. Further such customers may find other grass or plant products superior to GKG for their needs. Furthermore, our customers may not be able to attract their internal financing to expand or continue their project using GKG. If any of these occur, our grass business will fail.

***We could be subject to intellectual property rights claims regarding the seedlings.***

We are subject to the risk that the seedlings we license infringe or will infringe upon patents, copyrights, trademarks or other intellectual property rights held by third parties. We acquired rights to grow GKG from a seller which we believe held such rights. If that party does not hold such rights, we may be subject to legal proceedings and claims relating to the intellectual property of others. If any such claim arises in the future, litigation or other dispute resolution proceedings may be necessary to retain our ability to offer our current and future products, which could result in substantial costs and diversion of our management resources and attention even if we prevail in contesting such claims. If we are found to have violated the intellectual property rights of others, we may be enjoined from using such intellectual property rights, incur additional costs to license or develop alternative products and be forced to pay fines and damages, any of which could materially and adversely affect our business and results of operations, or terminate our grass business entirely.

***We have a sublicense relationship with respect to the GKG license. If the license from our sublicensor is cancelled, terminated or otherwise is adversely affected, our sublicense may be materially affected.***

We sublicense our intellectual property to the GKG from VGE which licenses the intellectual property from China Gate which licenses the intellectual property from the original licensor. The term of this license is not specified. China Gate informed VGE that they have an exclusive license to the GKG in Guangdong province and North America and have granted us an exclusive sublicense to the same region. However, because we do not have a direct relationship with the holder of the intellectual property, any material adverse effect to the GKG license held by our sublicensor would affect our rights as the sublicensee. The original licensor is aware of our sublicense and has consented to it. For instance, if our sublicensor fails to perform its obligations under its license with the original licensor, we would have no recourse against the original licensor and our rights with respect to the sublicense may be materially affected.

The second term of the GKG License Agreement is for two years. As a condition to the right to renew after the second two-year term for an additional two year term, VIASPACE needs to achieve the milestones in the second two year period. If the Company does not meet these milestones, the Company would lose its GKG license and its business would fail. There are additional milestones that need to be met as a condition to renew the license for subsequent two year periods, in order for VIASPACE to maintain the license.

***Natural or man-made disasters could damage our crop production, which would cause us to suffer losses of production and a material reduction of revenues.***

GKG is subject to the risks associated with growing crops, including natural disasters such as drought, pestilence, plant diseases and insect infestations, and man-made disasters such as environmental contamination. Other man-made

incidents may damage our products, such as arson or other acts that may adversely affect our grass inventory in the winter storage season. Furthermore, natural or man-made disasters may cause farmers to migrate from the farmland, which would decrease the number of end users of our products. We are particularly susceptible to disasters or other incidents in the Guangdong province, where we have the greatest concentration of our operations. In the event of a widespread failure of our grass, we could likely sustain substantial loss of revenues and suffer substantial operating losses. We do not have insurance to protect against such a risk and we are not aware of the availability of any such insurance in China.

***Our growth prospects may be materially and adversely affected if we are unable to develop or acquire new products or to produce our existing products in sufficient quantities.***

We believe the future growth of our Company will depend on the value of our grass business for biofuel, power plant, or animal feed purposes. The ability to develop orders from customers, if at all, is uncertain due to several factors, many of which are beyond our control. These include changing customer preferences, competitive price pressures, the failure to adapt products to meet the evolving demands of customers, the development of higher-quality products by our competitors, and general economic conditions. If we are unable to develop or acquire additional products that meet the demands of our customers, if our competitors develop products that are favored by our customers, or if we are unable to produce our existing products in sufficient quantities, our growth prospects may be materially and adversely affected and our revenues and profitability may decline.

***Our plans to increase production capacity in the grass business and expand into new markets may not be successful, which will adversely affect our operating results.***

Our plans to develop our grass business and its production capacity has placed and will continue to place, substantial demands on our managerial, operational, technological and other resources. We are addressing three markets for GKG: feedstock for low-carbon liquid biofuels for transportation; fuel to burn in electricity generating power plants; and animal feed. We are also reviewing opportunities to grow grass in other areas of China, India, Indonesia, other areas of Southeast Asia and South America. These represent great opportunities for the company, but also represent a potential risk in losing focus and diluting management attention. If we fail to establish and manage the growth of our product offerings, operations and distribution channels effectively and efficiently in such business, we could suffer a material and adverse effect on our operations and our ability to capitalize on new business opportunities, either of which could materially and adversely affect our operating results.

We will need to develop new sales channels into the biofuel, electric power plant, and animal feed markets. Expansion into new markets may present operating and marketing challenges. If we are unable to anticipate the changing demands that expanding operations will impose on our production systems and distribution channels, or if we fail to develop our production systems and distribution channels to meet the demand, we could experience an increase in expenses and our results of operations could be adversely affected.

***Our financial results are sensitive to fluctuations in market prices of the products that we offer.***

The profitability of our operations is affected by the selling prices of our products. We intend to benchmark the prices of our grass against the prevailing domestic market prices of grass of similar quality and attributes, and set the prices accordingly. Historically, prices of grass and other agricultural products worldwide have been volatile, primarily due to fluctuations in supply and demand. If the prices for such products decline in the future, and we are unable sell more products and/or reduce our cost of sales, our revenues will decrease and our profitability will be adversely affected.

***If we are unable to estimate customers' future needs accurately and to match our production to the demand of our direct customers, our business, financial condition and results of operations may be materially and adversely affected.***

Due to the nature of the grass industry, we normally grow according to our production plan before we sell and deliver grass to distributors and our direct customers. The potential end users of our grass, such as biofuel providers and livestock owners, generally make purchasing decisions for our products based on market prices, economic and weather conditions and other factors that we may not be able to anticipate accurately in advance. If we fail to accurately estimate the volume and types of products sought by our customers, we may produce more grass that is in



demand by our distributors resulting in aged crops. In the event we decide not to sell the crop due to our concerns about the quality, the aged inventory could eventually be sold at greatly reduced prices. Aged inventory could result in asset impairment, in which case we would suffer a loss and incur an increase in our operating expenses. On the other hand, if we underestimate demand, we may not be able to satisfy our customers' demand for grass, and thus damage our customer relations and end-user loyalty. Our failure to estimate our customers' future needs and to match our production to the demand of our direct customers may materially and adversely affect our business, financial condition and results of operations.

***Grass prices and sales volumes may decrease in any given year with a corresponding reduction in sales, margins and profitability.***

There may be periods of instability during which commodity prices and sales volumes may fluctuate greatly. Commodities can be affected by general economic conditions, weather, disease outbreaks and factors affecting demand, such as availability of financing and competition. Our attempts to differentiate our products from those of other grass producers have not prevented the grass market from having the characteristics of a commodity market. As a result, the price we are able to demand for our grass is dependent on the size of the supply of our grass and the grass of other producers. Therefore, the potential exists for fluctuation in supply, and consequently in price, in our own markets, even in the absence of significant external events that might cause volatility. As a result, the amount of revenue that we receive in any given year is subject to change. As production levels are determined prior to the time that the volume and the market price for orders is known, we may have too much or too little product available, which may materially and adversely affect our revenues, margins and profitability.

***Risks Related To An Investment In Our Stock***

***Any future sale of a substantial number of shares of our common stock could depress the trading price of our common stock, lower our value and make it more difficult for us to raise capital.***

Any sale of a substantial number of shares of our common stock (or the prospect of sales) may depress the price of our common stock. In particular, we will need to raise additional capital to maintain any ongoing business. We anticipate that the issuance of newly-issued shares to maintain our business will likely be very dilutive. In addition, these sales could lower our value and make it more difficult for us to raise capital. Further, the timing of the sale of the shares of our common stock may occur at a time when we would otherwise be able to obtain additional equity capital on terms more favorable to us.

The Company has 3,900,000,000 authorized shares of common stock, of which 2,025,451,343 were accounted for by our transfer agent as issued and outstanding as of December 31, 2015. Of these issued and outstanding shares, 999,743,429 shares (49.4%) are currently held by our executive officers, directors, and principal shareholders including related parties (including Mr. Haris Basit, CEO; Dr. Carl Kukkonen, CTO and Director; Mr. Stephen J. Muzi, CFO; Ms. Angelina Galiteva, Director; Dr. Kevin L. Schewe, Director; Mr. Sung Hsien Chang, former director of the Company; and Inter Pacific Arts Corporation, a former subsidiary of the Company). Of the shares issued and outstanding at December 31, 2015, 998,550,394 are accounted by our transfer agent as restricted under Rule 144. These shares could be released in the future if requested by the holder of the shares, subject to volume and manner of sale restrictions under Rule 144. 1,026,900,949 shares of the Company's common stock are accounted for by our transfer agent as free trading at December 31, 2015. 30,000,000 common shares are accounted for by our transfer agent as issued and outstanding, however, for accounting purposes the Company accounts for these as unissued since they are forfeitable. Outstanding common shares excluding these forfeitable shares are 1,995,451,343 at December 31, 2015.

We cannot predict the size of future issuances of our common stock or the effect, if any, that future issuances and sales of shares of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares currently held by management and principal shareholders), or the perception that such sales could occur, may adversely affect prevailing market prices for our common stock.

***Our executive officers, directors (including current and former) and principal shareholders own 49.4% of our common stock and one director holds a share of Series A Preferred Stock entitling it to votes of 50.1% on outstanding voting matters, which allows him to control substantially all matters requiring shareholder approval, and their interests may not align with the interests of our other shareholders.***

Our executive officers, directors (including current and former) and principal shareholders hold 49.4% of our outstanding shares as of December 31, 2015. In addition, on May 14, 2010, the Company filed with the Secretary of State of the State of Nevada a Certificate of Designation of Series A Preferred Stock. The Certificate was approved by the Board and did not require shareholder vote. The Certificate created a new class of preferred stock known as Series A Preferred Stock. There is one share designated as Series A Preferred Stock. One share of Series A Preferred Stock is entitled to 50.1% of the outstanding votes on all shareholder voting matters. Series A Preferred Stock has no dividend rights and no rights upon a liquidation event and is subject to cancellation when certain conditions are met.

On May 14, 2010, the Company issued one share of Series A Preferred Stock to Mr. Chang related to the acquisition of IPA by VIASPACE and VGE. This empowers Chang with supermajority voting rights even after he holds less than a majority of outstanding voting securities. Under the term sheet relating to the VGE Recapitalization, Chang would give a proxy to Director Dr. Schewe during the term of any GKG sublicense from VGE. Dr. Schewe may be willing to provide additional financing to the Company. In the event he provides such financing, his ownership in the Company will further increase.

Effective as of September 30, 2012, and pursuant to an Agreement to Grant Voting Rights and Transfer Preferred Share executed by Chang and Director Kevin Schewe, Chang granted Schewe an irrevocable proxy that permitted Schewe to vote the Preferred Share. This proxy lasts so long as the License remained exclusive to the Company. Upon the earlier of (i) the expiration of five years or (ii) the date when the Company reached a market capitalization of at least \$50 million, the proxy would be cancelled as the Preferred Share would be transferred from Chang to Schewe.

*Our stock price is likely to be highly volatile because of several factors, including a limited public float.*

The market price of our stock is likely to be highly volatile because there has been a relatively thin trading market for our stock, which causes trades of small blocks of stock to have a significant impact on our stock price. You may not be able to resell our common stock following periods of volatility because of the market's adverse reaction to volatility.

Other factors that could cause such volatility may include:

- actual or anticipated fluctuations in our operating results;
- announcements concerning our business or those of our competitors or customers;
- changes in financial estimates by securities analysts or our failure to perform as anticipated by the analysts;
- announcements of technological or agricultural innovations;
- conditions or trends in the industry;
- introduction or withdrawal of products and services;
- variation in quarterly results due to the fact our revenues are generated by sales to a limited number of customers which may vary from period to period;
- litigation;
- patents or proprietary rights;
- departure of key personnel;
- failure to hire key personnel; and

· general market conditions.

***Because our common stock is considered a “penny stock” any investment in our common stock is considered to be a high-risk investment and is subject to restrictions on marketability.***

Our common stock is currently traded on the OTC Capital Markets (“OTCQB”) and is considered a “penny stock.” The OTCQB is generally regarded as a less efficient trading market than the NASDAQ Small Cap Market.

The SEC adopted rules that regulate broker-dealer practices in connection with transactions in “penny stocks.” Penny stocks generally are equity securities with a price of less than \$5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from those rules, to deliver a standardized risk disclosure document prepared by the SEC, which specifies information about penny stocks and the nature and significance of risks of the penny stock market. The broker-dealer also must provide the customer with bid and offer quotations for the penny stock, the compensation of the broker-dealer and any salesperson in the transaction, and monthly account statements indicating the market value of each penny stock held in the customer’s account. In addition, the penny stock rules require that, prior to a transaction in a penny stock not otherwise exempt from those rules; the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser’s written agreement to the transaction. These disclosure requirements may have the effect of reducing the trading activity in the secondary market for our common stock.

Since our common stock is subject to the regulations applicable to penny stocks, the market liquidity for our common stock could be adversely affected because the regulations on penny stocks could limit the ability of broker-dealers to sell our common stock and thus your ability to sell our common stock in the secondary market. There is no assurance our common stock will be quoted on NASDAQ or the NYSE or listed on any exchange, even if eligible.

***We have additional securities available for issuance, including preferred stock, which if issued could adversely affect the rights of the holders of our common stock.***

Our articles of incorporation authorize issuance of 3,900,000,000 shares of common and 10,000,000 shares of preferred stock. The common and preferred stock can be issued by, and the terms of the preferred stock, including dividend rights, voting rights, liquidation preference and conversion rights can generally be determined by, our Board of Directors (“BOD”) without shareholder approval. Any issuance of preferred stock could adversely affect the rights of the holders of common stock by, among other things, establishing preferential dividends, liquidation rights or voting powers. Accordingly, our shareholders will be dependent upon the judgment of our management in connection with the future issuance and sale of shares of our common and preferred stock, in the event buyers can be found therefore. Any future issuances of common or preferred stock would further dilute the percentage ownership of our Company held by the public shareholders. Furthermore, the issuance of preferred stock could be used to discourage or prevent efforts to acquire control of our Company through acquisition of shares of common stock.

In addition, on May 14, 2010, the Company filed with the Secretary of State of the State of Nevada a Certificate of Designation of Series A Preferred Stock. The Certificate was approved by the BOD and did not require shareholder vote. The Certificate created a new class of preferred stock known as Series A Preferred Stock. There is one share designated as Series A Preferred Stock. One share of Series A Preferred Stock is entitled to 50.1% of the outstanding votes on all shareholder voting matters. Series A Preferred Stock has no dividend rights and no rights upon a liquidation event and is subject to cancellation when certain conditions are met. On May 14, 2010, the Company issued one share of Series A Preferred Stock to Mr. Chang related to the acquisition of IPA by VIASPACE and VGE as discussed in footnotes. This empowers Chang with supermajority voting rights even after he holds less than a majority of outstanding voting securities.

Effective as of September 30, 2012, and pursuant to an Agreement to Grant Voting Rights and Transfer Preferred Share executed by Chang and Director Kevin Schewe, Chang granted Schewe an irrevocable proxy that permitted Schewe to vote the Preferred Share. This proxy lasts so long as the License (discussed in Note 2) remained exclusive to the Company. Upon the earlier of (i) the expiration of five years or (ii) the date when the Company reached a market capitalization of at least \$50 million, the proxy would be cancelled as the Preferred Share would be transferred from Chang to Schewe.

***Stock options issued by the Company may have an adverse impact on the market value of our common stock.***

The sale of stock issuable upon exercise of the warrants issued or issuable, or even the possibility of their sale, may adversely affect the trading market for our common stock and adversely affect the prevailing market price of our common stock. The existence of rights under such warrants to acquire our common stock at fixed prices may prove a hindrance to our efforts to raise future equity and debt funding, and the exercise of such rights will dilute the percentage ownership interest of our shareholders and may dilute the value of their ownership.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

The Company currently has no long term office lease. The Company leases land in San Diego County, California where it grows Giant King Grass. It maintains a mailing address in California, and its principal executive officers work in California.

**ITEM 3. LEGAL PROCEEDINGS**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

None.

**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Market Prices**

The shares of our common stock are principally quoted on the OTC Capital Markets ("OTCQB") under the trading symbol "VSPC" since from June 22, 2005. Prior to June 22, 2005, the Company's common stock was traded on the OTC Bulletin Board ("OTCBB") under the symbol "GWPL.OB". The first day of trading for the Company's common stock was June 4, 2004.

The following table sets forth, for the fiscal quarters indicated, the high and low sale price for our common stock, as reported on the OTCBB or OTCQB. The price information in the table below reflects inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

<b>Quarterly period</b>	<b>High</b>	<b>Low</b>
Fiscal year ended December 31, 2015:		
First Quarter	\$ .0065	\$ .0099
Second Quarter	\$ .0077	\$ .0033
Third Quarter	\$ .0052	\$ .0026
Fourth Quarter	\$ .0041	\$ .0019
Fiscal year ended December 31, 2014:		
First Quarter	\$ .0135	\$ .0090
Second Quarter	\$ .0128	\$ .0100
Third Quarter	\$ .0110	\$ .0067
Fourth Quarter	\$ .0100	\$ .0068

**Holders**

As of April 14, 2016, there were approximately 56 shareholders of record of the Company's Common Stock.



## **Dividends**

We have not paid any cash dividends on our common stock since our inception and do not anticipate paying any cash dividends on our common stock in the foreseeable future. There are no restrictions in our articles of incorporation or bylaws that prevent us from declaring dividends in the future. Our future dividend policy will be examined periodically by our BOD based upon conditions then existing, including our earnings and financial condition, capital requirements and other relevant factors.

## **Equity Compensation Plan**

Our discussion regarding the Company's equity compensation plans under which the Company's equity securities are authorized for issuance are discussed under the section titled "Equity Compensation Plan Information" under "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stock Matters" below.

## **Recent Sales of Unregistered Securities**

On November 9, 2015, the Registrant issued 4,285,714 shares of Registrant common stock to Dr. Carl Kukkonen, CTO and Director of the Company. The Registrant relied upon Section 4(2) of the Securities Act of 1933, as amended, for the offer and sale of its stock. It believed that Section 4(2) was available because the offer and sale was not a public offering of its securities and there was not general solicitation or general advertising involved in the offer or sale.

On November 30, 2015, the Registrant issued 400,000 shares of Registrant common stock to a consultant of the Company. The Registrant relied upon Section 4(2) of the Securities Act of 1933, as amended, for the offer and sale of its stock. It believed that Section 4(2) was available because the offer and sale was not a public offering of its securities and there was not general solicitation or general advertising involved in the offer or sale.

On December 22, 2015, the Registrant issued 132,754,800 shares of Registrant common stock to Kevin Schewe, Director of the Company. The Registrant relied upon Section 4(2) of the Securities Act of 1933, as amended, for the offer and sale of its stock. It believed that Section 4(2) was available because the offer and sale was not a public offering of its securities and there was not general solicitation or general advertising involved in the offer or sale.

On December 22, 2015, the Registrant issued 15,000,000 shares of Registrant common stock to Dr. Carl Kukkonen, CTO and Director of the Company. The Registrant relied upon Section 4(2) of the Securities Act of 1933, as amended, for the offer and sale of its stock. It believed that Section 4(2) was available because the offer and sale was not a public offering of its securities and there was not general solicitation or general advertising involved in the offer or sale.

### **Submission of Matters to a Vote of Security Holders**

On August 7, 2015, the Company's board of directors and a majority of its common shareholders approved a resolution to increase authorized common shares from 1,800,000,000 shares to 3,900,000,000 shares. On December 8, 2015, the Company's board of directors and a majority of its common shareholders approved a resolution to decrease the par value of the Company's preferred and common stock from \$0.001 to \$0.0001.

## **ITEM 6. SELECTED FINANCIAL DATA**

None required for Company.

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

### **VIASPACE Overview**

VIASPACE Inc. ("we", "us", "VIASPACE", or the "Company") was founded in July 1998. Its business involves renewable energy and is based on biomass, in particular our license to a dedicated energy crop with the trademark "Giant King® Grass" ("GKG"). Through a sublicense for GKG we obtained from VIASPACE Green Energy Inc. ("VGE"), we are able to commercialize GKG throughout the world, except for the People's Republic of China ("China") and the Republic of China ("Taiwan").

GKG can be burned in 100% biomass power plants to generate electricity; made into pellets that can be burned together with coal to reduce carbon emissions from existing power plants; generate bio methane through anaerobic digestion, and can be used as a feedstock for low carbon liquid biofuels for transportation, biochemicals and bio plastics. Cellulosic ethanol, bio butanol and other liquid cellulosic biofuels, do not use corn or other food sources as feedstock. GKG can also be used as animal feed. GKG and other plants absorb and store carbon dioxide from the atmosphere as they grow. When they are burned, they release the carbon dioxide back into the atmosphere, but it is the same carbon dioxide that was removed from the atmosphere, and so this process is carbon neutral. Small amounts of fossil fuel are used by the farm equipment, transportation of GKG and fertilizer, so that the overall process of growing and burning GKG probably has some net carbon dioxide emissions, but much lower emissions than burning coal or other fossil fuels directly to create the same amount of energy. GKG has been independently tested by customers and been shown to have excellent energy content, high bio methane production, and the cellulosic sugar content needed for biofuels and biochemicals.

The Company's web site is [www.VIASPACE.com](http://www.VIASPACE.com). Information contained on, or accessible through, our website should not be deemed as part of this report.

### **Critical accounting policies and estimates**

Financial Reporting Release No. 60, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies" ("FRR60") issued by the SEC, suggests companies provide additional disclosure and commentary on those accounting policies considered most critical. FRR 60 considers an accounting policy critical if it is important to the Company's financial condition and results of operations, and requires significant judgment and estimates on the part of management in its application. For a summary of the Company's significant accounting policies, including the critical accounting policies discussed below, see the accompanying notes to the financial statements.

The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates, which are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The result of these evaluations forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions. The following accounting policies discussed below require significant management judgments and estimates.

The Company has four revenue models for GKG: 1. grass plantation integrated with a power plant or processing facility such as a pellet mill under company or joint venture control; 2. contract plantation establishment, support and licensing for a customer that owns and operates the plantation and power plant; 3. collaborative agreements to establish a test plot in the customer's location to determine that GKG grows sufficiently for the customer to use in their particular application; and 4. consulting agreement services for customers considering the establishment of a grass plantation in their particular country or location. Revenue earned from collaborative agreements is comprised of negotiated payments for the operations of the test plots. Deferred revenue represents payments received which are related to future performance. For the year ending December 31, 2015 and 2014, the Company has recognized revenues under revenue models 3 and 4.

With regard to revenue recognition in connection with agreements that include multiple deliverables, management reviews the relevant terms of the agreements and determines whether such deliverables should be accounted for as a single unit of accounting in accordance with FASB ASC 605-25, Multiple-Element Arrangements. If it is determined that the items do not have stand-alone value, then such deliverables are accounted for as a single unit of accounting and any payments received pursuant to such agreement, including any upfront or development milestone payments and any payments received for support services, will be deferred and included in deferred revenue within our balance sheet until such time as management can estimate when all of such deliverables will be delivered, if ever. Management reviews and reevaluates such conclusions as each item in the arrangement is delivered and circumstances of the development arrangement change.

The Company accounts for equity instruments issued to consultants and vendors in exchange for goods and services in accordance with the provisions of FASB ASC Topic 505-50, "Accounting for Equity Instruments that are Issued to Other than Employees for Acquiring, or in Conjunction with Selling Goods or Services" and "Accounting Recognition for Certain Transactions Involving Equity Instruments Granted to Other than Employees". The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete. In the case of equity instruments issued to consultants, the fair value of the equity instrument is recognized over the term of the consulting agreement. In accordance with FASB ASC Topic 505-50, an asset acquired in exchange for the issuance of fully vested, non-forfeitable equity instruments should not be presented or classified as an offset to equity on the grantor's balance sheet once the equity instrument is granted for accounting purposes. Accordingly, the Company records the fair value of the fully vested, non-forfeitable common stock issued for future consulting services as prepaid expenses in its balance sheet.

The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. There is no assurance that actual results will not differ from these estimates.

## **Results of Operations**

### **Year Ended December 31, 2015 Compared to December 31, 2014**

#### ***Revenues***

Revenues were \$188,000 and \$153,000 for the year ended December 31, 2015 and 2014, respectively, an increase of \$35,000. The revenues relate to collaborative agreements for the joint operation of test plots to establish whether Giant King Grass grows well in customer's countries and optimal agronomic practices are developed, and also for consulting and engineering work performed for customers requesting assistance in power plant design and feasibility studies for customers considering using Giant King Grass in their energy project.

### ***Cost of Revenues***

Costs of revenues were \$87,000 and \$46,000 for the year ended December 31, 2015 and 2014, respectively, an increase of \$41,000. The costs incurred by the Company to support the collaborative agreements include travel costs and external consulting costs. The Company will send personnel or consultants to oversee the initial plantings of Giant King Grass in the customer's locations.

### ***Gross Profit***

The resulting effect on these changes in revenues and cost of revenues for the year ended December 31, 2015 compared to the same period in 2014 was a decrease in gross profit from a gross profit of \$107,000 for the year ended December 31, 2014 to gross profit of \$101,000 for the year ended December 31, 2015, a decrease of \$6,000.

### ***Operations Expenses***

Operations expenses were \$61,000 and \$57,000 for the year ended December 31, 2015 and December 31, 2014, an increase of \$4,000. Labor was higher in 2015 by \$5,000 as the Company incurred more costs to harvest and cut its Giant King Grass test plot in San Diego County. Supplies and laboratory costs were higher by \$9,000 in 2015 as the Company purchased more supplies and had performed more laboratory testing of its Giant King Grass. Travel related costs to San Diego County increased by \$2,000 in 2015 as compared to 2014 due to more visits to the test plot. Utilities were lower in 2015 compared with 2014 by \$4,000 due to lower water bills for the Giant King Grass field in San Diego County. Shipping costs were lower in 2015 than 2014 by \$3,000. Other operations expenses were lower by \$5,000 in 2015 compared with 2014. Operations expenses consist of plantation expenses related to the Company's test plot in California and costs associated with agronomy support and travel for potential customers.

### ***Selling, General and Administrative Expenses***

Selling, general and administrative expenses were \$1,376,000 and \$669,000 for the year ended December 31, 2015 and 2014, respectively, an increase of \$707,000. Stock option and stock compensation expense increased \$402,000 in 2015 as compared with 2014 due to new stock option grants in 2015 and due to shares sold to an officer at a discount to market. Accounting fees increased \$38,000 in 2015 as compared with 2014 due to the timing of audit services received in 2015 versus 2014 and due to an increase in the number of accounting transactions during the year. Legal fees increased \$23,000 in 2015 as the Company incurred more legal costs to review agreements. Consulting fees increased \$273,000 in 2015 as the Company hired a consultant to assist management and the board of directors in

corporate planning and also a hired a lobbyist to assist the Company in obtaining government contracts. Public relations expenses decreased \$68,000 in 2015 as compared with 2014 as the Company incurred reduced investor relations expenses. Insurance expenses related to the Company's director and officers' liability insurance policy increased \$14,000 in 2015 as compared with the same period in 2014 due to a higher premium. Travel costs increased \$22,000 in 2015 as compared with the same period of 2014, due to additional travel associated with conferences and new business travel costs. Royalty expense owed to VIASPACE Green Energy Inc decreased \$16,000 in 2015 as the Company incurred lower Giant King Grass royalty fees. Other selling, general and administrative expenses, net, increased \$19,000 for the year ended December 31, 2015 compared with the same period in 2014.

### ***Loss from Operations***

The resulting effect on these changes in gross profits, operations expenses, and selling, general and administrative expenses was an increase in loss from operations in 2015. For the year ended December 31, 2015, the Company had a loss from operations of \$1,336,000 compared with a loss from operations of \$619,000 for the year ended December 31, 2014, an increase of \$717,000.

### ***Interest Expense***

Interest expense was \$710,000 and \$138,000 for the year ended December 31, 2015 and 2014, respectively, an increase of \$572,000. This is due to an increase in the amount of the discount recognized by Kevin Schewe, in 2015 as compared to 2014, when loans he provided to the Company were converted to common stock.

### ***Other Income***

The Company recorded other income of \$84,000 for the year ended December 31, 2015 and \$5,000 for the year ended December 31, 2014. Other income in 2015 is comprised of a gain on minority interest in AEG. The fair value of the Company's minority interest in AEG exceeded the fair value of the asset contributed which resulted in the Company recording other income.

### ***Other Expense***

The company recorded a loss on investment in AEG of \$44,000 in the fourth quarter of 2015 due to a decrease in its fair value.





### **Liquidity and Capital Resources**

The Company's net loss for the year ended December 31, 2015 was \$2,006,000. Non-cash expenses totaled \$1,404,000 for the year ended December 31, 2015 primarily due to stock options expense, stock compensation expense, amortization of debt discount and gain on minority interest. Changes in operating assets and liabilities provided \$96,000 of cash in 2015. Net cash used by operating activities for operations was \$506,000 for the year ended December 31, 2015.

The Company has incurred significant losses from operations, resulting in an accumulated deficit of \$52,247,000 at December 31, 2015. The Company expects such losses to continue. However, on December 31, 2012, the Company entered into a Loan Agreement with Director Kevin Schewe whereby Dr. Schewe agreed to fund the Company up to \$1,000,000 over a five year period. The Company received \$388,000 from Kevin Schewe related to this Loan Agreement for the year ended December 31, 2015. Schewe completed the funding of \$1,000,000 on January 13, 2016. On January 25, 2016, Schewe entered into a new Loan Agreement whereby he agreed to fund the Company an additional \$300,000 over a one year period. The Company expects loans from Dr. Schewe and contracts from the sublicense to GKG to fund the operations for the foreseeable future. The Company expects to continue as a going concern, however no assurance can be given that Dr. Schewe will continue to fund the Company or that sales contracts will be obtained in the future, or if obtained, that such contracts will be profitable or generate cash for the Company. During 2015, we received capital of \$100,000 through the sales of unregistered shares of common stock to two third party investors. Additionally, we received capital of \$100,000 in 2015 through the sales of unregistered shares of common stock to Haris Basit, CEO of the Company and Asad Cochinwala, a principal of Almaden Energy Group, a related party. During 2015, we also received capital of \$9,000 from Dr. Carl Kukkonen, CTO of the Company. Without proceeds from additional equity financings, future net revenues or loans from Dr. Schewe, the Company could not continue as a going concern. As of April 14, 2016, the Company had remaining availability under the note of \$220,000. Based upon our cash requirements for our plan of operations and our current dividend policy of investing any available cash back into our operations, we do not plan to distribute any cash to our shareholders.

### **Contractual Obligations**

There are no long-term contractual obligations other than employment agreements as detailed below.

#### **Employment Agreements**

Effective July 10, 2015, the Company entered into a two-year employment agreement with Haris Basit, CEO of the Company. Mr. Basit will receive \$120,000 per annum and be entitled to a bonus as determined by the Company's Board of Directors and reimbursement for out-of-pocket expenses in the course of his employment. Additionally, Mr.

Basit is to receive 20 business days paid leave per year. On July 10, 2015, the Company agreed to issue Mr. Basit 25,000,000 stock options at fair market value based on the closing price of the Company's common stock as traded on the OTC Market as of July 10, 2015. These stock options are vested immediately but otherwise shall be subject to the terms of the 2015 option plan. Additionally, the Company agreed to issue Mr. Basit 18,750,000 stock options to be issued every three months (quarterly) over the term of his employment agreement which runs from July 10, 2015 through July 9, 2017, with the first issuance on October 10, 2015, at fair market value based on the closing price of the Company's common stock as traded on the OTC Market on the date of each grant. Stock options shall vest immediately upon each issuance and shall be otherwise subject to the terms of the 2015 option plan. In the case of a change of control of the Company, the issuance schedule shall be accelerated by one year. Stock options shall have an exercise term of ten years from date of issuance, not to exceed the expiration date of the 2015 option plan.

Effective October 1, 2015, the Company entered into one-year employment agreements with Carl Kukkonen and Stephen Muzi. Dr. Kukkonen serves as Chief Technology Officer of the Company and Mr. Muzi serves as Chief Financial Officer, Treasurer and Secretary. Dr. Kukkonen will receive a salary of \$120,000 per annum and Mr. Muzi would receive \$64,000 per annum. Each of them would also be entitled to customary insurance and health benefits, and reimbursement for out-of-pocket expenses in the course of his employment. Dr. Kukkonen is to receive 20 business days paid leave per year and Mr. Muzi is to receive 10 business days paid leave. Additionally, Dr. Kukkonen will be awarded a bonus of 10% of the gross revenue generated by the Company up to a maximum of \$100,000. Dr. Kukkonen will also be purchasing \$3,000 per month worth of Company unregistered common shares at a price equal to 20% of the average closing price of the Company's common stock for the 20 trading days immediately preceeding the purchase date.

#### Inflation and Seasonality

We have not experienced material inflation during the past five years. Seasonality has historically not had a material effect on our operations.

#### Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as of December 31, 2015.

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

This information is not required of smaller reporting companies.

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

The financial statements to be provided in this Annual Report on Form 10-K are included following Part IV, Item 15, commencing on page F-1.

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

None.

## **ITEM 9A. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

As of December 31, 2015, the Company carried out an assessment under the supervision and with the participation of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of our disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(1) and 15d-15(1)). Our CEO and CFO concluded that the Company's disclosure controls and procedures were not effective as of December 31, 2015.

### **Management’s Report on Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company maintains internal controls over financial reporting to include those policies and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded,

processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's ("SEC's") rules and forms, and that such information is accumulated and communicated to the Company's management, including its CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

In designing and evaluating the internal controls over financial reporting, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision and with the participation of management, including the Company's CEO and CFO, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included an assessment of the design of the Company's internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Based on this evaluation, our CEO and CFO concluded as of December 31, 2015, our internal controls over financial reporting were not effective at the reasonable assurance level due to the material weaknesses discussed below.

In light of the material weaknesses described below, we performed additional analysis and other post-closing procedures to ensure that our financial statements were prepared in accordance with generally accepted accounting principles. Accordingly, we believe that the financial statements included in this report fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented.

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

## **Inherent Limitations on the Effectiveness of Controls**

Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, no evaluation of internal control over financial reporting can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been or will be detected.

These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

## **Material Weakness and Related Remediation Initiatives**

Set forth below is a summary of the various significant deficiencies which caused management to conclude that we had the material weakness identified above. Through the efforts of management, external consultants, and our Audit Committee, we have developed a specific action plan to remediate the material weaknesses. We expect to implement these various action plans during 2016. If we are able to complete these action plans in a timely manner, we anticipate that all control deficiencies and material weaknesses will be remediated by December 31, 2016.

Our CEO and CFO concluded that as of December 31, 2015, the following material weaknesses existed:

1. Due to the Company's budget constraints, the Company's accounting department does not maintain the number of accounting personnel (either in-house or external) necessary to ensure more complete and effective financial reporting controls, resulting in audit adjustments to our 2015 financial statements.

## **Remediation of Internal Control Deficiencies and Expenditures**

It is reasonably possible that, if not remediated, the material weaknesses described above could result in a material misstatement in our reported financial statements that might result in a material misstatement in a future annual or interim period. We are developing specific action plans for each of the above material weaknesses. We are uncertain at this time of the costs to remediate all of the above listed material weaknesses.

Through these steps, we believe that we are addressing the deficiencies that affected our internal control over financial reporting as of December 31, 2015. Because the remedial actions may require hiring of additional personnel, and relying extensively on manual review and approval, the successful operation of these controls for at least several quarters may be required before management may be able to conclude that the material weaknesses have been remediated. We intend to continue to evaluate and strengthen our internal control over financial reporting systems. These efforts require significant time and resources. If we are unable to establish adequate internal control over financial reporting systems, we may encounter difficulties in the audit or review of our financial statements by our independent registered public accounting firm, which in turn may have a material adverse effect on our ability to prepare financial statements in accordance with GAAP and to comply with our Commission reporting obligations.

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

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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

Not applicable.

**PART III****ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS, CONTROL PERSONS AND CORPORATE GOVERNANCE; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT****(a) Executive Officers**

The following table sets forth our executive officers, their ages and the positions held by them. The Company's named executive officers as of December 31, 2015 include the Chief Executive Officer and the Chief Financial Officer. In addition, one additional officer of the Company's subsidiary VGE is included in accordance with disclosure requirements.

<b>Name</b>	<b>Age</b>	<b>Position Held</b>
Mr. Haris Basit	54	Chief Executive Officer and Director
Dr. Carl Kukkonen	70	Chief Technology Officer and Director
Mr. Stephen Muzi	52	Chief Financial Officer

*Haris Basit.* Mr. Basit is the Chief Executive Officer and Director of VIASPACE Inc. since July 10, 2015. He co-founded Almaden Energy Group (AEG), LLC which partners with VIASPACE to grow Giant King Grass in the USA for animal feed. Since 2012, Mr. Basit has been providing Corporate Strategy Consulting to senior executives of publicly traded companies to help identify new growth opportunities and partnerships. Mr. Basit currently serves on a technical advisory committee to UNOS, a private, non-profit organization that manages the nation's organ transplant system. He was a consultant to Liebman and Associates, the premier clean energy lobbying firm in Washington, DC. He has provided entrepreneurship mentoring for University of California Berkeley MBA students. He started his career as a Staff Engineer at IBM moving on to become a Manager at Rockwell International, a Manager at Bell Labs, Vice President of Business Development for OEA International and then Founder/CEO of both Multigig, Inc. and Mobius Power, LLC. He received his MSEE from the University of Illinois, Urbana-Champaign in 1986. He also earned a BSEE from University of Illinois, Urbana-Champaign in 1984.

*Carl Kukkonen.* Dr. Kukkonen is the Chief Technology Officer and Director of VIASPACE Inc. since 2005. He had been the Chief Executive Officer and Director of VIASPACE Green Energy Inc. since October 2008. On July 10, 2015, Dr. Kukkonen's title changed from CEO to Chief Technology Office ("CTO") after the Company hired Mr. Haris Basit to be the CEO of the Company. He was the Co-founder and Chief Executive Officer of ViaSpace Technologies LLC (predecessor of VIASPACE Inc.) from 1998 to 2005. Previously, he served as CEO and director of SpectraSensors, Inc. and ViaLogy Corp., spun-off former subsidiaries of VIASPACE Inc; and Direct Methanol Fuel Cell Corporation and Ionfinity LLC, previous subsidiaries of VIASPACE Inc. Dr. Kukkonen served as the Director of the Center for Space Microelectronics Technology and Manager of Supercomputing at the Caltech NASA Jet

Propulsion Laboratory from 1984 to 1998. From 1977 to 1984, he was the Principal Research Engineer at Ford Motor Company. Dr. Kukkonen has a B.S. in physics from the University of California at Davis and an M.S. and Ph.D. in physics from Cornell University. He was also a Post-doctoral fellow at Purdue University.

*Stephen Muzi.* Mr. Muzi has been the Chief Financial Officer, Treasurer and Secretary of VIASPACE Inc. since June 2005. He was Chief Financial Officer, Treasurer and Secretary of VIASPACE Green Energy Inc. from October 2008 to March 2015. He was the controller for SpectraSensors, Inc., a spun-off former subsidiary of VIASPACE from 2003 to 2005. He was also a controller for ViaLogy Corp., a spun-off former subsidiary of VIASPACE Inc. from 2003 to 2005. From 2004 to 2005, he also served as a consultant to Direct Methanol Fuel Cell Corporation and Ionfinity LLC, subsidiaries of VIASPACE Inc. from 2004 to 2005. Mr. Muzi joined ViaSpace Technologies LLC (predecessor of VIASPACE Inc.) in May 2000. Mr. Muzi obtained his B.S. degree from Rochester Institute of Technology and an M.B.A. from the State University of New York at Buffalo. He is a Certified Public Accountant.

**(b) Directors**

The Company's directors are as follows:

<b>Name</b>	<b>Age</b>	<b>Position Held</b>
Mr. Haris Basit	54	Chief Executive Officer and Director
Dr. Carl Kukkonen	70	Chief Technology Officer and Director
Ms. Angelina Galiteva	49	Director
Dr. Kevin L. Schewe	59	Director



*Haris Basit* – See background in Item 9 (a) under Executive Officers

*Carl Kukkonen* – See background in Item 9 (a) under Executive Officers

*Angelina Galiteva*. Director Since: April 28, 2006. Committee Memberships of Company: Member of the Compensation Committee, Member of the Corporate Governance and Nominating Committee. Independent Director: Yes. Principal Occupations for the last 5 years: Angelina Galiteva was appointed by California's Governor Jerry Brown and subsequently approved by the State Senate to the California Independent System Operator Corporation Board of Governors. The Independent System Operator is responsible for the reliable operation of the electrical grid in the state of California and for the efficient integration of the 33% Renewable Portfolio Standard mandate. Ms. Galiteva is also a Principal at NEOptions, Inc., a renewable energy and new technology product design and project development firm. Her industry experience includes serving as Executive Director of the Los Angeles Department of Water and Power and head of its Green LA, Environmental Affairs and New Product Development Organization. While at the municipal utility, she was responsible for strategic positioning and the environmental compliance departments. Her career includes working with the California ISO and Power Exchange on their initial launches and she also worked as a power analyst for the New York Power Authority. Ms. Galiteva works to advance the use of renewable energy and distributed energy technologies worldwide. In the non government organization (NGO) arena, she is the founder of the Renewables 100 Policy Institute and also serves as the Chairperson for the World Council for Renewable Energy. Both organizations are dedicated to the successful deployment of renewable energy technologies and the policies that support them on a global scale. Ms. Galiteva graduated from Pace University School of Law with a Juris Doctor degree and an LL.M. degree in Environmental and Energy Law. She specialized in electric utility strategic policy analysis and decision making focusing on pending industry transition and integration of renewable energy technologies in the utility mix.

*Kevin L. Schewe, MD*. Director Since: January 19, 2012. Kevin L. Schewe, MD, was appointed to the Board of Directors on January 19, 2012 as an independent director. He has served as Chairman of the Board of Directors since October 01, 2012. Dr. Schewe is a Board-Certified Radiation Oncologist and a Fellow of the American College of Radiation Oncology. Dr. Schewe has devoted his 27-year medical career and practice in the fight against cancer. He currently serves as Medical Director of Radiation Oncology at the Red Rocks Medical Center in Golden, Colorado. The Red Rocks Radiation Oncology Center is co-owned by Dr. Schewe and HealthONE, the Colorado Division of Hospital Corporation of America (HCA) which is the largest private operator of healthcare facilities in the world and listed on the New York Stock Exchange. Dr. Schewe has also developed a premium line of skin care and cosmetic products designed to help naturally heal, protect, repair and subsequently maintain not only the damaged skin of cancer patients, but also individuals who have experienced skin damage resulting from aging, dryness, UV exposure, other illnesses, and environmental pollution. These products are manufactured and sold by Dr. Schewe's company Elite Therapeutics. Dr. Schewe received his Bachelor of Arts Degree in Biology at the University of Missouri and his medical degree at the University of Missouri School of Medicine.

## **Family Relationships**

There are no family relationships between or among any of the current directors, executive officers or persons nominated or charged by the Company to become directors or executive officers.

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

None of our directors or executive officers has, during the past five years:

· been convicted in a criminal proceeding or been subject to a pending criminal proceeding (excluding traffic violations and other minor offences);

· had any bankruptcy petition filed by or against any business of which he was a general partner or executive officer, either at the time of the bankruptcy or within two years prior to that time;

· been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, futures, commodities or banking activities; or

· been found by a court of competent jurisdiction (in a civil action), the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

· been the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of:.

(i) any federal or state securities or commodities law or regulation;

any law or regulation respecting financial institutions or insurance companies including, but not limited to, a  
(ii) temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or

(iii) any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member. (covering stock, commodities or derivatives exchanges, or other SROs).

#### **Section 16(a) Beneficial Ownership Reporting Compliance**

Not applicable.

#### **Code of Ethics**

The Company adopted a code of ethics that applies to its principal: executive officers, financial officer, accounting officer or controller, or persons performing similar functions. The text of the Company's code of ethics is available on the Company's website, [www.viaspace.com](http://www.viaspace.com). A copy of the Company's code of ethics may be obtained free of charge by contacting the Company at the address or telephone number listed on the cover page hereof.

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

*Audit Committee.* On October 20, 2005, our BOD established an Audit Committee. Our Audit Committee has the authority to retain and terminate the services of our independent accountants, reviews annual financial statements, considers matters relating to accounting policy and internal controls and reviews the scope of annual audits. The Company does not currently have an independent member of the BOD serving as the audit committee's financial expert that meets the definition under Item 401(e) of Regulation S-K. The Audit Committee held no meetings in 2015.

*Compensation Committee.* On October 20, 2005, our BOD established a Compensation Committee. Our Compensation Committee reviews, approves and makes recommendations regarding our compensation policies, practices and procedures to ensure that legal and fiduciary responsibilities of the BOD are carried out and that such policies, practices and procedures contribute to our success. The Compensation Committee is responsible for the determination of the compensation of our chief executive officer, and shall conduct its decision making process with respect to that issue without the chief executive officer present. The Compensation Committee held no meetings in 2015.

*Governance and Nominating Committee.* On October 20, 2005, our BOD established a Governance and Nominating Committee. This committee's role is to make recommendations to the full BOD as to the size and composition of the BOD and its committees, and to evaluate and make recommendations as to potential candidates. The Governance and Nominating Committee may consider candidates recommended by shareholders as well as from other sources such as other directors or officers, third party search firms or other appropriate sources. For all potential candidates, the Governance and Nominating Committee may consider all factors it deems relevant, such as a candidate's personal integrity and sound judgment, business and professional skills and experience, independence, knowledge of the industry in which we operate, possible conflicts of interest, diversity, the extent to which the candidate would fill a present need on the BOD, and concern for the long-term interests of the shareholders. In general, persons recommended by shareholders will be considered on the same basis as candidates from other sources. The Governance and Nominating Committee held no meetings in 2015.

## **ITEM 11. EXECUTIVE COMPENSATION**

The following table shows the annual compensation paid by us to Mr. Haris Basit, our principal executive officer, for the year ended December 31, 2015 and our executive officers who were paid more than \$100,000 per annum. Other than the officers listed, no other officer had total compensation during either of the previous two years of more than \$100,000. The Named Executive Officers are the Company's Chief Executive Officer, Chief Technology Officer and Chief Financial Officer.

**SUMMARY COMPENSATION TABLE**

(a) Name and Principal Position	(b) Year	(c) Salary (\$)	(d) Bonus (\$)	(e) Stock Awards (\$)(3)	(f) Option Awards (\$)(1)	(g) All Other Compensation (\$)(2)	(h) Total (\$)
Haris Basit Chief Executive Officer of Company	2015	57,097	–	–	139,631	–	196,728
Carl Kukkonen, Chief Technology Officer of Company	2015	129,017	1,429	–	95,941	19,966	246,353
	2014	166,036	–	–	18,334	19,894	204,264
	2013	161,200	–	–	2,187	19,726	183,113
Stephen J. Muzi, Chief Financial Officer, Treasurer and Secretary of Company	2015	63,740	–	–	43,392	15,874	123,006
	2014	62,264	–	–	9,167	16,635	88,066
	2013	60,450	–	–	1,093	15,018	76,561

Column (f) represents the dollar amount recognized as compensation expense for financial statement reporting purposes for each year under FASB ASC Topic 718, Share-Based Payment, and not an amount paid to or realized (1) by the Named Executive Officer. Assumptions used in the calculation of this amount are included in the footnotes to the Company's audited financial statements. There can be no assurance that the amounts determined by FASB ASC Topic 718 will ever be realized.

In 2013-2015, Dr. Kukkonen's health insurance coverage was reimbursed to him directly in cash, which amount is (2) included above in column g. Amounts shown for Mr. Muzi represent health insurance coverage paid by the Company directly to the health insurance provider on his behalf.

Dr. Kukkonen deferred a portion of his 2009, 2010 and 2011 stock awards and is entitled to the following (3) unregistered shares of Company common stock at December 31, 2015: 11,195,707 shares for deferred 2009 compensation; 8,467,939 shares for deferred 2010 compensation; and 24,730,678 shares for deferred 2011 compensation. These shares have not been issued yet.

**Narrative Disclosure to Summary Compensation Table*****Employment Agreements and Arrangements***

Effective July 10, 2015, the Company entered into a two-year employment agreement with Haris Basit, CEO of the Company. Mr. Basit will receive \$120,000 per annum and be entitled to a bonus as determined by the Company's Board of Directors and reimbursement for out-of-pocket expenses in the course of his employment. Additionally, Mr. Basit is to receive 20 business days paid leave per year. On July 10, 2015, the Company agreed to issue Mr. Basit

25,000,000 stock options at fair market value based on the closing price of the Company's common stock as traded on the OTC Market as of July 10, 2015. These stock options are vested immediately but otherwise shall be subject to the terms of the 2015 option plan. Additionally, the Company agreed to issue Mr. Basit 18,750,000 stock options to be issued every three months (quarterly) over the term of his employment agreement which runs from July 10, 2015 through July 9, 2017, with the first issuance on October 10, 2015, at fair market value based on the closing price of the Company's common stock as traded on the OTC Market on the date of each grant. Stock options shall vest immediately upon each issuance and shall be otherwise subject to the terms of the 2015 option plan. In the case of a change of control of the Company, the issuance schedule shall be accelerated by one year. Stock options shall have an exercise term of ten years from date of issuance, not to exceed the expiration date of the 2015 option plan.

Effective October 1, 2015, the Company entered into one-year employment agreements with Carl Kukkonen and Stephen Muzi. Dr. Kukkonen serves as Chief Technology Officer of the Company and Mr. Muzi serves as Chief Financial Officer, Treasurer and Secretary. Dr. Kukkonen will receive a salary of \$120,000 per annum and Mr. Muzi would receive \$64,000 per annum. Each of them would also be entitled to customary insurance and health benefits, and reimbursement for out-of-pocket expenses in the course of his employment. Dr. Kukkonen is to receive 20 business days paid leave per year and Mr. Muzi is to receive 10 business days paid leave. Additionally, Dr. Kukkonen will be awarded a bonus of 10% of the gross revenue generated by the Company up to a maximum of \$100,000. Dr. Kukkonen will also be purchasing \$3,000 per month worth of Company unregistered common shares at a price equal to 20% of the average closing price of the Company's common stock for the 20 trading days immediately preceeding the purchase date.

*Stock Option Grants*

The following table provides information on stock options granted in 2015 to each of the Company's Named Executive Officers. There can be no assurance that the Grant Date Fair Value of Stock and Option Awards will ever be realized.

**VIASPACE INC.****GRANTS OF PLAN-BASED AWARDS**

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stocks or	All Other Option Awards: Number of Securities Underlying	Exercise or Base Price of Option	Grant Date Fair Value of Stock and Option
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (\$)	Target (\$)	Maximum (\$)				
Carl Kukkonen	6/22/15								7,072,500	\$0.0040	\$25,894
Haris Basit	7/10/15								25,000,000	\$0.0031	\$70,892
Carl Kukkonen	9/18/15								35,000,000	\$0.0041	\$131,591
Stephen Muzi	9/18/15								23,250,000	\$0.0041	\$87,414
Haris Basit	10/9/15								18,750,000	\$0.0040	\$68,739

(1) Options allow the grantee to purchase a share of VIASPACE common stock for the fair market value of a share of VIASPACE Common Stock on the grant date. Options above vested immediately. If a grantee's employment is terminated, options that are then vested expire within three months of termination and unvested options expire immediately.

(2) Represents the aggregate FASB ASC Topic 718 values of options granted during the year. There can be no assurance that the options will ever be exercised (in which case no value will be realized by the executive) or that the value on exercise will equal the FASB ASC Topic 718 value.

**Outstanding Equity Awards at Fiscal Year End**

The following table shows the number of equity awards held by the Company's Named Executive Officers on December 31, 2015.

**VIASPACE INC.****OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END****DECEMBER 31, 2015****OPTION AWARDS****STOCK AWARDS**

Name	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Exercisable Options (b)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (g)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (#)
Carl Kukkonen	9,890,111	—	—	\$0.0028	7/30/22	—	—	—	—



Stephen Muzi	7,417,580	—	—	\$0.0028	7/30/22	—	—	—	—
Carl Kukkonen	7,072,500	—	—	\$0.0040	6/22/25	—	—	—	—
Haris Basit	25,000,000	—	—	\$0.0031	7/10/25	—	—	—	—
Carl Kukkonen	35,000,000	—	—	\$0.0041	9/18/25	—	—	—	—
Stephen Muzi	23,250,000	—	—	\$0.0041	9/18/25	—	—	—	—
Haris Basit	18,750,000	—	—	\$0.0040	10/9/25	—	—	—	—

There were no shares of the Company's common stock acquired during 2015 upon the exercise of the options.

### **Director Compensation**

The following chart summarizes the annual compensation for the Company's non-employee directors during 2015.

### **Director Compensation**

(a) Name	(b) Fees Earned (\$)	(c) Stock Awards (\$)	(d) Option Awards (\$ (1))	(e) All Other Compensation (\$)	(f) Total (\$)
Angelina Galiteva	—	—	\$19,419	—	\$19,419
Kevin L. Schewe	—	—	\$124,082	—	\$124,082

Column (d) represents the dollar amount recognized as compensation expense for financial statement reporting purposes for 2015 under FASB ASC Topic 718, and not an amount paid to or realized by the Director. The amount (1) shown includes all awards granted. Assumptions used in the calculation of this amount are included in the Company's financial statement footnotes. There can be no assurance that the amounts determined by FASB ASC Topic 718 will ever be realized.

**Narrative Disclosure to Director Compensation Table*****Compensation of Non-employee Directors***

On September 18, 2015, 46,000,000 stock options were granted to Mr. Kevin Schewe as a stock award for board of director services and on September 18, 2015, 7,750,000 stock options were granted to Ms. Galiteva as a stock award for board of director services. The price of the stock options was the closing market price on the date of grant. The stock options for Dr. Schewe and Ms. Galiteva vested 50% on September 18, 2015 with the remaining 50% vesting over two years. During 2015, no cash compensation was paid to non-employee directors. Directors of the Company, who are employees of the Company, do not receive additional compensation for their services as Directors.

**Retirement Plans**

The Company does not have any retirement plans at December 31, 2015.

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

The following table sets forth certain information regarding beneficial ownership of our common stock as of April 14, 2016 by (i) each person who beneficially owns more than 5% of all outstanding shares of our common stock, (ii) each director and the executive officer identified below, and (iii) all directors and executive officers as a group. The mailing address for each person identified in this table is 382 N. Lemon Ave., Suite 364, Walnut, California 91789.

Name	Number of Shares Beneficially Owned	Exercisable Options Beneficially Owned (a)	Total Number of Shares and Exercisable Options Beneficially Owned	Percent of Class of Common Stock (b)
Directors:				
Haris Basit, CEO	14,285,714	43,750,000	58,035,714	2.4%
Carl Kukkonen, CTO (c)	74,322,025	40,295,944	114,617,969	4.8%

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Angelina Galiteva	903,764	5,166,667	6,070,431	0.3%
Kevin L. Schewe, MD	675,425,857	30,666,667	706,092,524	29.4%
Other Named Officers:				
Stephen J. Muzi, CFO	19,443,694	22,917,580	42,361,274	4.8%
All Named Executive Officers and Directors as a group (5 persons)	784,381,054	142,796,858	927,177,912	38.7%
Other 5% Owners:				
Sung Hsien Chang (d)	248,004,371	–	248,004,371	10.3%
Inter Pacific Arts Corporation (e)	135,691,337	–	135,691,337	5.7%

(a) Includes only options that become exercisable on or before June 14, 2016 and excludes options that become exercisable after such date.

(b) The percent of Common Stock owned is calculated using the sum of the number of shares of Common Stock owned as of April 14, 2016 and the number of options of the beneficial owner that are exercisable on or before June 14, 2016 divided by the sum of the number of shares of Common Stock outstanding as of April 14, 2016 and the number of options of the beneficial owner that are exercisable on or before June 14, 2016.

(c) Dr. Kukkonen deferred a portion of his 2009, 2010 and 2011 salary and is entitled to 44,394,324 unregistered shares of Company common stock which is not included in the number of shares beneficially owned since they have not been issued yet.

(d) Mr. Chang is a former director of the Company, President of VIASPACE Green Energy Inc. and CEO of IPA BVI and IPA China, all former subsidiaries of the Company. Shares shown include those owned by Mr. Chang directly and shares held by Changs LLC and the Chang Family Foundation. Shares shown do not include those owned by Mr. Chang's adult children.

(e) Inter Pacific Arts Corporation is a former subsidiary of the Company and is controlled by former director Mr. Chang.

**Equity Compensation Plans**

The following table summarizes information about the options and warrants under the Company's equity plans as of the close of business on December 31, 2015:

**Equity Compensation Plan Information**

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders for VIASPACE	183,230,441	\$ 0.0038	715,047,252
Equity compensation plans not approved by security holders	—	—	—
Total	183,230,441	\$ 0.0038	715,047,252

Our current stock option plans (the "Plans") are explained in detail in the footnotes to the accompanying financial statements and provide for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock and other awards to the Company's employees, officers, directors or consultants.

Our BOD, with assistance from the executive officers of the Company, administers the Plans, selects the individuals to whom options will be granted, determines the number of options to be granted, and the term and exercise price of each option. Stock options granted pursuant to the terms of each of the Plans generally cannot be granted with an exercise price of less than 100% of the fair market value on the date of the grant for incentive stock options (110% of the fair market value on the date of the grant for employees that own 10% or more of Company stock). In the case of non-qualified stock options, the exercise price shall not be less than 85% of fair market value on the date of the grant. The term of the options granted under the Plans cannot be greater than 10 years. Options vest at varying rates for employees, directors and consultants.

**Changes in Control Arrangements**

No change in control arrangements existed at December 31, 2015.

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

Other than as listed below, we have not been a party to any significant transactions, proposed transactions, or series of transactions, and in which, to our knowledge, any of our directors, officers, five percent beneficial security holders, or any member of the immediate family of the foregoing persons has had or will have a direct or indirect material interest.

**Due to Dr. Carl Kukkonen**

The Company has a payable of \$640,000 at December 31, 2015 and December 31, 2014 owed to Dr. Kukkonen, CTO of the Company. Of the amount to Dr. Kukkonen, there is a cash component totaling \$136,000 and a common stock component totaling \$504,000. Dr. Kukkonen deferred a portion of his 2009, 2010 and 2011 stock awards and is entitled to the following unregistered shares of Company common stock at December 31, 2015: 11,195,707 shares for deferred 2009 compensation; 8,467,939 shares for deferred 2010 compensation; and 24,730,678 shares for deferred 2011 compensation. These shares have not been issued yet.

### Loan Agreement with Dr. Kevin Schewe

Effective September 30, 2012, the Company entered into a Loan Agreement with Director Kevin Schewe whereby Dr. Schewe agreed to loan up to \$1 million to the Company over a five-year period based on requests from the Company. The loans would be evidenced by a Secured Convertible Note. Each individual loan will accrue interest at 6% per annum and are secured by all assets of the Company. Each note would mature on the second anniversary of the issuance date of such note. Each note is convertible at Dr. Schewe's request, into a fixed number of shares of the Company's common stock based on the closing price of the Company's common stock for the twenty trading days prior to the issuance of the loan, less a 50% discount. On August 31, 2015, the Board voted to change the discount that Dr. Schewe will receive on conversions of loans into common stock from a discount of 50% to a discount of 80%. In connection with the separation from VGE, Dr. Schewe was granted an irrevocable proxy that permits him to vote the Preferred Share, giving him the majority shareholder vote. As the controlling shareholder of the Company he has the ability to increase the number of authorized shares without additional shareholder approval. As such, if the outstanding balance on the loan was convertible into more shares than the Company has authorized, he has the ability to increase the authorized shares. As a result, the conversion feature is not deemed to be a derivative instrument subject to bifurcation. Schewe completed the funding of \$1,000,000 on January 13, 2016. On January 25, 2016, Schewe entered into a new Loan Agreement whereby he agreed to fund the Company an additional \$300,000 over a one year period.

From January 1, 2015 through December 31, 2015, Dr. Schewe made loans of \$388,000 to the Company. The Company recorded a discount on the loans of \$709,000 as a result of a beneficial conversion feature, which will be amortized over the term of the note on a straight-line basis, which approximates the effective interest method. During 2015, Dr. Schewe converted loans totaling \$388,000 into 321,767,290 common shares of the Company. At the time of the conversions, the company recorded the discount as additional interest expense. As of December 31, 2015, the Company had remaining availability under the note of \$5,000.

### Agreement with Winergy

On December 18, 2013, the Company entered into a Representation in Pakistan and Giant King Grass supply contract with Winergy Pakistan Private Limited ("Winergy"), a company incorporated and existing under the laws of Pakistan. Mr. Khurram Irshad, a director of the Company, is a director and shareholder of Winergy. Winergy was also appointed the exclusive representative of the Company in Pakistan. Winergy is developing bioenergy and animal feed projects in Pakistan and seeking a biomass source. The Company's Giant King Grass will be supplied to Winergy and a propagation nursery and test plot is to be established in Pakistan. Winergy will operate and pay the expenses for a Giant King Grass propagation nursery and test plot in Pakistan. Winergy paid a one-time fee of \$5,000 to the Company upon the signing of the contract. The Company expects to receive additional license fees in the future from Winergy when they are able to secure relationships with customers who will use the Company's Giant King Grass in their particular application. No revenues were received from Winergy in 2015.

Almaden Energy Group, LLC

On April 13, 2015, the Company entered into a Giant King Grass supply contract with Almaden Energy Group, LLC. (“AEG”). AEG is developing an animal feed project in the United States for the domestic and global market. The Company granted AEG a license to grow Giant King Grass only for animal feed, nursery and research purposes anywhere within the 48 contiguous United States. AEG is permitted to sell Giant King Grass anywhere in the world with the exception of the State of Hawaii. AEG will provide funding to the Company in return for the Company providing seedlings and technical support and training to establish the initial 25 acres plantation in Imperial County, CA. Twenty-six acres were leased of which 20 acres were planted in August 2015. Additional acres will be planted in spring of 2016.

As part of the supply contract, the Company was issued 25% equity ownership in AEG and one designated board seat provided that the Company maintains an equity ownership position greater than 5%. As part of the Company’s agreement with director Khurram Irshad, the Company is required to issue 25% of its equity ownership interest in AEG to Mr. Irshad. After this transfer is completed, the Company will own 18.75% of AEG. The Company completed this transfer on January 30, 2016 to Mr. Irshad. At December 31, 2015, the Company recorded \$84,375 as an Investment in AEG on its Balance Sheet representing the fair value estimate of the Company’s minority interest in AEG. We also recorded other income in the Company’s Statement of Operations for this same amount during the second quarter of 2015.

As discussed in Note 6, on April 14, 2015, two principals of AEG invested \$100,000 to purchase unregistered shares of the Company’s common stock. One of these investors, Mr. Haris Basit, became CEO and director of the Company on July 10, 2015 and is also the CEO of AEG. The other investor was Asad Cochinwala who is CFO of AEG. In total, 28,571,428 common shares of the Company are owned by the founding partners of AEG, Mr. Basit and Mr. Cochinwala. Additionally, as discussed in Note 6, the Company entered into a Subscription Agreement with Dr. Kukkonen, CTO of the Company, to purchase 4,285,714 shares of common stock at a purchase price of \$0.0007 per share for \$3,000.

**Director Independence**

Our BOD has determined that it currently has one member who qualifies as “independent” as the term is used in Item 407 of Regulation S-K as promulgated by the SEC and in the listing standards of The Nasdaq Stock Market, Inc. - Marketplace Rule 4200. The independent director is: Ms. Angelina Galiteva.

## ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

	2015	2014
Audit Fees – Hein & Associates LLP	\$71,389	\$35,200
Other Fees	–	–
	\$71,389	\$35,200

### Policy on Audit Committee Pre-Approval of Audit and Permissible Non-audit Services of Independent Auditors

Consistent with SEC policies regarding auditor independence, our Audit Committee has the responsibility for appointing, setting compensation and overseeing the work of the independent auditor. In recognition of this responsibility, the Audit Committee has established a policy to pre-approve all audit and permissible non-audit services provided by the independent auditor.

Prior to engagement of the independent auditor for the next year's audit, management will submit an aggregate of services expected to be rendered during that year for each of four categories of services to the Audit Committee for approval.

**Audit** services include audit work performed in the preparation of financial statements, as well as work that

- generally only the independent auditor can reasonably be expected to provide, including comfort letters, statutory audits, and attest services and consultation regarding financial accounting and/or reporting standards.

**Audit-Related** services are for assurance and related services that are traditionally performed by the independent

- auditor, including due diligence related to mergers and acquisitions, employee benefit plan audits, and special procedures required to meet certain regulatory requirements.

**Tax** services include all services performed by the independent auditor's tax personnel except those services

- specifically related to the audit of the financial statements, and includes fees in the areas of tax compliance, tax planning, and tax advice.

- Other Fees** are those associated with services not captured in the other categories.

Prior to the engagement, the Audit Committee pre-approves these services by category of service. The fees are budgeted and the Audit Committee requires the independent auditor and management to report actual fees versus the



budget periodically throughout the year by category of service. During the year, circumstances may arise when it may become necessary to engage the independent auditor for additional services not contemplated in the original pre-approval. In those instances, the Audit Committee requires specific pre-approval before engaging the independent auditor.

The Audit Committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting.

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibit Number	Description of Exhibit
3.1 (i)	Articles of Incorporation of the Company (incorporated herein by reference to Exhibit 1.1 of the Company's SB-2 Registration Statement filed on November 21, 2003).
3.2 (i)	Amendment to Articles of Incorporation dated August 3, 2005 (incorporated by reference to Item 5.03 of the Company's Form 8-K filed on August 9, 2005).
3.3 (i)	Amendment to Articles of Incorporation dated May 9, 2005 (incorporated herein by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-QSB for the quarter ended September 30, 2005).
3.4 (i)	Amendment to Articles of Incorporation dated June 1, 2005 (incorporated herein by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-QSB for the quarter ended September 30, 2005).
3.5 (i)	Articles of Merger between Global-Wide Publication Ltd. and ViaSpace Technologies LLC dated June 17, 2005 (incorporated by reference to Exhibit 3.3 of the Company's Quarterly Report on Form 10-QSB for the quarter ended September 30, 2005).
3.6 (i)	Amendment to Articles of Incorporation dated October 12, 2006 (incorporated herein by reference to Item 5.03 of the Company's Form 8-K filed October 17, 2006).
3.7 (i)	Amendment to Articles of Incorporation dated December 7, 2007 (incorporated herein by reference to Exhibit 10.3 of the Company's Form 8-K filed December 13, 2007).
3.8 (i)	Amendment to Articles of Incorporation dated February 14, 2008 (incorporated herein by reference to Exhibit 10.1 of the Company's Form 8-K filed February 21, 2008).
3.9 (i)	Amendment to Articles of Incorporation dated December 31, 2013 (incorporated herein by reference to Exhibit 10.1 of the Company's Form 8-K filed January 3, 2014).
3.9 (j)	Amendment to Articles of Incorporation dated August 5, 2015 (incorporated herein by reference to Exhibit 3.1 of the Company's Form 8-K filed August 10, 2015).
3.9 (k)	Amendment to Articles of Incorporation dated December 8, 2015 (incorporated herein by reference to Exhibit 3.1 of the Company's Form 8-K filed December 10, 2015).
3.1 (ii)	Bylaws of the Company (incorporated herein by reference to Exhibit 2.1 of the Company's SB-2 Registration Statement filed on November 21, 2003).
3.2 (ii)	Amendment to Bylaws of the Company December 7, 2007 (incorporated herein by reference to Exhibit 10.4 of the Company's Form 8-K filed December 13, 2007).
3.3	Certificate of Designation dated May 14, 2010 (incorporated herein by reference to Exhibit 3.1 of the Company's Form 8-K filed May 18, 2010).
10.1	VIASPACE Inc. 2005 Stock Incentive Plan dated October 20, 2005 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on October 26, 2005).
10.1A	Amendment to 2005 Stock Incentive Plan dated May 18, 2006 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on May 23, 2006).
10.1B	Amendment to 2005 Stock Incentive Plan dated December 7, 2007 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on December 13, 2007).
10.1C	Amendment to 2005 Stock Incentive Plan dated February 14, 2008 (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed on February 21, 2008).
10.1D	

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- Amendment to 2005 Stock Incentive Plan dated February 14, 2008 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K/A filed on April 4, 2008).
- 10.1E VIASPACE Inc. 2015 Stock Incentive Plan dated August 5, 2015 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on August 10, 2015).
- 10.2 VIASPACE Inc. 2005 Non-Employee Director Option Plan dated October 20, 2005 (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed on October 26, 2005).
- 10.3 VIASPACE Inc. 2006 Non-Employee Director Option Plan dated February 13, 2006 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on February 16, 2006).
- 10.4 Compensation Package for Outside Members of the Board Directors of VIASPACE Inc. dated October 20, 2005 (incorporated by reference to Exhibit 10.3 of the Company's Form 8-K filed on October 26, 2005).
- 10.5 2006 Compensation Package for Outside Members of the Board of Directors of VIASPACE Inc. dated February 13, 2006 (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed on February 16, 2006).
- 10.6 Service and Support Agreement dated February 28, 2008 between the Company and E2 Corp. (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed March 5, 2008).

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
10.7	Securities Purchase Agreement dated October 21, 2008 by and among the Registrant, VIASPACE Green Energy Inc., Sung Hsien Chang and China Gate Technology Co. Ltd. (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed October 27, 2008).
10.8	Shareholders Agreement dated October 21, 2008 by and among the Registrant, VIASPACE Green Energy Inc., and Sung Hsien Chang (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed October 27, 2008).
10.9	Amendment to Securities Purchase Agreement dated June 22, 2009 by and among the Registrant, VIASPACE Green Energy Inc., Sung Hsien Chang and China Gate Technology Co., Ltd. (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed June 26, 2009).
10.10	Amendment No. 2 to Securities Purchase Agreement dated August 21, 2009 by and among the Registrant, VIASPACE Green Energy Inc., Sung Hsien Chang and China Gate Technology Co., Ltd. (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed August 25, 2009).
10.11	Amendment No. 3 to Securities Purchase Agreement dated August 21, 2009 by and among the Registrant, VIASPACE Green Energy Inc., Sung Hsien Chang and China Gate Technology Co., Ltd. (incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q filed November 16, 2009).
10.12	Amendment No. 4 to Securities Purchase Agreement dated November 21, 2009 by and among the Registrant, VIASPACE Green Energy Inc. and Sung Hsien Chang (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed November 23, 2009).
10.13	Amendment No. 5 to Securities Purchase Agreement dated November 25, 2009 by and among the Registrant, VIASPACE Green Energy Inc. and Sung Hsien Chang (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed November 30, 2009).
10.14	Amendment No. 6 to Securities Purchase Agreement dated December 18, 2009 by and among the Registrant, VIASPACE Green Energy Inc. and Sung Hsien Chang (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed December 21, 2009).
10.15	Share Purchase Agreement dated April 16, 2010 by and among the Registrant and Sung Hsien Chang (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed April 20, 2010).
10.16	Amendment to Share Purchase Agreement dated May 14, 2010 by and among Registrant, Sung Chang, certain other VGE shareholders and the other parties set forth therein (incorporated herein by reference to Exhibit 10.1 of the Company's Form 8-K filed May 18, 2010).
10.17	Security Agreement dated May 14, 2010 by and between the Registrant and Sung Chang (incorporated herein by reference to Exhibit 10.2 of the Company's Form 8-K filed May 18, 2010).
10.18	Stock Pledge Agreement dated May 14, 2010 by and between the Registrant and Sung Chang (incorporated herein by reference to Exhibit 10.3 of the Company's Form 8-K filed May 18, 2010).
10.19	Registration Rights Agreement dated May 14, 2010 by and between the Registrant and Chang (incorporated herein by reference to Exhibit 10.6 of the Company's Form 8-K filed May 18, 2010).
10.20	Secured Promissory Note dated May 14, 2010 by and between Registrant and Chang (incorporated herein by reference to Exhibit 10.7 of the Company's Form 8-K filed May 18, 2010).
10.20A	Amendment to Secured Promissory Note dated May 16, 2011 by and between Registrant and Chang (incorporated herein by reference to Exhibit 10.1 of the Company's Form 10-Q filed May 16, 2011).
10.21	Recapitalization Agreement dated September 30, 2012 by and among the Registrant, VIASPACE Green Energy Inc. ("VGE"), Sung Chang, Changs LLC, Carl Kukkonen and Stephen Muzi (incorporated by reference to Exhibit 10.01 of the Company's Form 8-K filed October 5, 2012).
10.22	Supply License and Commercialization Agreement dated September 30, 2012 by and among the Registrant and VGE (incorporated by reference to Exhibit 10.02 of the Company's Form 8-K filed October 5, 2012).
10.23	

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- 10.24 Loan Agreement dated September 30, 2012 by and between the Registrant and Dr. Kevin Schewe (incorporated by reference to Exhibit 10.03 of the Company's Form 8-K filed October 5, 2012).  
Form of Secured Convertible Note (incorporated by reference to Exhibit 10.04 of the Company's Form 8-K filed October 5, 2012).
- 10.24A Amendment to Form of Secured Convertible Note dated October 28, 2014 (incorporated by reference to Exhibit 10.3 of the Company's Form 8-K filed October 31, 2014).
- 10.25 Security Agreement dated September 30, 2012 by and between the Registrant and Dr. Kevin Schewe (incorporated by reference to Exhibit 10.05 of the Company's Form 8-K filed October 5, 2012).  
Mutual Limited Release dated September 30, 2012 by and among the Registrant, VGE, Schewe, Kukkonen, Muzi, Chang and the other parties listed therein (incorporated by reference to Exhibit 10.06 of the Company's Form 8-K filed October 5, 2012).
- 10.26 Lock-up Agreement dated September 30, 2012 by and among VIASPACE and the other parties listed therein (incorporated by reference to Exhibit 10.07 of the Company's Form 8-K filed October 5, 2012).
- 10.27 Kukkonen Employment Agreement dated October 10, 2012 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed October 11, 2012).
- 10.28

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
10.28A	Kukkonen Employment Agreement dated October 9, 2013 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed October 11, 2013).
10.28B	Kukkonen Employment Agreement dated October 28, 2014 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed October 31, 2014).
10.28C	Amendment to Kukkonen Employment Agreement dated June 22, 2015 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed June 23, 2015).
10.28D	Kukkonen Employment Agreement dated October 8, 2015 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed October 14, 2015).
10.29	Muzi Employment Agreement dated October 10, 2012 (incorporated by reference to Exhibit 10.3 of the Company's Form 8-K filed October 11, 2012).
10.29A	Muzi Employment Agreement dated October 9, 2013 (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed October 11, 2013).
10.29B	Muzi Employment Agreement dated October 28, 2014 (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed October 31, 2014).
10.29C	Muzi Employment Agreement dated September 24, 2015 (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed September 30, 2015).
10.30	Kukkonen, Muzi and Galiteva Lock Up Agreement dated October 10, 2012 (incorporated by reference to Exhibit 10.3 of the Company's Form 8-K filed October 11, 2012).
10.31	Senior Secured Convertible Promissory Note dated October 23, 2012 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed October 23, 2012).
10.32	Senior Secured Convertible Promissory Note dated November 27, 2012 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed November 29, 2012).
10.33	Senior Secured Convertible Promissory Note dated December 31, 2012 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed December 31, 2012).
10.34	Senior Secured Convertible Promissory Note dated January 30, 2013 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed January 31, 2013).
10.35	Senior Secured Convertible Promissory Note dated February 25, 2013 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed February 25, 2013).
10.36	Senior Secured Convertible Promissory Note dated March 28, 2013 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed April 1, 2013).
10.37	Senior Secured Convertible Promissory Note dated April 25, 2013 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed April 30, 2013).
10.38	Senior Secured Convertible Promissory Note dated May 29, 2013 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed May 31, 2013).
10.39	Senior Secured Convertible Promissory Note dated June 24, 2013 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed June 25, 2013).
10.40	Senior Secured Convertible Promissory Note dated July 29, 2013 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed July 31, 2013).
10.41	Senior Secured Convertible Promissory Note dated August 28, 2013 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed August 29, 2013).
10.42	Senior Secured Convertible Promissory Note dated September 24, 2013 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed September 26, 2013).
10.43	Senior Secured Convertible Promissory Note dated October 25, 2013 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed October 28, 2013).
10.44	Senior Secured Convertible Promissory Note dated January 29, 2014 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed January 31, 2014).

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- 10.45 Senior Secured Convertible Promissory Note dated February 26, 2014 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed February 27, 2014).
- 10.46 Senior Secured Convertible Promissory Note dated March 19, 2014 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed March 19, 2014).
- 10.47 Senior Secured Convertible Promissory Note dated April 23, 2014 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed April 24, 2014).
- 10.48 Senior Secured Convertible Promissory Note dated May 21, 2014 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed May 22, 2014).
- 10.49 Senior Secured Convertible Promissory Note dated June 20, 2014 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed June 20, 2014).
- 10.50 Senior Secured Convertible Promissory Note dated July 18, 2014 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed July 18, 2014).
- 10.51 Senior Secured Convertible Promissory Note dated August 20, 2014 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed August 20, 2014).

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
10.52	Senior Secured Convertible Promissory Note dated September 23, 2014 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed September 23, 2014).
10.53	Senior Secured Convertible Promissory Note dated October 29, 2014 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed October 31, 2014).
10.54	Senior Secured Convertible Promissory Note dated November 6, 2014 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed November 6, 2014).
10.55	Senior Secured Convertible Promissory Note dated December 9, 2014 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed December 9, 2014).
10.56	Senior Secured Convertible Promissory Note dated January 21, 2015 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed January 22, 2015).
10.57	Senior Secured Convertible Promissory Note dated February 19, 2015 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed February 19, 2015).
10.58	Senior Secured Convertible Promissory Note dated March 25, 2015 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed March 25, 2015).
10.59	Senior Secured Convertible Promissory Note dated April 14, 2015 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed April 15, 2015).
10.60	Subscription Agreement between Registrant and Haris Basit dated April 14, 2015 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed April 17, 2015).
10.61	Subscription Agreement between Registrant and Asad Cochinwala dated April 14, 2015 (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed April 17, 2015).
10.62	Senior Secured Convertible Promissory Note dated May 26, 2015 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed May 26, 2015).
10.63	Senior Secured Convertible Promissory Note dated June 25, 2015 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed June 25, 2015).
10.64	Haris Basit Employment Agreement dated July 10, 2015 (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed July 15, 2015).
10.65	Senior Secured Convertible Promissory Note dated July 14, 2015 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed July 14, 2015).
10.66	Senior Secured Convertible Promissory Note dated July 28, 2015 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed July 29, 2015).
10.67	Subscription Agreement between Registrant and Lajpat Rai dated July 31, 2015 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed August 5, 2015).
10.68	Senior Secured Convertible Promissory Note dated August 19, 2015 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed August 19, 2015).
10.69	Subscription Agreement between Registrant and Lajpat Rai dated August 20, 2015 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed August 21, 2015).
10.70	Senior Secured Convertible Promissory Note dated September 2, 2015 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed September 8, 2015).
10.71	Senior Secured Convertible Promissory Note dated September 25, 2015 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed September 25, 2015).
10.72	Subscription Agreement between Registrant and Mark Monahan dated October 6, 2015 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed October 8, 2015).
10.73	Senior Secured Convertible Promissory Note dated November 9, 2015 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed November 10, 2015).
10.74	Subscription Agreement between Registrant and Dr. Carl Kukkonen dated November 9, 2015 (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed November 10, 2015).



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- 10.75 Senior Secured Convertible Promissory Note dated November 23, 2015 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed November 25, 2015).
- 10.76 Senior Secured Convertible Promissory Note dated December 22, 2015 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed December 23, 2015).
- 10.77 Subscription Agreement between Registrant and Dr. Carl Kukkonen dated December 22, 2015 (incorporated by reference to Exhibit 10.3 of the Company's Form 8-K filed December 23, 2015).
- 14.1 VIASPACE Inc. Code of Ethics for Senior Executive Officers and Senior Financial Officers dated October 20, 2005 (incorporated by reference to Exhibit 14.1 of the Company's Form 8-K filed on October 26, 2005).

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
21	* List of subsidiaries of Company.
23.1	* Consent of Hein & Associates LLP dated April 14, 2016.
31.1	* Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14 and 15d-14 as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
31.2	* Certification of President and Chief Financial Officer pursuant to Exchange Act Rule 13a-14 and 15d-14 as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
32	* Certification of the Company's Chief Executive Officer and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	* XBRL Instance Document
101.SCH	* XBRL Schema Document
101.CAL	* XBRL Calculation Linkbase Document
101.DEF	* XBRL Definition Linkbase Document
101.LAB	* XBRL Label Linkbase Document
101.PRE	* XBRL Presentation Linkbase Document

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\* Filed herewith

## Signatures

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on April 14, 2016.

VIASPACE INC.  
(Registrant)

By: /s/ HARIS BASIT  
Name: Haris Basit  
Title: *Chief Executive Officer*  
(Principal Executive Officer and Director)

By: /s/ STEPHEN J. MUZI  
Name: Stephen J. Muzi  
Title: *Chief Financial Officer*  
(Principal Financial and Accounting Officer)

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ HARIS BASIT Haris Basit	Chief Executive Officer (Principal Executive Officer and Director)	April 14, 2016
/s/ STEPHEN J. MUZI Stephen J. Muzi	Chief Financial Officer (Principal Financial and Accounting Officer)	April 14, 2016
/s/ CARL KUKKONEN Carl Kukkonen	Chief Technology Officer and Director	April 14, 2016
/s/ ANGELINA GALITEVA Angelina Galiteva	Director	April 14, 2016
/s/ KEVIN L. SCHEWE Kevin L. Schewe	Director	April 14, 2016

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

### **VIASPACE INC.**

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## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders

VIASPACE Inc.

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

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our 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 VIASPACE Inc. as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements were prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations and its total liabilities exceed its total assets. Recurring losses have resulted in an accumulated deficit of \$52,247,000. The Company expects such losses to continue. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters also are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/S/ HEIN & ASSOCIATES LLP

HEIN & ASSOCIATES LLP

Irvine, California

April 14, 2016

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**VIASPACE INC.****BALANCE SHEETS**

	December 31, 2015	December 31, 2014
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and equivalents	\$ 10,000	\$ 13,000
Accounts receivable	41,000	—
Prepaid expenses	69,000	250,000
<b>TOTAL CURRENT ASSETS</b>	<b>120,000</b>	<b>263,000</b>
<b>FIXED ASSETS, NET</b>	<b>—</b>	<b>—</b>
<b>OTHER ASSETS:</b>		
Investment in Almaden Energy Group	40,000	—
Other assets	2,000	1,000
<b>TOTAL OTHER ASSETS</b>	<b>42,000</b>	<b>1,000</b>
<b>TOTAL ASSETS</b>	<b>\$ 162,000</b>	<b>\$ 264,000</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 93,000	\$ 58,000
Accrued expenses	73,000	65,000
Unearned revenue	47,000	65,000
Related party payables	656,000	640,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>869,000</b>	<b>828,000</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 10)</b>		
<b>SHAREHOLDERS' DEFICIT:</b>		
Preferred stock, \$0.0001 par value in 2015 and \$0.001 in 2014, 10,000,000 shares authorized, one share of Series A preferred stock issued and outstanding in 2015 and 2014	—	—
Common stock, \$0.0001 par value in 2015 and \$0.001 in 2014, 3,900,000,000 shares authorized, 1,995,451,343 and 1,562,431,607 shares issued and outstanding in 2015 and 2014, respectively	200,000	1,562,000
Additional paid in capital	51,340,000	48,115,000
Accumulated deficit	(52,247,000)	(50,241,000)
Total shareholders' deficit	(707,000 )	(564,000 )
<b>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT</b>	<b>\$ 162,000</b>	<b>\$ 264,000</b>



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

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**VIASPACE INC.****STATEMENTS OF OPERATIONS**

	<b>Years Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
REVENUES	\$ 188,000	\$ 153,000
COST OF REVENUES	87,000	46,000
GROSS PROFIT	101,000	107,000
OPERATING EXPENSES		
Operations	61,000	57,000
Selling, general and administrative	1,376,000	669,000
Total operating expenses	1,437,000	726,000
LOSS FROM OPERATIONS	(1,336,000 )	(619,000 )
OTHER INCOME (EXPENSE)		
Interest expense	(710,000 )	(138,000 )
Other expense	(44,000 )	—
Other income	84,000	5,000
Total other expense	(670,000 )	(133,000 )
LOSS BEFORE INCOME TAXES	(2,006,000 )	(752,000 )
Income taxes	—	—
NET LOSS	\$(2,006,000 )	\$(752,000 )
LOSS PER SHARE OF COMMON STOCK — Basic and diluted	\$ *	\$ *
WEIGHTED AVERAGE SHARES OUTSTANDING — Basic and diluted	1,704,277,945	1,520,187,700

\* Less than \$0.01 per common share.

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

**VIASPACE INC.****STATEMENTS OF SHAREHOLDERS' DEFICIT****YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<b>Common Stock</b>		<b>Additional Paid in Capital</b>	<b>Accumulated Deficit</b>	<b>Total Shareholders' Deficit</b>
	<b>Shares</b>	<b>Amount</b>			
<b>BALANCE, JANUARY 1, 2014</b>	<b>1,489,332,999</b>	<b>\$1,489,000</b>	<b>\$47,432,000</b>	<b>\$(49,489,000 )</b>	<b>\$(568,000 )</b>
Shares issued for consulting services	30,273,846	30,000	263,000		293,000
Beneficial conversion feature of convertible debt			137,000		137,000
Stock issued upon conversion of note payable	42,824,762	43,000	222,000		265,000
Non cash compensation related to stock options			61,000		61,000
Net loss				(752,000 )	(752,000 )
<b>BALANCE, DECEMBER 31, 2014</b>	<b>1,562,431,607</b>	<b>\$1,562,000</b>	<b>\$48,115,000</b>	<b>\$(50,241,000 )</b>	<b>\$(564,000 )</b>
Shares issued for consulting services	10,991,009	11,000	83,000		94,000
Beneficial conversion feature of convertible debt			709,000		709,000
Stock issued upon conversion of note payable	321,767,290	202,000	186,000		388,000
Stock issued upon purchase of common shares	80,975,723	82,000	118,000		200,000
Stock issued to officer at discount	19,285,714	6,000	33,000		39,000
Non cash compensation related to stock options			433,000		433,000
Par value adjustment		(1,663,000)	1,663,000		-
Net loss				(2,006,000 )	(2,006,000 )
<b>BALANCE, DECEMBER 31, 2015</b>	<b>1,995,451,343</b>	<b>\$200,000</b>	<b>\$51,340,000</b>	<b>\$(52,247,000 )</b>	<b>\$(707,000 )</b>

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

**VIASPACE INC.****STATEMENTS OF CASH FLOWS**

	Years Ended December 31,	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$(2,006,000)	\$(752,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock option and stock compensation	463,000	61,000
Stock issued for consulting expense	272,000	293,000
Amortization of debt discount	709,000	137,000
Gain on minority investment in Almaden Energy Group	(40,000 )	—
Decrease (increase) in:		
Accounts receivable	(41,000 )	—
Prepaid expenses	103,000	69,000
Increase (decrease) in:		
Accounts payable	35,000	26,000
Accrued expenses and other	1,000	9,000
Unearned revenue	(18,000 )	29,000
Related party payables	16,000	(40,000 )
Net cash used in operating activities	(506,000 )	(168,000)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net cash used in investing activities	—	—
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Loans from related party	388,000	265,000
Investment to purchase stock	209,000	—
Payments on financed insurance	(94,000 )	(90,000 )
Net cash provided by financing activities	503,000	175,000
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	<b>(3,000 )</b>	<b>7,000</b>
CASH AND EQUIVALENTS, Beginning of year	13,000	6,000
CASH AND EQUIVALENTS, End of year	\$10,000	\$13,000
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the period for:		
Interest	\$—	\$—
Income taxes	\$—	\$—

**Supplemental Disclosure of Non-Cash Activities for 2015:**

The Company issued 40,000,000 shares of the Company's common stock for future services valued at \$239,000. \$90,000 of this amount representing 10,000,000 shares was recorded at issuance as prepaid expenses valued at \$90,000. The remaining 30,000,000 shares with a value of \$149,000 was not recorded to prepaid expenses since the shares were unvested at December 31, 2015. The shares are not recorded for accounting purposes until they are vested.

The Company recorded a discount on the loans from Dr. Schewe of \$709,000 as a result of a beneficial conversion feature. During 2015, Dr. Schewe converted loans of \$388,000 to equity.

The Company financed its annual director and officer insurance premium in the amount of \$93,000.

Supplemental Disclosure of Non-Cash Activities for 2014:

The Company issued 30,000,000 shares of the Company's common stock for future services valued at \$290,000. This amount was recorded at issuance as prepaid expenses.

The Company recorded a discount on the loans from Dr. Schewe of \$137,000 as a result of a beneficial conversion feature. During 2014, Dr. Schewe converted loans of \$265,000 to equity.

The Company financed its annual director and officer insurance premium in the amount of \$86,416.

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

**VIASPACE INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015 AND 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Business** – VIASPACE Inc. (“we”, “us”, “VIASPACE”, or the “Company”) was founded in July 1998. Its business involves renewable energy and is based on biomass, in particular our license to a dedicated energy crop with the trademark “Giant King® Grass” (“GKG”). Through a sublicense for GKG we obtained from VIASPACE Green Energy Inc. (“VGE”), we are able to commercialize GKG throughout the world, except for the People’s Republic of China (“China”) and the Republic of China (“Taiwan”).

GKG can be burned in 100% biomass power plants to generate electricity; made into pellets that can be burned together with coal to reduce carbon emissions from existing power plants; generate bio methane through anaerobic digestion, and can be used as a feedstock for low carbon liquid biofuels for transportation, biochemicals and bio plastics. Cellulosic ethanol, bio butanol and other liquid cellulosic biofuels, do not use corn or other food sources as feedstock. GKG can also be used as animal feed. GKG and other plants absorb and store carbon dioxide from the atmosphere as they grow. When they are burned, they release the carbon dioxide back into the atmosphere, but it is the same carbon dioxide that was removed from the atmosphere, and so this process is carbon neutral. Small amounts of fossil fuel are used by the farm equipment, transportation of GKG and fertilizer, so that the overall process of growing and burning GKG probably has some net carbon dioxide emissions, but much lower emissions than burning coal or other fossil fuels directly to create the same amount of energy. GKG has been independently tested by customers and been shown to have excellent energy content, high bio methane production, and the cellulosic sugar content needed for biofuels and biochemicals.

**Going Concern** – The Company has incurred significant losses from operations, resulting in an accumulated deficit of \$52,247,000. The Company expects such losses to continue. However, on September 30, 2012, as discussed in Note 5, the Company entered into a Loan Agreement with Dr. Kevin Schewe, a member of the Company’s Board of Directors, whereby Dr. Schewe agreed to fund the Company up to \$1,000,000 over a five year period in accordance with such agreement. Schewe completed the funding of \$1,000,000 on January 13, 2016. On January 25, 2016, Schewe entered into a new Loan Agreement whereby he agreed to fund the Company an additional \$300,000 over a one year period. The Company expects loans from Dr. Schewe and revenue generated from future contracts using the sublicense it has for Giant King Grass to fund operations for the foreseeable future. However no assurance can be given that Dr. Schewe will continue to fund the Company or that sales contracts will be obtained in the future, or if they are obtained, that they will be profitable. Accordingly, there continues to be substantial doubt as to the Company’s ability to continue as a going concern. The financial statements do not include any other adjustments that might result from the outcome of these uncertainties.

**Basis of Presentation** – The accompanying audited financial statements of the Company were prepared in accordance with United States generally accepted accounting principles (“US GAAP”) for financial information and with Securities and Exchange Commission (“SEC”) instructions to Form 10-K. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Certain reclassifications were made to the December 31, 2014 financial statements to conform to the December 31, 2015 financial statement presentation.

**Use of Estimates in the Preparation of the Financial Statements** – The preparation of financial statements, in conformity with US 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 the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** – The Company considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents. The Company had no cash equivalents as of December 31, 2015 or 2014.

**Accounts Receivable and Allowance for Doubtful Accounts** – Trade accounts receivable are presented at face value, net of the allowance for doubtful accounts. The Company maintains an allowance for doubtful accounts for balances that appear to have specific collection issues. The collection process is based on the age of the invoice and requires attempted contacts with the customer at specified intervals. If, after a specified number of days, the Company has been unsuccessful in its collection efforts, a bad debt allowance is recorded for the balance in question. Delinquent accounts receivable are charged against the allowance for doubtful accounts once uncollectibility has been determined. The factors considered in reaching this determination are the apparent financial condition of the customer and the Company’s success in contacting and negotiating with the customer. If the financial condition of the Company’s customers were to deteriorate, resulting in an impairment of ability to make payments, additional allowances may be required.

**Income Taxes** – Income taxes are accounted for under the asset and liability approach, where deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities, and are measured using enacted tax rates and laws that are expected to be in effect when the differences reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

The Company accounts for uncertainty in income taxes using a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining whether it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. An uncertain tax position is considered effectively settled on completion of an examination by a taxing authority if certain other conditions are satisfied. Should the Company incur interest and penalties relating to tax uncertainties, such amounts would be classified as a component of interest expense, net and other income (expense), net, respectively.

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**Revenue Recognition** – The Company has four revenue models for GKG: 1. grass plantation integrated with a power plant or processing facility such as a pellet mill under company or joint venture control; 2. contract plantation establishment, support and licensing for a customer that owns and operates the plantation and power plant; 3. collaborative agreements to establish a test plot in the customer’s location to determine that GKG grows sufficiently for the customer to use in their particular application; and 4. consulting agreement services for customers considering the establishment of a grass plantation in their particular country or location. Revenue earned from collaborative agreements is comprised of negotiated payments for the operations of the test plots. Deferred revenue represents payments received which are related to future performance. For the year ending December 31, 2015 and 2014, the Company has recognized revenues under revenue models 3 and 4.

With regard to revenue recognition in connection with agreements that include multiple deliverables, management reviews the relevant terms of the agreements and determines whether such deliverables should be accounted for as a single unit of accounting in accordance with FASB ASC 605-25, Multiple-Element Arrangements. If it is determined that the items do not have stand-alone value, then such deliverables are accounted for as a single unit of accounting and any payments received pursuant to such agreement, including any upfront or development milestone payments and any payments received for support services, will be deferred and included in deferred revenue within our balance sheet until such time as management can estimate when all of such deliverables will be delivered, if ever. Management reviews and reevaluates such conclusions as each item in the arrangement is delivered and circumstances of the development arrangement change.

**Major Customers** – A relatively small number of customers account for a significant percentage of the Company’s sales. Five customers represented 100% of revenues for the year ending December 31, 2015.

**Stock Based Compensation** – VIASPACE has a stock-based compensation plan. The Company has adopted the accounting and disclosure provisions of “Share-Based Payments”, codified in FASB ASC Topic 718, using the modified prospective application transition method. FASB ASC Topic 718 requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors based on estimated fair values using the modified prospective transition method. FASB ASC Topic 718 requires companies to estimate the fair value of share-based payment awards to employees and directors on the date of grant using an option pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite services periods on a straight-line basis in the Company’s Statements of Operations. The Company accounts for equity instruments issued to consultants and vendors in exchange for goods and services in accordance with the provisions of FASB ASC Topic 505-50, “Accounting for Equity Instruments that are Issued to Other than Employees for Acquiring, or in Conjunction with Selling Goods or Services” and “Accounting Recognition for Certain Transactions Involving Equity Instruments Granted to Other than Employees”. The measurement date for the fair value of the equity instruments issued is determined at the earlier of: (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete. In the case of equity instruments issued to consultants, the fair value of the equity instrument is recognized over the term of the consulting agreement. In accordance with FASB ASC Topic 505-50, an asset acquired for the issuance of fully vested, non-forfeitable equity instruments should not be presented or classified as an offset to equity on the grantor's balance sheet once the equity instrument is granted for accounting purposes. Accordingly, the Company records the fair value of the fully vested, non-forfeitable common stock issued for future consulting services as prepaid expenses in its

balance sheet.

***Fair Value of Financial Instruments*** – Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date.

Under the provisions of the Accounting Standards Codification (“ASC”) 820, Fair Value Measurements and Disclosures (“ASC 820”), there are three levels of inputs that may be used to measure fair value:

Level 1. Quoted prices in active markets for identical assets or liabilities. The Company had no Level 1 assets or liabilities during any period presented.

Level 2. Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets with insufficient volume or infrequent transactions (less active markets), or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data for substantially the full term of the assets or liabilities. The Company had no Level 2 assets or liabilities during any period presented.

Level 3. Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities. The Company had no Level 3 assets or liabilities during any period presented.

The carrying value of cash and cash equivalents, prepaid expenses, trade payables and accrued expenses, payables to related parties and deferred revenue approximates fair value due to the short period of time to maturity.

**Net Income (Loss) Per Share** – The Company computes net loss per share in accordance with “Earnings per Share”, codified in FASB ASC Topic 260. Under the provisions of this topic, basic and diluted net loss per share is computed by dividing the net loss available to common shareholders for the period by the weighted average number of shares of common stock outstanding during the period.

**Research and Development** – The Company did not record any research and development activities in 2015 or 2014. If we do in the future, it will be expensed as incurred.

**Joint Venture** - The Company entered into a joint venture with Corporacion Agricola, S.A. (“Agricorp”), a Nicaragua company, and formed Energia Reino Verde, S.A. (“ERV”) on January 30, 2014. The Company was granted an equity interest of 50% of outstanding shares of ERV for \$0 on December 9, 2014. At December 31, 2015, the net assets of ERV were immaterial. The Company has accounted for their investment under the equity method and at December 31, 2015, the investment was recorded at \$0. Future plans are that ERV will own and operate a 12 MW biomass power plant that will be co-located with the 834 hectare (2,060 acre) Giant King® Grass plantation project in Nicaragua.

**Recent Accounting Standards** – In May 2014, the FASB issued new guidance on the recognition of revenue. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will be effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Our adoption begins with the first fiscal quarter of fiscal year 2017. Early adoption is not permitted. We are currently evaluating the impact of the adoption of this accounting standard update on our results of operations or financial position.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (ASU 2014-15). The guidance in ASU 2014-15 sets forth management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern as well as required disclosures. ASU 2014-15 indicates that, when preparing financial statements for interim and annual financial statements, management should evaluate whether conditions or events, in the aggregate, raise substantial doubt about the entity's ability to continue as a going concern for one year from the date the financial statements are issued or are available to be issued. This evaluation should include consideration of conditions and events that are either known or are reasonably knowable at the date the financial statements are issued or are available to be issued, as well as whether it is probable that management's plans to address the substantial doubt will be implemented and, if so, whether it is probable that the plans will alleviate the substantial doubt. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and interim periods and annual periods thereafter. Early application is permitted. The adoption of this guidance is not expected to have a material impact on the Company's financial statements.

**Subsequent Events** – We have evaluated events and transactions subsequent to the balance sheet date. Based on this evaluation, we are not aware of any events or transactions (other than those disclosed in Note 11) that occurred subsequent to the balance sheet date but prior to filing that would require recognition or disclosure in our financial statements.

## **NOTE 2 – PREPAID EXPENSES**

The Company has entered into agreements with certain of its consultants and vendors whereby the Company issued registered shares of its common stock under an existing registration statement on Form S-8 as well as unregistered shares of common stock in exchange for services to be provided to the Company. The Company has engaged a third party provider to pay certain expenses of the Company on behalf of the Company. As compensation for the payment of these expenses on behalf of the Company, the Company pays the provider in shares of common stock equivalent to the expense paid plus a fee equal to 15% of the expense paid. In 2015, the Company issued 10,000,000 shares of the Company's common stock for future services valued at \$90,000. As of December 31, 2015 and December 31, 2014, included in prepaid expenses for this third party provider is \$3,000 and \$182,000, respectively, for shares of stock issued to the provider in excess of amounts paid on the Company's behalf. For the year ended December 31, 2015 and 2014, the Company recorded \$272,000 and \$293,000, respectively, of stock related expenses.

Other prepaid expenses (non stock related) were \$66,000 and \$68,000 at December 31, 2015 and December 31, 2014, respectively.

## **Note 3 – Investment in Almaden Energy Group**

The investment in Almaden Energy Group, LLC ("AEG") represents an 18.75% interest in that company's outstanding member units which became effective April 15, 2015. The Company originally accounted for this investment by the cost method because the member units of that company is unlisted and the criteria for using the equity method of accounting are not satisfied as the Company is not able to exercise significant influence over AEG. However, upon the Company hiring the CEO of AEG as its CEO in July 2015, the Company changed the method of its investment in AEG to the equity method. Dividends are recognized in income when declared and totaled \$0 for the year ended December 31, 2015. The carrying value of the investment is \$40,000 as of December 31, 2015. We recorded other income of \$84,000 in the Company's Statements of Operation during the second quarter of 2015. The company recorded a loss on investment in AEG of \$44,000 in the fourth quarter of 2015 due to a decrease in its fair value. See Note 9 for additional related party transactions with AEG.

## NOTE 4 – STOCK OPTIONS, WARRANTS AND ISSUED STOCKS

### VIASPACE Inc. 2005 and 2015 Stock Incentive Plans

On October 20, 2005, the BOD of the Company adopted the 2005 Stock Incentive Plan (the “Plan”) including the 2005 Non-Employee Director Option Program (the “2005 Director Plan”). The Plan is designed to provide additional incentive to employees, directors and consultants of the Company through awarding incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock and other awards. The Plan was also approved by the holders of a majority of the Company’s common stock. The Plan originally provided for issuance of up to 28,000,000 shares of the Company’s common stock. On February 13, 2006, the BOD approved the 2006 Non-Employee Director Option Program (the “2006 Director Plan”) replacing the 2005 Director Plan and the 2006 Director Plan was approved by the holders of a majority of the Company’s common stock. On July 12, 2006, the Company filed a Form S-8 Registration Statement with the SEC registering 28,000,000 shares of the Company’s common stock. On February 14, 2008, the BOD and the holders of a majority of the Company’s common stock approved an amendment to the Plan which increased the maximum aggregate number of shares which may be issued in the Plan to 99,000,000 shares. On April 30, 2008, the Company filed a Registration Statement on Form S-8 registering 71,000,000 shares of the Company’s common stock. In addition, effective January 1, 2009 and each January 1 thereafter during the term of the Plan, the maximum number of shares under the Plan are to be increased so that the maximum number of shares is equivalent to 30% of the total number of shares of common stock issued and outstanding as of the close of business on the immediately preceding December 31. On February 4, 2009, the Company filed a Registration Statement on Form S-8 registering 146,500,000 shares of the Company’s common stock based on the number of shares of common stock outstanding on December 31, 2008.

On August 5, 2015, the BOD of the Company adopted the 2015 Stock Incentive Plan (the “New Plan”) reserving 800,000,000 shares of common stock for issuance. The New Plan is designed to provide additional incentive to employees, directors and consultants of the Company through awarding incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock and other awards. The Plan was also approved by the holders of a majority of the Company’s common stock. The Company has not filed a Form S-8 Registration Statement with the SEC for the New Plan as of December 31, 2015.

The Company’s BOD administers the Plan, selects the individuals to whom options will be granted, determines the number of options to be granted, and the term and exercise price of each option. Stock options granted pursuant to the terms of the Plans generally cannot be granted with an exercise price of less than 100% of the fair market value on the grant date. The term of the options granted under the Plan cannot be greater than 10 years. The vesting term is determined by the BOD.

The fair value of each stock option granted is estimated on the date of the grant using the Black-Scholes option pricing model. The Black-Scholes option pricing model has assumptions for risk free interest rates, dividends, stock volatility

and expected life of an option grant. The risk free interest rate is based upon market yields for United States Treasury debt securities at a maturity near the term remaining on the option. Dividend rates are based on the Company's dividend history. The stock volatility factor is based on the historical volatility of the Company's stock price. The expected life of an option grant is based on management's estimate as no options have been exercised in the Plan to date. The Company calculated a forfeiture rate for employees and directors based on historical information. A forfeiture rate of 0% is used for options granted to employees, directors and consultants. The fair value of each option grant to employees, directors and consultants is calculated by the Black-Scholes method and is recognized as compensation expense on a straight-line basis over the vesting period of each stock option award.

For stock options issued to employees, director and consultants for 2015 and 2014, the fair value was estimated at the date of grant using the following range of assumptions:

	<b>2015</b>	<b>2014</b>
Risk free interest rate	1.80% - 2.12%	1.97%
Dividends	0%	0%
Volatility factor	130.65% - 132.00%	132.99%
Expected life	6.67 years	6.67 years
Annual forfeiture rate	0%	0%

The following table summarizes activity for employees and directors in the Company's Plan and New Plan at December 31, 2015:

	<b>Number of Shares</b>	<b>Weighted- Average Exercise Price Per Share</b>	<b>Weighted- Average Remaining Contractual Term In Years</b>	<b>Aggregate Intrinsic Value</b>
Outstanding at December 31, 2014	97,408,000	\$ 0.0120		
Granted	165,922,000	0.0039		
Exercised	—	—		
Cancelled and forfeited	80,100,000	0.0140		
Outstanding at December 31, 2015	183,230,000	\$ 0.0038	9.40	\$ —
Exercisable at December 31, 2015	132,874,000	\$ 0.0037	9.27	\$ —

During 2015, stock options totaling 165,922,000 were granted and 80,100,000 stock options were cancelled. At December 31, 2015, there were 715,047,000 shares available for future grant. The Plan recorded \$433,000 of compensation expense for employees and director stock options in 2015. At December 31, 2015, there was \$156,000 of unrecognized compensation costs related to non-vested share-based compensation arrangements under the Plan that is expected to be recognized over a weighted average period of approximately one year and nine months. At December 31, 2015, the fair value of options vested for employees and directors was \$306,000. There were no options exercised during 2015.

During 2015, the Company issued 991,009 unregistered shares of common stock to a consultant for services provided to the Company. These share issuances were recorded at \$3,840 which is the fair market value determined by the price of the Company's common stock trading on the OTC Markets on the date of grant.

## **NOTE 5 – SHORT-TERM AND LONG-TERM DEBT**

### Loan Agreement with Dr. Kevin Schewe

Effective September 30, 2012, the Company entered into a Loan Agreement with Director Kevin Schewe whereby Dr. Schewe agreed to loan up to \$1 million to the Company over a five-year period based on requests from the Company. The loans would be evidenced by a Secured Convertible Note. Each individual loan will accrue interest at 6% per annum and are secured by all assets of the Company. Each note would mature on the second anniversary of the issuance date of such note. Each note is convertible at Dr. Schewe's request, into a fixed number of shares of the Company's common stock based on the closing price of the Company's common stock for the twenty trading days prior to the issuance of the loan, less a 50% discount. On August 31, 2015, the Board voted to change the discount that Dr. Schewe will receive on conversions of loans into common stock from a discount of 50% to a discount of 80%. In connection with the separation from VGE, Dr. Schewe was granted an irrevocable proxy that permits him to vote the Preferred Share, giving him the majority shareholder vote. As the controlling shareholder of the Company he has the ability to increase the number of authorized shares without additional shareholder approval. As such, if the outstanding balance on the loan was convertible into more shares than the Company has authorized, he has the ability to increase the authorized shares. As a result, the conversion feature is not deemed to be a derivative instrument subject to bifurcation. Schewe completed the funding of \$1,000,000 on January 13, 2016. On January 25, 2016, Schewe entered into a new Loan Agreement whereby he agreed to fund the Company an additional \$300,000 over a one year period.

From January 1, 2015 through December 31, 2015, Dr. Schewe made loans of \$388,000 to the Company. The Company recorded a discount on the loans of \$709,000 as a result of a beneficial conversion feature, which will be amortized over the term of the note on a straight-line basis, which approximates the effective interest method. During 2015, Dr. Schewe converted loans totaling \$388,000 into 321,767,290 common shares of the Company. At the time of the conversions, the company recorded the discount as additional interest expense. As of December 31, 2015, the

Company had remaining availability under the note of \$5,000.

## **NOTE 6 – SHAREHOLDERS’ DEFICIT**

### **Preferred Stock**

At December 31, 2015 and 2014, the number of authorized shares of the Company’s preferred stock was 10,000,000. The par value of the preferred stock is \$0.001. On December 8, 2015, the Company’s board of directors and a majority of its common shareholders approved a resolution to decrease the par value of the Company’s preferred stock from \$0.001 to \$0.0001.

On May 14, 2010, the Company filed with the Secretary of State of the State of Nevada a Certificate of Designation of Series A Preferred Stock. The Certificate was approved by the Board and did not require shareholder vote. The Certificate created a new class of preferred stock known as Series A Preferred Stock. There is one share designated as Series A Preferred Stock. One share of Series A Preferred Stock is entitled to 50.1% of the outstanding votes on all shareholder voting matters. Series A Preferred Stock has no dividend rights and no rights upon a liquidation event and is subject to cancellation when certain conditions are met. On May 14, 2010, the Company issued one share of Series A Preferred Stock to Mr. Chang related to the acquisition of IPA by VIASPACE and VGE, effectively giving him a controlling interest in VIASPACE.

Effective as of September 30, 2012, and pursuant to an Agreement to Grant Voting Rights and Transfer Preferred Share executed by Chang and Director Kevin Schewe, Chang granted Schewe an irrevocable proxy that permitted Schewe to vote the Preferred Share. This proxy lasts so long as the License (discussed in Note 10) remained exclusive to the Company. Upon the earlier of (i) the expiration of five years or (ii) the date when the Company reached a market capitalization of at least \$50 million, the proxy would be cancelled as the Preferred Share would be transferred from Chang to Schewe.

At December 31, 2015 and December 31, 2014, there is one share of Series A Preferred Stock outstanding.



## Common Stock

As of January 1, 2015, the number of authorized shares of the Company's common stock was 1,800,000,000. On August 7, 2015, the Company's board of directors and a majority of its common shareholders approved a resolution to increase authorized common shares from 1,800,000,000 shares to 3,900,000,000 shares. As of January 1, 2015, the par value of common and preferred shares was \$0.001. On December 8, 2015, the Company's board of directors and a majority of its common shareholders approved a resolution to decrease the par value of the Company's common stock from \$0.001 to \$0.0001. Common shareholders are entitled to one vote for each share held on all matters voted on by shareholders.

During 2015, the Company issued 10,991,009 unregistered shares of common stock to employees, consultants and vendors for services provided or to be provided to the Company. These share issuances were recorded at \$94,000 which is the fair market value determined by the price of the Company's common stock trading on the OTC Markets on the date of grant.

On April 14, 2015, the Company entered into separate Subscription Agreements with Mr. Haris Basit and Mr. Asad Cochinwala in which each party agreed to purchase 14,285,714 shares of common stock at a purchase price of \$0.0035 per share for \$50,000. The purchase price per share was equal to 50% of the average closing price of the Company's common stock for the 20 trading days immediately preceeding the date of the investment. The Company received \$50,000 from Mr. Basit and \$50,000 from Mr. Cochinwala on April 14, 2015. Mr. Basit became CEO and director of the Company on July 10, 2015. Mr Basit is also the CEO of Almaden Energy Group ("AEG"), a customer of the Company as discussed in Note 8. Mr. Cochinwala is CFO of AEG.

On July 31, 2015, the Company entered into a Subscription Agreement with a private investor to purchase 14,705,882 shares of common stock at a purchase price of \$0.0017 per share for \$25,000. The purchase price per share was equal to 50% of the average closing price of the Company's common stock for the 20 trading days immediately preceeding the date of the investment.

On August 20, 2015, the Company entered into a Subscription Agreement with a private investor to purchase 13,888,889 shares of common stock at a purchase price of \$0.0018 per share for \$25,000. The purchase price per share was equal to 50% of the average closing price of the Company's common stock for the 20 trading days immediately preceeding the date of the investment.

On October 6, 2015, the Company entered into a Subscription Agreement with a private investor to purchase 23,809,524 shares of common stock at a purchase price of \$0.0021 per share for \$50,000. The purchase price per share was equal to 50% of the average closing price of the Company's common stock for the 20 trading days immediately

preceeding the date of the investment.

On November 9, 2015, the Company entered into a Subscription Agreement with Dr. Kukkonen, CTO of the Company, to purchase 4,285,714 shares of common stock at a purchase price of \$0.0007 per share for \$3,000. The purchase price per share was equal to 20% of the average closing price of the Company's common stock for the 20 trading days immediately preceeding the date of the investment.

On December 22, 2015, the Company entered into a Subscription Agreement with Dr. Kukkonen, CTO of the Company, to purchase 15,000,000 shares of common stock at a purchase price of \$0.0004 per share for \$6,000. The purchase price per share was equal to 20% of the average closing price of the Company's common stock for the 20 trading days immediately preceeding the date of the investment.

During 2015, the Company issued 321,767,290 shares of common stock to Director Kevin Schewe as he converted loans into shares of common stock as allowed under an agreement he has with the Company as discussed in Note 5.

As of December 31, 2015, there were 1,995,451,343 shares of common stock outstanding.

**NOTE 7 – INCOME TAX**

The Company recorded valuation allowances to fully reserve its deferred tax assets, as management believes it is more likely than not that these assets will not be realized. The valuation allowance increased by approximately \$260,000 for the year ended December 31, 2014 and increased by \$694,000 for the year ended December 31, 2015. It is possible that management's estimates as to the likelihood of realization of its deferred tax assets could change as a result of changes in estimated operating results. Should management conclude that it is more likely than not that these deferred tax assets are, at least in part, realizable, the valuation allowance will be reduced and recognized as a deferred income tax benefit in the statement of operations in the period of change.

The Company has Federal net operating loss carryovers of approximately \$20,815,000 available at December 31, 2015 and State net operating loss carryovers of approximately \$20,713,000 available at December 31, 2015. The federal and California net operating losses will begin to expire in 2023 and 2015, respectively. Additionally, the Company has capital loss carryforwards of approximately \$13,231,000 available at December 31, 2015, which expire through 2018. Due to the uncertainty surrounding the realization of the capital loss carryforwards in future tax returns, the tax effect of the capital loss carryforwards is not recognized in the income tax provision.

FASB ASC 740 also addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC 740, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. ASC 740 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. During the years ended December 31, 2015 and 2014, the Company did not recognize any tax liabilities related to uncertain tax positions and does not have a balance for such liabilities as of December 31, 2015.

The Company recognizes accrued interest and penalties, if any, associated with uncertain tax positions as part of the income tax provision. There was no accrued interest or penalties associated with uncertain tax positions recognized in the Company's balance sheets as of December 31, 2015 and 2014. The Company is subject to income tax in the United States federal jurisdiction and various state jurisdictions and has identified its federal tax return and tax returns in state jurisdictions below as "major" tax filings. These jurisdictions, along with the years still open to audit under the applicable statutes of limitation, are as follows:

<u>Jurisdiction</u>	<u>Tax Years</u>
Federal	2012 – 2014
California	2011 – 2014

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The following table reconciles the US statutory rates to the Company's effective tax rate for 2015 and 2014:

	<b>2015</b>	<b>2014</b>
U.S Statutory rates	34.0%	34.0%
State taxes, net of Federal benefit	5.6%	5.6%
Permanent differences	(1.0% )	(1.2% )
Change in Valuation allowance	(38.6%)	(38.4%)
Other	—	—
Effective income tax rate	0.0%	0.0%

The following are the components of the Company's deferred tax assets and liabilities at December 31, 2015 and 2014:

	<b>2015</b>	<b>2014</b>
<u>Deferred Tax Assets:</u>		
Net operating loss carryforwards	\$8,285,000	\$7,746,000
Stock compensation expense	4,166,000	4,015,000
Other	4,000	-
Total Deferred Tax Assets	12,455,000	11,761,000
Less: Valuation allowance	(12,455,000)	(11,761,000)
Net Deferred Tax Assets	\$—	\$—

**NOTE 8 – NET LOSS PER SHARE**

The Company computes net loss per share in accordance with FASB ASC Topic 260. Under its provisions, basic loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the periods presented. Diluted earnings would customarily include, if dilutive, potential shares of common stock issuable upon the exercise of stock options and warrants. The dilutive effect of outstanding stock options and warrants is reflected in earnings per share in accordance with FASB ASC Topic 260 by application of the treasury stock method. For the periods presented, the computation of diluted loss per share equaled basic loss per share as the inclusion of any dilutive instruments would have had an antidilutive effect on the earnings per share calculation in the periods presented.

The following table sets forth common stock equivalents (potential common stock) at December 31, 2015 and 2014 that are not included in the loss per share calculation since their effect would be anti-dilutive for the periods indicated:

	<b>2015</b>	<b>2014</b>
Stock Options	183,230,000	97,408,000

The following table sets forth the computation of basic and diluted net loss per share for 2015 and 2014, respectively:

	<b>2015</b>	<b>2014</b>
Basic and diluted net loss per share:		
Numerator:		
Net loss attributable to common stock	\$(2,006,000)	\$(752,000)
Denominator:		
Weighted average shares of common stock outstanding	1,704,277,945	1,520,187,700
Net loss per share of common stock, basic and diluted	\$*	\$*

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\* Less than \$0.01

**NOTE 9 – RELATED PARTY TRANSACTIONS**

Included in the Company's balance sheets at December 31, 2015 and December 31, 2014 are Related Party Payables of \$656,000 and \$640,000, respectively. The Company has a payable of \$640,000, at December 31, 2015 and December

31, 2014 owed to Dr. Carl Kukkonen. On July 10, 2015, Dr. Kukkonen's title changed from CEO to Chief Technology Office ("CTO") after the Company hired Mr. Haris Basit to be the CEO of the Company. Of the amount owed to Dr. Kukkonen, there is a cash component totaling \$136,000 and a common stock component totaling \$504,000. Dr. Kukkonen deferred a portion of his 2009, 2010 and 2011 stock awards and is entitled to the following unregistered shares of Company common stock at December 31, 2015: 11,195,707 shares for deferred 2009 compensation; 8,467,939 shares for deferred 2010 compensation; and 24,730,678 shares for deferred 2011 compensation. At December 31, 2015, the Company also has a royalty payable to VGE of \$16,000. There was no corresponding payable to VGE at December 31, 2014.

The Company has a loan agreement with Director Dr. Kevin Schewe which is described in Note 5.

On December 18, 2013, the Company entered into a Representation in Pakistan and Giant King Grass supply contract with Winergy Pakistan Private Limited ("Winergy"), a company incorporated and existing under the laws of Pakistan. Mr. Khurram Irshad, a director of the Company, is a director and shareholder of Winergy. Winergy was also appointed the exclusive representative of the Company in Pakistan. Winergy is developing bioenergy and animal feed projects in Pakistan and seeking a biomass source. The Company's Giant King Grass will be supplied to Winergy and a propagation nursery and test plot is to be established in Pakistan. Winergy will operate and pay the expenses for a Giant King Grass propagation nursery and test plot in Pakistan. Winergy paid a one-time fee of \$5,000 to the Company upon the signing of the contract. The Company expects to receive additional license fees in the future from Winergy when they are able to secure relationships with customers who will use the Company's Giant King Grass in their particular application. No revenues were received from Winergy in 2015.

On April 13, 2015, the Company entered into a Giant King Grass supply contract with Almaden Energy Group, LLC. (“AEG”). AEG is developing an animal feed project in the United States for the domestic and global market. The Company granted AEG a license to grow Giant King Grass only for animal feed, nursery and research purposes anywhere within the 48 contiguous United States. AEG is permitted to sell Giant King Grass anywhere in the world with the exception of the State of Hawaii. AEG will provide funding to the Company in return for the Company providing seedlings and technical support and training to establish the initial 25 acres plantation in Imperial County, CA. Twenty-six acres were leased of which 20 acres were planted in August 2015. Additional acres will be planted in spring of 2016.

As part of the supply contract, the Company was issued 25% equity ownership in AEG and one designated board seat provided that the Company maintains an equity ownership position greater than 5%. As part of the Company’s agreement with director Khurram Irshad, the Company is required to issue 25% of its equity ownership interest in AEG to Mr. Irshad. At December 31, 2015, the Company recorded \$40,000 as an Investment in AEG on its Balance Sheet representing the fair value estimate of the Company’s minority interest in AEG (see Note 3).

As discussed in Note 6, on April 14, 2015, two principals of AEG invested \$100,000 to purchase unregistered shares of the Company’s common stock. One of these investors, Mr. Haris Basit, became CEO and director of the Company on July 10, 2015 and is also the CEO of AEG. The other investor was Asad Cochinwala who is CFO of AEG. In total, 28,571,428 common shares of the Company are owned by the founding partners of AEG, Mr. Basit and Mr. Cochinwala. Additionally, as discussed in Note 6, the Company entered into a Subscription Agreement with Dr. Kukkonen, CTO of the Company, to purchase 4,285,714 shares of common stock at a purchase price of \$0.0007 per share for \$3,000.

## **NOTE 10 – COMMITMENTS AND CONTINGENCIES**

### Leases

The Company currently has no long term office lease. The Company leases land in San Diego County, California where it grows Giant King Grass. Rent expense charged to operations for the year ended December 31, 2015 and December 31, 2014, was \$12,000 and \$16,000, respectively.

### Collaborative Agreements

We are a party to certain collaborative agreements with various entities for the joint operation of test plots to establish that GKG grows well in the area and optimal agronomic practices are developed. These agreements are in the form of development collaborations and licensing agreements. Under these agreements, we have granted rights to grow and use of GKG. In return, we are entitled to receive certain payments for the operations of the test plots and license fees on the harvesting of GKG should it ultimately be commercialized.

All of our collaborative agreements are subject to termination by either party, without significant financial penalty. Under the terms of these agreements, upon a termination we are entitled to reacquire all rights in our technology at no cost and are free to re-license the technology to other collaborative partners.

Revenue earned from collaborative agreements is comprised of negotiated payments for the establishment, evaluation and operations of GKG test plots. Deferred revenue represents customer payments received which are related to future performance. Generally for collaborative agreements establishing test plots, the Company recognizes revenue only after the Giant King Grass is planted in the customer's location. Until that time any money received is recorded as deferred revenue. During the years ending December 31, 2015 and 2014, the Company received \$129,000 and \$182,000, respectively, in payments under these collaborative agreements. The Company recognized revenue from these collaborative agreements of \$188,000 and \$153,000 for the years ending December 31, 2015 and 2014, respectively.

#### License Agreement

Effective as of September 30, 2012, VIASPACE and VGE entered into a Supply, License and Commercialization Agreement ("License Agreement") pursuant to which VGE granted to VIASPACE a nontransferable, royalty-bearing exclusive license to commercialize Giant King Grass anywhere within the world other than China and Taiwan. Additionally, the License Agreement allows VIASPACE to use the Giant King Grass intellectual property and VIASPACE Green Energy trade name in connection with its efforts to commercialize Giant King Grass. The Company assigned no value to the sublicense due to uncertainties of future revenues.

VIASPACE agreed that it would not during the term of the License Agreement and a three-year period thereafter, (i) manufacture, commercialize or otherwise engage in any research or development of a grass or any other product or material having similar or otherwise competitive properties to Giant King Grass.



VGE agreed to provide VIASPACE with Giant King Grass seedlings that will be filled at an agreed upon price as set forth in the License Agreement. VIASPACE agreed to pay VGE for and during the Term a royalty of eight percent (8%) on net sales made in its territory.

The initial term of the License Agreement is for two years (“Initial Term”). As a condition to the right to renew after the first two-year term for an additional two year term, VIASPACE needed to achieve the milestones in the first two year period:

One or more fully-executed, third party sales contracts for the sale of Giant King Grass shall have been entered into during the Initial Term, pursuant to which VIASPACE is to be paid an aggregate amount of at least \$200,000 within that 24 consecutive monthly period; and two or more, third party growing locations of at least 10 hectares in total shall have been obtained and planted during the Initial Term. The Company has entered into various collaborative agreements with entities for the joint operation of test plots to satisfy these milestones.

These milestones were achieved by the Company as of September 30, 2014 and the license was renewed for another two years.

As a condition to the right to renew the First Renewal Term (for years five and six) of the License Agreement, the Company is to achieve during the First Renewal Term the following milestones by September 30, 2016 as a condition to any such renewal:

A total of least three or more (including the above) fully-executed, third party sales contracts for the sale of Giant King Grass shall have been entered into during the First Renewal Term, pursuant to which the Registrant is to be paid the aggregate amount of \$400,000, with not less than \$100,000 of the Initial Sales Milestone having been paid during the First Renewal Term and with the remaining unpaid balance of the Initial Sales Milestone being paid within six months of the Second Renewal Term (e.g., in the fifth year) and the Second Sales Milestone being paid in full within that 24 consecutive monthly period following the signing of any such third contract; and

A total of at least three or more (including the two above) growing locations of at least 30 hectares in total shall have been obtained and planted during the Second Renewal Term, which shall be subject to the reasonable satisfaction of VGE.

#### Employment Agreements

Effective July 10, 2015, the Company entered into a two-year employment agreement with Haris Basit, CEO of the Company. Mr. Basit will receive \$120,000 per annum and be entitled to a bonus as determined by the Company's Board of Directors and reimbursement for out-of-pocket expenses in the course of his employment. Additionally, Mr. Basit is to receive 20 business days paid leave per year. On July 10, 2015, the Company agreed to issue Mr. Basit 25,000,000 stock options at fair market value based on the closing price of the Company's common stock as traded on the OTC Market as of July 10, 2015. These stock options are vested immediately but otherwise shall be subject to the terms of the 2015 option plan. Additionally, the Company agreed to issue Mr. Basit 18,750,000 stock options to be issued every three months (quarterly) over the term of his employment agreement which runs from July 10, 2015 through July 9, 2017, with the first issuance on October 10, 2015, at fair market value based on the closing price of the Company's common stock as traded on the OTC Market on the date of each grant. Stock options shall vest immediately upon each issuance and shall be otherwise subject to the terms of the 2015 option plan. In the case of a change of control of the Company, the issuance schedule shall be accelerated by one year. Stock options shall have an exercise term of ten years from date of issuance, not to exceed the expiration date of the 2015 option plan.

Effective October 1, 2015, the Company entered into one-year employment agreements with Carl Kukkonen and Stephen Muzi. Dr. Kukkonen serves as Chief Technology Officer of the Company and Mr. Muzi serves as Chief Financial Officer, Treasurer and Secretary. Dr. Kukkonen will receive a salary of \$120,000 per annum and Mr. Muzi would receive \$64,000 per annum. Each of them would also be entitled to customary insurance and health benefits, and reimbursement for out-of-pocket expenses in the course of his employment. Dr. Kukkonen is to receive 20 business days paid leave per year and Mr. Muzi is to receive 10 business days paid leave. Additionally, Dr. Kukkonen will be awarded a bonus of 10% of the gross revenue generated by the Company up to a maximum of \$100,000. Dr. Kukkonen will also be purchasing \$3,000 per month worth of Company unregistered common shares at a price equal to 20% of the average closing price of the Company's common stock for the 20 trading days immediately preceding the purchase date.

#### Litigation

The Company is not party to any material legal proceedings at the present time.

## NOTE 11 – SUBSEQUENT EVENTS

On January 13, 2016, Dr. Kevin Schewe, Director of the Company, advanced an additional \$5,000 pursuant to the convertible loan agreement and immediately converted the \$5,000 loan into 12,500,000 shares of Company common stock at a conversion price of \$0.0004 per common share.

On January 25, 2016, Schewe entered into a new convertible loan Agreement whereby he agreed to fund the Company an additional \$300,000 over a one year period. The loans would be evidenced by a secured convertible note. The notes accrue interest at 8% per annum, and are secured by all assets of the Company pursuant to a security agreement and are convertible into shares of Company common stock at a price equal to 20% of the average closing price for the 20 trading days prior to the issuance of the loan.

On January 27, 2016, Dr. Kevin Schewe, Director of the Company, advanced an additional \$15,000 pursuant to the convertible loan agreement and immediately converted the \$15,000 loan into 37,500,000 shares of Company common stock at a conversion price of \$0.0004 per common share.

On February 25, 2016, the Company entered into a Subscription Agreement with Almaden Energy Group, LLC. ("AEG"), a related party whose CEO is Haris Basit, CEO of the Company, in which AEG agreed to purchase 12,500,000 shares of common stock at a purchase price of \$0.0016 per share for \$20,000. The purchase price per share was equal to 50% of the average closing price of the Registrant's common stock for the 20 trading days immediately preceding the date of the investment. Additionally, AEG and the Company signed an Addendum which amended the April 13, 2015 Grass Supply Contract (the "Contract") for Giant King Grass. \$30,000 was still owed to the Company for the Contract by AEG. AEG agreed to pay \$20,000 of the \$30,000 owed to the Registrant, but in return would received Company common shares with a market value of \$40,000 (i.e. 50% discount to current market price). \$10,000 remains to be paid to Company by AEG at a later date.

On February 26, 2016, Dr. Kevin Schewe, Director of the Company, advanced an additional \$15,000 pursuant to the convertible loan agreement and immediately converted the \$15,000 loan into 25,000,000 shares of Company common stock at a conversion price of \$0.0006 per common share.

On February 26, 2016, the Company entered into a Subscription Agreement with Dr. Carl Kukkonen, Chief Technology Officer of the Company, to purchase 5,000,000 shares of common stock at a purchase price of \$0.0006 per share for \$3,000. The purchase price per share was equal to 20% of the average closing price of the Company's common stock for the 20 trading days immediately preceding the date of the investment.

On March 28, 2016, Dr. Kevin Schewe, Director of the Company, advanced an additional \$15,000 pursuant to the convertible loan agreement and immediately converted the \$15,000 loan into 25,000,000 shares of Company common stock at a conversion price of \$0.0006 per common share.

On March 28, 2016, the Company entered into a Subscription Agreement with Dr. Carl Kukkonen, Chief Technology Officer of the Company, to purchase 5,000,000 shares of common stock at a purchase price of \$0.0006 per share for \$3,000. The purchase price per share was equal to 20% of the average closing price of the Company's common stock for the 20 trading days immediately preceding the date of the investment.

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