

Workhorse Group Inc.
Form 10-Q
May 09, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2018

or

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

For the transition period from _____ to _____

Commission file number: 000-53704

WORKHORSE GROUP INC.

(Exact name of registrant as specified in its charter)

Nevada **26-1394771**
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

100 Commerce Drive, Loveland, Ohio 45140

(Address of principal executive offices) (Zip Code)

844-937-9547

Registrant’s telephone number, including area code)

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

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

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

| | |
|--|---------------------------|
| Large accelerated filer | Accelerated filer |
| Non-accelerated filer (Do not check if a smaller reporting company) | Smaller reporting company |
| | Emerging growth company |

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

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

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| | |
|--|------------------------------|
| Common Stock, \$0.001 par value per share | 42,139,800 |
| (Class) | (Outstanding at May 9, 2018) |

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Forward-Looking Statements

The discussions in this Quarterly Report contain forward-looking statements reflecting our current expectations that involve risks and uncertainties. When used in this Report, the words “anticipate”, “expect”, “plan”, “believe”, “seek”, “estimate” and similar expressions are intended to identify forward-looking statements. These are statements that relate to future periods and include, but are not limited to, statements about the features, benefits and performance of our products, our ability to introduce new product offerings and increase revenue from existing products, expected expenses including those related to selling and marketing, product development and general and administrative, our beliefs regarding the health and growth of the market for our products, anticipated increase in our customer base, expansion of our products functionalities, expected revenue levels and sources of revenue, expected impact, if any, of legal proceedings, the adequacy of liquidity and capital resource, and expected growth in business. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to, market acceptance for our products, our ability to attract and retain customers for existing and new products, our ability to control our expenses, our ability to recruit and retain employees, legislation and government regulation, shifts in technology, global and local business conditions, our ability to effectively maintain and update our product and service portfolio, the strength of competitive offerings, the prices being charged by those competitors and the risks discussed elsewhere herein. These forward-looking statements speak only as of the date hereof. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

All references in this Form 10-K that refer to the “Company”, “Workhorse Group”, “Workhorse”, “we,” “us” or “our” are to Workhorse Group Inc. and unless otherwise differentiated, its wholly-owned subsidiaries, Workhorse Technologies Inc., Workhorse Motor Works Inc. and Workhorse Properties Inc.

PART I – FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****Workhorse Group, Inc.****Condensed Consolidated Balance Sheets****March 31, 2018 Unaudited and December 31, 2017**

| | March 31, 2018 | December 31, 2017 |
|--|-------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$753,563 | \$4,069,477 |
| Accounts receivable | 304,374 | 1,013,423 |
| Lease receivable | 41,375 | 45,300 |
| Inventory | 5,027,569 | 4,621,942 |
| Prepaid expenses and deposits | 215,769 | 946,134 |
| | 6,342,650 | 10,696,276 |
| Property, plant and equipment, at cost: | | |
| Land | 700,000 | 700,000 |
| Buildings | 5,900,000 | 5,900,000 |
| Leasehold improvements | 19,236 | 19,225 |
| Software | 86,050 | 86,050 |
| Equipment | 829,742 | 829,742 |
| Vehicles and prototypes | 156,567 | 156,567 |
| Less: accumulated depreciation | (2,143,942) | (2,095,571) |
| Net property, plant and equipment | 5,547,653 | 5,596,013 |
| Lease receivable | 231,700 | 212,004 |
| | \$12,122,003 | \$16,504,293 |
| Liabilities and Stockholders' Equity (Deficit) | | |
| Current liabilities: | | |
| Accounts payable | \$4,202,116 | \$4,311,135 |
| Accrued liabilities | 1,757,392 | 1,718,397 |

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| | | |
|---|---------------|---------------|
| Accounts payable, related parties | 116,226 | 54,914 |
| Customer deposits | 267,000 | 54,405 |
| Current portion of long-term debt | 381,746 | 381,497 |
| | 6,724,480 | 6,520,348 |
| Principal amount of notes payable | 5,750,000 | 5,750,000 |
| Less: unamortized discount and debt issuance costs | 493,750 | 987,500 |
| Notes payable | 5,256,250 | 4,762,500 |
| Total current liabilities | 11,980,730 | 11,282,848 |
| Long-term debt | 1,700,608 | 1,709,881 |
| Stockholders' equity (deficit): | | |
| Series A preferred stock, par value of \$.001 per share 75,000,000 shares authorized, 0 shares issued and outstanding at March 31, 2018 and December 31, 2017 | - | - |
| Common stock, par value of \$.001 per share 100,000,000 shares authorized, 41,966,550 shares issued and outstanding at March 31, 2018 and 41,529,181 shares issued and outstanding at December 31, 2017 | 41,966 | 41,529 |
| Additional paid-in capital | 109,106,507 | 107,760,036 |
| Accumulated deficit | (110,707,808) | (104,290,001) |
| | (1,559,335) | 3,511,564 |
| | \$12,122,003 | \$16,504,293 |

See accompanying notes to condensed consolidated financial statements.

Workhorse Group, Inc.**Condensed Consolidated Statements of Operations****For the Three Months Ended March 31, 2018 and 2017****(Unaudited)**

| | Three Months Ended March 31, | |
|--|---------------------------------|----------------|
| | 2018 | 2017 |
| Net sales | \$560,229 | 1,570,037 |
| Cost of sales | 1,714,370 | 4,312,088 |
| Gross loss | (1,154,141) | (2,742,051) |
| Operating expenses | | |
| Selling, general and administrative | 2,400,147 | 1,899,582 |
| Research and development | 2,337,631 | 3,243,322 |
| Total operating expenses | 4,737,778 | 5,142,904 |
| Interest expense, net | 525,887 | 35,651 |
| Net loss | \$(6,417,806) | \$(7,920,606) |
| Basic and diluted loss per share | \$(0.16) | \$(0.24) |
| Weighted average number of common shares outstanding | 40,258,234 | 32,965,419 |

See accompanying notes to condensed consolidated financial statements.

Workhorse Group, Inc.**Condensed Consolidated Statements of Cash Flows****For the Three Months Ended March 31, 2018 and 2017****(Unaudited)**

| | 2018 | 2017 |
|---|---------------|----------------|
| Cash flows from operating activities: | | |
| Net loss | \$(6,417,806) | \$(7,920,606) |
| Adjustments to reconcile net loss from operations to cash used by operations: | | |
| Depreciation | 48,359 | 143,142 |
| Amortized discount and debt issuance costs on Senior Secured Notes | 493,750 | - |
| Stock based compensation | 72,178 | 327,262 |
| Effects of changes in operating assets and liabilities: | | |
| Accounts receivable and lease receivable | 693,278 | (349,300) |
| Inventory | (405,627) | (2,602,652) |
| Prepaid expenses and deposits | 730,365 | (1,278,374) |
| Accounts payable and accrued liabilities | (70,024) | (1,278,532) |
| Accounts payable, related parties | 61,312 | (77,242) |
| Customer deposits | 212,595 | - |
| Net cash used by operations | (4,581,620) | (13,036,302) |
| Cash flows from investing activities: | | |
| Capital expenditures | - | (35,883) |
| Proceeds from lease receivable | - | 110,718 |
| Net cash provided by investing activities | - | 74,835 |
| Cash flows from financing activities: | | |
| Payments on long-term debt | (9,024) | (4,788) |
| Issuance of common stock | 1,187,415 | 22,485,999 |
| Exercise of warrants and options | 87,315 | 251,581 |
| Net cash provided by financing activities | 1,265,706 | 22,732,792 |
| Change in cash and cash equivalents | (3,315,914) | 9,771,325 |
| Cash at the beginning of the period | 4,069,477 | 469,570 |
| Cash at the end of the period | \$753,563 | \$10,240,895 |

Supplemental disclosure of non-cash activities:

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During the three months ended March 31, 2017, the Company converted Shareholder advances of \$229,772 and accrued interests of \$26,727 to common stock of \$172 and additional paid-in capital of \$256,327.

See accompanying notes to condensed consolidated financial statements.

Workhorse Group Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The following accounting principles and practices are set forth to facilitate the understanding of data presented in the condensed consolidated financial statements:

Nature of operations and principles of consolidation

Workhorse Group Inc. and its predecessor companies (“Workhorse”, the “Company”, “we”, “us” or “our”) is a technology company focused on providing sustainable and cost-effective solutions to the commercial transportation sector. As an American manufacturer, we design and build high performance battery-electric electric vehicles and aircraft that make movement of people and goods more efficient and less harmful to the environment. As part of the Company’s solution, it also develops cloud-based, real-time telematics performance monitoring systems that enable fleet operators to optimize energy and route efficiency. Although the Company operates as a single unit through its subsidiaries, it approaches its development through two divisions, Automotive and Aviation. The Company’s core products, under development and/or in manufacture, are the medium duty step van, the light duty pickup, the delivery drone and the manned multicopter.

Workhorse, formerly known as Title Starts Online, Inc. and AMP Holding Inc., was incorporated in the State of Nevada in 2007 with \$3,100 of capital from the issuance of common shares to the founding shareholder. On August 11, 2008, the Company received a Notice of Effectiveness from the U.S. Securities and Exchange Commission, and on September 18, 2008, the Company closed a public offering in which it accepted subscriptions for an aggregate of 200,000 shares of its common stock, raising \$50,000 less offering costs of \$46,234. With this limited capital, the Company did not commence operations and remained a “shell company” (as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended).

On December 28, 2009, the Company entered into and closed a Share Exchange Agreement with the Shareholders of Advanced Mechanical Products, Inc. (n/k/a Workhorse Technologies, Inc.) (“AMP” or “Workhorse Technologies”) pursuant to which the Company acquired 100% of the outstanding securities of AMP in exchange for 14,890,904 shares of the Company’s common stock. Considering that, following the merger, the AMP Shareholders control the majority of the outstanding voting common stock of the Company, and effectively succeeded the Company’s otherwise

minimal operations to those that are AMP. AMP is considered the accounting acquirer in this reverse-merger transaction (the “Transaction”). A reverse-merger transaction is considered and accounted for as a capital transaction in substance; it is equivalent to the issuance of AMP securities for net monetary assets of the Company, which are de minimis, accompanied by a recapitalization. Accordingly, goodwill or other intangible assets have not been recognized in connection with the Transaction. AMP is the surviving entity and the historical financials following the Transaction were those of AMP. The Company was a shell company immediately prior to the Transactions pursuant to the terms of the Share Exchange Agreement. As a result of the Transaction, the Company operations focused on the design, marketing and sale of vehicles with an all-electric power train and battery systems. Consequently, we believe that the Transaction caused the Company to cease to be a shell company as it had operations following the Transaction. The Company formally changed its name to AMP Holding Inc. on May 24, 2010.

Since the Transaction, the Company has devoted the majority of its resources to the development of an all-electric drive system capable of moving heavy large vehicles ranging from full size SUV’s up to and including medium duty commercial trucks. Additionally, in February 2013, the Company formed a new wholly owned subsidiary, Workhorse Motor Works Inc. (f/k/a AMP Trucks Inc.), an Indiana corporation. On March 13, 2013, Workhorse Motor Works Inc. closed on the acquisition of an asset purchase of assets from Workhorse Custom Chassis, LLC. The assets included in this transaction included: The Workhorse brand, access to the dealer network of 440 dealers nationwide, intellectual property, and all physical assets which included the approximately 250,000 sq. ft. of facilities on 48 acres of land in Union City, Indiana. This acquisition allows the Company to position itself as a medium duty OEM capable of producing new chassis with electric, propane, compressed natural gas, and hybrid configurations, as well as gasoline drive systems.

On April 16, 2015, the Company filed Articles of Merger with the Secretary of State of the State of Nevada to change the name from “AMP Holding Inc.” to “Workhorse Group Inc.”. The Company believes that this change allowed investors, customers and suppliers to better associate the Company with the Workhorse brand, which is well known in the market.

The condensed consolidated financial statements include Workhorse Group Inc. and its wholly owned subsidiaries, together referred as “The Company”. Intercompany transactions and balances are eliminated in consolidation.

The Company's wholly owned subsidiaries include Workhorse Technologies Inc., Workhorse Motor Works Inc. and Workhorse Properties Inc.

Basis of presentation

The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the Company has limited revenues and a history of negative working capital and stockholders' deficits. These conditions raise substantial doubt about the ability of the Company to continue as a going concern.

In view of these matters, continuation as a going concern is dependent upon the continued operations of the Company, which, in turn, is dependent upon the Company's ability to meet its financial requirements, raise additional capital, and successfully carry out its future operations. The financial statements do not include any adjustments to the amount and classification of assets and liabilities that may be necessary, should the Company not continue as a going concern.

The Company has continued to raise capital. Management believes the proceeds from these offerings, future offerings, and the Company's anticipated revenue, provides an opportunity to continue as a going concern. If additional funding is required, the Company plans to obtain working capital from either debt or equity financing from the sale of common stock, preferred stock, and/or convertible debentures. Obtaining such working capital is not assured.

In the opinion of Management, the Unaudited Condensed Consolidated Financial Statements include all adjustments that are necessary for the fair presentation of Workhorse's respective financial conditions, results of operations and cash flows for the interim periods presented. Such adjustments are of a normal, recurring nature. Intercompany balances and transactions are eliminated in consolidation. The results of operations and cash flows for the interim periods presented may not necessarily be indicative of full-year results. It is suggested that these financial statements be read in conjunction with the audited consolidated financial statements and notes thereto of Workhorse contained in its Annual Report on Form 10-K for the year ended December 31, 2017.

Certain reclassifications were made to the prior year financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operation or stockholders' equity.

2. INVENTORY

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As of March 31, 2018, and December 31, 2017, our inventory consisted of the following:

| | 2018 | 2017 |
|-----------------|-------------|-------------|
| Raw Materials | \$4,105,661 | \$3,205,618 |
| Work in Process | 921,908 | 1,416,324 |
| Finished Goods | - | - |
| | \$5,027,569 | \$4,621,942 |

3. LONG-TERM DEBT

Long-term debt consists of the following:

| | March 31, 2018 | December 31, 2017 |
|---|-------------------|----------------------|
| Senior Secured Notes, due June 30, 2018 (discount is based on imputed interest rate of 26%) | \$5,750,000 | \$ 5,750,000 |
| Less: unamortized discount and debt issuance costs on Senior Secured Notes | (493,750) | (987,500) |
| Net Senior Secured Notes | 5,256,250 | 4,762,500 |
| Secured mortgage payable to Bank for the purchase of the 100 Commerce Drive Building due in monthly installments of \$11,951. | 1,732,354 | 1,741,378 |
| Note payable, former building owner interest payment only due in monthly installments of \$1,604 interest at 5.5%. A balloon payment of \$350,000 plus unpaid interest due August 2018. | 350,000 | 350,000 |
| | 7,338,604 | 6,853,878 |
| Less current portion | 5,637,996 | 5,143,997 |
| Long term debt | \$1,700,608 | \$ 1,709,881 |

On December 26, 2017, as part of its initial efforts to spin-off SureFly, the Company entered into a Securities Purchase Agreement with several existing institutional investors pursuant to which the company issued original issue discount Senior Secured Notes in the aggregate principal amount of \$5,750,000 in consideration of gross proceeds of \$5,000,000 paid by the Spin-Off Investors. The loan is convertible into SureFly equity upon achieving the spin-out.

Amortization expense related to the debt issuance costs and unamortized discounts for the Senior Secured Notes was \$493,750 for the quarter ended March 31, 2018.

4. REVENUE

Change in Accounting Principle

In May 2014, the FASB issued ASU Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)". The guidance in this ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (for example, insurance contracts or lease contracts). This guidance requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services.

Beginning in January 2018, the Company adopted the provisions of ASU 2014-09 Topic 606 under the modified retrospective method, which requires a cumulative effect adjustment to the opening balance of retained earnings on the date of adoption. This approach was applied to contracts not completed as of December 31, 2017. No significant change to revenue recognition, as previously recognized, was identified. At date of adoption, there was no adjustment to retained earnings related to the adoption of ASU 2014-09. At date of adoption, there was no significant change to our past revenue recognition practices and therefore no adjustment to the opening balance of retained earnings was required.

Revenue Recognition

Net sales include products and shipping and handling charges, net of estimates for customer allowances. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring products. All revenue is recognized when we satisfy our performance obligations under the contract. We recognize revenue by transferring the promised products to the customer, with the majority of revenue recognized at the point in time the customer obtains

control of the products. We recognize revenue for shipping and handling charges at the time the products are delivered to or picked up by the customer. The majority of our contracts have a single performance obligation and are short term in nature.

Accounts Receivable

Credit is extended based upon an evaluation of the customer's financial condition. Accounts receivable are stated at their estimated net realizable value. The allowance for doubtful accounts is based on an analysis of customer accounts and our historical experience with accounts receivable write-offs.

The Company has elected the following practical expedients allowed under ASU 2014-09:

Performance obligations are satisfied within one year from a given reporting date, consequently we omit disclosure of the transaction price apportioned to remaining performance obligations on open orders

Disaggregation of Revenue

Our revenues related to the following types of business were as follows for the periods ended March 31:

| | Three Months Ended | |
|----------------|--------------------|-------------|
| | 2018 | 2017 |
| Automotive | \$404,854 | \$1,568,500 |
| Aviation | - | - |
| Other | 155,375 | 1,537 |
| Total revenues | \$560,229 | \$1,570,037 |

5. INCOME TAXES

As the Company has not generated taxable income since inception, the cumulative deferred tax assets remain fully reserved, and no provision or liability for federal or state income taxes has been included in the financial statements.

6. EARNINGS PER SHARE

Basic loss per share is computed by dividing net loss available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. For all periods presented, all of the Company's common stock equivalents were excluded from the calculation of diluted loss per common share because they were anti-dilutive, due to the Company's net losses.

7. RECENT ACCOUNTING DEVELOPMENTS

Accounting Guidance Adopted in 2018

Effective January 1, 2018, we adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, and affects the guidance in ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). ASU No. 2016-10 clarifies the following two aspects of Topic 606: evaluating whether promised goods and services are separately identifiable and determining whether an entity's promise to grant a license provides a customer with either a right to use the entity's intellectual property, which is satisfied at a point in time, or a right to access the entity's intellectual property, which is satisfied over time. The Company adopted ASU No. 2016-10, using the modified retrospective approach, which did not have a material impact on the Company's condensed consolidated financial statements. Additional information is available in Note 4, "Revenue."

Effective January 1, 2018, we adopted FASB ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), and affects the guidance in ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." .. When another party is involved in providing goods or services to a customer, ASU No. 2014-09 requires an entity to determine whether the nature of its promise is to provide the specified good or service itself (that is, the entity is a principal) or to arrange for that good or service to be provided by the other party (that is, the entity is an agent). The amendments in ASU No. 2016-08 are intended to improve the operability and understandability of the implementation guidance in ASU No. 2014-09 on principal versus agent considerations by offering additional guidance to be considered in making the determination. The Company adopted ASU No. 2016-08, using the modified retrospective approach, which did not have a material impact on the Company's condensed consolidated financial statements. Additional information is available in Note 4,

“Revenue.”

Accounting Guidance Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires a lessee to recognize in the statement of financial position a liability to make lease payments (“the lease liability”) and a right-of-use asset representing its right to use the underlying asset for the lease term, initially measured at the present value of the lease payments. When measuring assets and liabilities arising from a lease, the lessee should include payments to be made in optional periods only if the lessee is reasonably certain, as defined, to exercise an option to the lease or not to exercise an option to terminate the lease. Optional payments to purchase the underlying asset should be included if the lessee is reasonably certain it will exercise the purchase option. Most variable lease payments should be excluded except for those that depend on an index or a rate or are in substance fixed payments. A lessee shall classify a lease as a finance lease if it meets any of five listed criteria: 1) The lease transfers ownership of the underlying asset to the lessee by the end of the lease term. 2) The lease grants the lessee and option to purchase the underlying asset that the lessee is reasonably certain to exercise. 3) The lease term is for the major part of the remaining economic life of the underlying asset. 4) The present value of the sum of the lease payments and any residual value guaranteed by the lessee equals or exceeds substantially all of the fair value of the underlying asset. 5) The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term. For finance leases, a lessee shall recognize in the statement of comprehensive income interest on the lease liability separately from amortization of the right-of-use asset. Amortization of the right-of-use asset shall be on a straight-line basis, unless another basis is more representative of the pattern in which the lessee expects to consume the right-of-use asset’s future economic benefits. If the lease does not meet any of the five criteria, the lessee shall classify it as an operating lease and shall recognize a single lease cost on a straight-line basis over the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. The amendments in this update are to be applied using a modified retrospective approach, as defined, and are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2018. Early application is permitted. The Company is currently evaluating the financial statement impact of adopting the new guidance.

8. PRIVATE PLACEMENT MEMORANDUM AND STOCK OFFERING

On February 1, 2017, the Company announced the completion of its underwritten public offering of 6,500,000 shares of its common stock at a public offering price of \$3.00 per share. In addition, the underwriters exercised an option to purchase an additional 975,000 shares of common stock at the public offering price, less the underwriting discounts and commissions.

All of the shares in the offering were sold by Workhorse Group, with gross proceeds to Workhorse Group of approximately \$22.4 million and net proceeds of approximately \$20.5 million, after deducting underwriting discounts and commissions and estimated offering expenses.

On June 22, 2017, Workhorse entered into an at the market issuance sales agreement (the “Cowen Agreement”) with Cowen and Company, LLC (“Cowen”) under which the Company may offer and sell, from time to time at its sole discretion, shares of its Common Stock having an aggregate offering price of up to \$25,000,000 through Cowen as its sales agent. As of March 31, 2018, the Company issued 1,060,783 shares from this facility.

On September 14, 2017, the Company entered into an underwriting agreement (the “Underwriting Agreement”) with Cowen relating to the public offering and sale (the “Offering”) of 3,749,996 shares of the Company’s common stock, and five-year warrants (exercisable beginning on the date of issuance) to purchase up to an aggregate of 2,812,497 shares of the Company’s common stock. Each investor received a warrant to purchase 0.75 shares of the Company’s common stock at an exercise price of \$3.80 per share, for each share of common stock purchased.

Pursuant to the Underwriting Agreement, Cowen purchased 3,749,996 shares of the Company’s common stock and accompanying warrants at a price per share of \$3.20. The net proceeds to the Company were approximately \$10.9 million after deducting underwriting discounts and commissions and offering expenses. The sale of such shares and accompanying warrants closed on September 18, 2017. The warrants contain full ratchet anti-dilution protection upon the issuance of any common stock, securities convertible into common stock or certain other issuances at a price below the then existing exercise price of the warrants, with certain exceptions.

9. SUBSEQUENT EVENTS

The Company evaluates events and transactions occurring subsequent to the date of the condensed consolidated financial statements for matters requiring recognition or disclosure in the condensed consolidated financial statements. The accompanying condensed consolidated financial statements consider events through May 9, 2018, the date on which the condensed consolidated financial statements were available to be issued.

On April 26, 2018, the Company entered into and closed Subscription Agreements with accredited investors (the “April 2018 Accredited Investors”) pursuant to which the April 2018 Accredited Investors purchased 531,066 shares of the Company’s common stock (“April 2018 Shares”) for a purchase price of \$1,444,500 or \$2.72 per share.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview and Quarter Highlights

We are a technology company focused on providing sustainable and cost-effective solutions to the commercial transportation sector. As an American manufacturer, we design and build high performance battery-electric vehicles and aircraft that make movement of people and goods more efficient and less harmful to the environment. As part of our solution, we also develop cloud-based, real-time telematics performance monitoring systems that enable fleet operators to optimize energy and route efficiency. Although we operate as a single unit through our subsidiaries, we approach our development through two divisions, Automotive and Aviation. Our core products, under development and/or in manufacture, are the last mile step and cargo vans, the W-15 pickup truck, the delivery drone and the manned multicopter, SureFly.

Workhorse electric delivery vans are currently in production and are in use by our customers on U.S. roads. Our delivery customers include companies such as UPS, FedEx Express, Alpha Baking and WB Mason. Data from our in-house developed telematics system demonstrates our vehicles on the road are averaging approximately a 500% increase in fuel economy as compared to conventional gasoline-based trucks of the same size and duty cycle.

In addition to improved fuel economy, we anticipate that the performance of our vehicles on-route will reduce long-term vehicle maintenance expense by approximately 50% as compared to fossil-fueled trucks.

In March of 2013, we purchased the former Workhorse Custom Chassis assembly plant in Union City, Indiana from Navistar International (NAV: NYSE). With this acquisition, we acquired the capability to be an Original Equipment Manufacturer (OEM) of Class 3-6 commercial-grade, medium-duty truck chassis, to be marketed under the Workhorse® brand. All Workhorse last mile delivery vans are assembled in the Union City assembly facility.

From our development modeling and the existing performance of our electric vehicles on American roads, we estimate that our E-GEN Range-Extended Electric delivery vans will save over \$150,000 in fuel and maintenance savings over the 20-year life of the vehicle. Due to the positive return-on-investment, we place a premium price for our vehicles when selling to major fleet buyers. We expect that fleet buyers will be able to achieve a four-year or better return-on-investment (without government incentives), which we believe justifies the higher acquisition cost of our vehicles.

We believe that we are the only medium-duty battery-electric OEM in the U.S. and we will be introducing additional light-duty electric and range-extended electric vehicles in late 2018 and 2019.

Our goal is to continue to increase sales and production, while executing on our cost-down strategy to a point that will enable us to achieve gross margin profitability of the last mile-delivery van platform. As a key strategy, we have begun development of the Workhorse N-GEN platform, which has been accelerated from our development efforts on the USPS Next Generation Delivery Vehicle (“NGDV”) program.

The Workhorse N-GEN electric cargo van platform will be available in multiple size configurations, 500, 700 and 1,000 cubic feet. We intend to initiate the launch with the 500 cubic foot configuration where it is designed to compete with the Sprinter, Transit and RAM gasoline/diesel trucks in the commercial sector with an emphasis on last-mile delivery and other service-oriented businesses, such as telecom. This ultra-low floor platform incorporates state-of-the-art safety features, economy and performance: we expect these vehicles to achieve a fuel economy of approximately 60 MPG and offer fleet operators the most favorable total cost-of-ownership of any comparable vehicle available today. We believe we are the first American OEM to market a U.S. built electric cargo van, and early indications of fleet interest are significant. We expect the N-GEN trucks will be supported by our Ryder Systems partnership.

As a direct result of the USPS award and development efforts, Workhorse has begun development on the Workhorse W-15, a medium- and light-duty pickup truck platform aimed at commercial fleets. The W-15 pickup truck powertrain is a smaller version of its sister vehicle, the medium-duty battery electric powertrain, and will have two purpose-built variants, a W-15 work truck (pickup) and an N-GEN cargo van. Either of these two variants will appeal to delivery fleets, utility companies, telecom companies, municipalities and more.

Our HorseFly Delivery Drone is a custom designed, purpose-built drone that is fully integrated in our electric trucks. HorseFly is an octocopter designed with a maximum gross weight of 30 lbs., a 10 lb. payload and a maximum air speed of 50 mph. It is designed and built to be rugged and consisting of redundant systems to further meet the FAA’s required rules and regulations.

SureFly is our entry into the emerging Vertical Take-Off and Landing (“VTOL”) market. It is designed to be a two-person, 400-pound payload aircraft with a hybrid internal combustion/electric power generation system. Our approach in the design is to build the safest and simplest way to fly rotary wing aircraft in the world. We believe it is a practical answer to personal flight, as well as, commercial transportation segments, including air taxi series, agriculture and beyond.

The FAA to-date has granted three separate Workhorse Inc. aerospace team an Experimental Airworthiness Certifications, registered as N834LW, for the aircraft. These certifications come after an extensive design review and inspection of the aircraft with each renewed certificate.

We continue to leverage our knowledge of high-voltage battery packs, electric motor controls, software and range extending generators to design a multicopter that can carry a pilot and passenger.

Results of Operations

Our condensed consolidated statement of operations data for the period presented follows:

| | Three Months Ended March 31, | |
|-------------------------------------|---------------------------------|---------------|
| | 2018 | 2017 |
| Sales | \$560,229 | \$1,570,037 |
| Cost of sales | 1,714,370 | 4,312,088 |
| Gross loss | (1,154,141) | (2,742,051) |
| Operating expenses | | |
| Selling, general and administrative | 2,400,147 | 1,899,582 |
| Research and development | 2,337,631 | 3,243,322 |
| Total operating expenses | 4,737,778 | 5,142,904 |
| Interest expense, net | 525,887 | 35,651 |
| Net loss | \$(6,417,806) | \$(7,920,606) |

Sales

Net sales for the three months ended March 31, 2018 and 2017 were approximately \$0.6 million and \$1.6 million, respectively. The decrease was primarily due to a decrease in volume of trucks sold.

Cost of Sales

Cost of Sales for the three months ended March 31, 2018 and 2017 were \$1.7 million and \$4.3 million, respectively. The decrease was primarily related due to a decrease in volume of trucks sold. Materials and components for the manufacturing of the initial trucks were acquired at low volume pricing. We are in the process of negotiating high volume pricing and credit terms with vendors as production volume is increasing.

Selling, General and Administrative Expenses

Selling, general and administrative (“SG&A”) expenses during the three months ended March 31, 2018 and 2017 were \$2.4 million and \$1.9 million, respectively. The increase related primarily to increases in legal and consulting expense for the planned SureFly spinoff and employee salaries and benefits due to increased headcount during the period.

Research and Development Expenses

Research and development (“R&D”) expenses during the three months ended March 31, 2018 and 2017 were \$2.3 million and \$3.2 million, respectively. The decrease in R&D expenses is due to the decrease in prototype expenses for the USPS NGDV and SureFly.

Liquidity and Capital Resources

Cash Requirements

From inception, we have financed our operations primarily through sales of equity securities. We have consumed substantial amounts of capital to date as we continue our R&D activities and manufacturing our vehicles.

As of March 31, 2018, we had approximately \$0.8 million in cash, cash equivalents and short-term investments, as compared to approximately \$4.1 million as of December 31, 2017, a decrease of approximately \$3.3 million. The decrease was primarily attributable to the operating loss for the period partially offset by the issuance of common stock during the period.

We believe that our existing capital resources will be sufficient to support our current and projected funding requirements through the end of the second quarter of 2018. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we currently expect. Because of the numerous risks and uncertainties associated with the development of our business and research and development activities, including risks and uncertainties that could impact the rate of progress of our development activities, we are unable to estimate with certainty the amounts of increased capital outlays and operating expenditures.

Our operations will require significant additional funding for the foreseeable future. Unless and until we are able to generate a sufficient amount of revenue and reduce our costs, we expect to finance future cash needs through public and/or private offerings of equity securities and/or debt financings. With the exception of contingent and royalty payments that we may receive under our existing collaborations, we do not currently have any committed future funding. To the extent we raise additional capital by issuing equity securities, our stockholders could at that time experience substantial dilution. Any debt financing that we are able to obtain may involve operating covenants that restrict our business.

Our future funding requirements will depend upon many factors, including, but not limited to:

- our ability to acquire or license other technologies or compounds that we may seek to pursue;
- our ability to manage our growth;
- competing technological and market developments;
- the costs and timing of obtaining, enforcing and defending our patent and other intellectual property rights; and
- expenses associated with any unforeseen litigation.

Insufficient funds may require us to delay, scale back or eliminate some or all of our research or development programs, limit our sales activities, limit or cease production or negatively impact our operations.

For the three months ended March 31, 2018, we maintained an investment portfolio primarily in money market funds, U. S. treasury bills, government-sponsored enterprise securities, and corporate bonds and commercial paper. Cash in excess of immediate requirements is invested with regard to liquidity and capital preservation. Wherever possible, we seek to minimize the potential effects of concentration and degrees of risk. We will continue to monitor the impact of the changes in the conditions of the credit and financial markets to our investment portfolio and assess if future changes in our investment strategy are necessary

Summary of Cash Flows

| | Three Months Ended March 31, | |
|--|---------------------------------|----------------|
| | 2018 | 2017 |
| Net cash used in operating activities | \$(4,581,620) | \$(13,036,302) |
| Net cash used in investing activities | \$- | \$74,835 |
| Net cash used and provided by financing activities | \$1,265,706 | \$22,732,792 |

Cash Flows from Operating Activities

Our cash flows from operating activities are affected by our cash investments to support the business in research and development, manufacturing, selling, general and administration. Our operating cash flows are also affected by our working capital needs to support fluctuations in inventory, personnel expenses, accounts payable and other current assets and liabilities.

During the three months ended March 31, 2018 and 2017, cash used by operating activities was \$4.6 million and \$13.0 million, respectively. The decrease in net cash used in operations in 2018 as compared to 2017 was mainly due to a decrease in operating losses and improvements in our working capital accounts.

Cash Flows from Financing Activities

During the three months ended March 31, 2018 and 2017, net cash provided by financing activities was \$1.3 million and \$22.8 million, respectively. Cash flows from financing activities during the three months ended March 31, 2017 consisted primarily of a net of \$20.5 million from a stock public offering.

The Company may seek to raise additional capital through public or private debt or equity financings in order to fund its operations.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Critical Accounting Policies

Our accounting policies are fundamental to understanding management's discussion and analysis of financial condition and results of operations. Our Unaudited Condensed Consolidated Financial Statements are prepared in conformity with GAAP and follow general practices within the industry in which we operate. The preparation of the financial statements requires management to make certain judgments and assumptions in determining accounting estimates. Accounting estimates are considered critical if the estimate requires management to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and different estimates reasonably could have been used in the current period, or changes in the accounting estimate are reasonably likely to occur from period to period, that would have a material impact on the presentation of our financial condition, changes in financial condition or results of operations.

For a discussion of our critical accounting policies and estimates, see "Critical Accounting Policies" included in our Annual Report on Form 10-K for the year ended December 31, 2017, under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations." We have made no significant changes to our critical accounting policies and estimates, other than the adoption of ASC 606, from those described in our Annual Report on Form 10-K for the year ended December 31, 2017.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a discussion of our quantitative and qualitative disclosures about market risk, see “Quantitative and Qualitative Disclosures About Market Risks” included in our Annual Report on Form 10-K for the year ended December 31, 2017, under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” There have been no material changes to the information provided in our Annual Report on Form 10-K for the year ended December 31, 2017.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Pursuant to Rules 13a-15(b) and 15d-15(b) under the Securities Exchange Act of 1934, as amended (“Exchange Act”), the Company carried out an evaluation, with the participation of the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer of the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this report. The term “disclosure controls and procedures”, as defined under Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were not effective due to material weaknesses in our internal control over financial reporting that existed as of March 31, 2018, as discussed below.

As previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, we identified the following material weaknesses:

The Company has not established adequate financial reporting monitoring activities to mitigate the risk of accounting errors, specifically because there are few employees and turnover in the finance function had been high.

The Company expanded significantly in 2016 and 2017 and as a result of its organic growth it has not been able to establish the proper accounting and financial reporting oversight of its increased activity. In addition, resources were redirected toward the support of the SureFly spin-off in late 2017 and in early 2018.

The lack of a fully implemented enterprise resource planning (ERP) system to handle prepayments contributed to the situation.

With respect to our internal control over financial reporting, these material weaknesses have been and continue to be discussed among management and our Audit Committee. Management intends to review, revise and improve our internal control over financial reporting until the material weaknesses in internal control over financial reporting are eliminated.

Management's specific remediation to address these material weaknesses will and has included among other items:

Complete implementation of the ERP system modules covering purchase orders and inventory

Review and implement adequate account reconciliation processes to improve the end of period closing process

Augment current financial staffing with a technical accounting resource

We believe the initiated remediation measures will strengthen our internal control over financial reporting and should eventually remediate the material weaknesses identified. However, because we are still assessing the design and operating effectiveness of these measures and need to put more controls in place, the identified material weaknesses have not been remediated as of March 31, 2018. We will continue to monitor the effectiveness of these remediation measures and will make any changes and take such other actions that we deem appropriate.

We assessed the material weaknesses' impact to the condensed consolidated financial statements to ensure they were prepared in accordance with GAAP and present fairly the condensed consolidated financial position, financial results of operations and cash flows as of and for the three months ended March 31, 2018. Based on these additional procedures and assessment, we concluded that the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q present fairly, in all material aspects, our financial position, results of operations and cash flows for the periods presented.

Changes in Internal Control over Financial Reporting

The Company has completed implementation of a new ERP system which includes modules covering purchase orders and inventory as of March 31, 2018.

Beginning January 1, 2017, we implemented ASC 606, Revenue from Contracts with Customers. Although the new revenue standard is expected to have an immaterial impact on our ongoing net income, we did implement changes to our processes related to revenue recognition and the control activities within them. These included the development of new policies based on the five-step model provided in the new revenue standard, new training, ongoing contract review requirements, and gathering of information provided for disclosures.

Except as described above, there were no changes in our internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved from time to time in legal proceedings incidental to the conduct of our business. We do not believe that any liability that may result from these proceedings will have a material adverse effect on our Unaudited Condensed Consolidated Financial Statements.

ITEM 1A. RISK FACTORS

For a detailed discussion of risk factors affecting us, see “Part I – Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2017.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On April 26, 2018, the Company entered into and closed Subscription Agreements with accredited investors (the “April 2018 Accredited Investors”) pursuant to which the April 2018 Accredited Investors purchased 531,066 shares of the Company’s common stock (“April 2018 Shares”) for a purchase price of \$1,444,500 or \$2.72 per share.

On April 24, 2018, the Company entered into an Agreement with Prefix Corporation, an integral vendor, pursuant to which the Company issued 113,874 shares of common stock to settle an invoice in the amount of \$298,350.

The offer, sale and issuance of the above securities was made to accredited investors and the Company relied upon the exemptions contained in Section 4(a)(2) of the Securities Act and/or Rule 506 of Regulation D promulgated there under with regard to the sale. No advertising or general solicitation was employed in offering the securities. The offer and sales were made to accredited investors and transfer of the common stock will be restricted by the Company in accordance with the requirements of the Securities Act of 1933, as amended.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

| Exhibit No. | Description |
|--------------------|---|
| 3.1 | <u>Certificate of Designation for Series A Preferred Stock (1)</u> |
| 3.2 | <u>Certificate of Change (2)</u> |
| 3.3 | <u>Certificate of Correction (2)</u> |
| 3.4 | <u>Articles of Merger (3)</u> |
| 3.5 | <u>Certificate of Correction (Articles of Merger) (3)</u> |
| 3.6 | <u>Certificate of Amendment to the Certificate of Incorporation (4)</u> |
| 3.7 | <u>Certificate of Incorporation (5)</u> |
| 3.8 | <u>Articles of Merger between AMP Holding Inc. Workhorse Group Inc. (16)</u> |
| 3.9 | <u>Certificate of Change filed December 9, 2015 (20)</u> |
| 4.1 | <u>Stock Option to acquire 500,000 shares of common stock issued to James Taylor dated May 25, 2011 (6)</u> |
| 4.2 | <u>Common Stock Purchase Warrant to acquire 500,000 shares of common stock issued to James Taylor dated May 25, 2011 (6)</u> |
| 4.3 | <u>Stock Option to acquire 500,000 shares of common stock issued to Stephen Burns dated May 25, 2011 (6)</u> |
| 4.4 | <u>Common Stock Purchase Warrant to acquire 500,000 shares of common stock issued to Stephen Burns dated May 25, 2011 (6)</u> |
| 4.5 | <u>Conversion Letter Agreement by and between Stephen Burns and AMP Holding Inc. (7)</u> |
| 4.6 | <u>Form of Warrant by and between AMP Holding Inc. and the January 2013 Accredited Investor (8)</u> |
| 4.7 | <u>Common Stock Purchase Warrant issued to Stephen Baksa (9)</u> |
| 4.8 | <u>2014 Incentive Stock Plan (11)</u> |
| 4.9 | <u>Form of Common Stock Purchase Agreement entered between AMP Holding Inc and the December 2014 Investors (31)</u> |
| 4.10 | <u>Form of Common Stock Purchase Warrant issued to the December 2014 Investors (31)</u> |
| 4.11 | Intentionally Left Blank |
| 4.12 | <u>Form of Subscription Agreement by and between Workhorse Group Inc. and the 2015 Accredited Investors (17)</u> |
| 4.13 | <u>Form of Securities Purchase Agreement entered between Workhorse Group Inc. and the November 2015 Investors (18)</u> |
| 4.14 | <u>Form of 6% Convertible Promissory Note issued to the November 2015 Investors (18)</u> |
| 4.15 | <u>Form of Stock Purchase Warrant issued to the November 2015 Investors (18)</u> |
| 4.16 | <u>Form of Securities Purchase Agreement entered between Workhorse Group Inc. and the Convertible Note Investor(19)</u> |
| 4.17 | <u>Form of 6% Convertible Promissory Note issued to the Investors (19)</u> |
| 4.18 | <u>Form of Stock Purchase Warrant issued to the Investors (19)</u> |
| 4.19 | <u>Stock Option Agreement by and between Workhorse Group Inc. and Gerald Budde dated December 17, 2015 (21)</u> |
| 4.20 | <u>Stock Option Agreement by and between Workhorse Group Inc. and H. Benjamin Samuels dated December 17, 2015 (21)</u> |
| 4.21 | <u>Stock Option Agreement by and between Workhorse Group Inc. and Harry DeMott dated September 16, 2016 (24)</u> |
| 4.22 | Intentionally left blank. |
| 4.23 | |

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- 4.24 Securities Purchase Agreement entered between Workhorse Group Inc. and Joseph T. Lukens dated January 10, 2017 (26)
- 4.25 6% Convertible Debenture issued to Joseph T. Lukens dated January 10, 2017 (26)
- 4.26 Form of Warrant – September 2017 (35)
- 10.1 Form of Senior Secured Note dated December 26, 2017 (36)
- 10.1 Share Exchange Agreement dated as of December 28, 2009 by and among Advanced Mechanical Products, Inc., the shareholders of Advanced Mechanical Products, Inc. and Title Starts Online, Inc. (1)
- 10.2 Employment Agreement by and between AMP Holding Inc. and Stephen S. Burns dated December 8, 2010 (12)
- 10.3 Letter Agreement by and between AMP Holding Inc. and Martin J. Rucidlo dated August 24, 2012 (13)
- 10.4 Asset Purchase Agreement by and between Workhorse Custom Chassis, LLC, as Seller, and AMP Trucks Inc., as Buyer dated as of March 4, 2013 (10)
- 10.5 Amendment No. 1 to the Asset Purchase Agreement by and between Workhorse Custom Chassis, LLC, as Seller, and AMP Trucks Inc., as Buyer dated as of March 13, 2013 (10)
- 10.6 Employment Agreement between AMP Holding Inc. and Julio C. Rodriguez dated August 15, 2013 (14)
- 10.7 Director Agreement by and between AMP Holding Inc. and Raymond Chess dated October 24, 2013 (15)
- 10.8 Director Agreement by and between Workhorse Group Inc. and Gerald Budde dated December 17, 2015 (21)
- 10.9 Director Agreement by and between Workhorse Group Inc. and Benjamin Samuels dated December 17, 2015 (21)
- 10.10 Director Agreement by and between Workhorse Group Inc. and Harry DeMott dated September 15, 2016 (24)
- 10.11 Form of Warrant Exercise Agreement (25)
- 10.12 Conversion Agreement between Joseph T. Lukens and the Company dated January 27, 2017 (27)
- 10.13 Services Partner Agreement between Workhorse Group Inc. and Ryder Truck Rental, Inc. dated April 27, 2017 (29)
- 10.14 Executive Retention Agreement by and between Workhorse Group Inc. and Stephen S. Burns dated May 19, 2017 (30)
- 10.15 Executive Retention Agreement by and between Workhorse Group Inc. and Duane Hughes dated May 19, 2017 (30)
- 10.16 Executive Retention Agreement by and between Workhorse Group Inc. and Julio Rodriguez dated May 19, 2017 (30)
- 10.17 Sales Agreement, dated June 22, 2017, by and between Workhorse Group Inc. and Cowen and Company, LLC (32)

| Exhibit No. | Description |
|--------------------|--|
| 10.18 | <u>Executive Retention Agreement by and between Workhorse Group Inc. and Paul Gaitan dated August 9, 2017 (34)</u> |
| 10.19 | <u>Letter Agreement by and between Workhorse Group Inc. and Julio Rodriguez dated August 9, 2017 (34)</u> |
| 10.20 | <u>Form of Indemnification Agreement (30)</u> |
| 10.21 | <u>Form of Employee Invention Assignment, Confidentiality, Non-Compete and Non-Solicit Agreement (30)</u> |
| 10.22 | <u>Form of Securities Purchase Agreement dated December 26, 2017 (36)</u> |
| 10.23 | <u>Form of Pledge and Security Agreement dated December 26, 2017 (36)</u> |
| 10.24 | <u>Form of Pledge Agreement dated December 26, 2017 (36)</u> |
| 10.25 | <u>Form of Guaranty dated December 26, 2017 (36)</u> |
| 10.26 | <u>Bill of Sale entered between Workhorse Group Inc. and SureFly, Inc. dated December 26, 2017 (36)</u> |
| 21.1 | <u>List of Subsidiaries (28)</u> |
| 31.1 | <u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u> |
| 31.2 | <u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u> |
| 32.1 | <u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u> |
| 32.2 | <u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u> |
| 99.1 | <u>Nominating and Corporate Governance Committee Charter adopted by the Board of Directors of Workhorse Group Inc. on December 17, 2015(33)</u> |
| 99.2 | <u>Compensation Committee Charter adopted by the Board of Directors of Workhorse Group Inc. on December 17, 2015 (33)</u> |
| 99.3 | <u>Audit Committee Charter adopted by the Board of Directors of Workhorse Group Inc. on December 17, 2015 (33)</u> |
| EX-101.INS | XBRL INSTANCE DOCUMENT |
| EX-101.SCH | XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT |
| EX-101.CAL | XBRL TAXONOMY EXTENSION CALCULATION LINKBASE |
| EX-101.DEF | XBRL TAXONOMY EXTENSION DEFINITION LINKBASE |
| EX-101.LAB | XBRL TAXONOMY EXTENSION LABELS LINKBASE |
| EX-101.PRE | XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE |

- (1) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on January 4, 2010.
- (2) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on May 25, 2010.
- (3) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on May 25, 2010.
- (4) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on September 10, 2010.
- (5) Incorporated by referenced to the Form SB-2 Registration Statement filed with the Securities and Exchange Commission on February 4, 2008.
- (6)

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- Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on June 1, 2011.
- (7) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on July 11, 2012.
- (8) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on February 5, 2013.
- (9) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on February 28, 2013.
- (10) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on March 13, 2013.
- (11) Incorporated by reference to the Form S-8 Current Report filed with the Securities and Exchange Commission on January 17, 2014.
- (12) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on December 13, 2010.
- (13) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on August 30, 2012.
- (14) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on August 16, 2013.
- (15) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on October 30, 2013.
- (16) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on April 16, 2015.
- (17) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on September 10, 2015.
- (18) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on November 12, 2015.
- (19) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on November 12, 2015.
- (20) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on December 10, 2015.
- (21) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on December 21, 2015.
- (22) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on March 30, 2016.
- (23) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on July 8, 2016.
- (24) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on September 9, 2016.
- (25) Incorporated by reference to the Form S-3/A Registration Statement filed with the Securities and Exchange Commission on December 12, 2016.
- (26) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on January 12, 2017.
- (27) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on February 1, 2017.
- (28) Incorporated by reference to the Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on November 14, 2016.
- (29) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on May 3, 2017.
- (30) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on May 19, 2017.
- (31)

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- Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on December 11, 2014.
- (32) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on June 22, 2017.
- (33) Incorporated by reference to the Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on August 9, 2017.
- (34) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on August 11, 2017.
- (35) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on September 14, 2017.
- (36) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on December 27, 2017.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

WORKHORSE GROUP INC.

Dated: May 9, 2018 By: /s/ Stephen S. Burns
Name: Stephen S. Burns
Title: Chief Executive
Officer
(Principal Executive
Officer)

Dated: May 9, 2018 By: /s/ Paul Gaitan
Name: Paul Gaitan
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)