Workhorse Group Inc.
Form 10-Q
August 14, 2015

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 June 30, 2015

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 incorporation or organization)	(I.R.S. Employer Identification No.)

100 Commerce Drive, Loveland, Ohio 45140

(Address of principal executive offices) (Zip Code)

513-360-4704

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, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company

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

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	**170,463,794**
(Class)	(Outstanding at August 14, 2015)

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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-Q that refer to the "Company", "Workhorse Group", "AMP Holding", "AMP", "we," "us" or "o are to Workhorse Group Inc. and unless otherwise differentiated, its wholly-owned subsidiaries, AMP Electric Vehicles, Inc. and AMP Trucks Inc.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Workhorse Group, Inc.

Consolidated Balance Sheets

June 30, 2015 and December 31, 2014

	(Unaudited) June 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$160,931	$442,257
Inventory	272,583	392,750
Prepaid expenses and deposits	109,471	74,623
	542,985	909,630
Property, plant and equipment, net	3,890,087	4,042,359
	$4,433,072	$4,951,989
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	$1,807,188	$1,603,555
Accounts payable, related parties	410,971	384,776
Notes payable	460,000	1,243,000
Shareholder advances	700,500	–
Current portion of long-term debt	2,763,375	35,904
	$6,142,034	$3,267,235
Long-term debt	10,000	2,494,141
Stockholders' equity (deficit):		
Series A preferred stock, par value of $.001 per share 75,000,000 shares shares authorized, 0 shares issued and outstanding at June 30, 2015 and December 31, 2014	–	–
Common stock, par value of $.001 per share 500,000,000 shares authorized, 168,394,828 shares issued and outstanding at June 30, 2015 and 149,944,982 shares	168,387	149,937

issued and outstanding at December 31, 2014		
Additional paid-in capital	30,127,359	27,128,582
Stock based compensation	6,016,435	6,002,586
Accumulated deficit	(38,031,143)	(34,090,492)
	(1,718,962)	(809,387)
	$4,433,072	$4,951,989

See accompanying notes to financial statements.

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Workhorse Group, Inc.

Consolidated Statements of Operations

For the Three and Six Months Ended June 30, 2015 and 2014

(Unaudited)

	Three Months Ended June 30, 2015	2014	Six Months Ended June 30, 2015	2014
Sales	$67,980	$177,459	$67,980	$177,459
Operating Expenses				
Selling, general and administrative	968,811	1,178,970	2,037,058	1,724,500
Research and development	872,234	899,662	1,719,368	1,469,017
Total operating expenses	1,841,045	2,078,632	3,756,426	3,193,517
Interest expense, net	108,227	64,759	252,205	156,977
Net loss during the development stage	$(1,881,292)	$(1,965,932)	$(3,940,651)	$(3,173,035)
Basic and diluted loss per share	$(0.01)	$(0.01)	$(0.02)	$(0.02)
Weighted average number of common shares outstanding	158,947,997	146,897,008	158,947,997	146,897,008

See accompanying notes to financial statements.

Workhorse Group, Inc.

Consolidated Statements of Cash Flows

For the Six Months Ended June 30, 2015 and 2014

(Unaudited)

	Six Months Ended June 30, 2015	2014
Cash flows from operating activities:		
Net loss during the development stage	$(3,940,651)	$(3,173,035)
Adjustments to reconcile net loss from operations to cash used by operations:		
Depreciation	187,802	202,986
Stock based compensation	165,922	751,114
Interest expense on convertible debentures	23,777	13,269
Amortized discount on convertible debentures	–	–
Legal, consulting and investment services	168,873	554,784
Interest expense paid in kind	247,500	225,000
Inventory reserve	120,167	–
Effects of changes in operating assets and liabilities:		
Prepaid expenses and deposits	(34,848)	(4,269)
Accounts payable	214,105	(142,901)
Accounts payable, related parties	26,195	(144,079)
Customer deposits	–	(177,500)
Net cash used by operations	(2,821,158)	(1,894,631)
Cash flows from investing activities:		
Capital expenditures	(35,530)	–
Net cash used by investing activities	(35,530)	–
Cash flows from financing activities:		
Proceeds from notes payable	460,000	–
Payments on long-term debt	(4,170)	(320,212)
Conversion of note payable	392,000	–
Shareholder advances, net of repayments	700,500	(1,928,300)
Issuance of common and preferred stock	1,027,031	5,942,300
Net cash provided by financing activities	2,575,361	3,693,788

Change in cash and cash equivalents	(281,327)	1,799,157
Cash at the beginning of the period	442,257	7,019
Cash at the end of the period	160,931	1,806,176

Issuance of common stock for the six months ended June 30, 2015 includes the conversion of shareholders' advances and interests of $1.6 million

See accompanying notes to financial statements.

Workhorse Group Inc.

Notes to Consolidated Financial Statements

(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINICPLES

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

Nature of operations and principles of consolidation

Workhorse Group Inc. (Workhorse, AMP, the Company, we, us or our) designs, develops, manufactures, and sells high-performance, medium-duty trucks with advanced powertrain components under the Workhorse chassis brand.

Workhorse Group Inc., 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 AMP Electric Vehicles, Inc.) (AMP) 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. 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 this reverse merger transaction. AMP is the surviving entity and the historical financials following the reverse merger transaction will be those of AMP. The Company was a shell company immediately prior to the acquisition of AMP pursuant to the terms of the Share Exchange Agreement. As a result of such acquisition, the Company operations are now focused on the design, marketing and sale of vehicles with an all-electric power train and battery systems. Consequently, we believe that acquisition has caused the Company to cease to be a shell company as it now has operations. The Company formally changed its name to AMP Holding Inc. on May 24, 2010.

Since the acquisition, 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, AMP Holding Inc. formed a new wholly owned subsidiary, AMP Trucks Inc., an Indiana corporation. On March 13, 2013 AMP Trucks Inc. closed on the acquisition of an asset purchase of 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. Revenues since the inception of the Company, February 20, 2007, through the date of these financial statements have not been significant and consist of customer vehicle conversions and sales of experimental vehicles.

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 believed that this change will allow investors, customers and suppliers to better associate the Company with the Workhorse brand, which is well known in the market.

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 has 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, preferred stock, and/or convertible debentures. Obtaining such working capital is not assured.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

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 (deficit).

Financial instruments

The carrying amounts of financial instruments including cash, inventory, accounts payable and short-term debt approximate fair value because of the relatively short maturity of these instruments.

Inventory

Inventory is stated at the lower of cost or market.

Property and depreciation

Property and equipment is recorded at cost. Major renewals and improvements are capitalized while replacements, maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed. When property and equipment is retired or otherwise disposed of, a gain or loss is realized for the difference between the net book value of the asset and the proceeds realized thereon. Depreciation is calculated using the straight-line method, based upon the following estimated useful lives:

Buildings: 15 - 30 years

Leasehold improvements: 7 years

Software: 3 - 6 years

Equipment: 5 years

Vehicles and prototypes: 3 - 5 years

Capital stock

On April 22, 2010, the directors of the Company approved a forward stock split of the common stock of the Company on a 14:1 basis. On May 12, 2010, the stockholders of the Company voted to approve the amendment of the certificate of incorporation resulting in a decrease of the number of shares of Common stock. The Company filed a 14c definitive information statement with the Securities and Exchange Commission and mailed the same to its shareholders. Management filed the certificate of amendment decreasing the authorized shares of common stock with the State of Nevada on September 8, 2010.

The capital stock of the Company is as follows:

Preferred Stock - The Company has authorized 75,000,000 shares of preferred stock with a par value of $.001 per share. These shares may be issued in series with such rights and preferences as may be determined by the Board of Directors. The Series A Stock is convertible, at any time at the option of the holder, into common shares of the Company based on a conversion price of $0.336 per share. The holders of the Series A Stock are not entitled to convert the Series A Stock and receive shares of common stock such that the number of shares of common stock held by them in the aggregate and their affiliates after such conversion or exercise does not exceed 4.99% of the then issued and outstanding shares of common stock. The Series A Stock has voting rights on an as converted basis, does not pay dividends, and does not provide any liquidation rights.

Common Stock - On January 5, 2015, our Board of Directors and stockholders approved an amendment to the Articles of Incorporation to increase the number of authorized shares of common stock from 250,000,000 to 500,000,000 with a par value of $0.001. The additional shares of common stock authorized by the Amendment, have the same rights and privileges as the shares of common stock previously authorized.

Revenue recognition / customer deposits

It is the Company's policy that revenues will be recognized in accordance with SEC Staff Bulletin (SAB) No. 104, "Revenue Recognition". Under SAB 104, product revenues (or service revenues) are recognized when persuasive evidence of an arrangement exists, delivery has occurred (or service has been performed), the sales price is fixed and determinable, and collectability is reasonably assured.

Income taxes

With the consent of its shareholders, at the date of inception, AMP elected under the Internal Revenue Code to be taxed as an S corporation. Since shareholders of an S corporation are taxed on their proportionate share of the Company’s taxable income, an S corporation is generally not subject to either federal or state income taxes at the corporate level. On December 28, 2009 pursuant to the merger transaction the Company revoked its election to be taxed as an S-corporation.

As no taxable income has occurred from the date of this merger to June 30, 2015 cumulative deferred tax assets of approximately $9.8 million are fully reserved, and no provision or liability for federal or state income taxes has been included in the financial statements. Carryover amount are:

Approximate net operating loss ($ millions)	Carryover to be used against taxable income generated through year
3.6	2030
6.7	2031
3.9	2032
4.7	2033
6.1	2034
3.7	2035

Uncertain tax positions

The Company adopted the provisions of Accounting for Uncertainty in Income Taxes. Those provisions clarify the accounting and recognition for income tax positions taken or expected to be taken in the Company's income tax returns. The Company's income tax filings are subject to audit by various taxing authorities. The years of filings open to these authorities and available for audit are 2012 - 2014. The Company's policy with regard to interest and penalties is to recognize interest through interest expense and penalties through other expense. No interest or penalties with regard to income tax filings were incurred in any period, including 2015 or 2014, or since the period of inception, February 20, 2007. In evaluating the Company's tax provisions and accruals, future taxable income, and the reversal of temporary differences, interpretations and tax planning strategies are considered. The Company believes their estimates are appropriate based on current facts and circumstances.

Research and development costs

The Company expenses research and development costs as they are incurred. Research and Development costs were approximately $1.7 million and $1.5 million for the six months period ended June 30, 2015 and 2014 respectively, consisting primarily of personnel costs for our teams in engineering and research, prototyping expense, and contract and professional services. Union City plant expenses prior to the start of production are also included in research and development expenses.

Basic and diluted loss 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, 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.

Stock based compensation

The Company accounts for its stock based compensation in accordance with "Share-Based Payments" (codified in FASB ASC Topic 718 and 505). The Company recognizes in its statement of operations the grant-date fair value of stock options and warrants issued to employees and non-employees. The fair value is estimated on the date of grant using a lattice-based valuation model that uses assumptions concerning expected volatility, expected term, and the expected risk-free rate of return. For the awards granted, the expected volatility was estimated by management as 50% based on a range of forecasted results. The expected term of the awards granted was assumed to be the contract life of the option or warrant (one, two, three, five or ten years as determined in the specific arrangement). The risk-free rate of return was based on market yields in effect on the date of each grant for United States Treasury debt securities with a maturity equal to the expected term of the award.

Related party transactions

Certain stockholders and stockholder family members have advanced funds or performed services for the Company. These services are believed to be at market rates for similar services from non-related parties. Related party accounts payable are segregated in the balance sheet.

Subsequent events

The Company evaluates events and transactions occurring subsequent to the date of the consolidated financial statements for matters requiring recognition or disclosure in the consolidated financial statements. The accompanying consolidated financial statements consider events through August 14, 2015, the date on which the consolidated financial statements were available to be issued.

2. PROPERTY, PLANT AND EQUIPMENT

As of June 30, 2015 and December 31, 2014, our property, plant and equipment, net, consisted of the following:

	June 30, 2015	December 31, 2014
Land	300,000	300,000
Buildings	3,800,000	3,800,000
Leasehold Improvements	19,225	19,225
Construction in progress	18,026	23,104
Software	27,721	27,721
Equipment	710,791	670,183
Vehicles and prototypes	164,959	164,959
	5,040,722	5,005,192
Less accumulated depreciation	(1,150,635)	(962,833)
	3,890,087	4,042,359

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3. LONG-TERM DEBT

Long-term debt consists of the following:

	June 30, 2015	December 31, 2014
Secured debenture payable to Workhorse Custom Chassis, LLC, due March 2016 plus interest at 10%. The debenture is secured by the real estate and related assets of the plant located in Union City, Indiana with a net book value of $3,805,015 at June 30, 2015	2,722,500	2,475,000
Note payable, Bank due in monthly installments of $635 including interest at 5.04% with the final payment due August 2015. The note is secured by equipment with a net book value of $1,121 at June 30, 2015	2,780	4,711
Note payable, vendor due in monthly installments of $439 including interest at 8.00% with the final payment due December 2014. The was paid on December 31, 2014	-	334
Note payable to the City of Loveland, due in annual installments of $10,241 including interest with the final payment due October 2016. Interest rate amended to 8.00%. The note is unsecured and contains restrictions on the use of proceeds.	50,000	50,000
	2,775,280	2,530,045
Less current portion	2,765,280	35,904
Long term debt	10,000	2,494,141

Aggregate maturities of long-term debt are as follows:

2015	2,765,280
2016	10,000
	2,775,280

The note payable to the City of Loveland contains job creation incentives whereby each annual payment may be forgiven by the City upon the Company meeting minimum job creation benchmarks. This loan agreement amended the incentives to 30 full time employees within the City of Loveland with payroll totaling $135,000 by October 31, 2013 and 40 employees with payroll totaling $175,000 by July 31, 2014, continuing with an average of 40 employees with payroll totaling $175,000 thereafter. The proceeds from this loan were to be used for qualified disbursements only, and the Company has been notified it did not meet the requirements for qualified disbursements and for forgiveness of the 2012 principal and interest payment, which is past due. In 2013 the Company made payments to an escrow account totaling $22,900.

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4. <u>SUBSCRIPTION AGREEMENTS</u>

The Company entered into Subscription Agreements with five accredited investors (the “December 2014 Investors”) between November 24, 2014 and December 29, 2014 providing for the sale by the Company to the December 2014 Investors of 14% Unsecured Convertible Promissory Notes in the aggregate amount of $1,242,900 (the "December 2014 Notes"). In addition to the December 2014 Notes, the December 2014 Investors also received common stock purchase warrants (the “December 2014 Warrants”) to acquire 4,439,287 shares of common stock of the Company. The December 2014 Warrants are exercisable for five years at an exercise price of $0.14. The initial closing of $200,000 was on November 24, 2014, the second closing of $700,000 was on December 8, 2014 and the third closing of $343,000 was on December 30, 2014.

In March 2015 the note and accrued interests were converted to equity.

In June 2015, the Company issued Promissory Notes with a maturity of two years and an original issue discount of approximately 10%. The Notes may be prepaid at any time on or before 90 days from the date of issue. After the initial 90 day period the Note bears interest charge of 12% applied to the principal sum. Amounts outstanding on these notes were $460,000 as of June 30, 2015.

5. <u>SHAREHOLDER AND RELATED PARTY ADVANCES</u>

As of June 30, 2015, the Company had deposits for approximately $600,000 that were not yet issued as common stock.

The Company issued a promissory note to an accredited investor in consideration of $100,000. The interest on the unpaid principal balance is a rate of ten percent (10%) per annum and the principal and interest on the outstanding balance is to be paid by September 1, 2015. In the event that the Company raises in excess of $2,000,000 in equity financing, then the Company is required to use part of its proceeds to pay off this note.

6. <u>LEASE OBLIGATIONS</u>

On October 1, 2011 the Company began leasing operating facilities under an agreement expiring on September 30, 2018. Future minimum monthly lease payments under the agreement are currently $12,598 and increase 3% in October of each year. Prepaid expenses and deposits include a security deposit equal to $12,275. Aggregate maturities of lease obligations are as follows:

2015	79,024
2016	161,588
2017	166,435
2018	127,614
	534,661

Total rent expense under these operating type leases for the six months ended June 30, 2015 and 2014 was $78,000 and $76,000, respectively.

7. STOCK BASED COMPENSATION

Options to directors, officers and employees

The Company maintains, as adopted by the board of directors, the 2014 Stock Incentive Plan, the 2014 Stock Compensation Plan, 2013 Incentive Stock Plan, the 2012 Incentive Stock Plan, the 2011 Incentive Stock Plan and the 2010 Stock Incentive Plan (the plans) providing for the issuance of up to 11,000,000 options to employees, officers, directors or consultants of the Company. Incentive stock options granted under the plans may only be granted with an exercise price of not less than fair market value of the Company's common stock on the date of grant (110% of fair market value for incentive stock options granted to principal stockholders). Non-qualified stock options granted under the plans may only be granted with an exercise price of not less than 85% of the fair market value of the Company's common stock on the date of grant. Awards under the plans may be either vested or unvested options. The unvested options vest ratably over two years for options with a five or three year term and after one year for options with a two year term.

In addition to the plans, the Company has granted, on various dates, stock options to directors, officers and employees to purchase common stock of the Company. The terms, exercise prices and vesting of these awards vary.

The following table summarizes option activity for directors, officers and employees:

		Outstanding Stock Options			
	Shares Available for Grant	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Grant Date Fair Value per Share	Weighted Average Remaining Exercise Term in Months
Balance, December 31, 2013	4,485,000	7,994,748	$ 0.45	$ 0.23	36
Additional stock reserved	5,000,000	-	$ -	$ -	-
Granted	(8,675,926)	8,675,926	$ 0.05	$ 0.08	58
Exercised	-	-	$ -	$ -	-
Forfeited	-	-	$ -	$ -	-
Expired	-	-	$ -	$ -	-
Balance, December 31, 2014	809,074	16,670,674	$ 0.23	$ 0.15	41
Additional stock reserved	7,500,000	-	$ -	$ -	-
Granted	(2,350,000)	2,350,000	$ 0.15	$ 0.07	45
Exercised	-	(1,250,697)	$ 0.01	$ 0.09	45
Forfeited	-	-	$ -	$ -	-
Expired	-	-	$ -	$ -	-
Balance, June 30, 2015	5,959,074	17,769,977	$ 0.34	$ 0.15	41

The Company recorded $85,088 and $68,238 compensation expense for stock options to directors, officers and employees for the six months ended June 30, 2015 and 2014 respectively. As of June 30, 2015, unrecognized compensation expense of $1,007,215 is related to non-vested options granted to directors, officers and employees which is anticipated to be recognized over the next 35 months, commensurate with the vesting schedules.

Options to consultants

The Company has also granted, on various dates, stock options to purchase common stock of the Company to consultants for services previously provided to the Company. The terms, exercise prices and vesting of these awards vary.

The following table summarizes option activity for consultants:

	Outstanding Stock Options				
	Shares Available for Grant	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Grant Date Fair Value per Share	Weighted Average Remaining Exercise Term in Months
Balance, December 31, 2013	971,000	1,415,000	$ 0.41	$ 0.20	34
Additional stock reserved	2,000,000	-	$ -	$ -	-
Granted	(2,967,727)	2,967,727	$ 0.01	$ 0.10	54
Exercised	-	-	$ -	$ -	-
Forfeited	200,000	(200,000)	$ -	$ -	-
Expired	190,000	(190,000)	$ 0.50	$ 0.17	-
Balance, December 31, 2014	393,273	3,992,727	$ 0.13	$ 0.13	50
Additional stock reserved	-	-	$ -	$ -	-
Granted	(25,000)	25,000	$ 0.15	$ 0.10	57
Exercised	-	(225,241)	$ 0.09	$ 0.10	57
Forfeited	-	-	$ -	$ -	-
Expired	-	-	$ -	$ -	-
Balance, June 30, 2015	368,273	3,792,486	$ 0.60	$ 0.27	57

The Company recorded $47,890 and $13,474 compensation expense for stock options to consultants for the six months ended June 30, 2015 and 2014 respectively. As of June 30, 2015, unrecognized compensation expense of $185,979 is related to non-vested options granted to consultants which is anticipated to be recognized over the next 36 months, commensurate with the vesting schedules.

Warrants to placement agent and consultants

Through December 2011, the Company compensated the placement agent for assisting in the sale of the Company's securities by paying the placement agent commissions and issuing the placement agent common stock purchase warrants to purchase shares of the Company's common stock. The warrants have a five year term and various exercise prices.

The Company has also granted, on various dates, stock warrants to purchase common stock of the Company to consultants for services previously provided to the Company. The terms, exercise prices and vesting of these awards vary.

The following table summarizes warrant activity for the placement agent and consultants:

		Outstanding Warrants			
	Shares Available for Grant	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Grant Date Fair Value per Share	Weighted Average Remaining Exercise Term in Months
Balance, December 31, 2013	4,339,590	3,130,894	$ 0.46	$ 0.21	24
Additional stock reserved	-	-	$ -	$ -	-
Granted	(1,598,607)	1,598,607	$ 0.17	$ 0.06	34
Exercised	-	-	$ -	$ -	-
Forfeited	-	-	$ -	$ -	-
Expired	-	(628,013)	$ 0.39	$ 0.18	-
Balance, December 31, 2014	2,740,983	4,101,488	$ 0.36	$ 0.15	14
Additional stock reserved	-	-	$ -	$ -	-
Granted	(281,571)	281,571	$ 0.14	$ 0.12	30
Exercised	-	(281,571)	$ 0.14	$ 0.12	30
Forfeited	-	-	$ -	$ -	-
Expired	956,804	(956,804)	$ -	$ -	-
Balance, June 30, 2015	3,416,216	3,144,684	$ 1.78	$ 0.09	30

The Company recorded $32,944 and $0 compensation expense for stock warrants to the placement agent and consultants for the six months ended June 30, 2015 and 2014 respectively. There is no unrecognized compensation expense for the placement agent warrants because they are fully vested at date of grant.

Warrants to directors and officers

In December 2010 and May 2011, the Company issued to certain directors' and officers' common stock purchase warrants to acquire shares of common stock at an exercise price of $2.00 per share for a period of five years. In November 2011, under the terms of a Promissory Note issued to a director and officer, common stock purchase warrants were issued to acquire 100,000 shares of common stock at an exercise price of $0.50 per share for a period of one year. In May 2012, a director and officer received 100,000 2012 Warrants to acquire common stock of the Company at an exercise price of $0.50 for a period of three years. In June 2012, a director and officer converted secured and unsecured loans provided to the Company from September 2011 to June 2012 in the aggregate amount of $389,250 into 2012 Notes and 2012 Warrants. In November 2012, the Company entered into a Note and Warrant Amendment and Conversion Agreement whereby the holders and 2012 Investors converted all principal and interest under the 2012 Notes into shares of common stock. Further, the exercise price of the 2012 Warrants was reduced to $0.25 per share. The $7,388 cost of the reduction in the exercise price is included in stock based compensation expense for the year ended December 31, 2012.

The following table summarizes warrant activity for directors and officers:

		Outstanding Warrants			
	Shares Available for Grant	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Grant Date Fair Value per Share	Weighted Average Remaining Exercise Term in Months
Balance, December 31, 2013	3,489,250	3,389,250	$ 1.78	$ 0.09	22
Additional stock reserved	-	-	-	-	-
Granted	-	-	0.17	-	-
Exercised	-	-	-	-	-
Forfeited	-	-	-	-	-
Expired	-	-	-	-	-
Balance, December 31, 2014	3,489,250	3,389,250	$ 1.78	$ 0.09	9
Additional stock reserved	-	-	-	-	-
Granted	-	-	-	-	-
Exercised	-	-	-	-	-
Forfeited	-	-	-	-	-
Expired	489,250	(489,250)	-	-	-
Balance, June 30, 2015	3,978,500	2,900,000	$ 1.78	$ 0.09	9

The Company recorded $0, $0 compensation expense for stock warrants to directors and officers for the six months ended June 30, 2015 and 2014 respectively. There is no unrecognized compensation expense for these warrants because they are fully vested at date of grant.

8. <u>RECENT PRONOUNCEMENTS</u>

In June 2014, The FASB issued ASU No. 2014-12, Compensation – Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. The amendments in the ASU require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Topic 718, Compensation – Stock Compensation, as it relates to awards with performance conditions that affect vesting to account for such awards. The amendments in this ASU are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. The effective date is the same for both public business entities and all other entities. We do not expect the adoption of these provisions to have a significant impact on the Company's consolidated financial statements.

In May 2014, The FASB issued ASU No. 2014-09, Revenue from Contracts with Customers: Topic 606. ASU 2014-09 affects any entity using U.S. GAAP 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 (e.g., insurance contracts or lease contracts). For a public entity, the amendments in this ASU are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. We do not expect the adoption of these provisions to have a significant impact on the Company’s consolidated financial statements.

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

Overview and Quarter Highlights

We design, develop, manufacture, and sell high-performance, medium-duty trucks with advanced powertrain components, under the proven Workhorse chassis brand. We believe that our vehicles, engineering expertise, innovation, and operational structure differentiate us from traditional truck manufacturers.

The Company responded on March 6, 2015 to a Request for Information and Prequalification (RFI) from the United States Postal Service (USPS) for its Next Generation Delivery Vehicle (NGDV) Acquisition Program. The USPS anticipates making a single award in 2017 to a supplier for up to 180,000 NGDVs to replace its current fleet of mail delivery vehicles. Delivery of the NGDVs to the USPS is expected to begin no later than January 2018. The USPS has evaluated the submitted RFIs and has announced that Workhorse was selected to be on the short list of OEMs, who will submit detailed specifications and build several prototypes for testing. There is no guarantee that the Company will be awarded as the supplier. The Company is expected to submit its specifications in early October 2015. The Company expects that it is competing against larger, better financed competitors.

We recently entered into a purchase agreement with UPS to supply 18 all-electric Workhorse E-100 Walk-in Vans to be deployed in the Houston-Galveston, Texas area. The U.S. Department of Energy (DOE) selected this project to improve local air quality in the Houston-Galveston area, which is currently designated as a National Ambient Air Quality Non-Attainment Area.

Workhorse also received orders for two E-Gen vehicles from UPS for testing. The vehicles were delivered and currently being used on the road as local delivery vehicles.

We recently entered into a purchase agreement with a major transportation company to supply 125 E-Gen electric delivery truck chassis. The bodies for these vehicles will be supplied by Morgan Olsen. This order is unique in that it is the first significant order from a major package delivery company without any government incentives.

We have applied for a Certificate of Airworthiness (COA) from the FAA together with the University of Cincinnati and expect to be testing outdoors at the Wilmington Airpark, Wilmington, OH before the end of the 3rd Quarter. This COA will allow us to complete our research and development on the automated delivery system utilizing Workhorse's Unmanned Aerial Vehicle, the Horsefly.

We have also applied for a section 333 exemption docket # FAA-3025-3055 to do actual UAV unmanned aerial vehicle (drone) deliveries from a delivery truck on an actual route.

The Workhorse E-100 truck is purpose-built to transform the package delivery vehicle market. Built on our new, narrow track W88 chassis, the trucks come with a 100 kWh Lithium battery pack featuring Panasonic 18650 cells that provide power to a 2200 nm (268 bhp) permanent magnet motor, powerful enough to eliminate the need for a transmission.

The Workhorse E-100 is designed and built to meet transportation companies' daily duty cycle, while delivering a zero-emission driving experience and eliminating the consumption of more than 65,000 gallons of diesel fuel over the vehicle's projected life. In addition, our proprietary onboard telematics capture thousands of data points to measure vehicle performance and efficiency. This data allows us to improve the efficiency and driver experience over the lifetime of the vehicle.

We recently announced that we filed a provisional patent for a new system that extends the range of electric vehicles, while reducing the overall cost of the typical battery-electric power train. The new system, E-GEN Drive(TM), is designed specifically for local delivery vehicle market. The diesel and/or gasoline-powered vehicles currently being used in this industry, stop and restart hundreds of times a day. We believe that battery-electric technology is an ideal fit for urban and suburban delivery routes. We understand fleet owner's concerns about range anxiety and cost. Our E-GEN Drive system will enable them to complete the typical route on all-electric power, using smaller battery packs, thus reducing the cost of the entire system. Our E-GEN Drive trucks is designed for a three-year payback, making them price competitive with gasoline-powered trucks.

Our E-GEN has recently been approved by the Environmental Protection Agency for on-road use. We believe this is a very significant step towards adoption of this power train by fleet operators.

Our association with Power Solutions International (PSIX:NASDAQ) provides us with multi-fuel engines that function as generators. When the ignition is shut off, the generator engine automatically turns on and recharges the battery pack. When the ignition is turned back on, the generator engine turns off and the vehicle reverts to all-electric power. The engine and the battery-powered motor are never in use at the same time. It's not a traditional hybrid, but an emergency-range electric vehicle.

We believe our new design has many benefits, including:

Fleet management flexibility: Depending on our customer’s driving patterns and fuel cost goals, our E-GEN drive train can be remotely adjusted to use more electric power or internal combustion engine (ICE) power at their choice.

Energy efficiency and cost of ownership: We believe our trucks offer our customers an attractive cost of ownership profile when compared to similar products. Using a single electric powertrain with a small ICE enables us to create a lighter, more energy efficient vehicle that is mechanically simple. Since we are able to use smaller battery packs, we can reduce the cost of the entire system. Additionally, government incentives can reduce the purchase price and cost of ownership even further.

High performance: We believe our trucks deliver an unparalleled driving experience, coupled with powerful acceleration, for the most demanding applications and the added benefit of a very quiet operation.

We also announced the second generation, full-electric truck “E-100” which is a significant improvement to our first generation vehicle. The second-generation vehicle includes a single powerful electric motor with no transmission and lighter, high-density Lithium Ion batteries, giving the vehicle a range of up to 100 miles.

In March of 2013, we purchased the former Workhorse Custom Chassis assembly plant in Union City, Indiana from a subsidiary of Navistar International (NAV:NYSE). With this acquisition, we intend to become an Original Equipment Manufacturer (OEM) of Class 3-6 commercial-grade, medium-duty truck chassis, to be marketed under the Workhorse® brand. We will need to raise significant capital in order to commence manufacturing at the Union City facility.

Ownership and operation of this plant enables us to build new chassis with gross vehicle weight capacities of between 10,000 and 26,000 pounds and offer them in four different fuel variants—electric, gas, propane, and compressed natural gas (CNG). We plan to offer commonly known Workhorse chassis like the W22, W42, W62, as well as a new, 88” track, W88 truck chassis, that will be offered to fleet purchasing managers at price points that are both attractive and cost competitive.

At the same time, the Company intends to partner with engine suppliers and body fabricators to offer fleet-specific, custom, purpose-built chassis that provide total cost of ownership solutions that are superior to the competition.

In addition to having the ability to build our own chassis, we design and produce battery-electric power trains that can be installed in new Workhorse chassis for Class 3-6 medium-duty vehicles from diesel or gasoline power to electric power. Our approach is to provide battery-electric power trains, utilizing proven, automotive-grade, mass-produced parts in its architecture, coupled with in-house control software that we have developed over the last five years.

The Workhorse Custom Chassis acquisition includes other important assets such as the Workhorse brand and logo, intellectual property, schematics, logistical support from Up-Time Parts (a Navistar subsidiary) and, perhaps most importantly, a network of 400-plus sales and service outlets across North America. We believe combination of Workhorse's chassis assembly capability, coupled with its ability to offer an array of fuel choices, gives us a unique opportunity in the marketplace.

Our unique HorseFly line of Unmanned Aerial Vehicles (UAV) is designed to be the ‘last mile’ solution in delivery logistics. We worked with the University of Cincinnati to develop the HorseFly for the rigors of package delivery and to have eight rotors and redundant systems that ensure safety in the air. Today, we estimate that it costs approximately from $1 to move a 20,000-pound diesel-powered delivery truck one mile. While we believe our Workhorse trucks can reduce the standard delivery costs from $1.00 to less than $0.30 cents per mile, based on current costs of fuel, we expect that having drones handle the last leg of delivery could potentially reduce the cost to about $0.20 cents for the last mile. The all-weather HorseFly battery-powered drone will carry up to 10 pounds of cargo with a 15-mile range. Although there is no guarantee, it is designed to meet the anticipated FAA UAV (drone) guidelines expected in mid 2016.

The HorseFly is differentiated from other UAV’s as it is designed to work in tandem with a Workhorse electric truck. HorseFly will deliver packages, loaded on-route by the truck's driver, to remote locations, while the driver continues on the main delivery route. HorseFly will then rejoin the truck at its new location after its delivery is completed, saving the fleet operator much of the time and fuel cost of the last, most expensive mile. Also while the HorseFly is atop the Workhorse truck, it can quickly charge its batteries from the truck's large battery pack. We believe this implementation is superior to the proposed deployment of other delivery drones wherein the package is loaded at a distant warehouse and the drone must make a round trip flight to the delivery address and back to the warehouse. Other applications for the HorseFly include transmission line inspections and agricultural surveys.

We have applied for a Certificate of Airworthiness (COA) from the FAA together with the University of Cincinnati and expect to be testing outdoors at the Wilmington Airpark, Wilmington, OH before the end of the 3rd Quarter. This COA will allow us to complete our research and development on the automated delivery system. We have also applied for a Section 333 exemption docket # FAA-2015-3055 to perform actual deliveries with a UAV that leaves from and returns to a package delivery vehicle. Our exemption will be done in conjunction with a large package delivery company partner.

Results of Operations

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Sales	$67,980	$177,459	$67,980	$177,459
Operating Expenses				
Selling, general and administrative	968,811	1,178,970	2,037,058	1,724,500

Research and development	872,234	899,662	1,719,368	1,469,017
Total operating expenses	1,841,045	2,078,632	3,756,426	3,193,517
Interest expense, net	108,227	64,759	252,205	156,977
Net loss	$(1,881,292)	$(1,965,932)	$(3,940,651)	$(3,173,035)

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Revenue

Revenue for the three and six months ended June 30, 2015 were $68,890 related to delivery of prototypes for a large transportation company. Revenue for the three and six months ended in June 30, 2014 were $177,459 related to delivery of conversion of an all-electric Para-transit 12 passenger bus to BARTA (Berks County Regional Transit Authority) of Pennsylvania.

We have received several orders from fleets which we are in the process of filling and, subject to obtaining the required financing, we expect to deliver in the next 12 months. We delivered the first EGen Trucks in the second quarter of 2015.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of personnel and facilities costs related to our development including, marketing, sales, executive, finance, human resources, information technology and professional, legal and contract services.

SG&A expenses during the three months ended June 30, 2015 were $969 thousand, a decrease from $1.2 million for the three months ended June 30, 2014. The decrease in our SG&A expenses consisted primarily in employee stock compensation expenses.

SG&A expenses during the six months ended June 30, 2015 were $2.0 million, an increase from $1.7 million for the six months ended June 30, 2014. The increase in our SG&A expenses consisted primarily in employee compensation expenses related to higher headcount to support the sales and technical activities as well as additional employee expenses, and consulting expenses as a result of our production and sales efforts and focus on research and development and marketing of our new technologies.

Research and Development Expenses

Research and development expenses consist primarily of personnel costs for our teams in engineering and research, prototyping expense, and contract and professional services. Union City plant expenses prior to the start of production are also included in research and development expenses.

R&D expenses during the three months ended June 30, 2015 were $872 thousand a decrease from $899 thousand for the three months ended June 30, 2014. The decrease in our R&D expenses consisted primarily in slightly lower component purchases due to delivery of prototypes during the quarter.

R&D expenses during the six months ended June 30, 2015 were $1.7 million, an increase from $1.4 million for the six months ended June 30, 2014. The increase in our R&D expenses is the result of an increase of engineering employee and consulting expense, prototype component increase expense and vehicle testing incurred during the first quarter of the year.

Interest Expenses

Our interest expense is incurred primarily from our long term loan with Navistar in connection to the purchase of the Union City plant mentioned before in the Property, Plant and Equipment and Long Term Loan notes to the financial statements.

Interest expenses during the three months ended June 30, 2015 were $108 thousand an increase from $65 thousand for the three months ended June 30, 2014. The increase in the quarter consisted primarily in additional financing fees and expenses.

Interest expenses during the six months ended June 30, 2015 were $252 thousand, an increase from $157 thousand for the six months ended June 30, 2014. The higher expense was due to an increase of principal due to capitalization of interests to the Navistar loan and interest owed on loans and notes from investors. Accrued interests of $34 thousand from those notes were converted to Equity during the first quarter.

Liquidity and Capital Resources

Summary of Cash Flows

	Six Months Ended June 30,	
	2015	2014
Net cash used in operating activities	(2,821,158)	(1,894,631)
Net cash used in investing activities	(35,530)	–
Net cash provided by financing activities	2,575,361	3,693,788

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 six months ended June 30, 2015 and 2014, cash used in operating activities was $2.8 million and $1.9 million. The decrease in operating cash flows in 2015 as compared to 2014 was due to an increase in operating activities related to the design and manufacturing of new customer orders and testing of new product designs and higher operating expenses in R&D and SG&A.

Cash Flows from Investing Activities

Cash flow from investing activities primarily relates to capital expenditures to support our future growth in operations.

We spent $36 thousand in new equipment during the six months ended June 30, 2015.

Cash Flows from Financing Activities

During the six months ended June 30, 2015 and 2014, net cash provided by financing activities was $2.5 million and $3.7 million. Cash flows from financing activities during the six months ended June 30, 2015 consisted primarily of $392 thousand from a conversion of a note payable, $460 thousand from proceeds from notes payable, $700 thousand from shareholder advances and $1.0 million of issuance of common stock. In 2014 we had $5.9 million from issuance of common stock, offset by $320 thousand payment of long-term debt and 1.9 million of capitalization of shareholder advances.

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.

Federal Tax Credit Qualification by the IRS & Select State Incentive Programs

The Company has been qualified by the IRS for a vehicle federal tax credit of up to $7,500. The Company joins a list of plug-in electric drive motor vehicle manufacturers, including Ford Motor Company, General Motors Corporation, Tesla, Toyota, and 13 EV manufacturers in all, qualifying purchasers for up to a $7,500 tax credit when purchasing an electric vehicle. In September 2013, California HVIP approved the Workhorse E-100 truck for a minimum point of purchase voucher of $90,000 per vehicle purchased. On August 9, 2013 NYSERDA the New York State point of purchase voucher program approved the Workhorse E-100 for an incentive of $60,000 per vehicle. Drive Clean Chicago recently approved vouchers of $60,000 for the Workhorse E-100 and $32,800 for the E-GEN.

Critical Accounting Policies

We consider accounting policies involving significant judgments and assumptions by management that have, or could have, a material impact on the carrying value of certain assets or on income (loss) to be critical accounting policies. We consider the following to be our critical accounting policies: basis of presentation, revenue recognition, and income taxes.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to include disclosure under this item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Pursuant to Rules 13a-15(b) and 15-d-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. Based upon the evaluation of the disclosure controls and procedures at the end of the period covered by this report, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2015 that 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 currently not a party to any material legal or administrative proceedings and are not aware of any pending or threatened material legal or administrative proceedings arising in the ordinary course of business. We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business.

ITEM 1A. RISK FACTORS

Our results of operations have not resulted in profitability and we may not be able to achieve profitability going forward.

We have incurred net losses amounting to $36.2 million for the period from inception (February 20, 2007) through June 30, 2015. In addition, as of June 30, 2015, we had a working capital deficiency of $4.2 million. We have had net losses in each quarter since our inception. We expect that we will continue to incur net losses for the foreseeable future. We may incur significant losses in the future for a number of reasons, including the other risks described in this prospectus, and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown events. Accordingly, we may not be able to achieve or maintain profitability. Our management is developing plans to alleviate the negative trends and conditions described above and there is no guarantee that such plans will be successfully implemented. Our business plan has changed from concentrating on the electric passenger vehicle market to the electric medium duty trucks, but is still unproven. There is no assurance that even if we successfully implement our business plan, that we will be able to curtail our losses. If we incur additional significant operating losses, our stock price may decline, perhaps significantly.

We have yet to achieve positive cash flow and, given our projected funding needs, our ability to generate positive cash flow is uncertain.

We have had negative cash flow from operating activities of $1.5 million and $556 thousand for the six months ended June 30, 2015 and 2014. We anticipate that we will continue to have negative cash flow from operating and investing activities for the foreseeable future as we expect to incur increased research and development, sales and marketing, and general and administrative expenses and make significant capital expenditures in our efforts to increase sales and commence operations at our Union City facility. Our business also will at times require significant amounts of working capital to support our growth, particularly as we acquire inventory to support our anticipated increase in production. An inability to generate positive cash flow for the foreseeable future may adversely affect our ability to raise needed capital for our business on reasonable terms, diminish supplier or customer willingness to enter into transactions with us, and have other adverse effects that may decrease our long-term viability. There can be no assurance we will achieve positive cash flow in the foreseeable future.

We need access to additional financing, which may not be available to us on acceptable terms or at all. For the year ended December 31, 2014, our independent registered public accounting firm issued a report on our 2014 financial statements that contains an explanatory paragraph stating that the lack of sales, negative working capital and stockholders' deficit, raise substantial doubt about our ability to continue as a going concern. If we cannot access additional financing when we need it and on acceptable terms, our business, prospects, financial condition, operating results and ability to continue as a going concern could be adversely affected.

Our growth-oriented business plan to design, produce, sell and service commercial electric vehicles through our Union City facility will require continued capital investment. Our research and development activities will require continued investment. For the year ended December 31, 2014, our independent registered public accounting firm issued a report on our 2014 financial statements that contains an explanatory paragraph stating that the lack of sales, negative working capital and stockholders' deficit, raise substantial doubt about our ability to continue as a going concern. In order to implement our operations through June 30, 2015, we will need to raise approximately $10 million and to fully implement our business plan through December 31, 2016 we will need to raise approximately $20 million. This capital will be necessary to fund our ongoing operations, continue research, development and design efforts, open our sales, service and assembly facilities, improve infrastructure and introduce new or improve existing vehicle models. We cannot be certain that additional financing will be available to us on favorable terms when required, or at all, particularly given that we do not now have a committed credit facility with any government or financial institution. If we cannot obtain additional financing when we need it and on terms acceptable to us, our business, prospects, financial condition, operating results and ability to continue as a going concern could be adversely affected.

Our limited operating history makes it difficult for us to evaluate our future business prospects and make decisions based on those estimates of our future performance.

We have basically been a research and development company since beginning operations in February 2007. We have a limited operating history and have generated limited revenue. As we move more toward a manufacturing environment it is difficult, if not impossible, to forecast our future results based upon our historical data. Because of the uncertainties related to our lack of historical operations, we may be hindered in our ability to anticipate and timely adapt to increases or decreases in revenues or expenses. If we make poor budgetary decisions as a result of unreliable historical data, we could be less profitable or incur losses, which may result in a decline in our stock price.

Failure to successfully integrate the Workhorse ® brand, logo, intellectual property, patents and assembly plant in Union City, Indiana into our operations could adversely affect our business and results of operations.

As part of our strategy to become an OEM, in March 2013, we acquired Workhorse and the Workhorse Assets including the Workhorse ® brand, logo, intellectual property, patents and assembly plant in Union City, Indiana. The Workhorse acquisition may expose us to operational challenges and risks, including the diversion of management's attention from our existing business, the failure to retain key Workhorse dealers and our ability to commence operations at the plant in Union City, Indiana. Our ability to sustain our growth and maintain our competitive position may be affected by our ability to successfully integrate the Workhorse Assets.

Our business, prospects, financial condition and operating results will be adversely affected if we cannot reduce and adequately control the costs and expenses associated with operating our business, including our material and production costs.

We incur significant costs and expenses related to procuring the materials, components and services required to develop and produce our electric vehicles. We have secured supply agreements for our critical components including our batteries. However, these are dependent on volume to ensure that they are available at a competitive price. As a result, our current cost projections are considerably higher than the projected revenue stream that such vehicles will produce. As a result we are continually working on initiatives to reduce our cost structure so that we may effectively compete. If we do not properly manage our costs and expenses our net losses will continue which will negatively impact our stock price.

If we are unable to pay off the outstanding amount owed under the debenture in the principal amount of $2,250,000 that is secured against all of the assets of AMP Trucks including the Workhorse brand and the Union City facility and such lien holder were to take possession of such assets, our operations would be severely negatively impacted if not curtailed.

On March 4, 2013, AMP Trucks entered into an Asset Purchase Agreement with Workhorse Custom Chassis, LLC ("WCC"), an Illinois limited liability company and a wholly-owned affiliate of Navistar International Corporation, to purchase certain assets including the Workhorse ® brand, logo, intellectual property, patents and approximately 250,000 sq. ft. of facilities on 48 acres of land in Union City, Indiana (the "Assets"). On March 13, 2013, AMP Trucks closed the acquisition of the Assets from WCC for a purchase price of $5,000,000 of which $2,750,000 was paid in cash and the delivery of a Secured Debenture (the "Debenture") in the principal amount of $2,250,000. The Debenture is secured pursuant to a Security Agreement (the "Security Agreement") and a Mortgage, Security Agreement, Assignment of Rents and Fixture Filing (the "Mortgage") entered between AMP Trucks and WCC. Pursuant to the Security Agreement, AMP Trucks granted WCC a security interest in all of the assets of AMP Trucks in order to secure the prompt payment, performance and discharge in full of all of obligations of AMP Trucks under the Debenture. Pursuant to the Mortgage, the Debenture is secured by the real estate and related assets of the plant located in Union City, Indiana. The Debenture matures three years from its effective date of March 13, 2013 (the "Maturity Date") and interest associated with the Debenture is 10% per annum, which is payable on the Maturity Date. AMP Trucks may prepay outstanding principal and interest of the Debenture in full at any time. In the event AMP Trucks prepays outstanding principal and interest, it shall pay an amount equal to all outstanding principal and interest multiplied by 105%. Workhorse Group, Inc. guaranteed the payment of the Debenture.

Our future growth is dependent upon the willingness of operators of commercial vehicle fleets to adopt electric vehicles and on our ability to produce, sell and service vehicles that meet their needs. If the market for commercial electric vehicles does not develop as we expect or develops more slowly than we expect, our business, prospects, financial condition and operating results will be adversely affected.

Our growth is dependent upon the adoption of electric vehicles by operators of commercial vehicle fleets and on our ability to produce, sell and service vehicles that meet their needs. The entry of commercial electric vehicles into the medium-duty commercial vehicle market is a relatively new development, particularly in the United States, and is characterized by rapidly changing technologies and evolving government regulation, industry standards and customer views of the merits of using electric vehicles in their businesses. This process has been slow as without including the impact of government or other subsidies and incentives, the purchase prices for our commercial electric vehicles currently is higher than the purchase prices for diesel-fueled vehicles. As part of our sales efforts, we must educate fleet managers as to the economical savings during the life of the vehicle. As such, we believe that operators of commercial vehicle fleets consider a number of factors when deciding whether to purchase our commercial electric vehicles (or commercial electric vehicles generally) or vehicles powered by internal combustion engines, particularly diesel-fueled or natural gas-fueled vehicles. We believe these factors include:

- the difference in the initial purchase prices of commercial electric vehicles and vehicles with comparable GVWs powered by internal combustion engines, both including and excluding the impact of government and other subsidies and incentives designed to promote the purchase of electric vehicles;
- the total cost of ownership of the vehicle over its expected life, which includes the initial purchase price and ongoing operating and maintenance costs;
- the availability and terms of financing options for purchases of vehicles and, for commercial electric vehicles, financing options for battery systems;
- the availability of tax and other governmental incentives to purchase and operate electric vehicles and future regulations requiring increased use of nonpolluting vehicles;
- government regulations and economic incentives promoting fuel efficiency and alternate forms of energy;
- fuel prices, including volatility in the cost of diesel;
- the cost and availability of other alternatives to diesel fueled vehicles, such as vehicles powered by natural gas;
- corporate sustainability initiatives;

commercial electric vehicle quality, performance and safety (particularly with respect to lithium-ion battery packs);

the quality and availability of service for the vehicle, including the availability of replacement parts;

the limited range over which commercial electric vehicles may be driven on a single battery charge;

access to charging stations and related infrastructure costs, and standardization of electric vehicle charging systems;

electric grid capacity and reliability; and

macroeconomic factors.

If, in weighing these factors, operators of commercial vehicle fleets determine that there is not a compelling business justification for purchasing commercial electric vehicles, particularly those that we produce and sell, then the market for commercial electric vehicles may not develop as we expect or may develop more slowly than we expect, which would adversely affect our business, prospects, financial condition and operating results.

If our customers are unable to efficiently and effectively integrate our electric vehicles into their existing commercial fleets our sales may suffer and our business, prospects, financial condition and operating results may be adversely affected.

Our sales strategy involves a comprehensive plan for the pilot and roll-out of our electric vehicles, as well as the ongoing replacement of existing commercial vehicles with our electric vehicles, that is tailored to the individual needs of our customers. If we are unable to develop and execute fleet integration strategies or fleet management support services that meet our customers' unique circumstances with minimal disruption to their businesses, our customers may not realize the economic benefits they expect from our electric vehicles. If this were to occur, our customers may not order additional vehicles from us, which could adversely affect our business, prospects, financial condition and operating results.

We currently do not have long-term supply contracts with guaranteed pricing which exposes us to fluctuations in component, materials and equipment prices. Substantial increases in these prices would increase our operating costs and could adversely affect our business, prospects, financial condition and operating results.

Because we currently do not have long-term supply contracts with guaranteed pricing, we are subject to fluctuations in the prices of the raw materials, parts and components and equipment we use in the production of our vehicles. Substantial increases in the prices for such raw materials, components and equipment would increase our operating costs and could reduce our margins if we cannot recoup the increased costs through increased vehicle prices. Any attempts to increase the announced or expected prices of our vehicles in response to increased costs could be viewed negatively by our customers and could adversely affect our business, prospects, financial condition and operating results.

If we are unable to scale our operations at our Union City facility in an expedited manner from our limited low volume production to high volume production, our business, prospects, financial condition and operating results could be adversely affected.

We are currently assembling our orders at our Union City facility which is acceptable for our existing orders. In order to satisfy increased demand, we will need to quickly scale operations in our Union City facility as well as scale our supply chain including access to batteries. Our business, prospects, financial condition and operating results could be adversely affected if we experience disruptions in our supply chain, if we cannot obtain materials of sufficient quality at reasonable prices or if we are unable to scale our Union City facility.

We depend upon key personnel and need additional personnel.

Our success depends on the continuing services of Stephen Burns, CEO, and Martin J. Rucidlo, President. On December 8, 2010, we entered into an employment agreement with Mr. Burns for a term of two years which automatically renews for one year periods unless either of the parties elects to not renew for such period. Mr. Rucidlo is not engaged under a long-term employment agreement. The loss of any of these individuals could have a material and adverse effect on our business operations. Additionally, the success of our operations will largely depend upon its ability to successfully attract and maintain competent and qualified key management personnel. As with any company with limited resources, there can be no guarantee that we will be able to attract such individuals or that the presence of such individuals will necessarily translate into profitability for our company. Our inability to attract and retain key personnel may materially and adversely affect our business operations. Any failure by our management to effectively anticipate, implement, and manage the changes required to sustain our growth would have a material adverse effect on our business, financial condition, and results of operations.

We face competition. A few of our competitors have greater financial or other resources, longer operating histories and greater name recognition than we do and one or more of these competitors could use their greater resources and/or name recognition to gain market share at our expense or could make it very difficult for us to establish market share.

Companies currently competing in the fleet logistics market offering alternative fuel medium duty trucks include Ford Motor Company and Freightliner. In the electric medium duty truck market in the United States, we compete with a few other manufacturers, including Electric Vehicles International and Smith Electric Vehicles. Ford and Freightliner have more significant financial resources, established market positions, long-standing relationships with customers and dealers, and who have more significant name recognition, technical, marketing, sales, financial and other resources than we do. Ford and Freightliner are currently selling alternative fuel fleet vehicles including hybrids. The resources available to our competitors to develop new products and introduce them into the marketplace exceed the resources currently available to us. As a result, our competitors may be able to compete more aggressively and sustain that competition over a longer period of time that we can. This intense competitive environment may require us to make changes in our products, pricing, licensing, services, distribution, or marketing to develop a market position. Each of these competitors has the potential to capture market share in our target markets which could have an adverse effect on our position in our industry and on our business and operating results.

If we are unable to keep up with advances in electric vehicle technology, we may suffer a decline in our competitive position.

There are companies in the electric vehicle industry that have developed or are developing vehicles and technologies that compete or will compete with our vehicles. We cannot assure that our competitors will not be able to duplicate our technology or provide products and services similar to ours more efficiently. If for any reason we are unable to keep pace with changes in electric vehicle technology, particularly battery technology, our competitive position may be adversely affected. We plan to upgrade or adapt our vehicles and introduce new models in order to continue to provide electric vehicles that incorporate the latest technology. However, there is no assurance that our research and development efforts will keep pace with those of our competitors.

Our electric vehicles compete for market share with vehicles powered by other vehicle technologies that may prove to be more attractive than ours.

Our target market currently is serviced by manufacturers with existing customers and suppliers using proven and widely accepted fuel technologies. Additionally, our competitors are working on developing technologies that may be introduced in our target market. If any of these alternative technology vehicles can provide lower fuel costs, greater efficiencies, greater reliability or otherwise benefit from other factors resulting in an overall lower total cost of ownership, this may negatively affect the commercial success of our vehicles or make our vehicles uncompetitive or obsolete.

We currently have a limited number of customers, with whom we do not have long-term agreements, and expect that a significant portion of our future sales will be from a limited number of customers and the loss of any of these high volume customers could materially harm our business.

A significant portion of our projected future revenue, if any, is generated from a limited number of vehicle customers. Additionally, much of our business model is focused on building relationships with large customers. Currently we have no contracts with customers that include long-term commitments or minimum volumes that ensure future sales of vehicles. As such, a customer may take actions that affect us for reasons that we cannot anticipate or control, such as reasons related to the customer’s financial condition, changes in the customer’s business strategy or operations or as the result of the perceived performance or cost-effectiveness of our vehicles. The loss of or a reduction in sales or anticipated sales to our most significant customers could have an adverse effect on our business, prospects, financial condition and operating results.

Changes in the market for electric vehicles could cause our products to become obsolete or lose popularity.

The modern electric vehicle industry is in its infancy and has experienced substantial change in the last few years. To date, demand for and interest in electric vehicles has been slower than forecasted by industry experts. As a result, growth in the electric vehicle industry depends on many factors, including, but not limited to:

- continued development of product technology, especially batteries
- the environmental consciousness of customers
- the ability of electric vehicles to successfully compete with vehicles powered by internal combustion engines
- limitation of widespread electricity shortages; and
- whether future regulation and legislation requiring increased use of non-polluting vehicles is enacted

We cannot assume that growth in the electric vehicle industry will continue. Our business may suffer if the electric vehicle industry does not grow or grows more slowly than it has in recent years or if we are unable to maintain the pace of industry demands.

The unavailability, reduction, elimination or adverse application of government subsidies, incentives and regulations could have an adverse effect on our business, prospects, financial condition and operating results.

We believe that, currently, the availability of government subsidies and incentives including those available in New York, California and Chicago is an important factor considered by our customers when purchasing our vehicles, and that our growth depends in part on the availability and amounts of these subsidies and incentives. Any reduction, elimination or discriminatory application of government subsidies and incentives because of budgetary challenges, policy changes, the reduced need for such subsidies and incentives due to the perceived success of electric vehicles or other reasons may result in the diminished price competitiveness of the alternative fuel vehicle industry.

We may be unable to keep up with changes in electric vehicle technology and, as a result, may suffer a decline in our competitive position.

Our current products are designed for use with, and are dependent upon, existing electric vehicle technology. As technologies change, we plan to upgrade or adapt our products in order to continue to provide products with the latest technology. However, our products may become obsolete or our research and development efforts may not be sufficient to adapt to changes in or to create the necessary technology. As a result, our potential inability to adapt and develop the necessary technology may harm our competitive position.

The failure of certain key suppliers to provide us with components could have a severe and negative impact upon our business.

We have secured supply agreements for our critical components including our batteries. However, these are dependent on volume to ensure that they are available at a competitive price. Further, we rely on a small group of suppliers to provide us with components for our products. If these suppliers become unwilling or unable to provide components or if we are unable to meet certain volume requirements in our existing supply agreements, there are a limited number of alternative suppliers who could provide them. Changes in business conditions, wars, governmental changes, and other factors beyond our control or which we do not presently anticipate could affect our ability to receive components from our suppliers. Further, it could be difficult to find replacement components if our current suppliers fail to provide the parts needed for these products. A failure by our major suppliers to provide these components could severely restrict our ability to manufacture our products and prevent us from fulfilling customer orders in a timely fashion.

Product liability or other claims could have a material adverse effect on our business.

The risk of product liability claims, product recalls, and associated adverse publicity is inherent in the manufacturing, marketing, and sale of electrical vehicles. Although we have product liability insurance for our consumer and commercial products, that insurance may be inadequate to cover all potential product claims. We also carry liability insurance on our products. Any product recall or lawsuit seeking significant monetary damages either in excess of our coverage, or outside of our coverage, may have a material adverse effect on our business and financial condition. We may not be able to secure additional product liability insurance coverage on acceptable terms or at reasonable costs when needed. A successful product liability claim against us could require us to pay a substantial monetary award. Moreover, a product recall could generate substantial negative publicity about our products and business and inhibit or prevent commercialization of other future product candidates. We cannot provide assurance that such claims and/or recalls will not be made in the future.

We may have to devote substantial resources to implementing a retail product distribution network.

Dealers are often hesitant to provide their own financing to contribute to our product distribution network. As a result, we anticipate that we may have to provide financing or other consignment sale arrangements for dealers. A capital investment such as this presents many risks, foremost among them being that we may not realize a significant return on our investment if the network is not profitable. Our inability to collect receivables from dealers could cause us to suffer losses. Lastly, the amount of time that our management will need to devote to this project may divert them from performing other functions necessary to assure the success of our business.

Regulatory requirements may have a negative impact upon our business.

While our vehicles are subject to substantial regulation under federal, state, and local laws, we believe that our vehicles are or will be materially in compliance with all applicable laws. However, to the extent the laws change, or if we introduce new vehicles in the future, some or all of our vehicles may not comply with applicable federal, state, or local laws. Further, certain federal, state, and local laws and industrial standards currently regulate electrical and electronics equipment. Although standards for electric vehicles are not yet generally available or accepted as industry standards, our products may become subject to federal, state, and local regulation in the future. Compliance with these regulations could be burdensome, time consuming, and expensive.

Our products are subject to environmental and safety compliance with various federal and state regulations, including regulations promulgated by the EPA, NHTSA, and various state boards, and compliance certification is required for each new model year. The cost of these compliance activities and the delays and risks associated with obtaining approval can be substantial. The risks, delays, and expenses incurred in connection with such compliance could be substantial.

Our success may be dependent on protecting our intellectual property rights.

We rely on trade secret protections to protect our proprietary technology as well as several registered patents and one patent application. Our patents relate to the vehicle chassis assembly, vehicle header and drive module and manifold for electric motor drive assembly. Our existing patent application relates to the onboard generator drive system for electric vehicles. Our success will, in part, depend on our ability to obtain additional trademarks and patents. We are working on obtaining patents and trademarks registered with the United States Patent and Trademark Office but have not finalized any as of this date. Although we have entered into confidentiality agreements with our employees and consultants, we cannot be certain that others will not gain access to these trade secrets. Others may independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets.

We may be exposed to liability for infringing upon the intellectual property rights of other companies.

Our success will, in part, depend on our ability to operate without infringing on the proprietary rights of others. Although we have conducted searches and are not aware of any patents and trademarks which our products or their use might infringe, we cannot be certain that infringement has not or will not occur. We could incur substantial costs, in addition to the great amount of time lost, in defending any patent or trademark infringement suits or in asserting any patent or trademark rights, in a suit with another party.

Our electric vehicles make use of lithium-ion battery cells, which, if not appropriately managed and controlled, on rare occasions have been observed to catch fire or vent smoke and flames. If such events occur in our electric vehicles, we could face liability for damage or injury, adverse publicity and a potential safety recall, any of which could adversely affect our business, prospects, financial condition and operating results.

The battery packs in our electric vehicles use lithium-ion cells, which have been used for years in laptop computers and cell phones. On rare occasions, if not appropriately managed and controlled, lithium-ion cells can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials.

Our facilities could be damaged or adversely affected as a result of disasters or other unpredictable events. Any prolonged disruption in the operations of our facility would adversely affect our business, prospects, financial condition and operating results.

We engineer and assemble our electric vehicles in a facility in Loveland, Ohio and we intend to locate the assembly function to our facility in Union City. Any prolonged disruption in the operations of our facility, whether due to technical, information systems, communication networks, accidents, weather conditions or other natural disaster, or otherwise, whether short or long-term, would adversely affect our business, prospects, financial condition and operating results **.**

We have never paid cash dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future. The payment of dividends on our common stock will depend on earnings, financial condition and other business and economic factors affecting the company at such time as the board of directors may consider relevant. If we do not pay dividends, our common stock may be less valuable because a return on investment will only occur due to stock price appreciation.

Our stock price and trading volume may be volatile, which could result in substantial losses for our stockholders.

The equity trading markets may experience periods of volatility, which could result in highly variable and unpredictable pricing of equity securities. The market price of our common stock could change in ways that may or may not be related to our business, our industry or our operating performance and financial condition. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. We have experienced significant volatility in the price of our stock. We cannot assure that the market price of our common stock will not fluctuate or decline significantly in the future. In addition, the stock markets in general can experience considerable price and volume fluctuations.

We have not voluntary implemented various corporate governance measures, in the absence of which, shareholders may have more limited protections against interested director transactions, conflict of interest and similar matters.

Recent Federal legislation, including the Sarbanes-Oxley Act of 2002, has resulted in the adoption of various corporate governance measures designed to promote the integrity of the corporate management and the securities markets. Some of these measures have been adopted in response to legal requirements. Others have been adopted by companies in response to the requirements of national securities exchanges, such as the NYSE or the NASDAQ, on which their securities are listed. Prospective investors should bear in mind our current lack of Sarbanes Oxley measures in formulating their investment decisions.

We may be exposed to potential risks relating to our internal controls over financial reporting and our ability to have those controls attested to by our independent auditors.

As directed by Section 404 of the Sarbanes-Oxley Act of 2002 ("SOX 404"), the Securities and Exchange Commission adopted rules requiring smaller reporting companies, such as our company, to include a report of management on the company's internal controls over financial reporting in their annual reports for fiscal years ending on or after December 15, 2007. We were required to include the management report in annual reports starting with the year ending December 31, 2009. Previous SEC rules required a non-accelerated filer to include an attestation report in its annual report for years ending on or after June 15, 2010. Section 989G of the Dodd-Frank Act added SOX Section 404(c) to exempt from the attestation requirement smaller issuers that are neither accelerated filers nor large accelerated filers under Rule 12b-2. Under Rule 12b-2, subject to periodic and annual reporting criteria, an “accelerated filer” is an issuer with market value of $75 million, but less than $700 million; a “large accelerated filer” is an issuer with market value of $700 million or greater. As a result, the exemption effectively applies to companies with less than $75 million in market capitalization.

The trading of our common stock is limited under the SEC's penny stock regulations, which will adversely affect the liquidity of our common stock.

The trading price of our common stock is currently less than $5.00 per share and, as a result, our common stock is considered a "penny stock", and trading in our common stock would be subject to the requirements of Rule 15g-9 under the Exchange Act. Under this rule, broker/dealers who recommend low-priced securities to persons other than established customers and accredited investors must satisfy special sales practice requirements. Generally, the broker/dealer must make an individualized written suitability determination for the purchaser and receive the purchaser's written consent prior to the transaction.

SEC regulations also require additional disclosure in connection with any trades involving a "penny stock," including the delivery, prior to any penny stock transaction, of a disclosure schedule explaining the penny stock market and its associated risks. These requirements severely limit the liquidity of securities in the secondary market because few broker or dealers are likely to undertake these compliance activities. In addition to the applicability of the penny stock rules, other risks associated with trading in penny stocks could also be price fluctuations and the lack of a liquid market. An active and liquid market in our common stock may never develop due to these factors.

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

As of March 2015 the Company converted Convertible Notes Payable for which accredited investors paid $1,635,000 cash and earned $34,249 in accrued interest into 11,923,208 of common stock.

As of March 2015 the Company converted options and warrants of $98,104 into 618,991 of common stock.

As of March 2015 the Company converted accounts payable owed of $154,623 into 637,352 of common stock in settlement of the debts.

From February 26, 2015 through April 7, 2015, the Company entered into subscription agreements with accredited investors (the "2015 Accredited Investors") pursuant to which the 2015 Accredited Investors purchased an aggregate of 3,209,841 shares of the Company's common stock (the "2015 Subscription Shares") for an aggregate purchase price of $930,854. The 2015 Subscription Shares were offered and sold to the 2015 Accredited Investors in a private placement transaction made in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933 (the "Securities Act") and/or Rule 506 promulgated under the Securities Act. The 2015 Accredited Investors are accredited investors as defined in Rule 501 of Regulation D promulgated under the Securities

Act.

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On June 17, 2015, the Company issued a Promissory Note (the "Note") to JMJ Financial ("JMJ") in the principal amount of $100,000. JMJ has the ability to fund up to $400,000. On June 17, 2015, JMJ funded an initial tranche of $100,000 pursuant to the terms thereof. The principal sum of the Note carries a $40,000 original issue discount ("OID"), which is prorated on the full $400,000 based on the consideration paid by JMJ. In its sole discretion JMJ may, but is not obligated to, pay additional consideration to us through additional tranches of funding up to the amount of the Note. The maturity date of each tranche funded under the Note is two years from the date of each payment by JMJ. The principal amount of the Note due JMJ is prorated based upon the consideration actually paid to us, plus a 10% OID, and we are only obligated to repay the amount of the funded Note, together with interest and fees. The Note may be prepaid by us at any time on or before 90 days from the date of issue interest free. After the initial 90 day period the Note bears a one-time interest charge of 12% applied to the principal sum. We are not permitted to prepay the Note after the expiration of the initial 90 day period. The Note contains default events which, if triggered and not timely cured (if curable), will result in a default interest rate of 18% per annum and a default payment. All principal and accrued interest on the Note is convertible into shares of the Company's common stock at the election of JMJ at any time at a conversion price of the lesser of $0.30 or 60% of the lowest trade price in the 25 trading days prior to conversion. Failure of the Company to deliver shares to JMJ via DWAC upon conversion shall result in an additional 10% discount to the conversion price; and, if the shares are ineligible for deposit into the DTC system, an additional 5% discount to the conversion price shall apply. Unless agreed to in writing by both parties, JMJ may not convert any amount of the Note into common stock that would result in it owning more than 4.99% of our outstanding common stock. The Company agreed to include the shares of common stock underlying the Note in the next registration statement we may file with the SEC. If the Company does not include such shares of common stock underlying the Note in the next registration statement, liquidated damages in an amount which is the greater of 25% of the outstanding principal balance of the Note or $25,000 are payable to JMJ. So long as the Note is outstanding, if the Company should issue any security with terms more favorable to the holder that the Note, or with a term not similarly provided to JMJ in this Note, the Company is obligated to notify JMJ and, at JMJ's option, it may become a part of the successive transaction. The sale of the Note was completed on June 17, 2015. As of the date hereof, the Company is obligated on $100,000 in face amount of Note issued to JMJ. The Note is a debt obligation arising other than in the ordinary course of business which constitute a direct financial obligation of the Company.

On June 30, 2015, (the "Initial Closing Date"), the Company entered into a Securities Purchase Agreement (the "Peak One Agreement") with Peak One Opportunity Fund L.P., a Delaware limited partnership ("Peak One"). Pursuant to the Peak One Agreement, Peak One agreed to purchase from the Company up to $500,000 in convertible debentures (the "Debentures"), bearing interest at a rate of 0% per annum, with maturity on the third anniversary of the respective date of issuance, for an aggregate purchase price of $450,000. On the Initial Closing Date, the Company issued and sold to Peak One, and Peak One purchased from the Company, a first Debenture in the principal amount of $150,000 for a purchase price of $135,000. The Peak One Agreement provides that, subject to the Company's compliance with certain conditions to closing, (i) any time after 60 days from the Initial Closing Date, the Company will issue and sell to Peak One, and Peak One will purchase from the Company, a second Debenture in the principal amount of $150,000 for a purchase price of $135,000 and (ii) any time after 60 days from the closing of the second Debenture, the Company will issue and sell to Peak One, and Peak One will purchase from the Company, a third Debenture in the principal amount of $200,000 for a purchase price of $180,000. The Company will use the proceeds from the Debentures for general working capital purposes. The principal amount of the Debentures can be converted at the option of Peak One into shares of the Company's common stock, par value $0.001 per share, at a conversion price per share equivalent to the lower of $0.30 or 65% of the lowest closing bid price for the Company's common stock during the previous 20 trading days. As part of the transaction, the Company agreed to reimburse Peak One for certain transaction costs and expenses in relation thereto, and to pay Peak One Investments, LLC ("Peak One Investments") the amount of $5,000 and issue 75,000 shares of the Company's common stock as restricted shares. The Debentures may not be converted and/or exercised into more than 4.99% of the Company's outstanding common stock at any point in time. At the option of the Company and subject to certain conditions, upon no more than two days written notice, the outstanding principal and accrued interest of the Debentures will be redeemable, in whole or in part, at (i) 100% of the principal amount of and accrued interest on the Debenture to be redeemed if the redemption occurs within ninety 90 days after the closing date, (ii) 110% of the principal amount of the Debenture to be redeemed if the redemption occurs between 91 and 120 days after the closing date, (iii) 120% of the principal amount on the Debenture if the redemption occurs between 121 days and 150 days of the closing date, (iv) 125% of the principal amount on the Debenture if the redemption occurs 151 days and 180 days of the closing date and (v) 130% if the redemption occurs more than 181 days following the closing date.

On July 7, 2015 (the “Issuance Date”), the Company entered into a Convertible Note (the “Vista Note”) with Vista Capital Investments, LLC (“Vista”) in the Original Principal Amount of $250,000 (including a 10% Original Issue Discount (“OID”)). Future advances under the Vista Note are at the sole discretion of Vista. The Company is only required to repay the amount funded, including the prorated portion of the OID. On July 8, 2015, the Company received $100,000 of proceeds under the Vista Note (the "Initial Funding"). The Vista Note matures 24 months from the date funded, has a one-time 12% interest charge if not paid within 90 days, and is convertible at the option of Vista into shares of the Company’s common stock at the lesser of $0.25 per share or 60% of the lowest trade occurring during the twenty five consecutive trading days immediately preceding the applicable conversion date on which the holder elects to convert all or part of the Vista Note, subject to adjustment as provided for in the Vista Note. The Vista Note may not be converted and/or exercised into more than 4.99% of the Company's outstanding common stock at any point in time. The Vista Note might be accelerated if an event of default occurs under the terms of the Vista Note, including the Company’s failure to pay principal and interest when due, certain bankruptcy events or if the Company is delinquent in its SEC filings. The Vista Note also contains certain representations, warranties, covenants and events of default, and increases in the amount of the principal and interest rate under the Vista Note in the event of such defaults.

On July 13, 2015 (the “Issuance Date”), the Company completed the sale of a Convertible Note (“Cardinal Note”) in the principal amount $250,000 to Cardinal Capital Group, Inc. (“Cardinal Group”). The Cardinal Note has an Original Issue Discount (“OID”) of $25,000 and carries a one-time interest charge of 12% payable on the entire principal amount. The Cardinal Note matures on July 13, 2017 (“Maturity Date”). The Cardinal Note may be prepaid in whole or in part, at any time during the period beginning on the Closing Date and ending on the date which is 120 days following the issue date, beginning at 120% of the outstanding principal and accrued interest during the first 90 days and 140% between days 90 and 120 after the Closing Date. The Cardinal Note may not be prepaid after 120 days from the Closing Date without written consent of Cardinal Group. The Cardinal Note is convertible into The Company’s common stock, at Cardinal Group’s option, at the lesser of (a) $0.20 or (b) 60% of the lowest trade occurring during the twenty five (25) consecutive trading days immediately preceding the applicable conversion date. The conversion price is subject to proportional adjustment in the event of stock splits, stock dividends, and similar corporate events. The Cardinal Group has agreed to restrict its ability to convert the Cardinal Note and receive shares of common stock such that the number of shares of common stock held by them in the aggregate and their affiliates after such conversion or exercise does not exceed 9.99% of the then issued and outstanding shares of common stock. The Cardinal Note also provides for penalties and rescission rights if the Company does not deliver shares of its common stock upon conversion within the required timeframes.

On February 13, 2015 Marshall Cogan entered into an agreement with the Company to serve as Chief Investment Officer. In addition, Mr. Cogan was appointed as Chairman of the Board of directors for the Company, replacing James Taylor, who remains on the Board as a director. Mr. Cogan entered into a letter of agreement with the Company to receive an annual salary of $135,000 and options to acquire 7,500,000 shares of common stock, exercisable for the three year Employment Term at $0.15 per share ("Executive Stock Options"), subject to vesting. The Executive Stock Options were to be earned and vested in equal tranches of 2,500,000 on the one-year, two-year and three-year anniversary of the agreement, which such vesting is subject to Executive's continued employment as an executive with the Company as of the vesting date. In May 2015, the Company terminated Marshall S. Cogan as Chief Investment Officer. Further, the Executive Employment Agreement and the Stock Option Agreement entered between the Company and Mr. Cogan dated February 13, 2015 have also been terminated. On June 17, 2015, Mr. Cogan submitted his resignation as a director of the Board of Directors (the “Board”) of the Company. Prior to his resignation, Mr. Cogan served as Chairman of the Board. Effective as of his resignation, Mr. Cogan is no longer a member of the

Board nor does he serve as Chairman. Mr. Cogan did not serve on any committees to the Board.

Additional disclosure

This issuance of these above securities is exempt from the registration requirements under Rule 4(2) of the Securities Act of 1933, as amended, and/or Rule 506 as promulgated under Regulation D. The investors are accredited investors as defined in Rule 501 of Regulation D promulgated under the Securities Act.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

The Company filed Articles of Merger (the "Articles") with the Secretary of State of the State of Nevada to effectuate a name change. The Articles were filed to effectuate a merger between Workhorse Group Inc., a Nevada corporation and a wholly-owned subsidiary of the Company, and the Company, with the Company being the surviving entity. As a result, the Company's name changed from "AMP Holding Inc." to "Workhorse Group Inc.".

As a result of the name change, the Company's symbol was changed to "WKHS" and the CUSIP as changed to "98138J107".

On May 24, 2015, the Company terminated Marshall S. Cogan as Chief Investment Officer. Further, the Executive Employment Agreement and the Stock Option Agreement entered between the Company and Mr. Cogan dated February 13, 2015 have also been terminated. Mr. Cogan will continue to serve as Chairman of the Board of Directors.

ITEM 6. EXHIBITS

Exhibit No.	Description
3.1	Certificate of Designation for Series A Preferred Stock (1)
3.2	Certificate of Change (2)
3.3	Certificate of Correction (2)
3.4	Articles of Merger (3)
3.5	Certificate of Correction (Articles of Merger) (3)
3.6	Certificate of Amendment to the Certificate of Incorporation (4)
3.7	Certificate of Incorporation (5)
3.8	Articles of Merger between AMP Holding Inc. Workhorse Group Inc. (22)
4.1	Stock Option to acquire 500,000 shares of common stock issued to James Taylor dated May 25, 2011 (6)
4.5	Common Stock Purchase Warrant to acquire 500,000 shares of common stock issued to James Taylor dated May 25, 2011 (6)
4.6	Stock Option to acquire 500,000 shares of common stock issued to Stephen Burns dated May 25, 2011 (6)
4.7	Common Stock Purchase Warrant to acquire 500,000 shares of common stock issued to Stephen Burns dated May 25, 2011 (6)
4.8	Conversion Letter Agreement by and between Stephen Burns and AMP Holding Inc. (7)
4.9	Promissory Note in the principal amount of $232,400 dated November 20, 2012 payable to EASi and Aerotek (8)
4.10	Form of Subscription Agreement by and between AMP Holding Inc. and the January 2013 Accredited Investor (9)
4.12	Form of Warrant by and between AMP Holding Inc. and the January 2013 Accredited Investor (9)
4.13	Promissory Note dated January 29, 2013 (9)
4.14	Common Stock Purchase Warrant issued to Stephen Baksa (10)
4.15	Secured Debenture by and between Workhorse Custom Chassis, LLC and AMP Trucks Inc. dated March 13, 2013 (11)
4.16	Security Agreement by and between Workhorse Custom Chassis, LLC and AMP Trucks Inc. dated March 13, 2013 (11)
4.17	Mortgage, Security Agreement, Assignment of Rents and Fixture Filing by and between Workhorse Custom Chassis, LLC and AMP Trucks Inc. dated March 13, 2013 (11)
4.18	Form of Subscription Agreement entered by and between AMP Holding Inc. and the March 2013 Accredited Investors (11)
4.19	Form of Common Stock issued to the March 2013 Accredited Investors (11)
4.20	2014 Incentive Stock Plan (12)
4.23	Subscription Agreement by and between AMP Holding, Inc. and Joseph T. Lukens (13)
4.24	Form of Common Stock Purchase issued to Joseph T. Lukens (13)
4.26	Form of Subscription Agreement entered between AMP Holding Inc. and the December 2014 Investors (20)
4.27	Form of 14% Unsecured Convertible Promissory Note issued to the December 2014 Investors (20)
4.28	Form of Common Stock Purchase Warrant issued to the December 2014 Investors (20)
4.29	Stock Option Agreement issued to James Taylor dated February 13, 2015 (21)
4.30	Promissory Note Issued to JMJ Financial (23)
4.31	Securities Purchase Agreement, dated June 30, 2015, between the Company and Peak One (24)
4.32	Debenture, issued June 30, 2015, by the Company to Peak One (24)
4.33	$250,000 Convertible Note, dated July 7, 2015, issued to Vista capital Investments, LLC (25)

4.34	$250,000 Convertible Note, dated July 13, 2015, issued to Cardinal Capital Group, Inc. (26)

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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	Director Agreement by and between AMP Holding Inc., and James E. Taylor dated October 11, 2010 (14)
10.3	Employment Agreement by and between AMP Holding Inc. and Stephen S. Burns dated December 8, 2010 (15)
10.4	Letter Agreement by and between AMP Holding Inc. and Martin J. Rucidlo dated August 24, 2012 (16)
10.17	Release and Settlement Agreement by and between ESG Automotive, Inc., AMP Holding Inc. and AMP Electric Vehicles Inc. (8)
10.18	Conversion Agreement by and between AMP Holding Inc. and an accredited investor dated February 21, 2013 (9)
10.19	Asset Purchase Agreement by and between Workhorse Custom Chassis, LLC, as Seller, and AMP Trucks Inc., as Buyer dated as of March 4, 2013 (11)
10.20	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 (11)
10.21	Employment Agreement between AMP Holding Inc. and Julio C. Rodriguez dated August 15, 2013 (17)
10.23	Director Agreement by and between AMP Holding Inc. and Raymond Chess dated October 24, 2013 (18)
10.24	Executive Employment Agreement entered between AMP Holding Inc. and Mashall S. Cogan dated February 13, 2015 (21)
10.25	Director Agreement entered between AMP Holding Inc. and Marshall S. Cogan dated February 13, 2015 (21)
10.26	Stock Option Agreement entered between AMP Holding Inc. and Marshall S. Cogan dated February 13, 2015 (21)
21.1	List of Subsidiaries (19)
31.1	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.
31.2	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.
32.1	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
32.2	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

(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) 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 January 11, 2013.

(9) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on February 5, 2013.

(10) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on February 28, 2013.

(11) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on March 13, 2013.

(12) Incorporated by reference to the Form S-8 Current Report filed with the Securities and Exchange Commission on January 17, 2014.

(13) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on March 19, 2014.

(14) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on October 19, 2010.

(15) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on December 13, 2010.

(16) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on August 30, 2012.

(17) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on August 16, 2013.

(18) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on October 30, 2013.

(19) Incorporated by reference to the Form 10-K Annual Report filed with the Securities and Exchange Commission on April 15, 2014.

(20) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on December 11, 2014.

(21) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on February 19, 2015.

(22) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on April 16, 2015.

(23) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on June 19, 2015.

(24) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on July 1, 2015.

(25) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on July 14, 2015.

(26) $250,000 Convertible Note, dated July 13, 2015, issued to Cardinal Capital Group, Inc.

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: August 14, 2015	By: /s/ Stephen S. Burns Name: Stephen S. Burns Title: Chief Executive Officer (Principal Executive Officer)
Dated: August 14, 2015	By: /s/ Julio C. Rodriguez Name: Julio C. Rodriguez Title: Chief Financial Officer (Principal Financial and Accounting Officer)