

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, 2018

or

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

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

Commission file number: 000-53704

**WORKHORSE GROUP INC.**

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of  
incorporation or organization)

26-1394771

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

**100 Commerce Drive, Loveland, Ohio 45140**  
(Address of principal executive offices) (Zip Code)

**844-937-9547**

Registrant's telephone number, including area code)

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

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**

(Class)

**45,982,134**

(Outstanding at August 6, 2018)

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## Forward-Looking Statements

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

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

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**PART I – FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**Workhorse Group, Inc.  
Condensed Consolidated Balance Sheets**

	<u>(Unaudited)</u>	
	<u>June 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 586,441	\$ 4,069,477
Accounts receivable, less allowance for doubtful accounts of \$0 at June 30, 2018 and December 31, 2017, respectively	165,197	1,013,423
Lease receivable	41,375	45,300
Inventory	4,964,669	4,621,942
Prepaid expenses and deposits	<u>181,091</u>	<u>946,134</u>
	5,938,773	10,696,276
Property, plant and equipment, net of accumulated depreciation of \$2,248,107 and \$2,095,571 at June 30, 2018 and December 31, 2017, respectively	5,443,488	5,596,013
Lease receivable	<u>221,357</u>	<u>212,004</u>
	<u>\$ 11,603,618</u>	<u>\$ 16,504,293</u>
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	\$ 5,844,614	\$ 4,311,135
Accrued liabilities	2,061,308	1,718,397
Notes payable, related parties	550,000	-
Accounts payable, related parties	158,957	54,914
Customer deposits	320,000	54,405
Current portion of long-term debt	<u>382,264</u>	<u>381,497</u>
	9,317,143	6,520,348
Principal amount of notes payable	5,750,000	5,750,000
Less: unamortized discount and debt issuance costs	-	<u>987,500</u>
Notes payable	<u>5,750,000</u>	<u>4,762,500</u>
Total current liabilities	15,067,143	11,282,848
Long-term debt	1,692,344	1,709,881
Stockholders' equity (deficit):		
Series A preferred stock, par value of \$.001 per share 75,000,000 shares authorized, no shares issued and outstanding at June 30, 2018 and December 31, 2017	-	-
Common stock, par value of \$.001 per share 100,000,000 shares authorized, 45,003,219 shares issued and outstanding at June 30, 2018 and 41,529,181 shares issued and outstanding at December 31, 2017	45,003	41,529
Additional paid-in capital	113,181,411	107,760,036
Accumulated deficit	<u>(118,382,283)</u>	<u>(104,290,001)</u>
	<u>(5,155,869)</u>	<u>3,511,564</u>
	<u>\$ 11,603,618</u>	<u>\$ 16,504,293</u>

See accompanying notes to condensed consolidated financial statements.

**Workhorse Group, Inc.**  
**Condensed Consolidated Statements of Operations**  
**(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net sales	\$ 170,684	\$ 252,000	\$ 730,913	\$ 1,822,037
Cost of sales	1,655,905	995,925	3,370,275	5,308,013
Gross loss	(1,485,221)	(743,925)	(2,639,362)	(3,485,976)
Operating Expenses				
Selling, general and administrative	3,003,202	2,601,590	5,403,349	4,501,172
Research and development	1,894,712	5,811,333	4,232,343	9,054,655
Total operating expenses	4,897,914	8,412,923	9,635,692	13,555,827
Interest expense, net	526,162	21,852	1,052,049	57,503
Net loss	(6,909,297)	(9,178,700)	(13,327,103)	(17,099,306)
Deemed dividend - September 2017 Warrants	765,179	-	765,179	-
Net loss attributable to common stockholders	<u>\$ (7,674,476)</u>	<u>\$ (9,178,700)</u>	<u>\$ (14,092,282)</u>	<u>\$ (17,099,306)</u>
Net loss attributable to common stockholders per share - basic and diluted	<u>\$ (0.18)</u>	<u>\$ (0.26)</u>	<u>\$ (0.33)</u>	<u>\$ (0.48)</u>
Weighted average number of common shares outstanding	<u>42,406,471</u>	<u>35,273,462</u>	<u>42,406,471</u>	<u>35,273,462</u>

See accompanying notes to condensed consolidated financial statements.

**Workhorse Group, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

	For the Six Months Ended	
	June 30	
	2018	2017
Cash flows from operating activities:		
Net loss	\$ (13,327,103)	\$ (17,099,306)
Adjustments to reconcile net loss from operations to cash used by operations:		
Depreciation	152,525	269,028
Amortized discount and debt issuance costs on Senior Secured Notes	987,500	-
Stock-based compensation	548,263	654,525
Effects of changes in operating assets and liabilities:		
Accounts receivable and lease receivable	842,798	358,700
Inventory	(342,727)	(7,001,453)
Prepaid expenses and deposits	765,043	(511,902)
Accounts payable and accrued liabilities	1,876,390	3,591,211
Notes payable, related parties	550,000	-
Accounts payable, related parties	104,043	-
Customer deposits	265,595	-
Net cash used by operations	<u>(7,577,673)</u>	<u>(19,739,197)</u>
Cash flows from investing activities:		
Capital expenditures	-	(70,576)
Proceeds from lease receivable	-	124,983
Net cash provided by investing activities	<u>-</u>	<u>54,407</u>
Cash flows from financing activities:		
Payments on long-term debt	(16,770)	(62,042)
Shareholder advances, net of repayments	-	1,004,201
Issuance of common stock	4,021,341	23,060,074
Exercise of warrants and options	90,066	633,863
Net cash provided by financing activities	<u>4,094,637</u>	<u>24,636,096</u>
Change in cash and cash equivalents	(3,483,036)	4,951,306
Cash at the beginning of the period	4,069,477	469,570
Cash at the end of the period	<u>\$ 586,441</u>	<u>\$ 5,420,876</u>

Supplemental disclosure of non-cash activities:

During the six months ended June 30, 2018, the Company converted accounts payable of \$298,350 to common stock of \$114 and additional paid-in-capital of \$298,236.

During the six months ended June 30, 2017, the Company converted Shareholder advances of \$229,772 and accrued interests of \$26,727 to common stock of \$172 and additional paid-in capital of \$256,327.

See accompanying notes to condensed consolidated financial statements.

**Workhorse Group Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**1. SUMMARY OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

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

*Nature of operations and principles of consolidation*

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

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

*Basis of presentation*

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

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

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

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

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

## 2. INVENTORY

As of June 30, 2018, and December 31, 2017, our inventory consisted of the following:

	2018	2017
Raw Materials	\$ 4,134,952	\$ 3,205,618
Work in Process	829,717	1,416,324
Finished Goods	-	-
	<u>\$ 4,964,669</u>	<u>\$ 4,621,942</u>

## 3. LONG-TERM DEBT

Long-term debt consists of the following:

	June 30, 2018	December 31, 2017
Senior Secured Notes, due July 6, 2018 (discount is based on imputed interest rate of 26%)	\$ 5,750,000	\$ 5,750,000
Less: unamortized discount and debt issuance costs on Senior Secured Notes	-	(987,500)
Net Senior Secured Notes	5,750,000	4,762,500
Secured mortgage payable, due November 2026, to Bank for 100 Commerce Drive Building due in monthly installments of \$11,951, inclusive of principal and interest	1,724,608	1,741,378
Note payable, former building owner interest payment only due in monthly installments of \$1,604 interest at 5.5%. A balloon payment of \$350,000 plus unpaid interest due August 2018.	350,000	350,000
Related Parties Notes, due December 6, 2018, interest rate 12.0%	550,000	-
	8,374,608	6,853,878
Less current portion	6,682,264	5,143,997
Long-term debt	<u>\$ 1,692,344</u>	<u>\$ 1,709,881</u>

On December 26, 2017, as part of its initial efforts to spin-off Surefly, the Company entered into a Securities Purchase Agreement with several existing institutional investors pursuant to which the company issued original issue discount Senior Secured Notes in the aggregate principal amount of \$5,750,000 in consideration of gross proceeds of \$5,000,000 paid by the Spin-Off Investors. The loan is convertible into Surefly equity upon achieving the spin-off. On June 28, 2018, the Company entered into an amendment agreement with the Spin-Off Investors. The amendment agreement provided that the Senior Secured Notes were amended to provide a maturity date of July 6, 2018.

Amortization expense recorded as interest related to the debt issuance costs and unamortized discounts for the Senior Secured Notes was \$987,500 for the six months ended June 30, 2018.

On June 7, 2018, the Company received a short-term loan in the aggregate principal amount of \$550,000 from Stephen S. Burns, H. Benjamin Samuels, Gerald Budde and Ray Chess, each an executive officer and/or director of the Company (collectively, the "Related Parties"). To evidence the loans, the Company issued the Related Parties promissory notes (the "Related Parties Notes") in the aggregate principal amount of \$550,000. The Related Parties Notes are unsecured obligations of the Company and are not convertible into equity securities of the Company. Principal and interest under the Related Parties Notes are due and payable December 6, 2018, however, in the event that the Company raises in excess of \$10,000,000 in equity financing, then the Company will use part of its proceeds to pay off the Related Parties Notes. Under no circumstance may the Related Parties Notes be paid off on or prior to the 91st day following the maturity date of the Senior Secured Notes issued by the Company on December 27, 2017 in the principal aggregate amount of \$5,750,000. Interest accrues on the Related Parties Notes at the rate of 12.0% per annum. The Related Parties Notes contain terms and events of default customary for similar transactions. The Company used the net proceeds from the transaction for general business and working capital purposes.

#### 4. REVENUE

##### *Change in Accounting Principle*

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

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

##### *Revenue Recognition*

Net sales include products and shipping and handling charges, net of estimates for customer allowances. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring products. All revenue is recognized when we satisfy our performance obligations under the contract. We recognize revenue by transferring the promised products to the customer, with the majority of revenue recognized at the point in time the customer obtains control of the products. We recognize revenue for shipping and handling charges at the time the products are delivered to or picked up by the customer. The majority of our contracts have a single performance obligation and are short term in nature.

##### *Accounts Receivable*

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

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

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

##### *Disaggregation of Revenue*

Our revenues related to the following types of business were as follows for the periods ended June 30:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Automotive	\$ 118,398	\$ 252,000	\$ 523,252	\$ 1,820,500
Aviation	-	-	-	-
Other	52,286	-	207,661	1,537
Total revenues	<u>\$ 170,684</u>	<u>\$ 252,000</u>	<u>\$ 730,913</u>	<u>\$ 1,822,037</u>

5. **INCOME TAXES**

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

6. **EARNINGS PER SHARE**

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

7. **RECENT ACCOUNTING DEVELOPMENTS**

*Accounting Guidance Adopted in 2017*

Effective September 30, 2017, we early-adopted FASB ASU 2017-11, "Earnings per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features. Part I of ASU 2017-11 simplifies the accounting for certain financial instruments with down round features, a provision in an equity-linked financial instrument (or embedded feature) that provides a downward adjustment of the current exercise price based on the price of future equity offerings. Previous accounting guidance created cost and complexity for organizations that issue financial instruments with down round features by requiring, on an ongoing basis, fair value measurement of the entire instrument or conversion option. The new standard requires companies to disregard the down round feature when assessing whether the instrument is indexed to its own stock, for purposes of determining liability of equity classification. Companies that provide earnings per share ("EPS") data will adjust their diluted EPS calculation for the effect of the feature when triggered (i.e., when the exercise price of the related equity-linked financial instrument is adjusted downward because of the down round feature) and will also recognize the effect of the trigger within equity. We applied this guidance on a prospective basis. The primary impact of adoption is that equity-linked financial instruments are less likely to be liability classified than prior to the adoption of this standard. The adoption of the new standard resulted in warrants issued in September 2017 not being classified as liabilities in our Consolidated Financial Statements.

*Accounting Guidance Adopted in 2018*

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

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

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

## **8. PRIVATE PLACEMENT MEMORANDUM AND STOCK OFFERING**

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

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

On April 26, 2018, the Company entered into and closed Subscription Agreements with accredited investors (the “April 2018 Accredited Investors”) pursuant to which the April 2018 Accredited Investors purchased 531,066 shares of the Company’s common stock (“April 2018 Shares”) for a purchase price of \$1,444,500 or \$2.72 per share. Stephen Burns, Benjamin Samuels, Gerald Budde and Julio Rodriguez, executive officers and/or directors of the Company, participated in this offering.

On June 22, 2017, the Company entered into an at the market issuance sales agreement (the “Cowen Agreement”) with Cowen and Company, LLC (“Cowen”) under which the Company may offer and sell, from time to time at its sole discretion, shares of its Common Stock having an aggregate offering price of up to \$25,000,000 through Cowen as its sales agent. As of June 30, 2018, the Company issued 1,876,489 shares from this facility for proceeds of approximately \$5.8 million.

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

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

On June 4, 2018, the Company and holders of all outstanding Warrants to Purchase Common Stock of the Company issued September 18, 2017 (collectively, the “Warrants”) entered into separate, privately-negotiated exchange agreements (the “Exchange Agreements”), pursuant to which the Company issued to such holders an aggregate of 1,968,736 shares of the Company’s common stock in exchange for the Warrants. The closing of the exchanges contemplated by the Exchange Agreements occurred on June 5, 2018. In addition, the “Down Round” feature of the Warrants was triggered in the second quarter of 2018, causing the strike price to decrease from \$3.80 per share to \$2.62 per share. As a result, the Company recorded approximately \$765,179 as a deemed dividend which represents the value transferred to the Warrant holders due to the Down Round being triggered. The deemed dividend was recorded as a reduction of Retained Earnings and increase in Additional Paid-in-Capital and reduced net income available to common shareholders by the same amount.



## 9. SUBSEQUENT EVENTS

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

On July 6, 2018, the Company, as borrower, entered into a Loan Agreement with a fund managed by Arosa Capital Management LP (“Arosa”), as lender, providing for a term loan (the “Arosa Loan”) in the principal amount of \$6,100,000 (the “Loan Agreement”). The maturity date of the Arosa Loan is July 6, 2019 (the “Maturity Date”). The interest rate for the Arosa Loan is 8% per annum payable in quarterly installments commencing October 6, 2018. The Company may prepay the Arosa Loan at any time upon three days written notice.

The Loan Agreement requires the Company to pay Arosa’s expenses including attorney fees. The Loan Agreement also requires the Company to make certain representations and warranties and other agreements that are customary in loan agreements of this type and also includes covenants to raise \$10,000,000 in equity prior to September 30, 2018 and to consummate a sale of Surefly, Inc., the Company’s indirect wholly-owned subsidiary resulting in cash proceeds of no less than \$20,000,000. The Loan Agreement also contains customary events of default, including non-payment of principal or interest, violations of covenants, bankruptcy and material judgments. The Company’s subsidiaries and Arosa also entered into a Guarantee and Collateral Agreement and Intellectual Property Security Agreement providing that the Company’s obligations to Arosa are secured by substantially all of the Company’s assets. In addition, the Company is required to appoint to the Board of Directors a person designated in writing by Arosa for a period of no less than 12 months.

The Company used the proceeds from the Arosa Loan to satisfy the Senior Secured Loans initially issued December 27, 2017 in the amount of \$5,750,000 and a loan in the amount of \$350,000 payable to the former owner of the Company’s facility based in Loveland, Ohio.

In accordance with the Loan Agreement, the Company issued Arosa a warrant to purchase 5,000,358 shares of common stock of the Company at an exercise price of \$2.00 per share exercisable in cash only for a period of five years. While the Arosa Loan remains outstanding, the Company will be required to issue additional warrants to purchase common stock to Arosa equal to 10% of any additional issuance excluding issuances under an approved stock plan. The additional warrants to purchase common Stock will have an exercise price equal to the lesser of \$2.00 or a 5% premium to the price utilized in such financing. Pursuant to the warrant, Arosa may not exercise such warrant if such exercise would result in Arosa beneficially owning in excess of 9.99% of the Company’s then issued and outstanding common stock. On August 2, 2018, after conducting additional due diligence on the Company’s available collateral base, Arosa agreed to enter into the First Amendment to the Loan Agreement with the Company pursuant to which an additional \$1,700,000 was loaned to the Company for working capital purposes and general corporate purposes. In addition, various covenants were added or amended including, but not limited to, requiring the Company to satisfy its Mortgage on its Loveland, Ohio facility no later than October 1, 2018.

Separately, on July 5, 2018, the Company received a short-term loan in the aggregate principal amount of \$500,000 from accredited investors (collectively, the “Loan Parties”), including \$200,000 from a related party investor. To evidence the loans, the Company issued the Loan Parties promissory notes (the “Loan Parties Notes”) in the aggregate principal amount of \$500,000. The Loan Parties Notes are unsecured obligations of the Company and are not convertible into equity securities of the Company. Principal and interest under the Loan Parties Notes is due and payable January 5, 2019, however, in the event that the Company raises in excess of \$10,000,000 in equity or debt financing, then the Company will use part of its proceeds to pay off the Loan Parties Notes. Interest accrues on the Loan Parties Notes at the rate of 12.0% per annum. The Loan Parties Notes contain terms and events of default customary for similar transactions. The Company is using the net proceeds from the transaction for general business and working capital purposes.

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

### Overview and Quarter Highlights

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

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

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

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

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

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

The Workhorse N-GEN electric cargo van platform will be available in multiple size configurations, 450 and 1,000 cubic feet. The 450 cubic foot configuration is designed to compete with the Sprinter, Transit and RAM gasoline/diesel trucks in the commercial sector with an emphasis on last-mile delivery and other service-oriented businesses, such as telecom. This ultra-low floor platform incorporates state-of-the-art safety features, economy and performance: we expect these vehicles to achieve a fuel economy equivalent of approximately 60 MPG and offer fleet operators the most favorable total cost-of-ownership of any comparable vehicle available today. We believe we are the first American OEM to market a U.S. built electric cargo van, and early indications of fleet interest are significant. We expect the N-GEN trucks will be supported by our Ryder Systems partnership.

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

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

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

The FAA to-date has granted eight separate Experimental Airworthiness Certifications, registered as N834LW, for the aircraft. These certifications come after an extensive design review and inspection of the aircraft with each renewed certificate. In addition, the FAA accepted Surefly’s application for Type Certification for the SureFly eVTOL aircraft.

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

## Results of Operations

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net sales	\$ 170,684	\$ 252,000	\$ 730,913	\$ 1,822,037
Cost of sales	1,655,905	995,925	3,370,275	5,308,013
Gross loss	(1,485,221)	(743,925)	(2,639,362)	(3,485,976)
Operating expenses:				
Selling, general and administrative	3,003,202	2,601,590	5,403,349	4,501,172
Research and development	1,894,712	5,811,333	4,232,343	9,054,655
Total operating expenses	4,897,914	8,412,923	9,635,692	13,555,827
Interest expense, net	526,162	21,852	1,052,049	57,503
Net loss	\$ (6,909,297)	\$ (9,178,700)	\$ (13,327,103)	\$ (17,099,306)

### Sales

Net sales for the three months ended June 30, 2018 and 2017 were approximately \$0.2 million and \$0.3 million, respectively. The net sales decrease was primarily due to a decrease in volume of trucks sold.

Net sales for the six months ended June 30, 2018 and 2017 were approximately \$0.7 million and \$1.8 million, respectively. The net sales decrease was primarily due to a decrease in volume of trucks sold.

### Cost of Sales

Cost of sales for the three months ended June 30, 2018 and 2017 were \$1.7 million and \$1.0 million, respectively. The cost of sales increase was primarily related to higher fixed overhead costs partially offset by a decrease in volume of trucks sold.

Cost of sales for the six months ended June 30, 2018 and 2017 were \$3.4 million and \$5.3 million, respectively. The cost of sales decrease was primarily due to lower volume of trucks sold partially offset by higher fixed overhead costs.

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

Selling, general and administrative (“SG&A”) expenses during the three months ended June 30, 2018 and 2017 were \$3.0 million and \$2.6 million, respectively. The SG&A expense increase primarily related to higher advertising expenses during the period as well as higher legal and consulting expenses related to the planned Surefly transaction.

SG&A expenses during the six months ended June 30, 2018 and 2017 were \$5.4 million and \$4.5 million, respectively. The SG&A expense increase primarily related to higher advertising expenses during the period as well as higher legal and consulting expenses related to the planned Surefly transaction.

### ***Research and Development Expenses***

Research and development (“R&D”) expenses during the three months ended June 30, 2018 and 2017 were \$1.9 million and \$5.8 million, respectively. The decrease in R&D expenses is due to the decrease in prototype expenses for the USPS NGDV and Surefly.

R&D expenses during the six months ended June 30, 2018 and 2017 were \$4.2 million and \$9.1 million, respectively. The decrease in R&D expenses is due to the decrease in prototype expenses for the USPS NGDV and Surefly.

### ***Liquidity and Capital Resources***

#### **Cash Requirements**

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

As of June 30, 2018, we had approximately \$0.6 million in cash, cash equivalents and short-term investments, as compared to approximately \$4.1 million as of December 31, 2017, a decrease of approximately \$3.5 million. The decrease in cash and cash equivalents was primarily attributable to the operating loss for the period partially offset by the issuance of common stock during the period.

We believe our existing capital resources, including our new Arosa Loan, will be sufficient to support our current and projected funding requirements through the end of the third quarter of 2018. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we currently expect. Because of the numerous risks and uncertainties associated with the development of our business and research and development activities, including risks and uncertainties that could impact the rate of progress of our development activities, we are unable to estimate with certainty the amounts of increased capital outlays and operating expenditures that will be required over the next 12 months.

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

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

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

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

For the six months ended June 30, 2018, we maintained an investment portfolio primarily in money market funds, U.S. treasury bills, government-sponsored enterprise securities, and corporate bonds and commercial paper. Cash in excess of immediate requirements is invested with regard to liquidity and capital preservation. Wherever possible, we seek to minimize the potential effects of concentration and degrees of risk. We will continue to monitor the impact of the changes in the conditions of the credit and financial markets to our investment portfolio and assess if future changes in our investment strategy are necessary

## Summary of Cash Flows

	Six Months Ended	
	June 30,	
	2018	2017
Net cash used in operating activities	\$ (7,577,673)	\$ (19,739,197)
Net cash used in investing activities	\$ -	\$ 54,407
Net cash used and provided by financing activities	\$ 4,094,637	\$ 24,636,096

### *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, 2018 and 2017, cash used by operating activities was \$7.6 million and \$19.7 million, respectively. The decrease in net cash used in operations in 2018 as compared to 2017 was mainly due to a lower net loss for the period and decreases in current assets and increases in current liabilities.

### *Cash Flows from Financing Activities*

During the six months ended June 30, 2018 and 2017, net cash provided by financing activities was \$4.1 million and \$24.6 million, respectively. Cash flows from financing activities during the six months ended June 30, 2018 consisted primarily of shares issued related to the Company's Cowen Agreement and April 2018 closed Subscription Agreements. Cash flows from financing activities for the period ended June 30, 2017 consisted primarily of a net \$20.5 million from a public stock offering.

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

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

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

### **Critical Accounting Policies**

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

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

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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

## ITEM 4. CONTROLS AND PROCEDURES

### *Evaluation of Disclosure Controls and Procedures*

Pursuant to Rules 13a-15(b) and 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.

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were not effective due to material weaknesses in our internal control over financial reporting that existed as of June 30, 2018, as discussed below.

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

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

- Complete implementation of the ERP system modules covering purchase orders and inventory
- Review and implement adequate account reconciliation processes to improve the end of period closing process
- Hire a controller with public company experience

We believe the initiated remediation measures will strengthen our internal control over financial reporting and should eventually remediate the material weaknesses identified. However, because we are still assessing the design and operating effectiveness of these measures and need to put more controls in place, the identified material weaknesses have not been remediated as of June 30, 2018. We will continue to monitor the effectiveness of these remediation measures and will make any changes and take such other actions that we deem appropriate.

We assessed the material weaknesses’ impact to the condensed consolidated financial statements to ensure they were prepared in accordance with GAAP and present fairly the condensed consolidated financial position, financial results of operations and cash flows as of and for the periods ended June 30, 2018. Based on these additional procedures and assessment, we concluded that the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q present fairly, in all material aspects, our financial position, results of operations and cash flows for the periods presented.

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

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

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

Except as described above, there were no changes in our internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II – OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

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

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

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

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

On April 26, 2018, the Company entered into and closed Subscription Agreements with accredited investors (the “April 2018 Accredited Investors”) pursuant to which the April 2018 Accredited Investors purchased 531,066 shares of the Company’s common stock (“April 2018 Shares”) for a purchase price of \$1,444,500 or \$2.72 per share. Stephen Burns, Benjamin Samuels, Gerald Budde and Julio Rodriguez, executive officers and/or directors of the Company, participated in this offering

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

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

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

### **ITEM 5. OTHER INFORMATION**

On December 26, 2017, as part of its initial efforts to spin-off Surefly, the Company entered into a Securities Purchase Agreement with several existing institutional investors pursuant to which the Company issued original issue discount Senior Secured Notes in the aggregate principal amount of \$5,750,000 in consideration of gross proceeds of \$5,000,000 paid by the Spin-Off Investors. The loan, which has been repaid in full, was convertible into Surefly equity upon achieving the spin-out. On June 28, 2018, the Company entered into an amendment agreement with the Spin-Off Investors providing that the Senior Secured Notes were amended to provide a maturity date of July 6, 2018. On July 6, 2018, the Company paid off the Senior Secured Notes in full.

On July 6, 2018, the Company, as borrower, entered into a Loan Agreement with a fund managed by Arosa Capital Management LP (“Arosa”), as lender, providing for a term loan (the “Arosa Loan”) in the principal amount of \$6,100,000 (the “Loan Agreement”). The maturity date of the Arosa Loan is July 6, 2019 (the “Maturity Date”). The interest rate for the Arosa Loan is 8% per annum payable in quarterly installments commencing October 6, 2018. The Company may prepay the Arosa Loan at any time upon three days written notice. The Loan Agreement requires the Company to pay Arosa’s expenses including attorney fees. The Loan Agreement also requires the Company to make certain representations and warranties and other agreements that are customary in loan agreements of this type including a covenant to raise \$10,000,000 in equity prior to September 30, 2018 and to consummate a sale of Surefly, Inc., the Company’s indirect wholly-owned subsidiary resulting in cash proceeds of no less than \$20,000,000. The Loan Agreement also contains customary events of default, including non-payment of principal or interest, violations of covenants, bankruptcy and material judgments. The Company, the Company’s subsidiaries and Arosa also entered into a Guarantee and Collateral Agreement and Intellectual Property Security Agreement providing that the Company’s obligations to Arosa are secured by substantially all of the Company’s assets. In addition, the Company is required to appoint to the Board of Directors a person designated in writing by Arosa for a period of no less than 12 months. The Company used the proceeds from the Arosa Loan to satisfy the Senior Secured Loans initially issued December 27, 2017 in the amount of \$5,750,000 and a loan in the amount of \$350,000 payable to the former owner of the Company’s facility based in Loveland, Ohio. In accordance with the Loan Agreement, the Company issued Arosa a Warrant to Purchase 5,000,358 shares of common stock of the Company at an exercise price of \$2.00 per share exercisable in cash only for a period of five years. While the Arosa Loan remains outstanding, the Company will be required to issue additional Warrants to Purchase Common Stock to Arosa equal to 10% of any additional issuance excluding issuances under an approved stock plan. The additional Warrants to Purchase Common Stock will have an exercise price equal to the lesser of \$2.00 or a 5% premium to the price utilized in such financing. Pursuant to the Warrant, Arosa may not exercise such Warrant if such exercise would result in Arosa beneficially owning in excess of 9.99% of the Company’s then issued and outstanding common stock. On August 2, 2018, after conducting additional due diligence on the Company’s available collateral base, Arosa agreed to enter into the First Amendment to the Loan Agreement with the Company pursuant to which an additional \$1,700,000 was loaned to the Company for working capital purposes and general corporate purposes. In addition, various covenants were added or amended including, but not limited to, requiring the Company to satisfy its Mortgage on its Loveland, Ohio facility no later than October 1, 2018.



On July 5, 2018, the Company received a short-term loan in the aggregate principal amount of \$500,000 from accredited investors (collectively, the “Loan Parties”). To evidence the loans, the Company issued the Loan Parties promissory notes (the “Loan Parties Notes”) in the aggregate principal amount of \$500,000. The Loan Parties Notes are unsecured obligations of the Company and are not convertible into equity securities of the Company. Principal and interest under the Loan Parties Notes is due and payable January 5, 2019, however, in the event that the Company raises in excess of \$10,000,000 in equity or debt financing, then the Company will use part of its proceeds to pay off the Loan Parties Notes. Interest accrues on the Loan Parties Notes at the rate of 12.0% per annum. The Loan Parties Notes contain terms and events of default customary for similar transactions.

On June 7, 2018, the Company received a short-term loan in the aggregate principal amount of \$550,000 from Stephen S. Burns, H. Benjamin Samuels, Gerald Budde and Ray Chess, each an executive officer and/or director of the Company (collectively, the “Related Parties”). To evidence the loans, the Company issued the Related Parties promissory notes (the “Related Parties Notes”) in the aggregate principal amount of \$550,000. The Related Parties Notes are unsecured obligations of the Company and are not convertible into equity securities of the Company. Principal and interest under the Related Parties Notes are due and payable December 6, 2018, however, in the event that the Company raises in excess of \$10,000,000 in equity financing, then the Company will use part of its proceeds to pay off the Related Parties Notes. Interest accrues on the Related Parties Notes at the rate of 12.0% per annum. The Related Parties Notes contain terms and events of default customary for similar transactions.

On June 4, 2018, the Company and holders of all outstanding Warrants to Purchase Common Stock issued September 18, 2017 of the Company (collectively, the “Warrants”) entered into separate, privately-negotiated exchange agreements (the “Exchange Agreements”), pursuant to which the Company agreed to issue to such holders an aggregate of 1,968,736 shares of the Company’s common stock in exchange for the Warrants. The closing of the exchanges contemplated by the Exchange Agreements occurred on June 5, 2018.

**ITEM 6. EXHIBITS**

<b>Exhibit No.</b>	<b>Description</b>
3.1	<a href="#">Certificate of Designation for Series A Preferred Stock (1)</a>
3.2	<a href="#">Certificate of Change (2)</a>
3.3	<a href="#">Certificate of Correction (2)</a>
3.4	<a href="#">Articles of Merger (3)</a>
3.5	<a href="#">Certificate of Correction (Articles of Merger) (3)</a>
3.6	<a href="#">Certificate of Amendment to the Certificate of Incorporation (4)</a>
3.7	<a href="#">Certificate of Incorporation (5)</a>
3.8	<a href="#">Articles of Merger between AMP Holding Inc. Workhorse Group Inc. (16)</a>
3.9	<a href="#">Certificate of Change filed December 9, 2015 (20)</a>
4.1	<a href="#">Stock Option to acquire 500,000 shares of common stock issued to James Taylor dated May 25, 2011 (6)</a>
4.2	<a href="#">Common Stock Purchase Warrant to acquire 500,000 shares of common stock issued to James Taylor dated May 25, 2011 (6)</a>
4.3	<a href="#">Stock Option to acquire 500,000 shares of common stock issued to Stephen Burns dated May 25, 2011 (6)</a>
4.4	<a href="#">Common Stock Purchase Warrant to acquire 500,000 shares of common stock issued to Stephen Burns dated May 25, 2011 (6)</a>
4.5	<a href="#">Conversion Letter Agreement by and between Stephen Burns and AMP Holding Inc. (7)</a>
4.6	<a href="#">Form of Warrant by and between AMP Holding Inc. and the January 2013 Accredited Investor (8)</a>
4.7	<a href="#">Common Stock Purchase Warrant issued to Stephen Baksa (9)</a>
4.8	<a href="#">2014 Incentive Stock Plan (11)</a>
4.9	<a href="#">Form of Common Stock Purchase Agreement entered between AMP Holding Inc and the December 2014 Investors (31)</a>
4.10	<a href="#">Form of Common Stock Purchase Warrant issued to the December 2014 Investors (31)</a>
4.11	Intentionally Left Blank
4.12	<a href="#">Form of Subscription Agreement by and between Workhorse Group Inc. and the 2015 Accredited Investors (17)</a>
4.13	<a href="#">Form of Securities Purchase Agreement entered between Workhorse Group Inc. and the November 2015 Investors (18)</a>
4.14	<a href="#">Form of 6% Convertible Promissory Note issued to the November 2015 Investors (18)</a>
4.15	<a href="#">Form of Stock Purchase Warrant issued to the November 2015 Investors (18)</a>
4.16	<a href="#">Form of Securities Purchase Agreement entered between Workhorse Group Inc. and the Convertible Note Investor(19)</a>
4.17	<a href="#">Form of 6% Convertible Promissory Note issued to the Investors (19)</a>
4.18	<a href="#">Form of Stock Purchase Warrant issued to the Investors (19)</a>
4.19	<a href="#">Stock Option Agreement by and between Workhorse Group Inc. and Gerald Budde dated December 17, 2015 (21)</a>
4.20	<a href="#">Stock Option Agreement by and between Workhorse Group Inc. and H. Benjamin Samuels dated December 17, 2015 (21)</a>
4.21	<a href="#">Stock Option Agreement by and between Workhorse Group Inc. and Harry DeMott dated September 16, 2016 (24)</a>
4.22	Intentionally left blank.
4.23	<a href="#">Securities Purchase Agreement entered between Workhorse Group Inc. and Joseph T. Lukens dated January 10, 2017 (26)</a>
4.24	<a href="#">6% Convertible Debenture issued to Joseph T. Lukens dated January 10, 2017 (26)</a>
4.25	<a href="#">Form of Warrant – September 2017 (35)</a>
4.26	<a href="#">Form of Senior Secured Note dated December 26, 2017 (36)</a>
4.27	<a href="#">Form of Promissory Note dated June 7, 2018 (39)</a>
4.28	<a href="#">Form of Warrant to Purchase Common Stock issued to a fund managed by Arosa Capital Management LP dated July 6, 2018</a>
4.29	<a href="#">Form of Promissory Note dated July 5, 2018 (41)</a>
10.1	<a href="#">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)</a>
10.2	<a href="#">Employment Agreement by and between AMP Holding Inc. and Stephen S. Burns dated December 8, 2010 (12)</a>
10.3	<a href="#">Letter Agreement by and between AMP Holding Inc. and Martin J. Rucidlo dated August 24, 2012 (13)</a>
10.4	<a href="#">Asset Purchase Agreement by and between Workhorse Custom Chassis, LLC, as Seller, and AMP Trucks Inc., as Buyer dated as of March 4, 2013 (10)</a>
10.5	<a href="#">Amendment No. 1 to the Asset Purchase Agreement by and between Workhorse Custom Chassis, LLC, as Seller, and AMP Trucks Inc., as Buyer dated as of March 13, 2013 (10)</a>
10.6	<a href="#">Employment Agreement between AMP Holding Inc. and Julio C. Rodriguez dated August 15, 2013 (14)</a>
10.7	<a href="#">Director Agreement by and between AMP Holding Inc. and Raymond Chess dated October 24, 2013 (15)</a>
10.8	<a href="#">Director Agreement by and between Workhorse Group Inc. and Gerald Budde dated December 17, 2015 (21)</a>
10.9	<a href="#">Director Agreement by and between Workhorse Group Inc. and Benjamin Samuels dated December 17, 2015 (21)</a>
10.10	<a href="#">Director Agreement by and between Workhorse Group Inc. and Harry DeMott dated September 15, 2016 (24)</a>
10.11	<a href="#">Form of Warrant Exercise Agreement (25)</a>
10.12	<a href="#">Conversion Agreement between Joseph T. Lukens and the Company dated January 27, 2017 (27)</a>
10.13	<a href="#">Services Partner Agreement between Workhorse Group Inc. and Ryder Truck Rental, Inc. dated April 27, 2017 (29)</a>
10.14	<a href="#">Executive Retention Agreement by and between Workhorse Group Inc. and Stephen S. Burns dated May 19, 2017 (30)</a>
10.15	<a href="#">Executive Retention Agreement by and between Workhorse Group Inc. and Duane Hughes dated May 19, 2017 (30)</a>
10.16	<a href="#">Executive Retention Agreement by and between Workhorse Group Inc. and Julio Rodriguez dated May 19, 2017 (30)</a>
10.17	<a href="#">Sales Agreement, dated June 22, 2017, by and between Workhorse Group Inc. and Cowen and Company, LLC (32)</a>
10.18	<a href="#">Executive Retention Agreement by and between Workhorse Group Inc. and Paul Gaitan dated August 9, 2017 (34)</a>
10.19	<a href="#">Letter Agreement by and between Workhorse Group Inc. and Julio Rodriguez dated August 9, 2017 (34)</a>
10.20	<a href="#">Form of Indemnification Agreement (30)</a>
10.21	<a href="#">Form of Employee Invention Assignment, Confidentiality, Non-Compete and Non-Solicit Agreement (30)</a>
10.22	<a href="#">Form of Securities Purchase Agreement dated December 26, 2017 (36)</a>



<b>Exhibit No.</b>	<b>Description</b>
10.23	<a href="#">Form of Pledge and Security Agreement dated December 26, 2017 (36)</a>
10.24	<a href="#">Form of Pledge Agreement dated December 26, 2017 (36)</a>
10.25	<a href="#">Form of Guaranty dated December 26, 2017 (36)</a>
10.26	<a href="#">Bill of Sale entered between Workhorse Group Inc. and Surefly, Inc. dated December 26, 2017 (36)</a>
10.27	<a href="#">Amended Exhibit A dated May 30, 2018 to the Vehicle Purchase Agreement dated June 4, 2014 * (37)</a>
10.28	<a href="#">Form of Exchange Agreement (38)</a>
10.29	<a href="#">Form of Amendment Agreement dated June 28, 2018 (40)</a>
10.30	<a href="#">Loan Agreement between Workhorse Group Inc. and a fund managed by Arosa Capital Management LP dated July 6, 2018 (41)</a>
10.31	<a href="#">Guarantee and Collateral Agreement between Workhorse Group Inc., Workhorse Technologies Inc., Workhorse Properties Inc., Workhorse Motor Works Inc., Surefly, Inc. and a fund managed by Arosa Capital Management LP dated July 6, 2018 (41)</a>
10.32	<a href="#">Intellectual Property Security Agreement between Workhorse Group Inc., Workhorse Technologies Inc., Workhorse Properties Inc., Workhorse Motor Works Inc., Surefly, Inc. and a fund managed by Arosa Capital Management LP dated July 6, 2018 (41)</a>
10.33	<a href="#">First Amendment to Loan Agreement between Workhorse Group Inc., Workhorse Technologies Inc., Workhorse Properties Inc., Workhorse Motor Works Inc., Surefly, Inc. and a fund managed by Arosa Capital Management LP dated August 2, 2018</a>
21.1	<a href="#">List of Subsidiaries (28)</a>
31.1	<a href="#">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.</a>
31.2	<a href="#">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.</a>
32.1	<a href="#">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</a>
32.2	<a href="#">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</a>
99.1	<a href="#">Nominating and Corporate Governance Committee Charter adopted by the Board of Directors of Workhorse Group Inc. on December 17, 2015 (33)</a>
99.2	<a href="#">Compensation Committee Charter adopted by the Board of Directors of Workhorse Group Inc. on December 17, 2015 (33)</a>
99.3	<a href="#">Audit Committee Charter adopted by the Board of Directors of Workhorse Group Inc. on December 17, 2015 (33)</a>
EX-101.INS	XBRL INSTANCE DOCUMENT
EX-101.SCH	XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT
EX-101.CAL	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
EX-101.DEF	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE
EX-101.LAB	XBRL TAXONOMY EXTENSION LABELS LINKBASE
EX-101.PRE	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE

\* Portions of this exhibit have been redacted pursuant to a request for confidential treatment submitted to the Securities and Exchange Commission.

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

- (33) Incorporated by reference to the Form 10-Q Quarterly Report filed with the Securities and Exchange Commission on August 9, 2017.
- (34) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on August 11, 2017.
- (35) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on September 14, 2017.
- (36) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on December 27, 2017.
- (37) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on May 31, 2018.
- (38) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on June 4, 2018.
- (39) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on June 12, 2018.
- (40) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on June 29, 2018.
- (41) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on July 10, 2018.

**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 6, 2018

By: /s/ Stephen S. Burns  
Name: Stephen S. Burns  
Title: Chief Executive Officer  
(Principal Executive Officer)

Dated: August 6, 2018

By: /s/ Paul Gaitan  
Name: Paul Gaitan  
Title: Chief Financial Officer  
(Principal Financial and Accounting Officer)

## WORKHORSE GROUP INC.

## Warrant To Purchase Common Stock

Warrant No.:

Number of Shares of Common Stock:

Date of Issuance: \_\_\_\_\_, 2018 (“**Issuance Date**”)

CUSIP No. 98138J 115

Workhorse Group Inc., a company organized under the laws of Nevada (the “**Company**”), hereby certifies that, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, \_\_\_\_\_, a Cayman exempted limited partnership (“**Arosa**”), the registered holder hereof or its permitted assigns (the “**Holder**”), is entitled, subject to the terms set forth below, to purchase from the Company, at the Exercise Price (as defined below) then in effect, at any time or times on or after the Issuance Date (the “**Initial Exercisability Date**”), but not after 11:59 p.m., New York time, on the Expiration Date, (as defined below), Five million three-hundred fifty eight (5,000,358 ) fully paid non-assessable shares of Common Stock (as defined below), subject to adjustment as provided herein (the “**Warrant Shares**”). Except as otherwise defined herein, capitalized terms in this Warrant to Purchase Common Stock (including any Warrants to Purchase Common Stock issued in exchange, transfer or replacement hereof, this “**Warrant**”), shall have the meanings set forth in Section 16. This Warrant is one of the Warrants to purchase Common Stock (the “**Warrants**”) issued in connection with that certain Loan Agreement dated as of July 6, 2018 (the “**Loan Agreement**”) between Company, as Borrower and Arosa, as Lender, and certain other parties thereto.

1. EXERCISE OF WARRANT.

(a) Mechanics of Exercise. Subject to the terms and conditions hereof (including, without limitation, the limitations set forth in Section 1(e)), this Warrant may be exercised by the Holder at any time or times on or after the Initial Exercisability Date, in whole or in part, by delivery (whether via facsimile, electronic mail or otherwise) of a written notice, in the form attached hereto as Exhibit A (the “**Exercise Notice**”), of the Holder’s election to exercise this Warrant. Within one (1) Trading Day following delivery of the Exercise Notice, the Holder shall make payment to the Company of an amount equal to the Exercise Price in effect on the date of such exercise multiplied by the number of Warrant Shares as to which this Warrant is being exercised (the “**Aggregate Exercise Price**”) in cash by wire transfer of immediately available funds. The Holder shall not be required to deliver the original Warrant in order to effect an exercise hereunder, nor shall any ink-original signature or medallion guarantee (or other type of guarantee or notarization) with respect to any Exercise Notice be required. Execution and delivery of the Exercise Notice with respect to less than all of the Warrant Shares shall have the same effect as cancellation of the original Warrant and issuance of a new Warrant evidencing the right to purchase the remaining number of Warrant Shares. On or before the first (1<sup>st</sup>) Trading Day following the date on which the Company has received the applicable Exercise Notice, the Company shall transmit by facsimile or electronic mail an acknowledgment of confirmation of receipt of the Exercise Notice, in the form attached to the Exercise Notice, to the Holder and the Company’s transfer agent (the “**Transfer Agent**”). So long as the Holder delivers the Aggregate Exercise Price on or prior to the first (1<sup>st</sup>) Trading Day following the date on which the Exercise Notice has been delivered to the Company, then on or prior to the earlier of (i) the second (2<sup>nd</sup>) Trading Day and (ii) the Standard Settlement Period (as defined below), in each case following the date on which the Exercise Notice has been delivered to the Company, or, if the Holder does not deliver the Aggregate Exercise Price on or prior to the first (1<sup>st</sup>) Trading Day following the date on which the Exercise Notice has been delivered to the Company, then on or prior to the first (1<sup>st</sup>) Trading Day following the date on which the Aggregate Exercise Price is delivered (the “**Share Delivery Date**”), the Company shall (X) provided that the Transfer Agent is participating in The Depository Trust Company (“**DTC**”) Fast Automated Securities Transfer Program, credit such aggregate number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the Holder’s or its designee’s balance account with DTC through its Deposit / Withdrawal At Custodian system, or (Y) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, issue and dispatch by overnight courier to the address as specified in the Exercise Notice, a certificate, registered in the Company’s share register in the name of the Holder or its designee, for the number of Warrant Shares to which the Holder is entitled pursuant to such exercise. The Company shall be responsible for all fees and expenses of the Transfer Agent and all fees and expenses with respect to the issuance of Warrant Shares via DTC, if any, including without limitation for same day processing. Upon delivery of the Exercise Notice, the Holder shall be deemed for all corporate purposes to have become the holder of record and beneficial owner of the Warrant Shares with respect to which this Warrant has been exercised, irrespective of the date such Warrant Shares are credited to the Holder’s DTC account or the date of delivery of the certificates evidencing such Warrant Shares, as the case may be. If this Warrant is physically delivered to the Company in connection with any exercise pursuant to this Section 1(a) and the number of Warrant Shares represented by this Warrant submitted for exercise is greater than the number of Warrant Shares being acquired upon an exercise, then the Company shall as soon as practicable and in no event later than three (3) Trading Days after any exercise and at its own expense, issue and deliver to the Holder (or its designee) a new Warrant (in accordance with Section 7(d)) representing the right to purchase the number of Warrant Shares issuable immediately prior to such exercise under this Warrant, less the number of Warrant Shares with respect to which this Warrant is exercised. No fractional Warrant Shares are to be issued upon the exercise of this Warrant, but rather the number of Warrant Shares to be issued shall be rounded to the nearest whole number. The Company shall pay any and all transfer, stamp, issuance and similar taxes, costs and expenses (including, without limitation, fees and expenses of the Transfer Agent) which may be payable with respect to the issuance and delivery of Warrant Shares upon exercise of this Warrant. The Company’s obligations to issue and deliver Warrant Shares in accordance with the terms and subject to the conditions hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination; provided, however, that the Company shall not be required to deliver Warrant Shares with respect to an exercise prior to the Holder’s delivery of the Aggregate Exercise Price with respect to such exercise.

(b) Exercise Price. For purposes of this Warrant, “**Exercise Price**” means \$2.00, subject to adjustment as provided herein.

(c) Company’s Failure to Timely Deliver Securities. If either (I) the Company shall fail for any reason or for no reason to issue to the Holder on or prior to the applicable Share Delivery Date, if (x) the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, a certificate for the number of shares of Common Stock to which the Holder is entitled and register such Common Stock on the Company’s share register or (y) if the Transfer Agent is participating in the DTC Fast Automated Securities Transfer Program, to credit the Holder’s balance account with DTC, for such number of shares of Common Stock to which the Holder is entitled upon the Holder’s exercise of this Warrant, (II) the Company shall not within thirty (30) days after the Issuance Date file with the SEC a registration statement for the resale by the Holder or any transferee therefrom of the Warrant Shares (which registration statement shall be declared effective by the SEC no later than seventy five (75) days after the Issuance Date, the “**Registration Statement**”), (III) the Company shall not within sixty (60) days after the Issuance Date have obtained shareholder approval, in accordance with the rules and regulations of the Principal Market, for the issuance of the Warrant Shares and any other issuance of shares of Common Stock by the Company as contemplated by the Transaction Documents, or (IV) a registration statement (which may be the Registration Statement) covering the issuance or resale of the Warrant Shares that are the subject of the Exercise Notice (the “**Exercise Notice Warrant Shares**”) is not available for the issuance or resale, as applicable, of such Exercise Notice Warrant Shares and (x) the Company fails to promptly, but in no event later than one (1) Business Day after such registration statement becomes unavailable, to so notify the Holder and (y) the Company is unable to deliver the Exercise Notice Warrant Shares electronically without any restrictive legend by crediting such aggregate number of Exercise Notice Warrant Shares to the Holder’s or its designee’s balance account with DTC through its Deposit / Withdrawal At Custodian system (the event described in the immediately foregoing clause (IV) is hereinafter referred to as a “**Notice Failure**” and together with the events described in clauses (I), (II) and (IV) above, an “**Exercise Failure**”), then, in addition to all other remedies available to the Holder, if on or prior to the applicable Share Delivery Date either (I) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, the Company shall fail to issue and deliver a certificate to the Holder and register such shares of Common Stock on the Company’s share register or, if the Transfer Agent is participating in the DTC Fast Automated Securities Transfer Program, credit the Holder’s balance account with DTC for the number of shares of Common Stock to which the Holder is entitled upon the Holder’s exercise hereunder or pursuant to the Company’s obligation pursuant to clause (ii) below or (II) a Notice Failure occurs, and if on or after such Trading Day the Holder purchases (in an open market transaction or otherwise) Common Stock to deliver in satisfaction of a sale by the Holder of shares of Common Stock issuable upon such exercise that the Holder anticipated receiving from the Company (a “**Buy-In**”), then the Company shall, within three (3) Trading Days after the Holder’s request and in the Holder’s discretion, either (i) pay cash to the Holder in an amount equal to the Holder’s total purchase price (including brokerage commissions and other out-of-pocket expenses, if any) for the shares of Common Stock so purchased (the “**Buy-In Price**”), at which point the Company’s obligation to deliver such certificate (and to issue such shares of Common Stock) or credit such Holder’s balance account with DTC for such shares of Common Stock shall terminate, or (ii) promptly honor its obligation to deliver to the Holder a certificate or certificates representing such shares of Common Stock or credit such Holder’s balance account with DTC, as applicable, and pay cash to the Holder in an amount equal to the excess (if any) of the Buy-In Price over the product of (A) such number of shares of Common Stock, times (B) any trading price of the Common Stock selected by the Holder in writing as in effect at any time during the period beginning on the applicable Exercise Date and ending on the applicable Share Delivery Date. Nothing shall limit the Holder’s right to pursue any other remedies available to it hereunder, at law or in equity, including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company’s failure to timely deliver certificates representing Warrant Shares (or to electronically deliver such Warrant Shares) upon the exercise of this Warrant as required pursuant to the terms hereof. While this Warrant is outstanding, the Company shall cause its transfer agent to participate in the DTC Fast Automated Securities Transfer Program. In addition to the foregoing rights, (i) if the Company fails to deliver the applicable number of Warrant Shares upon an exercise pursuant to Section 1 by the applicable Share Delivery Date, then the Holder shall have the right to rescind such exercise in whole or in part and retain and/or have the Company return, as the case may be, any portion of this Warrant that has not been exercised pursuant to such Exercise Notice; provided that the rescission of an exercise shall not affect the Company’s obligation to make any payments that have accrued prior to the date of such notice pursuant to this Section 1(c) or otherwise, and (ii) if a registration statement (which may be the Registration Statement) covering the issuance or resale of the Warrant Shares that are subject to an Exercise Notice is not available for the issuance or resale, as applicable, of such Exercise Notice Warrant Shares and the Holder has submitted an Exercise Notice prior to receiving notice of the non-availability of such registration statement and the Company has not already delivered the Warrant Shares underlying such Exercise Notice electronically without any restrictive legend by crediting such aggregate number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the Holder’s or its designee’s balance account with DTC through its Deposit / Withdrawal At Custodian system, the Holder shall have the option, by delivery of notice to the Company, to rescind such Exercise Notice in whole or in part and retain or have returned, as the case may be, any portion of this Warrant that has not been exercised pursuant to such Exercise Notice; provided that the rescission of an Exercise Notice shall not affect the Company’s obligation to make any payments that have accrued prior to the date of such notice pursuant to this Section 1(c) or otherwise.

(d) Disputes. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall promptly issue to the Holder the number of Warrant Shares that are not disputed and resolve such dispute in accordance with Section 11.

(e) Limitation on Exercise. The Company and Holder acknowledge and agree that, until the Company obtains the required shareholder approval under NASDAQ Marketplace Rule 5635 (the “**Approval**”), (a) the total number of shares of Common Stock resulting from the exercise of this Warrant by the Holder or its assigns cannot exceed 19.99% of the total number of shares of Common Stock outstanding immediately prior to the date hereof (as adjusted for any stock dividend, stock split, stock combination, reclassification or similar transaction), and (b) the holders of the shares of Common Stock resulting from the exercise of this Warrant cannot be entitled to more than 19.99% of the total voting power of the Company’s equity securities outstanding immediately prior to the date hereof (as adjusted for any stock dividend, stock split, stock combination, reclassification or similar transaction). Upon obtaining the Approval, if needed, as soon as reasonably practicable, and immediately after the Approval is obtained, the limitations under this Section 1(e) shall no longer apply. Notwithstanding the foregoing, nothing contained in this Section shall modify Holders’ absolute right to Warrant Shares or Additional Warrant Shares, as set forth in this Agreement.

(f) Required Reserve Amount. So long as this Warrant remains outstanding, the Company shall at all times keep reserved for issuance under this Warrant a number of shares of Common Stock at least equal to 100% of the maximum number of shares of Common Stock as shall be necessary to satisfy the Company’s obligation to issue shares of Common Stock under the Warrants then outstanding (without regard to any limitations on exercise) (the “**Required Reserve Amount**”); provided that at no time shall the number of shares of Common Stock reserved pursuant to this Section 1(f) be reduced other than in connection with any exercise of Warrants or such other event covered by Section 2(c) below. The Required Reserve Amount (including, without limitation, each increase in the number of shares so reserved) shall be allocated pro rata among the holders of the Warrants based on the number of shares of Common Stock issuable upon exercise of Warrants held by each holder thereof on the Issuance Date (without regard to any limitations on exercise) (the “**Authorized Share Allocation**”). In the event that a holder shall sell or otherwise transfer any of such holder’s Warrants, each transferee shall be allocated a pro rata portion of such holder’s Authorized Share Allocation. Any shares of Common Stock reserved and allocated to any Person which ceases to hold any Warrants shall be allocated to the remaining holders of Warrants, pro rata based on the number of shares of Common Stock issuable upon exercise of the Warrants then held by such holders thereof (without regard to any limitations on exercise).

(g) **Insufficient Authorized Shares.** If at any time while this Warrant remains outstanding the Company does not have a sufficient number of authorized and unreserved shares of Common Stock to satisfy its obligation to reserve for issuance the Required Reserve Amount (an “**Authorized Share Failure**”), then the Company shall immediately take all action necessary to increase the Company’s authorized shares of Common Stock to an amount sufficient to allow the Company to reserve the Required Reserve Amount for this Warrant then outstanding. Without limiting the generality of the foregoing sentence, as soon as practicable after the date of the occurrence of an Authorized Share Failure, but in no event later than seventy-five (75) days after the occurrence of such Authorized Share Failure, the Company shall hold a meeting of its shareholders for the approval of an increase in the number of authorized shares of Common Stock. In connection with such meeting, the Company shall provide each shareholder with a proxy statement and shall use its best efforts to solicit its shareholders’ approval of such increase in authorized shares of Common Stock and to cause its board of directors to recommend to the shareholders that they approve such proposal. Notwithstanding the foregoing, if any such time of an Authorized Share Failure, the Company is able to obtain the written consent of a majority of the shares of its issued and outstanding shares of Common Stock to approve the increase in the number of authorized shares of Common Stock, the Company may satisfy this obligation by obtaining such consent and submitting for filing with the SEC an Information Statement on Schedule 14C.

(h) **Beneficial Ownership.** Notwithstanding anything to the contrary contained herein, the Company shall not effect the exercise of any portion of this Warrant, and the Holder shall not have the right to exercise any portion of this Warrant, pursuant to the terms and conditions of this Warrant and any such exercise shall be null and void and treated as if never made, to the extent that after giving effect to such exercise, the Holder together with the other Attribution Parties collectively would beneficially own in excess of 9.99% (the “**Maximum Percentage**”) of the number of shares of Common Stock outstanding immediately after giving effect to such exercise. For purposes of the foregoing sentence, the aggregate number of shares of Common Stock beneficially owned by the Holder and the other Attribution Parties shall include the number of shares of Common Stock held by the Holder and all other Attribution Parties plus the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which the determination of such sentence is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (A) exercise of the remaining, unexercised portion of this Warrant beneficially owned by the Holder or any of the other Attribution Parties and (B) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company (including, without limitation, any convertible notes or convertible preferred stock or warrants, including the other Warrants) beneficially owned by the Holder or any other Attribution Party subject to a limitation on conversion or exercise analogous to the limitation contained in this Section 1(h), and notwithstanding anything to the contrary contained herein, any such unexercised portion of such Warrant and/or unexercised or unconverted portion of any other securities referred to in clauses (A) and (B) above, shall be deemed not to be exercisable or convertible, as the case may be, for sixty-one (61) days after the related date of determination. For purposes of this Section 1(h), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act. For purposes of this Warrant, in determining the number of outstanding shares of Common Stock the Holder may acquire upon the exercise of this Warrant without exceeding the Maximum Percentage, the Holder may rely on the number of outstanding shares of Common Stock as reflected in (x) the Company’s most recent Annual Report on Form 10-K, Quarterly Report on Form 10-Q and Current Reports on Form 8-K or other public filing with the Securities and Exchange Commission (the “**SEC**”), as the case may be, (y) a more recent public announcement by the Company or (3) any other written notice by the Company or the Transfer Agent setting forth the number of shares of Common Stock outstanding (the “**Reported Outstanding Share Number**”). If the Company receives an Exercise Notice from the Holder at a time when the actual number of outstanding shares of Common Stock is less than the Reported Outstanding Share Number, the Company shall (i) notify the Holder in writing of the number of shares of Common Stock then outstanding and, to the extent that such Exercise Notice would otherwise cause the Holder’s beneficial ownership, as determined pursuant to this Section 1(h), to exceed the Maximum Percentage, the Holder must notify the Company of a reduced number of Warrant Shares to be purchased pursuant to such Exercise Notice (the number of shares by which such purchase is reduced, the “**Reduction Shares**”) and (ii) as soon as reasonably practicable, the Company shall return to the Holder any exercise price paid by the Holder for the Reduction Shares. For any reason at any time, upon the written or oral request of the Holder, the Company shall within one (1) Business Day confirm orally and in writing or by electronic mail to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder and any other Attribution Party since the date as of which the Reported Outstanding Share Number was reported. In the event that the issuance of Common Stock to the Holder upon exercise of this Warrant results in the Holder and the other Attribution Parties being deemed to beneficially own, in the aggregate, more than the Maximum Percentage of the number of outstanding shares of Common Stock (as determined under Section 13(d) of the Exchange Act), the number of shares so issued by which the Holder’s and the other Attribution Parties’ aggregate beneficial ownership exceeds the Maximum Percentage (the “**Excess Shares**”) shall be deemed null and void and shall be cancelled ab initio, and the Holder shall not have the power to vote or to transfer the Excess Shares. As soon as reasonably practicable after the issuance of the Excess Shares has been deemed null and void, the Company shall return to the Holder the exercise price paid by the Holder for the Excess Shares. Upon delivery of a written notice to the Company, the Holder may from time to time increase or decrease the Maximum Percentage to any other percentage as specified in such notice; *provided* that (i) any such increase in the Maximum Percentage will not be effective until the sixty-first (61<sup>st</sup>) day after such notice is delivered to the Company and (ii) any such increase or decrease will apply only to the Holder and the other Attribution Parties and not to any other holder of Warrants that is not an Attribution Party of the Holder. For purposes of clarity, the shares of Common Stock issuable pursuant to the terms of this Warrant in excess of the Maximum Percentage shall not be deemed to be beneficially owned by the Holder for any purpose including for purposes of Section 13(d) or Rule 16a-1(a)(1) of the Exchange Act. No prior inability to exercise this Warrant pursuant to this paragraph shall have any effect on the applicability of the provisions of this paragraph with respect to any subsequent determination of exercisability. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 1(h) to the extent necessary to correct this paragraph or any portion of this paragraph which may be defective or inconsistent with the intended beneficial ownership limitation contained in this Section 1(h) or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitation contained in this paragraph may not be waived and shall apply to a successor holder of this Warrant.

2. ADJUSTMENT OF EXERCISE PRICE AND NUMBER OF WARRANT SHARES. The Exercise Price and the number of Warrant Shares shall be adjusted from time to time as follows:

(a) Adjustment upon Issuance of Shares of Common Stock. If and whenever during the Adjustment Period, the Company issues or sells any shares of Common Stock or Common Stock Equivalents (including the issuance or sale of shares of Common Stock owned or held by or for the account of the Company, but excluding shares of Common Stock issued by the Company in connection with any Excluded Securities), both of the following shall apply: (I) additional Warrant Shares (“**Additional Warrant Shares**”) shall be issuable in respect of this Warrant such that the amount of Additional Warrant Shares issuable will be equal to 10% of the proforma number of shares equal to the sum of (x) the Company’s Common Stock or Common Stock Equivalents (on an as converted basis) being issued or sold, and (y) the outstanding Common Stock and Common Stock Equivalents (on an as-converted basis) immediately before such issuance or sale, and (II) in the event the sale price (on an as converted basis, if applicable, in accordance with this Section 2) is lower than the then-existing Exercise Price, the Exercise Price with respect to such Additional Warrant Shares shall be adjusted to the Adjusted Exercise Price (which for the avoidance of doubt, shall only apply to such Additional Warrant Shares); otherwise the then-existing Exercise Price shall also apply to such Additional Warrant Shares. Additional Warrant Shares to be issued as a result of issuances of shares of Common Stock under the Sales Agreement commencing as of the date hereof, shall be issued promptly at the end of each fiscal quarter.

(b) Change in Option Price or Rate of Conversion. During the Adjustment Period, if the purchase price provided for in any Options, the additional consideration, if any, payable upon the issue, conversion, exercise or exchange of any Convertible Securities, or the rate at which any Convertible Securities are convertible into or exercisable or exchangeable for shares of Common Stock increases or decreases at any time, then the Adjusted Exercise Price and/or Exercise Price, as applicable, in effect at the time of such increase or decrease shall be adjusted to the Adjusted Exercise Price and/or Exercise Price, as applicable, which would have been in effect at such time had such Options or Convertible Securities provided for such increased or decreased purchase price, additional consideration or increased or decreased conversion rate, as the case may be, at the time initially granted, issued or sold. No adjustment pursuant to this Section 2 shall be made if such adjustment would result in an increase of the Adjusted Exercise Price or Exercise Price then in effect or a decrease in the number of Additional Warrant Shares or Warrant Shares.

(c) Record Date. If the Company takes a record of the holders of shares of Common Stock for the purpose of entitling them (A) to receive a dividend or other distribution payable in shares of Common Stock, Options or in Convertible Securities or (B) to subscribe for or purchase shares of Common Stock, Options or Convertible Securities, then such record date will be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

(d) Voluntary Adjustment By Company. Subject to the prior consent of the Principal Market, the Company may at any time during the term of this Warrant reduce the then current Exercise Price or Adjusted Exercise Price to any amount and for any period of time deemed appropriate by the Board of Directors of the Company.

(e) Adjustment Upon Subdivision or Combination of Common Stock. If the Company at any time on or after the Issuance Date subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Exercise Price and Adjusted Exercise Price in effect immediately prior to such subdivision will be proportionately reduced and the number of Warrant Shares and Additional Warrant Shares will be proportionately increased. If the Company at any time on or after the Issuance Date combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Exercise Price and Adjusted Exercise Price in effect immediately prior to such combination will be proportionately increased and the number of Warrant Shares and Additional Warrant Shares will be proportionately decreased. Any adjustment under this Section 2(e) shall become effective at the close of business on the date the subdivision or combination becomes effective.

(f) Issuance of Options. If, during the Adjustment Period, the Company in any manner grants or sells any Options except to the extent that Excluded Securities are issued, the Holder shall be entitled to receive Options on the same date or dates and with the same terms, in an amount such that the amount of Common Stock into which such Options would be exercised into would keep the Holder with the same as-converted equity ownership as before the issuance of the Options granted or sold by the Company. No further adjustment of the Exercise Price or Adjusted Exercise Price or the number of Warrant Shares or Additional Warrant Shares shall be made upon the actual issuance of such shares of Common Stock or of such Convertible Securities upon the exercise of such Options or upon the actual issuance of such shares of Common Stock upon conversion, exercise or exchange of such Convertible Securities.

(g) Other Events. If, during the Adjustment Period, any event occurs of the type contemplated by the provisions of this Section 2 but not expressly provided for by such provisions (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features), then the Company’s Board of Directors will, in good faith, make an appropriate adjustment in the Exercise Price or Adjusted Exercise Price, as applicable, and the number of Warrant Shares or Additional Warrant Shares, as applicable, as mutually determined by the Company’s Board of Directors and the Required Holders, each acting in good faith, so as to protect the rights of the Holder; provided that no such adjustment pursuant to this Section 2(g) will increase the Exercise Price or Adjusted Exercise Price, as applicable, or decrease the number of Warrant Shares or Additional Warrant Shares, as applicable, as otherwise determined pursuant to this Section 2.

3. RIGHTS UPON DISTRIBUTION OF ASSETS. In addition to any adjustments pursuant to Section 2 above, if, on or after the Issuance Date and on or prior to the Expiration Date, the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property, options, evidence of indebtedness or any other assets by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a “**Distribution**”), at any time after the issuance of this Warrant, then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations or restrictions on exercise of this Warrant, including without limitation, the Maximum Percentage) immediately before the date of which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the participation in such Distribution (provided, however, that to the extent that the Holder’s right to participate in any such Distribution would result in the Holder and the other Attribution Parties exceeding the Maximum Percentage, then the Holder shall not be entitled to participate in such Distribution to such extent (and shall not be entitled to beneficial ownership of such shares of Common Stock as a result of such Distribution (and beneficial ownership) to such extent) and the portion of such Distribution shall be held in abeyance for the benefit of the Holder until such time or times as its right thereto would not result in the Holder and the other Attribution Parties exceeding the Maximum Percentage, at which time or times the Holder shall be granted such Distribution (and any Distributions declared or made on such initial Distribution or on any subsequent Distribution held similarly in abeyance) to the same extent as if there had been no such limitation).

4. PURCHASE RIGHTS; FUNDAMENTAL TRANSACTION.

(a) Purchase Rights. In addition to any adjustments pursuant to Section 2 above, if at any time on or after the Issuance Date and on or prior to the Expiration Date the Company (i) grants, issues or sells any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property *pro rata* to the record holders of any class of Common Stock (the “**Purchase Rights**”), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations or restrictions on exercise of this Warrant, including without limitation, the Maximum Percentage) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the grant, issuance or sale of such Purchase Rights (provided, however, that to the extent that the Holder’s right to participate in any such Purchase Right would result in the Holder and the other Attribution Parties exceeding the Maximum Percentage, then the Holder shall not be entitled to participate in such Purchase Right to such extent (and shall not be entitled to beneficial ownership of such Common Stock as a result of such Purchase Right (and beneficial ownership) to such extent) and such Purchase Right to such extent shall be held in abeyance for the benefit of the Holder until such time or times as its right thereto would not result in the Holder and the other Attribution Parties exceeding the Maximum Percentage, at which time or times the Holder shall be granted such right (and any Purchase Right granted, issued or sold on such initial Purchase Right or on any subsequent Purchase Right to be held similarly in abeyance) to the same extent as if there had been no such limitation), or (ii) conducts any Pro Rata Repurchase Offer, the Holder shall be permitted to (but shall not be obligated to) participate, in whole or in part, on an as-converted basis, provided that, notwithstanding any other provision hereof, such participation may at the election of the Holder be conditioned upon the consummation of such transaction, in which case such participation shall not be deemed to be effective until immediately prior to the consummation of such transaction.

(b) Fundamental Transactions. The Company shall not enter into or be party to a Fundamental Transaction unless the Successor Entity assumes in writing, pursuant to written agreements in form and substance satisfactory to the Required Holders, all of the obligations of the Company under this Warrant and all other Transaction Documents in accordance with the provisions of this Section 4(b), including agreements to deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant, but which is exercisable for a corresponding number of shares of capital stock equivalent to the shares of Common Stock issuable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such adjustments to the number of shares of capital stock and such exercise price being for the purpose of appropriately reflecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction). Upon the consummation of each Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for the Company (so that from and after the date of such Fundamental Transaction, each and every provision of this Warrant referring to the "Company" shall instead refer to the Successor Entity), and the Successor Entity may exercise every prior right and power of the Company and shall assume all prior obligations of the Company under this Warrant with the same effect as if the Successor Entity had been named as the Company in this Warrant. On or prior to the consummation of each Fundamental Transaction, the Successor Entity shall deliver to the Holder confirmation that there shall be issued upon exercise of this Warrant at any time after the consummation of the Fundamental Transaction, in lieu of the shares of Common Stock (or other securities, cash, assets or other property purchasable upon the exercise of this Warrant prior to such Fundamental Transaction), such shares of stock, securities, cash, assets or any other property whatsoever (including warrants or other purchase or subscription rights), which for purposes of clarification may continue to be shares of Common Stock, if any, that the Holder would have been entitled to receive upon the happening of such Fundamental Transaction or the record, eligibility or other determination date for the event resulting in such Fundamental Transaction, had this Warrant been exercised immediately prior to such Fundamental Transaction or the record, eligibility or other determination date for the event resulting in such Fundamental Transaction (without regard to any limitations on the exercise of this Warrant), as adjusted in accordance with the provisions of this Warrant. Notwithstanding the foregoing, and without limiting the provisions of Section 1(f) hereof, the Holder may elect, at its sole discretion, by delivery of a written notice to the Company, to permit a Fundamental Transaction without the required assumption of this Warrant. In addition to and not in substitution for any other rights hereunder, prior to the consummation of any Fundamental Transaction pursuant to which holders of Common Stock are entitled to receive securities, cash, assets or other property with respect to or in exchange for Common Stock (a "**Corporate Event**"), the Company shall make appropriate provision to ensure that, and any applicable Successor Entity shall ensure that, the Holder will thereafter have the right to receive upon exercise of this Warrant at any time after the consummation of the Corporate Event, shares of Common Stock or capital stock of the Successor Entity or, if so elected by the Holder, in lieu of the shares of Common Stock (or other securities, cash, assets or other property) (except such items still issuable under Sections 3 and 4(a), which shall continue to be receivable thereafter) issuable upon exercise of this Warrant prior to such Corporate Event, such shares of stock, securities, cash, assets or any other property whatsoever (including warrants or other purchase or subscription rights) which the Holder would have been entitled to receive upon the consummation of such Corporate Event or the record, eligibility or other determination date for the event resulting in such Corporate Event, had this Warrant been exercised immediately prior to such Corporate Event or the record, eligibility or other determination date for the event resulting in such Corporate Event (without regard to any limitations on exercise of this Warrant). Provision made pursuant to the preceding sentence shall be in a form and substance reasonably satisfactory to the Holder. The provisions of this Section 4(b) shall apply similarly and equally to successive Fundamental Transactions and Corporate Events.

(c) Notwithstanding the foregoing, in the event of Fundamental Transaction in which the aggregate consideration to the Holders as a result of its Warrant Shares (including any Additional Warrant Shares) would be less than \$15,000,000, at the request of the Holder delivered before the ninetieth (90<sup>th</sup>) day after the consummation of such Fundamental Transaction, the Company (or the Successor Entity) shall purchase this Warrant from the Holder by paying to the Holder, within five (5) Business Days after such request (or, if later, on the effective date of the Fundamental Transaction), cash in an amount equal to the Black Scholes Value of the remaining unexercised portion of this Warrant on the date of such Fundamental Transaction.

5. NONCIRCUMVENTION. The Company hereby covenants and agrees that the Company will not, by amendment of its Articles of Incorporation or Bylaws, or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issuance or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, and will at all times in good faith carry out all of the provisions of this Warrant and take all action as may be required to protect the rights of the Holder. Without limiting the generality of the foregoing, the Company (i) shall not increase the par value of any shares of Common Stock receivable upon the exercise of this Warrant above the Exercise Price then in effect, (ii) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and non-assessable shares of Common Stock upon the exercise of this Warrant, and (iii) shall, so long as any of the Warrants are outstanding, take all action necessary to reserve and keep available out of its authorized and unissued shares of Common Stock, solely for the purpose of effecting the exercise of the Warrants, the number of shares of Common Stock as shall from time to time be necessary to effect the exercise of the Warrants then outstanding (without regard to any limitations on exercise).

6. WARRANT HOLDER NOT DEEMED A SHAREHOLDER. Except as otherwise specifically provided herein, the Holder, solely in such Person's capacity as a holder of this Warrant, shall not be entitled to vote or be deemed the holder of capital stock of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon the Holder, solely in such Person's capacity as the Holder of this Warrant, any of the rights of a shareholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the Holder of the Warrant Shares which such Person is then entitled to receive upon the due exercise of this Warrant. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of this Warrant or otherwise) or as a shareholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company. Notwithstanding this Section 6, the Company shall provide the Holder with copies of the same notices and other information given to the shareholders of the Company generally, contemporaneously with the giving thereof to the shareholders.

7. REISSUANCE OF WARRANTS.

(a) Transfer of Warrant. If this Warrant is to be transferred, the Holder shall surrender this Warrant to the Company, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Warrant (in accordance with Section 7(d)), registered as the Holder may request, representing the right to purchase the number of Warrant Shares being transferred by the Holder and, if less than the total number of Warrant Shares then underlying this Warrant is being transferred, a new Warrant (in accordance with Section 7(d)) to the Holder representing the right to purchase the number of Warrant Shares not being transferred.

(b) Lost, Stolen or Mutilated Warrant. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant, and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary form (but without the obligation to post a bond) and, in the case of mutilation, upon surrender and cancellation of this Warrant, the Company shall execute and deliver to the Holder a new Warrant (in accordance with Section 7(d)) representing the right to purchase the Warrant Shares then underlying this Warrant.

(c) Exchangeable for Multiple Warrants. This Warrant is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for a new Warrant or Warrants (in accordance with Section 7(d)) representing in the aggregate the right to purchase the number of Warrant Shares then underlying this Warrant, and each such new Warrant will represent the right to purchase such portion of such Warrant Shares as is designated by the Holder at the time of such surrender.

(d) Issuance of New Warrants. Whenever the Company is required to issue a new Warrant pursuant to the terms of this Warrant, such new Warrant (i) shall be of like tenor with this Warrant, (ii) shall represent, as indicated on the face of such new Warrant, the right to purchase the Warrant Shares then underlying this Warrant (or in the case of a new Warrant being issued pursuant to Section 7(a) or Section 7(c), the Warrant Shares designated by the Holder which, when added to the number of shares of Common Stock underlying the other new Warrants issued in connection with such issuance, does not exceed the number of Warrant Shares then underlying this Warrant), (iii) shall have an issuance date, as indicated on the face of such new Warrant which is the same as the Issuance Date, and (iv) shall have the same rights and conditions as this Warrant.

8. NOTICES. Whenever notice is required to be given under this Warrant, unless otherwise provided herein, such notice shall be given in writing, (i) if delivered (a) from within the domestic United States, by first-class registered or certified airmail, or nationally recognized overnight express courier, postage prepaid, electronic mail or by facsimile or (b) from outside the United States, by International Federal Express, electronic mail or facsimile, and (ii) will be deemed given (A) if delivered by first-class registered or certified mail domestic, three (3) Business Days after so mailed, (B) if delivered by nationally recognized overnight carrier, one (1) Business Day after so mailed, (C) if delivered by International Federal Express, two (2) Business Days after so mailed and (D) if delivered by electronic mail, when sent (provided that such sent email is kept on file (whether electronically or otherwise) by the sending party and the sending party does not receive an automatically generated message from the recipient's email server that such e-mail could not be delivered to such recipient) and (E) if delivered by facsimile, upon electronic confirmation of receipt of such facsimile, and will be delivered and addressed as follows:

(i) if to the Company, to:

Workhorse Group Inc.  
100 Commerce Drive  
Loveland, Ohio 45140

Attention: Chief Financial Officer  
Fax:  
E-Mail: paul.gaitan@workhorse.com

(ii) if to the Holder, at such address or other contact information delivered by the Holder to Company or as is on the books and records of the Company.

The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Warrant, including in reasonable detail a description of such action and the reason therefor. Without limiting the generality of the foregoing, the Company will give written notice to the Holder (i) immediately upon any adjustment of the Exercise Price, setting forth in reasonable detail, and certifying, the calculation of such adjustment and (ii) at least fifteen (15) days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the shares of Common Stock, (B) with respect to any grants, issuances or sales of any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property to holders of shares of Common Stock or (C) for determining rights to vote with respect to any Fundamental Transaction, dissolution or liquidation; provided in each case that such information shall be made known to the public prior to or in conjunction with such notice being provided to the Holder. It is expressly understood and agreed that the time of exercise specified by the Holder in each Exercise Notice shall be definitive and may not be disputed or challenged by the Company.

9. AMENDMENT AND WAIVER. Except as otherwise provided herein, the provisions of this Warrant may be amended or waived and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the written consent of the Holder.

10. GOVERNING LAW; JURISDICTION; JURY TRIAL. This Warrant shall be governed by and construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Warrant shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. The Company hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. The Company hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to the Company at the address set forth in Section 8(i) above or such other address as the Company subsequently delivers to the Holder and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Nothing contained herein shall be deemed or operate to preclude the Holder from bringing suit or taking other legal action against the Company in any other jurisdiction to collect on the Company's obligations to the Holder, to realize on any collateral or any other security for such obligations, or to enforce a judgment or other court ruling in favor of the Holder. **THE COMPANY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS WARRANT OR ANY TRANSACTION CONTEMPLATED HEREBY.**

11. DISPUTE RESOLUTION. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall submit the disputed determinations or arithmetic calculations via facsimile or electronic mail within two (2) Business Days of receipt of the Exercise Notice or other event giving rise to such dispute, as the case may be, to the Holder. If the Holder and the Company are unable to agree upon such determination or calculation of the Exercise Price or the Warrant Shares within three (3) Business Days of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall, within two (2) Business Days submit via facsimile or electronic mail (a) the disputed determination of the Exercise Price to an independent, reputable investment bank selected by the Company and approved by the Holder or (b) the disputed arithmetic calculation of the Warrant Shares to the Company's independent, outside accountant. The Company shall cause at its expense the investment bank or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than ten (10) Business Days from the time it receives the disputed determinations or calculations. Such investment bank's or accountant's determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error.

12. REMEDIES, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF. The remedies provided in this Warrant shall be cumulative and in addition to all other remedies available under this Warrant and any other Transaction Documents, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the right of the Holder to pursue actual damages for any failure by the Company to comply with the terms of this Warrant. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the holder of this Warrant shall be entitled, in addition to all other available remedies, to an injunction restraining any breach, without the necessity of showing economic loss and without any bond or other security being required.

13. TRANSFER; DTC. This Warrant and the Warrant Shares may be offered for sale, sold, transferred, pledged or assigned without the consent of the Company. Promptly, but in no event later than thirty (30) days after the Issuance Date, the Company shall undertake to provide for this Warrant to be eligible and subject to the DTC system.

14. SEVERABILITY; CONSTRUCTION; HEADINGS. If any provision of this Warrant is prohibited by law or otherwise determined to be invalid or unenforceable by a court of competent jurisdiction, the provision that would otherwise be prohibited, invalid or unenforceable shall be deemed amended to apply to the broadest extent that it would be valid and enforceable, and the invalidity or unenforceability of such provision shall not affect the validity of the remaining provisions of this Warrant so long as this Warrant as so modified continues to express, without material change, the original intentions of the parties as to the subject matter hereof and the prohibited nature, invalidity or unenforceability of the provision(s) in question does not substantially impair the respective expectations or reciprocal obligations of the parties or the practical realization of the benefits that would otherwise be conferred upon the parties. The parties will endeavor in good faith negotiations to replace the prohibited, invalid or unenforceable provision(s) with a valid provision(s), the effect of which comes as close as possible to that of the prohibited, invalid or unenforceable provision(s). This Warrant shall be deemed to be jointly drafted by the Company and all the Buyers and shall not be construed against any Person as the drafter hereof. The headings of this Warrant are for convenience of reference and shall not form part of, or affect the interpretation of, this Warrant.

15. DISCLOSURE. Upon receipt or delivery by the Company of any notice in accordance with the terms of this Warrant, unless the Company has in good faith determined that the matters relating to such notice do not constitute material, nonpublic information relating to the Company or its subsidiaries, the Company shall contemporaneously with any such receipt or delivery publicly disclose such material, nonpublic information on a Current Report on Form 8-K or otherwise. In the event that the Company believes that a notice contains material, nonpublic information relating to the Company or its subsidiaries, the Company so shall indicate to such Holder contemporaneously with delivery of such notice, and in the absence of any such indication, the Holder shall be allowed to presume that all matters relating to such notice do not constitute material, nonpublic information relating to the Company or its subsidiaries.

16. CERTAIN DEFINITIONS. For purposes of this Warrant, the following terms shall have the following meanings:

(a) “**Adjusted Exercise Price**” means, with respect to any sale of Common Stock or Common Stock Equivalents, as contemplated by Section 2(a), the sum of (A) the sale or issuance price of such Common Stock or Common Stock Equivalents, and (B) the product of (x) 5% and (y) the sale or issuance price of such Common Stock or Common Stock Equivalents; provided however, that the Adjusted Exercise Price with respect to Additional Warrant Shares issued under the Sales Agreement during any fiscal quarter shall be the sum of (A) the weighted average sale or issuance price of such Common Stock during such fiscal quarter, and (B) the product of (x) 5% and (y) the weighted average sale or issuance price of such Common Stock during such fiscal quarter.

(b) “**Adjustment Period**” mean, the period beginning on the Issuance Date up to and including the Obligations Satisfaction Date; provided, however that with respect to Common Stock issued under the Sales Agreement, the Adjustment Period will be deemed to be up to and including the last day of the fiscal quarter in which the Obligations Satisfaction Date occurred.

(c) “**Affiliate**” means, with respect to any Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with, such Person, it being understood for purposes of this definition that “control” of a Person means the power directly or indirectly either to vote 10% or more of the stock having ordinary voting power for the election of directors of such Person or direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

(d) “**Approved Stock Plan**” means any employee benefit plan which has been approved by a majority of the disinterested members of the Board of Directors of the Company, pursuant to which the Company’s securities may be issued to any employee, officer, consultant or director for services provided to the Company.

(e) “**Attribution Parties**” means, collectively, the following Persons and entities: (i) any investment vehicle, including, any funds, feeder funds or managed accounts, currently, or from time to time after the Issuance Date, directly or indirectly managed or advised by the Holder’s investment manager or any of its Affiliates or principals, (ii) any direct or indirect Affiliates of the Holder or any of the foregoing, (iii) any Person acting or who could be deemed to be acting as a Group together with the Holder or any of the foregoing and (iv) any other Persons whose beneficial ownership of the Company’s Common Stock would or could be aggregated with the Holder’s and the other Attribution Parties for purposes of Section 13(d) of the Exchange Act. For clarity, the purpose of the foregoing is to subject collectively the Holder and all other Attribution Parties to the Maximum Percentage.

(f) “**Black Scholes Value**” means the value of this Warrant based on the Black-Scholes Option Pricing Model obtained from the “OV” function on Bloomberg determined as of the day immediately following the first public announcement of the applicable Fundamental Transaction, or, if the Fundamental Transaction is not publicly announced, the date the Fundamental Transaction is consummated, for pricing purposes and reflecting (i) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the remaining term of this Warrant as of such date of request, (ii) an expected volatility equal to the greater of 75% and the 100 day volatility obtained from the HVT function on Bloomberg as of the day immediately following the public announcement of the applicable Fundamental Transaction, or, if the Fundamental Transaction is not publicly announced, the date the Fundamental Transaction is consummated, (iii) the underlying price per share used in such calculation shall be the greater of (A) the sum of the price per share being offered in cash, if any, plus the per share value of any non-cash consideration, if any, being offered in the Fundamental Transaction and (B) the one (1) day Weighted Average Price the date immediately following the public announcement of the applicable Fundamental Transaction, or, if the Fundamental Transaction is not publicly announced, the date the Fundamental Transaction is consummated, (iv) a zero cost of borrow and (v) a 360 day annualization factor.

(g) “**Bloomberg**” means Bloomberg Financial Markets.

(h) “**Business Day**” means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed.

(i) “**Common Stock**” means (i) the Company’s Common Stock, par value \$0.001 per share, and (ii) any capital stock into which such Common Stock shall have been changed or any capital stock resulting from a reclassification of such Common Stock.

(j) “**Common Stock Equivalents**” means either preferred stock or subordinated convertible debt, that is in each case (x) is convertible into Common Stock and (y) that has either a maturity of at least three (3) years (with no redemption at the option of the holder prior to such maturity) or in the case of preferred stock, is perpetual.

(k) “**Convertible Securities**” means any stock or securities (other than Options) directly or indirectly convertible into or exercisable or exchangeable for shares of Common Stock.

(l) “**Eligible Market**” means The NASDAQ Capital Market, the NYSE American LLC, The NASDAQ Global Select Market, The NASDAQ Global Market or The New York Stock Exchange, Inc.

(m) “**Excluded Securities**” means any shares of Common Stock issued or issuable, or deemed issued or issuable pursuant to Section 2(a): (i) in connection with any Approved Stock Plan, (ii) upon exercise of the Warrants; provided, that the terms of such Warrants are not amended, modified or changed on or after the Issuance Date, and (iii) upon conversion, exercise or exchange of any Options or Convertible Securities which are outstanding on the day immediately preceding the Issuance Date; provided, that the terms of such Options or Convertible Securities are not amended, modified or changed on or after the Issuance Date.

(n) “**Expiration Date**” means the date sixty (60) months after the Initial Exercisability Date or, if such date falls on a day other than a Business Day or on which trading does not take place on the Principal Market (a “**Holiday**”), the next day that is not a Holiday.

(o) “**Fundamental Transaction**” means (A) that the Company shall, directly or indirectly, including through subsidiaries, Affiliates or otherwise, in one or more related transactions, (i) consolidate or merge with or into (whether or not the Company is the surviving corporation) another Subject Entity, or (ii) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company or any of its “significant subsidiaries” (as defined in Rule 1-02 of Regulation S-X), which shall expressly exclude Surefly, Inc., to one or more Subject Entities, or (iii) make, or allow one or more Subject Entities to make, or allow the Company to be subject to or have its shares of Common Stock be subject to or party to one or more Subject Entities making, a purchase, tender or exchange offer that is accepted by the holders of at least either (x) 50% of the outstanding shares of Common Stock, (y) 50% of the outstanding shares of Common Stock calculated as if any shares of Common Stock held by all Subject Entities making or party to, or Affiliated with any Subject Entities making or party to, such purchase, tender or exchange offer were not outstanding; or (z) such number of shares of Common Stock such that all Subject Entities making or party to, or Affiliated with any Subject Entity making or party to, such purchase, tender or exchange offer, become collectively the beneficial owners (as defined in Rule 13d-3 under the Exchange Act) of at least 50% of the outstanding shares of Common Stock, or (iv) consummate a stock purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with one or more Subject Entities whereby all such Subject Entities, individually or in the aggregate, acquire, either (x) at least 50% of the outstanding shares of Common Stock, (y) at least 50% of the outstanding shares of Common Stock calculated as if any shares of Common Stock held by all the Subject Entities making or party to, or Affiliated with any Subject Entity making or party to, such stock purchase agreement or other business combination were not outstanding; or (z) such number of shares of Common Stock such that the Subject Entities become collectively the beneficial owners (as defined in Rule 13d-3 under the Exchange Act) of at least 50% of the outstanding shares of Common Stock, or (v) reorganize, recapitalize or reclassify its shares of Common Stock, (B) that the Company shall, directly or indirectly, including through subsidiaries, Affiliates or otherwise, in one or more related transactions, allow any Subject Entity individually or the Subject Entities in the aggregate to be or become the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, whether through acquisition, purchase, assignment, conveyance, tender, tender offer, exchange, reduction in outstanding shares of Common Stock, merger, consolidation, business combination, reorganization, recapitalization, spin-off, scheme of arrangement, reorganization, recapitalization or reclassification or otherwise in any manner whatsoever, of either (x) at least 50% of the aggregate ordinary voting power represented by issued and outstanding shares of Common Stock, (y) at least 50% of the aggregate ordinary voting power represented by issued and outstanding shares of Common Stock not held by all such Subject Entities as of the Issuance Date calculated as if any shares of Common Stock held by all such Subject Entities were not outstanding, or (z) a percentage of the aggregate ordinary voting power represented by issued and outstanding shares of Common Stock or other equity securities of the Company sufficient to allow such Subject Entities to effect a statutory short form merger or other transaction requiring other shareholders of the Company to surrender their Common Stock without approval of the shareholders of the Company or (C) directly or indirectly, including through subsidiaries, Affiliates or otherwise, in one or more related transactions, the issuance of or the entering into any other instrument or transaction structured in a manner to circumvent, or that circumvents, the intent of this definition in which case this definition shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this definition to the extent necessary to correct this definition or any portion of this definition which may be defective or inconsistent with the intended treatment of such instrument or transaction.

(p) “**Group**” means a “group” as that term is used in Section 13(d) of the Exchange Act and as defined in Rule 13d-5 thereunder.

(q) “**Obligations Satisfaction Date**” means the date, on which all of the Obligations (as such term is defined in the Loan Agreement) under the Loan Agreement have been satisfied in full.

(r) “**Options**” means any rights, warrants or options to subscribe for or purchase shares of Common Stock or Convertible Securities.

(s) “**Parent Entity**” of a Person means an entity that, directly or indirectly, controls the applicable Person, including such entity whose common stock or equivalent equity security is quoted or listed on an Eligible Market (or, if so elected by the Holder, any other market, exchange or quotation system), or, if there is more than one such Person or such entity, the Person or such entity designated by the Holder or in the absence of such designation, such Person or entity with the largest public market capitalization as of the date of consummation of the Fundamental Transaction.

(t) “**Person**” means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity and a government or any department or agency thereof.

(u) “**Principal Market**” means The NASDAQ Capital Market.

(v) “**Pro Rata Repurchase Offer**” means any offer to purchase shares of Common Stock by the Company or any Affiliate thereof pursuant to (i) any tender offer or exchange offer subject to Section 13(e) or 14(e) of the Exchange Act or Regulation 14E promulgated thereunder or (ii) any other offer available to substantially all holders of Common Stock (subject to satisfaction of any conditions to participation therein such as those relating to minimum holding percentages or accredited status) to purchase or exchange their shares of Common Stock, in the case of both clauses (i) and (ii), whether for cash, shares of capital stock of the Company, other securities of the Company, evidences of indebtedness of the Company or any other Person, or any other property (including, without limitation, shares of capital stock, other securities or evidences of indebtedness of a Subsidiary of the Company), or any combination thereof, effected while the Warrants are outstanding. The “effective date” of a Pro Rata Repurchase Offer shall mean the date of acceptance of shares for purchase or exchange by the Company under any tender or exchange offer which is a Pro Rata Repurchase Offer or the date of purchase with respect to any Pro Rata Repurchase Offer that is not a tender or exchange offer.

(w) “**Required Holders**” means the holders of the Warrants representing at least a majority of the shares of Common Stock underlying the Warrants then outstanding.

(x) “**Sales Agreement**” means the Company’s At-the-Market Offering Program Sales Agreement with Cowen and Company, dated June 22, 2017.

(y) “**Standard Settlement Period**” means the standard settlement period, expressed in a number of Trading Days, on the Company’s primary Trading Market with respect to the Common Stock as in effect on the date of delivery of the Exercise Notice.

(z) “**Subject Entity**” means any Person, Persons or Group or any Affiliate or associate of any such Person, Persons or Group.

(aa) “**Successor Entity**” means one or more Person or Persons (or, if so elected by the Holder, the Company or Parent Entity) formed by, resulting from or surviving any Fundamental Transaction or one or more Person or Persons (or, if so elected by the Holder, the Company or the Parent Entity) with which such Fundamental Transaction shall have been entered into.

(bb) “**Trading Day**” means any day on which the Common Stock is traded on the Principal Market, or, if the Principal Market is not the principal trading market for the Common Stock, then on the principal securities exchange or securities market on which the Common Stock is then traded.

(cc) “**Transaction Documents**” means any agreement entered into by and between the Company and the Holder, as applicable.

(dd) “**Weighted Average Price**” means, for any security as of any date, the dollar volume-weighted average price for such security on the Principal Market during the period beginning at 9:30:01 a.m., New York time (or such other time as the Principal Market publicly announces is the official open of trading), and ending at 4:00:00 p.m., New York time (or such other time as the Principal Market publicly announces is the official close of trading), as reported by Bloomberg through its “Volume at Price” function or, if the foregoing does not apply, the dollar volume-weighted average price of such security in the over-the-counter market on the electronic bulletin board for such security during the period beginning at 9:30:01 a.m., New York time (or such other time as such market publicly announces is the official open of trading), and ending at 4:00:00 p.m., New York time (or such other time as such market publicly announces is the official close of trading), as reported by Bloomberg, or, if no dollar volume-weighted average price is reported for such security by Bloomberg for such hours, the average of the highest Closing Bid Price and the lowest closing ask price of any of the market makers for such security as reported in the OTC Link or “pink sheets” by OTC Markets Group Inc. (formerly Pink OTC Markets Inc.). If the Weighted Average Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Weighted Average Price of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved pursuant to Section 11 with the term “Weighted Average Price” being substituted for the term “Exercise Price.” All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination, reclassification or other similar transaction during the applicable calculation period.

[Signature Page Follows]

**IN WITNESS WHEREOF**, the Company has caused this Warrant to Purchase Common Stock to be duly executed as of the Issuance Date set out above.

**WORKHORSE GROUP INC.**

By: \_\_\_\_\_

Name:

Title:

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**EXERCISE NOTICE**

**TO BE EXECUTED BY THE REGISTERED HOLDER TO EXERCISE THIS  
WARRANT TO PURCHASE COMMON STOCK**

**WORKHORSE GROUP INC.**

The undersigned holder hereby exercises the right to purchase \_\_\_\_\_ of the shares of Common Stock (“**Warrant Shares**”) of Workhorse Group Inc., a company organized under the laws of the State of Nevada (the “**Company**”), evidenced by the attached Warrant to Purchase Common Stock (the “**Warrant**”). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Warrant.

1. Form of Exercise Price. The Holder intends that payment of the Exercise Price shall be made as:

\_\_\_\_\_ a “Cash Exercise” with respect to \_\_\_\_\_ Warrant Shares; and/or

2. Payment of Exercise Price. In the event that the holder has elected a Cash Exercise with respect to some or all of the Warrant Shares to be issued pursuant hereto, the holder shall pay the Aggregate Exercise Price in the sum of \$\_\_\_\_\_ to the Company in accordance with the terms of the Warrant.

3. Delivery of Warrant Shares. The Company shall deliver to the holder \_\_\_\_\_ Warrant Shares in accordance with the terms of the Warrant.

Date: \_\_\_\_\_, \_\_\_\_\_

\_\_\_\_\_  
Name of Registered Holder

By: \_\_\_\_\_  
Name:  
Title:

**ACKNOWLEDGMENT**

The Company hereby acknowledges this Exercise Notice and hereby directs [TRANSFER AGENT] to issue the above indicated number of shares of Common Stock on or prior to the applicable Share Delivery Date.

**WORKHORSE GROUP INC.**

By: \_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_

**FIRST AMENDMENT  
TO  
LOAN AGREEMENT**

THIS **FIRST AMENDMENT** to Loan Agreement (this "**Amendment**") is entered into this 2nd day of August, 2018, by and between \_\_\_\_\_, a \_\_\_\_\_ ("**Lender**"), and **WORKHORSE GROUP INC.**, a Nevada corporation ("**Borrower**").

**RECITALS**

**A.** Lender and Borrower have entered into that certain Loan Agreement dated as of July 6, 2018 (as the same may from time to time be amended, modified, supplemented or restated, the "**Loan Agreement**"), pursuant to which Lender has made a loan to Borrower for the purposes permitted in the Loan Agreement.

**B.** Borrower has requested that Lender amend the Loan Agreement to (i) make an additional loan to Borrower, and (ii) make certain other revisions to the Loan Agreement as more fully set forth herein.

**C.** Lender has agreed to so amend certain provisions of the Loan Agreement, but only to the extent, in accordance with the terms, subject to the conditions and in reliance upon the representations and warranties set forth below.

**AGREEMENT**

**NOW, THEREFORE**, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

**1. Definitions.** Capitalized terms used but not defined in this Amendment shall have the meanings given to them in the Loan Agreement.

**2. Amendments to Loan Agreement.**

**2.1 Section 2.1.1(a) (Availability).** Section 2.1.1(a) of the Loan Agreement is amended in its entirety and replaced with the following:

“(a) Availability.

(i) Subject to the terms and conditions of this Agreement, on the Effective Date Lender advanced to Borrower an aggregate amount equal to Six Million One Hundred Thousand Dollars (\$6,100,000.00) (the "**Original Loan**"). The proceeds of the Original Loan shall have been used by Borrower to make the payments set forth on Schedule 2.1.1. Borrower acknowledges that the payment of the Original Loan proceeds directly to the parties set forth on Schedule 2.1.1 pursuant to instructions provided by Borrower to Lender in writing constituted the making of the Original Loan by Lender to Borrower.

(ii) Subject to the terms and conditions of this Agreement, on the First Amendment Effective Date, Lender shall lend to Borrower an aggregate amount not to exceed One Million Seven Hundred Thousand Dollars (\$1,700,000.00) (the "**First Amendment Loan**") and together with the Original Loan, the "**Loan**"). The proceeds of the First Amendment Loan shall be used by Borrower for working capital and general corporate purposes of Borrower.”

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**2.2 Section 2.2 (Interest Calculation).** Section 2.2(c)(ii) of the Loan Agreement is amended in its entirety and replaced with the following: “(ii) the date on which the Loan is advanced shall be included and the date of payment shall be excluded.”

**2.3 Section 5.9 (Use of Proceeds).** Section 5.9 of the Loan Agreement is amended in its entirety and replaced with the following:

“**5.9 Use of Proceeds.** The proceeds of (i) the Original Loan shall be used exclusively by Borrower to pay in full in cash on the Effective Date the obligations described on Schedule 2.1.1 and (ii) the First Amendment Loan shall be used exclusively by Borrower for working capital and general corporate purposes of Borrower (collectively, the “**Proceeds Purposes**”), and, in each case, not for personal, family, household or agricultural purposes.”

**2.4 Section 6.12(h) (Mortgages).** Section 6.12(h) is amended by deleting the words “Within sixty (60) days after the Effective Date” and substituting the following therefor: “Concurrently with the repayment of the Existing Mortgage Loan and in no case later than October 1, 2018”.

**2.5 Section 6.12(j) (Sale Process and Financing Milestones).** Sections 6.12(j)(i) and (iii) are amended by deleting the reference to “July 16, 2018” therein and substituting “August 1, 2018” therefor.

**2.6 Section 6 (Affirmative Covenants).** Section 6 is further amended by adding a new Section 6.13 at the end thereof as follows:

“**6.13 Repayment of Mortgage Loan.** Immediately upon receipt of the proceeds from the Equity Offering, and in no case later than October 1, 2018, Borrower shall repay in full the principal amount of \$1,850,000 together with interest and all other obligations owing to Spring Valley Bank pursuant to that certain Mortgage secured by Borrower’s facility located at 100 Commerce Drive, Loveland, Ohio 45140 (the “**Existing Mortgage Loan**”) and deliver evidence that the mortgage securing the Existing Mortgage Loan has been released.”

**2.7 Section 13 (Definitions).** The following terms and their respective definitions hereby are added or amended and restated in their entirety in Section 13.1 of the Loan Agreement, as appropriate, as follows:

“**First Amendment Effective Date**” is August 2, 2018.

“**First Amendment Loan**” is defined in Section 2.1.1(a)(ii).

“**Original Loan**” is defined in Section 2.1.1(a)(i).

### **3. Limitation of Amendments.**

**3.1** The amendments set forth in **Section 2**, above, are effective for the purposes set forth herein and shall be limited precisely as written and shall not be deemed to (a) be a consent to any amendment, waiver or modification of any other term or condition of any Loan Document, or (b) otherwise prejudice any right or remedy which Lender may now have or may have in the future under or in connection with any Loan Document.

**3.2** This Amendment shall be construed in connection with and as part of the Loan Documents and all terms, conditions, representations, warranties, covenants and agreements set forth in the Loan Documents, except as herein amended, are hereby ratified and confirmed and shall remain in full force and effect.

**4. Representations and Warranties.** To induce Lender to enter into this Amendment, Borrower hereby represents and warrants to Lender as follows:

**4.1** Immediately after giving effect to this Amendment (a) the representations and warranties contained in the Loan Documents are true, accurate and complete in all material respects as of the date hereof (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct in all material respects as of such date), and (b) no Event of Default has occurred and is continuing;

**4.2** Borrower has the power and authority to execute and deliver this Amendment and to perform its obligations under the Loan Agreement, as amended by this Amendment;

**4.3** The organizational documents of Borrower delivered to Lender on the Effective Date remain true, accurate and complete and have not been amended, supplemented or restated and are and continue to be in full force and effect;

**4.4** The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, have been duly authorized;

**4.5** The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not and will not contravene (a) any law or regulation binding on or affecting Borrower, (b) any material contractual restriction with a Person binding on Borrower, (c) any order, judgment or decree of any court or other governmental or public body or authority, or subdivision thereof, binding on Borrower, or (d) the organizational documents of Borrower;

**4.6** The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not require any order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by any governmental or public body or authority, or subdivision thereof, binding on either Borrower, except as already has been obtained or made; and

**4.7** This Amendment has been duly executed and delivered by Borrower and is the binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights.

**5. Acknowledgement and Consent.** Each guarantor (or pledgor) listed on the signatures pages hereof (each, a "**Guarantor**") hereby acknowledges and agrees that the Guarantee and Collateral Agreement and each other Loan Document to which it is a party or otherwise bound (each, a "**Credit Support Document**") shall continue in full force and effect and that all of its obligations thereunder shall be valid and enforceable and shall not be impaired or limited by the execution or effectiveness of this Amendment. Each Guarantor represents and warrants that all representations and warranties contained in the Loan Agreement as amended by this Amendment and the Credit Support Documents to which it is a party or otherwise bound are true, correct and complete in all material respects on and as of the date hereof to the same extent as though made on and as of that date, except to the extent such representations and warranties specifically relate to an earlier date, in which case they were true, correct and complete in all material respects on and as of such earlier date.

Each Guarantor acknowledges and agrees that (i) notwithstanding the conditions to effectiveness set forth in this Amendment, such Guarantor is not required by the terms of the Loan Agreement or any other Loan Document to consent to the amendments to the Loan Agreement effected pursuant to this Amendment and (ii) nothing in the Loan Agreement, this Amendment or any other Loan Document shall be deemed to require the consent of such Guarantor to any future amendments to the Loan Agreement.

**6. Fees and Expenses.** Borrower acknowledges that all actual and reasonable costs and expenses incurred by Lender and all reasonable fees, expenses, and disbursements of its counsel with respect to this Amendment and the documents and transactions contemplated hereby shall be for the account of Borrower as a Lender Expense.

**7. Counterparts.** This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

**8. Effectiveness.** This Amendment shall be deemed effective upon (a) the due execution and delivery to Lender of (i) this Amendment by each party hereto and (ii) written consent of Borrower's board of directors to this Amendment and the transactions contemplated hereby, (b) Borrower's payment of all Lender Expenses incurred and invoiced as of the date hereof, and (c) delivery of such other documents as Lender may request.

*[Balance of Page Intentionally Left Blank]*

**IN WITNESS WHEREOF**, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

**BORROWER:**

**WORKHORSE GROUP INC.**

By: \_\_\_\_\_  
Name:  
Title:

**GUARANTORS:**

**WORKHORSE TECHNOLOGIES INC.**

By: \_\_\_\_\_  
Name:  
Title:

**WORKHORSE PROPERTIES INC.**

By: \_\_\_\_\_  
Name:  
Title:

**WORKHORSE MOTOR WORKS INC**

By: \_\_\_\_\_  
Name:  
Title:

**SUREFLY, INC.**

By: \_\_\_\_\_  
Name:  
Title:

*[Signature Page to First Amendment to Loan Agreement]*

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LENDER:

By: \_\_\_\_\_  
Name:  
Title:

*[Signature Page to First Amendment to Loan Agreement]*

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Workhorse Technologies Inc., an Ohio corporation (f/k/a AMP Electric Vehicles Inc.)

Workhorse Motor Works Inc., an Indiana corporation (f/k/a AMP Trucks Inc.)

Workhorse Properties Inc., an Ohio corporation

Surefly, Inc., a Delaware company wholly owned by Workhorse Technologies Inc.

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Stephen S. Burns, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Workhorse Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant) and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 6, 2018

/s/ Stephen S. Burns  
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Stephen S. Burns,  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Paul Gaitan, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Workhorse Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant) and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 6, 2018

/s/ Paul Gaitan

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Paul Gaitan,  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly report of Workhorse Group Inc. (the "Company") on Form 10-Q for the period ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen S. Burns, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2018

/s/ Stephen S. Burns  
Stephen S. Burns,  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly report of Workhorse Group Inc. (the "Company") on Form 10-Q for the period ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul Gaitan, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2018

/s/ Paul Gaitan

Paul Gaitan,  
Chief Financial Officer  
(Principal Financial and Accounting Officer)