

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 September 30, 2021

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: 001-37673

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, including zip code)

(513) 360-4704

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.001 par value per share	WKHS	The NASDAQ Capital Market

The number of shares of the Registrant's Common Stock, \$0.001 par value per share, outstanding as of October 29, 2021, was 140,185,565.

TABLE OF CONTENTS

PART I	FINANCIAL INFORMATION	
Item 1.	Financial Statements	1
	Condensed Consolidated Balance Sheets	1
	Condensed Consolidated Statements of Operations	2
	Condensed Consolidated Statements of Comprehensive Loss	3
	Condensed Consolidated Statements of Stockholders' Equity (Deficit)	4
	Condensed Consolidated Statements of Cash Flows	6
	Notes to Condensed Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	17
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	22
Item 4.	Controls and Procedures	22
PART II	OTHER INFORMATION	23
Item 1.	Legal Proceedings	23
Item 1A.	Risk Factors	23
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	24
Item 3.	Defaults Upon Senior Securities	24
Item 4.	Mine Safety Disclosures	24
Item 5.	Other Information	24
Item 6.	Exhibits	25
	SIGNATURES	26

Forward-Looking Statements

The discussions in this Quarterly Report on Form 10-Q (this "Report") contain forward-looking statements reflecting our current expectations that involve risks and uncertainties. These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. 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 statements that are not historical facts. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from the forward-looking statements contained in this Report. Factors that could cause actual results to differ materially include, but are not limited to: our ability to successfully complete the additional testing and implement required modifications to vehicles to achieve compliance with Federal Motor Vehicle Safety Standards with respect to the C-1000s; the results of our ongoing review of the Company's business and go-forward operating and commercial plans; our ability to capitalize on opportunities to deliver products to meet customer requirements; our limited operations and need to expand to fulfill product orders; risks associated with obtaining orders and executing upon such orders; the ability to protect our intellectual property; negative impacts stemming from the continuing COVID-19 pandemic; market acceptance for our products; our ability to attract and retain customers for existing and new products; our ability to control our expenses; potential competition, including without limitation shifts in technology; global and local business conditions; the prices being charged by our competitors; our inability to retain key members of our management team; our inability to raise additional capital to fund our operations and business plan; our inability to satisfy covenants in our financing agreements; our inability to maintain our listing of our securities on the Nasdaq Capital Market; our inability to satisfy our customer warranty claims; the outcome of any regulatory proceedings; our liquidity and other risks and uncertainties and other factors discussed from time to time in our filings with the Securities and Exchange Commission ("SEC"), including our annual report on Form 10-K filed with the SEC. 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, except as required by law.

All references in this Report that refer to the "Company", "Workhorse Group", "Workhorse", "we," "us" or "our" are to Workhorse Group Inc.

PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

Workhorse Group Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

	September 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 230,421,424	\$ 46,817,825
Restricted cash held in escrow	—	194,411,242
Accounts and lease receivable, less allowance for credit losses of zero at September 30, 2021 and December 31, 2020, respectively	96,449	1,132,164
Inventory, net	61,504,713	15,467,012
Prepaid expenses	34,615,183	32,759,216
Other current assets	365,000	—
Total current assets	327,002,769	290,587,459
Property, plant and equipment, net	13,859,625	11,398,166
Investment in LMC	—	330,556,744
Total Assets	\$ 340,862,394	\$ 632,542,369
Liabilities		
Current liabilities:		
Accounts payable	\$ 6,020,838	\$ 4,790,763
Accrued liabilities and other	8,508,956	5,995,302
Warranty liability	4,891,998	5,400,000
Current portion of convertible notes, at fair value	155,508,750	—
PPP Term Note	—	1,411,000
Total current liabilities	174,930,542	17,597,065
Other long-term liabilities	207,040	207,040
Deferred tax liability	—	21,833,930
Convertible notes, at fair value	24,791,250	197,700,000
Total Liabilities	199,928,832	237,338,035
Commitments and contingencies		
Stockholders' Equity:		
Series A preferred stock, par value \$0.001 per share, 75,000,000 shares authorized, zero shares issued and outstanding as of September 30, 2021 and December 31, 2020	—	—
Common stock, par value \$0.001 per share, 250,000,000 shares authorized, 123,622,875 shares issued and outstanding as of September 30, 2021 and 121,922,532 shares issued and outstanding as of December 31, 2020	123,623	121,923
Additional paid-in capital	505,281,242	504,112,442
Accumulated deficit	(354,271,303)	(109,030,031)
Accumulated other comprehensive loss	(10,200,000)	—
Total stockholders' equity	140,933,562	395,204,334
Total Liabilities and Stockholders' Equity	\$ 340,862,394	\$ 632,542,369

See accompanying notes to the condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Sales, net of returns and allowances	\$ (576,602)	\$ 564,707	\$ 1,147,334	\$ 740,949
Cost of sales	11,549,187	2,815,242	32,570,616	6,074,577
Gross loss	<u>(12,125,789)</u>	<u>(2,250,535)</u>	<u>(31,423,282)</u>	<u>(5,333,628)</u>
Operating expenses				
Selling, general and administrative	10,579,586	5,950,058	24,470,953	15,464,926
Research and development	2,801,394	1,614,485	8,788,969	5,133,325
Total operating expenses	<u>13,380,980</u>	<u>7,564,543</u>	<u>33,259,922</u>	<u>20,598,251</u>
Loss from operations	(25,506,769)	(9,815,078)	(64,683,204)	(25,931,879)
Interest (income) expense, net	(18,599,130)	74,315,644	(23,040,886)	185,638,961
Other loss (income)	77,127,266	—	225,432,884	(864,900)
Loss before benefit for income taxes	(84,034,905)	(84,130,722)	(267,075,202)	(210,705,940)
Benefit for income taxes	(2,919,491)	—	(21,833,930)	—
Net loss	<u>\$ (81,115,414)</u>	<u>\$ (84,130,722)</u>	<u>\$ (245,241,272)</u>	<u>\$ (210,705,940)</u>
Net loss per share of common stock				
Basic	<u>\$ (0.66)</u>	<u>\$ (0.78)</u>	<u>\$ (1.99)</u>	<u>\$ (2.52)</u>
Diluted	<u>\$ (0.77)</u>	<u>\$ (0.78)</u>	<u>\$ (2.07)</u>	<u>\$ (2.52)</u>
Weighted average shares used in computing net loss per share of common stock				
Basic	<u>123,584,023</u>	<u>107,406,000</u>	<u>123,186,350</u>	<u>83,611,526</u>
Diluted	<u>129,251,351</u>	<u>107,406,000</u>	<u>128,853,678</u>	<u>83,611,526</u>

See accompanying notes to the condensed consolidated financial statements.

Workhorse Group Inc.
Condensed Consolidated Statements of Comprehensive Loss
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net loss	\$ (81,115,414)	\$ (84,130,722)	\$ (245,241,272)	\$ (210,705,940)
Other comprehensive (loss) income				
Change in fair value of convertible notes attributable to credit spread	—	—	(10,200,000)	1,100,000
Comprehensive loss	<u>\$ (81,115,414)</u>	<u>\$ (84,130,722)</u>	<u>\$ (255,441,272)</u>	<u>\$ (209,605,940)</u>

See accompanying notes to the condensed consolidated financial statements.

Workhorse Group Inc.
Condensed Consolidated Statements of Stockholders' Equity (Deficit)
(Unaudited)

	Common Stock		Series A Preferred Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Deficit
	Number of Shares	Amount	Number of Shares	Amount				
Balance as of June 30, 2020	89,330,123	\$ 89,330	—	\$ —	\$ 233,715,623	\$ (305,381,748)	\$ 1,100,000	\$ (70,476,795)
Stock options and warrants exercised, and vesting of restricted shares	19,247,746	19,248	—	—	30,634,257	—	—	30,653,505
Common stock issued for preferred stock dividends	303,617	304	—	—	491,556	—	—	491,860
Conversion of convertible notes	6,065,576	6,066	—	—	110,236,598	—	—	110,242,664
Common stock issued for interest on convertible notes	16,083	16	—	—	294,782	—	—	294,798
Stock-based compensation	—	—	—	—	738,516	—	—	738,516
Net loss for the three months ended September 30, 2020	—	—	—	—	—	(84,130,722)	—	(84,130,722)
Other comprehensive income	—	—	—	—	—	—	—	—
Balance as of September 30, 2020	114,963,145	\$ 114,964	—	\$ —	\$ 376,111,332	\$ (389,512,470)	\$ 1,100,000	\$ (12,186,174)

	Common Stock		Series A Preferred Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Deficit
	Number of Shares	Amount	Number of Shares	Amount				
Balance as of December 31, 2019	67,105,000	\$ 67,105	—	\$ —	\$ 143,826,315	\$ (178,806,530)	\$ —	\$ (34,913,110)
Stock options and warrants exercised, and vesting of restricted shares	32,158,980	32,159	—	—	77,779,745	—	—	77,811,904
Common stock issued for preferred stock dividends	920,901	922	—	—	1,490,938	—	—	1,491,860
Conversion of convertible notes	14,449,846	14,450	—	—	148,963,233	—	—	148,977,683
Common stock issued for interest on convertible notes	328,418	328	—	—	1,283,367	—	—	1,283,695
Stock-based compensation	—	—	—	—	2,767,734	—	—	2,767,734
Net loss for the nine months ended September 30, 2020	—	—	—	—	—	(210,705,940)	—	(210,705,940)
Other comprehensive income	—	—	—	—	—	—	1,100,000	1,100,000
Balance as of September 30, 2020	114,963,145	\$ 114,964	—	\$ —	\$ 376,111,332	\$ (389,512,470)	\$ 1,100,000	\$ (12,186,174)

See accompanying notes to the condensed consolidated financial statements.

Workhorse Group Inc.
Condensed Consolidated Statements of Stockholders' Equity (Deficit)
(Unaudited)

	Common Stock		Series A Preferred Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Number of Shares	Amount	Number of Shares	Amount				
Balance as of June 30, 2021	123,414,045	\$ 123,414	—	\$ —	\$ 506,073,876	\$ (273,155,889)	\$ (10,200,000)	\$ 222,841,401
Stock options and warrants exercised, and vesting of restricted shares	208,830	209	—	—	(2,013,839)	—	—	(2,013,630)
Stock-based compensation	—	—	—	—	1,221,205	—	—	1,221,205
Net loss for the three months ended September 30, 2021	—	—	—	—	—	(81,115,414)	—	(81,115,414)
Other comprehensive loss	—	—	—	—	—	—	—	—
Balance as of September 30, 2021	<u>123,622,875</u>	<u>\$ 123,623</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 505,281,242</u>	<u>\$ (354,271,303)</u>	<u>\$ (10,200,000)</u>	<u>\$ 140,933,562</u>

	Common Stock		Series A Preferred Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Number of Shares	Amount	Number of Shares	Amount				
Balance as of December 31, 2020	121,922,532	\$ 121,923	—	\$ —	\$ 504,112,442	\$ (109,030,031)	\$ —	\$ 395,204,334
Stock options and warrants exercised, and vesting of restricted shares	1,700,343	1,700	—	—	(2,084,746)	—	—	(2,083,046)
Stock-based compensation	—	—	—	—	3,253,546	—	—	3,253,546
Net loss for the nine months ended September 30, 2021	—	—	—	—	—	(245,241,272)	—	(245,241,272)
Other comprehensive loss	—	—	—	—	—	—	(10,200,000)	(10,200,000)
Balance as of September 30, 2021	<u>123,622,875</u>	<u>\$ 123,623</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 505,281,242</u>	<u>\$ (354,271,303)</u>	<u>\$ (10,200,000)</u>	<u>\$ 140,933,562</u>

See accompanying notes to the condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2021	2020
Cash flows from operating activities:		
Net loss	\$ (245,241,272)	\$ (210,705,940)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,342,348	574,287
Tooling expense	—	350,500
Amortization of discount on mandatorily redeemable Series B preferred stock	—	5,857,092
Change in fair value of convertible notes and loss on conversion to common stock	(27,600,000)	163,949,684
Change in fair value of warrant liability	—	12,176,690
Change in fair value and loss on sale of Investment in LMC	225,429,997	(864,900)
Dividends for mandatorily redeemable Series B preferred stock paid in common stock	—	1,491,860
Interest on convertible notes paid in common stock	—	1,283,695
Stock-based compensation	3,253,546	2,767,734
Write down of inventory	(10,919,259)	—
Forgiveness of PPP Term Note	(1,411,000)	—
Deferred taxes	(21,833,930)	—
Effects of changes in operating assets and liabilities:		
Accounts and lease receivable	1,035,715	(525,392)
Inventory	(35,118,442)	(4,167,564)
Prepaid expenses and other current assets	(2,220,967)	(8,147,180)
Accounts payable and accrued liabilities	3,743,729	753,364
Warranty liability	(508,002)	(2,435,922)
Net cash used in operating activities	<u>(110,047,537)</u>	<u>(37,641,992)</u>
Cash flows from investing activities:		
Capital expenditures	(3,803,807)	(1,639,897)
Net cash used in investing activities	<u>(3,803,807)</u>	<u>(1,639,897)</u>
Cash flows from financing activities:		
Proceeds from Convertible Note II	—	68,925,000
Proceeds from PPP Term Note	—	1,411,000
Proceeds from sale of Investment in LMC	105,789,310	—
Commissions and fees on sale of Investment in LMC	(662,563)	—
Redemption of Series B preferred stock	—	(25,000,000)
Exercise of warrants and options and restricted share award activity	(2,083,046)	49,300,214
Net cash provided by financing activities	<u>103,043,701</u>	<u>94,636,214</u>
Change in cash and cash equivalents	(10,807,643)	55,354,325
Cash, cash equivalents and restricted cash, beginning of the period	241,229,067	24,868,416
Cash and cash equivalents, end of the period	<u>\$ 230,421,424</u>	<u>\$ 80,222,741</u>

During the nine months ended September 30, 2021, the change in fair value of the convertible notes included a \$0.2 million adjustment attributable to changes in credit spread. Accordingly, the Company recorded Other Comprehensive Loss of \$10.2 million, with the offset as an increase to the fair value of the convertible notes.

See accompanying notes to the condensed consolidated financial statements.

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

1. SUMMARY OF BUSINESS AND SIGNIFICANT ACCOUNTING PRINCIPLES

Nature of operations and basis of presentation

Workhorse Group Inc. (“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 create all-electric delivery trucks and drone systems, including the technology that optimizes the way these mechanisms operate. We are last-mile delivery’s first purpose-built electric mobility solution and we are currently focused on our core competency of bringing the C-Series electric delivery trucks to market and fulfilling our existing backlog of orders. Our consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles (“GAAP”).

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

In the opinion of our management, the Unaudited Condensed Consolidated Financial Statements include all adjustments that are necessary for the fair presentation of Workhorse’s financial conditions, results of operations and cash flows for the interim periods presented. Such adjustments are of a normal, recurring nature. The results of operations and cash flows for the interim periods presented may not necessarily be indicative of full-year results. Reference should be made to the financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2020.

Principles of consolidation

The condensed consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Reclassifications

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

Impact of COVID-19 Pandemic

During 2021, there has been a trend in many parts of the world of increasing availability and administration of the vaccine against COVID-19, as well as an easing of restrictions on social, business, travel and government activities and functions. However, infection rates and regulations continue to fluctuate and there are ongoing global impacts resulting from the pandemic, including challenges and increases in costs for logistics and supply chains, such as increased port congestion, intermittent supplier delays and a shortfall in microchip supply. We have also previously been affected by temporary manufacturing closures. As of September 30, 2021, our locations and primary suppliers continue to operate and we continue to work through supplier constraints caused by the COVID-19 outbreak, as well as the supply chain difficulties. For further discussion of the possible impact of the COVID-19 pandemic on our business, see “Part I – Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2020.

2. INVENTORY, NET

Inventory, net consists of the following:

	September 30, 2021	December 31, 2020
Raw materials	\$ 54,527,723	\$ 16,759,232
Work in process	19,888,063	422,176
Finished goods	—	277,419
	74,415,786	17,458,827
Less: inventory reserves	(12,911,073)	(1,991,815)
Inventory, net	\$ 61,504,713	\$ 15,467,012

Inventory Valuation

Inventories are stated at the lower of cost or net realizable value. We write-down inventory for any excess or obsolete inventories or when we believe that the net realizable value of inventories is less than the carrying value. We review our inventory to determine whether its carrying value exceeds the net amount realizable upon the ultimate sale of the inventory. This requires us to determine the estimated selling price of our inventory based on market conditions. Once inventory is written-down, a new, lower cost basis for that inventory is established and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

Should our estimates of future inventory usage or selling prices change, additional and potentially material increases to this reserve may be required. A small change in our estimates may result in a material charge to our reported financial results.

During the three months ended September 30, 2021 and 2020, we recorded write-downs of approximately \$0.4 million and \$0.3 million, respectively, in Cost of Sales in the Condensed Consolidated Statements of Operations. During the nine months ended September 30, 2021 and 2020, we recorded write-downs of \$10.9 million and \$0.5 million, respectively, in Cost of Sales in the Condensed Consolidated Statements of Operations.

3. INVESTMENT IN LORDSTOWN MOTORS CORP. ("LMC")

During the third quarter of 2021, the Company sold its Investment in LMC at an average price of \$6.42 per share. Proceeds from the sale, net of transaction expenses and broker commissions, were approximately \$105.1 million. During the three months ended September 30, 2021, the Company recognized a loss of approximately \$7.5 million in connection with the sale, which is recorded in Other Loss on the Condensed Consolidated Statements of Operations.

See Note 13, *Fair Value Measurements*, for additional information regarding the fair value measurement of the Investment in LMC.

4. REVENUE

Revenue Recognition

The Company recognizes revenue for the amount collected from the customer, which may include shipping and handling charges, net of estimates for customer returns and allowances. The Company reserves for estimated returns based on known pending returns and historical trends in product returns and reduces sales accordingly. The Company records, on a gross basis, a refund liability and an asset for recovery, which are included in other current liabilities and other current assets, respectively, in the Condensed Consolidated Balance Sheets. The total refund liability and asset for recovery associated with automotive sales was \$1.1 million and \$0.4 million, respectively as of September 30, 2021. The Company did not record a refund liability or asset for recovery as of December 31, 2020.

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.

Revenue related to repair and maintenance services are recognized over time as such services are provided. Payments for products, services, and merchandise are typically received at the point when control transfers to the customer or in accordance with payment terms customary to the business.

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 credit losses is based on an analysis of customer accounts, which considers history of past write-offs, collections, and current and future credit conditions.

Disaggregation of Revenue

Our revenues related to the following types of business were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Automotive	\$ (535,000)	\$ 560,327	\$ 1,080,000	\$ 645,327
Aviation	—	—	22,400	60,783
Other	(41,602)	4,380	44,934	34,839
Total sales, net of returns and allowances	\$ (576,602)	\$ 564,707	\$ 1,147,334	\$ 740,949

Automotive - consists of sales of any of our electric delivery truck platforms, net of returns and allowances.

Aviation - consists of sales of our drone systems.

Other - consists of shipping and handling charges, extended vehicle warranties, and non-warranty after-sales vehicle services.

5. CONVERTIBLE NOTES AND PPP TERM NOTE

4.0% Senior Secured Convertible Notes Due 2024 ("2024 Notes")

The fair value of the 2024 Notes as of September 30, 2021 and December 31, 2020 was \$80,300,000 and \$197,700,000, respectively. The change in fair value of the 2024 Notes was primarily driven by changes in our stock price and synthetic credit rating during the three and nine months ended September 30, 2021. The Company recognizes changes in fair value attributable to changes in stock price in Interest (Income) Expense and changes in fair value attributable to credit spread in Other Comprehensive Loss.

The contractual principal balance of the 2024 Notes was \$200.0 million as of September 30, 2021 and December 31, 2020. Interest is payable quarterly beginning January 15, 2021 at a rate of 4.0% per annum. Interest expense for the three and nine months ended September 30, 2021 related to the 2024 Notes was \$2.0 million and \$6.0 million, respectively.

The 2024 Notes are due October 14, 2024 and are convertible at a rate of \$35.29 per share, subject to change for anti-dilution adjustments and adjustments for certain corporate events. No portion of the principal balance was converted during the three and nine months ended September 30, 2021.

The 2024 Notes include certain covenants, including limitations on liens, additional indebtedness, investments, dividends and other restricted payments, and customary events of default. The Company is also required to have a minimum sales backlog of at least \$25.0 million as of the period ending March 31, 2022, \$50.0 million as of the period ending June 30, 2022, \$75.0 million as of the period ending September 30, 2022 and \$100.0 million as of the period ending December 31, 2022. As of September 30, 2021, the Company is not aware of any default or breach of any covenant under the 2024 Notes.

See Note 13, *Fair Value Measurements*, for additional information regarding the fair value measurement of the 2024 Notes and Note 15 for subsequent event disclosures related to the 2024 Notes.

PPP Term Note

On April 14, 2020, the Company entered into a Paycheck Protection Program Term Note (“PPP Term Note”) with PNC Bank, N.A. under the Paycheck Protection Program of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The Company received total proceeds of approximately \$ 1.4 million from the PPP Term Note, which was due on April 13, 2022. In accordance with the requirements of the CARES Act, the Company used the proceeds primarily for payroll costs. Interest accrued on the PPP Term Note at the rate of 1.0% per annum. The Company elected to account for the PPP Term Note as debt and accrued interest over the term of the note. The Company did not make any repayments on any amount due on the PPP Term Note.

On January 15, 2021, the outstanding principal and interest accrued on the PPP Term Note were fully forgiven. The Company recognized approximately \$.4 million in gain on the forgiveness of the PPP Term Note, which was recorded in Interest Income for the nine months ended September 30, 2021.

6. ACCRUED LIABILITIES AND WARRANTIES

As of September 30, 2021 and December 31, 2020, accrued liabilities and other current liabilities consisted of the following:

	September 30, 2021	December 31, 2020
and related costs	\$ 4,066,076	2,537,353
and interest	1,666,667	1,711,111
er allowance accrual	1,412,500	1,412,500
turn reserve	1,096,713	—
	267,000	334,338
ccrued liabilities and other	\$ 8,508,956	5,995,302

Accrued warranty activity consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
d warranty, beginning of period	\$ 4,866,213	4,079,769	5,409,000	6,001,864
ty costs incurred	(717,008)	(513,827)	(1,450,795)	(2,435,922)
Net changes in liability for pre-existing warranties	337,793	—	337,793	—
on for warranty	405,000	—	605,000	—
d warranty, end of period	\$ 4,891,998	3,565,942	4,898,998	3,565,942

7. MANDATORILY REDEEMABLE SERIES B PREFERRED STOCK

On June 5, 2019, the Company closed agreements for the sale of 1,250,000 units consisting of one share of Series B Preferred Stock (the “Preferred Stock”), with a stated value of \$20.00 per share (the “Stated Value”) and a common stock purchase warrant to purchase 7.41 shares of the Company’s common stock (the “Warrants”) for an aggregate purchase price of \$25.0 million. The Preferred Stock was not convertible and did not hold voting rights.

On September 28, 2020, the Company redeemed its Series B Preferred Stock in full for cash. Dividends on all shares of Series B Preferred Stock were paid in full as of the redemption date and have ceased to accumulate. The Company recognized a loss on redemption of approximately \$4.7 million related to the remaining unamortized discount, which is recorded within Interest Expense in the Condensed Consolidated Statements of Operations.

The Preferred Stock ranked senior to the Company’s common stock with respect to dividend rights and rights upon liquidation, winding-up or dissolution. The Preferred Stock was entitled to annual dividends at a rate equal to 8.0% per annum on the Stated Value. The Warrants had an exercise price of \$1.62 per share and expired seven years from the date of issuance. Accrued dividends were payable quarterly in shares of common stock of the Company based on a fixed share price of \$1.62. During the

three and nine months ended September 30, 2020, the Company issued approximately 0.3 million and 0.9 million shares of common stock to the holders of the Preferred Stock, respectively.

As the Preferred Stock was mandatorily redeemable, it was classified as a liability on the Condensed Consolidated Balance Sheets. All dividends payable on the Preferred Stock were classified as Interest Expense.

The Preferred Stock and Warrants were considered freestanding financial instruments and were accounted for separately. The Warrants were considered equity instruments and not marked-to-market at each reporting period. On the date of issuance, the value of the Warrants was \$6.7 million, which was determined using the Black-Scholes valuation model. The fair value of the Warrants was recorded as an increase to Additional Paid-In Capital and a discount of the Preferred Stock. The discount was amortized to Interest Expense using the effective interest method. Amortization of the discount for the three and nine months ended September 30, 2020 was approximately \$0.4 million and \$1.1 million, respectively.

8. STOCK-BASED COMPENSATION

The Company maintains, as approved by the board of directors, the 2019 Stock Incentive Plan (the "Plan") providing for the issuance of stock-based awards to employees, officers, directors or consultants of the Company. Non-qualified stock options may only be granted with an exercise price equal to the market value of the Company's common stock on the grant date. Awards under the Plan may be either vested or unvested options, or unvested restricted stock. The Plan has authorized 8.0 million shares for issuance of stock-based awards. As of September 30, 2021 and 2020, there were approximately 5.3 million and 6.6 million shares available for issuance of future stock awards, respectively, which includes shares available under the 2019 and 2017 incentive plans.

Stock-based compensation expense

The following table summarizes stock-based compensation expense:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Stock options	\$ 181,558	\$ 302,806	\$ 273,180	\$ 730,564
Restricted stock	1,039,647	435,710	2,980,366	2,037,170
Total stock-based compensation	\$ 1,221,205	\$ 738,516	\$ 3,253,546	\$ 2,767,734

Stock options

The following table summarizes option activity:

	Number of Options	Weighted Average Exercise Price per Option	Weighted Average Grant Date Fair Value per Option	Weighted Average Remaining Contractual Life (Years)
Balance, December 31, 2020	2,351,240	\$ 2.00		5.5
Granted	523,713	11.32	5.73	
Exercised	(884,954)	3.20		
Forfeited	(170,000)	0.94		
Expired	(56,000)	6.13		
Balance, September 30, 2021	1,763,999	\$ 4.14		5.3
Number of options exercisable at September 30, 2021	1,178,411	\$ 1.07		0.5

As of September 30, 2021, unrecognized compensation expense was \$2.9 million for unvested options which is expected to be recognized over the next 2.8 years.

Restricted stock

The following table summarizes restricted stock activity:

	Number of Unvested Shares	Weighted Average Grant Date Fair Value per Share
Balance, December 31, 2020	1,377,889	\$ 2.70
Granted	1,099,164	11.71
Vested	(810,586)	3.76
Forfeited	(482,212)	5.05
Balance, September 30, 2021	1,184,255	\$ 8.90

As of September 30, 2021, unrecognized compensation expense was \$10.4 million for unvested restricted stock awards which is expected to be recognized over the next 2.7 years.

9. INCOME TAXES

As of September 30, 2021 and December 31, 2020, the Company's deferred tax liability was zero and \$21.8 million, respectively. The Company has not generated taxable income since inception. The Company sold its Investment in LMC during the third quarter 2021, which resulted in a tax benefit of approximately \$2.9 million and \$21.8 million, for the three and nine months ending September 30, 2021, respectively. The cumulative deferred tax assets are fully reserved as of September 30, 2021, as there is not sufficient evidence to conclude that it is more likely than not the deferred tax assets are realizable. No current liability for federal or state income taxes has been included in these Condensed Consolidated Financial Statements.

10. EARNINGS PER SHARE

Basic loss per share of common stock is calculated by dividing net loss by the weighted-average shares outstanding for the period. Potentially dilutive shares, which are based on the weighted-average shares of common stock underlying outstanding stock-based awards and warrants using the treasury stock method, and convertible notes using the if-converted method, are included when calculating the diluted net loss per share of common stock when their effect is dilutive.

The following table presents the reconciliation of net loss used in computing diluted net loss per share of common stock:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net loss	\$ (81,115,414)	\$ (84,130,722)	\$ (245,241,272)	\$ (210,705,940)
Interest on convertible notes	2,000,000	—	5,977,777	—
Change in fair value of convertible notes	(20,600,000)	—	(27,600,000)	—
Adjusted net loss	\$ (99,715,414)	\$ (84,130,722)	\$ (266,863,495)	\$ (210,705,940)

The following table presents the potentially dilutive shares that were excluded from the computation of diluted net loss per share of common stock, because their effect was anti-dilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Stock-based awards and warrants	3,987,285	5,948,219	3,987,285	5,948,219
Convertible notes	—	975,881	—	4,759,747

Excluded from the table above are the warrant shares related to the High Trail Convertible Note, which represented approximately 6.1 million and 13.3 million warrants calculated using the if-converted method for the three and nine months ended September 30, 2020. The warrants were issuable at the option of the Company following the full or partial redemption of

the High Trail Convertible Note. No warrants were issued in connection with the High Trail Convertible Note and it was fully converted during the year ended December 31, 2020.

See Note 15, *Subsequent Events*, for additional information regarding shares issued subsequent to the date of the Condensed Consolidated Financial Statements that would have changed the number of common shares outstanding at the end of the period if the transaction(s) had occurred before the end of the period.

11. RECENT ACCOUNTING DEVELOPMENTS

Accounting Standards Recently Adopted

In December 2019, the Financial Accounting Standards Board (“FASB”) issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The ASU removes certain exceptions for recognizing deferred taxes for investments, performing an intra-period allocation, and calculating income taxes in interim periods. The ASU also adds guidance to simplify accounting for income taxes, such as recognizing deferred taxes for goodwill and allocating taxes to members of a consolidated group. The Company adopted the ASU as of January 1, 2021. The adoption of this guidance did not have a material impact on the Company’s financial condition and operations.

Accounting Standards Not Yet Adopted

In August 2020, the FASB issued ASU 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity*. The ASU simplifies the accounting for certain convertible instruments, amends the guidance on derivative scope exceptions for contracts in an entity’s own equity and requires the use of the if-converted method for calculating diluted earnings per share. The ASU removes separation models for convertible debt with a cash conversion feature. Such convertible instruments will be accounted for as a single liability measured at amortized cost. The ASU is effective for interim and annual periods beginning after December 15, 2021, with early adoption permitted after December 15, 2020, which can either be on a modified retrospective or full retrospective basis. Adoption of the ASU is not expected to have a material impact on the Company’s financial condition and operations.

12. OTHER TRANSACTION

On October 31, 2019, the Company and ST Engineering Hackney, Inc. (“Hackney”) entered into an Asset Purchase Agreement to purchase certain assets and assume certain liabilities of Hackney. Upon execution of the agreement, the Company deposited \$1.0 million in cash and shares of its common stock having a value of \$6.6 million into an escrow account. The number of shares held in escrow was subject to adjustment if the value of the shares was less than \$5.3 million or greater than \$7.9 million on certain dates.

The purchase price for the acquired assets was \$7.0 million, \$1.0 million of which was released from the escrow account in January 2020 upon satisfaction of certain conditions and accounted for as customer acquisition costs. The remaining \$6.0 million was payable in cash within 45 days if additional conditions were met or in shares of common stock held in escrow in the event the payment was not made within 105 days of when the payment was due. The additional conditions were not met and, as a result, the remaining \$6.0 million is not due to Hackney.

13. FAIR VALUE MEASUREMENTS

Accounting guidance on fair value measurements for certain financial assets and liabilities requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1 — Quoted market prices in active markets for identical assets or liabilities.

Level 2 — Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 — Unobservable inputs reflecting the reporting entity’s own assumptions or external inputs from inactive markets.

A financial asset or liability’s classification within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement. Assets and liabilities measured at fair value and fair value measurement level were as follows:

	September 30, 2021				December 31, 2020			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Assets								
Investment in LMC	\$ —	\$ —	\$ —	\$ —	\$ 330,556,744	\$ 330,556,744	\$ —	\$ —
Total assets at fair value	\$ —	\$ —	\$ —	\$ —	\$ 330,556,744	\$ 330,556,744	\$ —	\$ —
Liabilities								
Convertible notes	\$ 180,300,000	\$ —	\$ —	\$ 180,300,000	\$ 197,700,000	\$ —	\$ —	\$ 197,700,000
Total liabilities at fair value	\$ 180,300,000	\$ —	\$ —	\$ 180,300,000	\$ 197,700,000	\$ —	\$ —	\$ 197,700,000

Investment in LMC

The Company's Investment in LMC was measured at fair value using Level 1 inputs because it was valued using a quoted price in an active market. The Company recognized changes in fair value of the investment in Other Income (Loss) on the Condensed Consolidated Statements of Operations.

Convertible Notes

The Company's convertible notes are measured at fair value using Level 3 inputs on issuance and at each reporting date. Considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the Company's estimates are not necessarily indicative of the amounts that the Company, or holders of the instruments, could realize in a current market exchange. Significant assumptions used in the fair value model include estimates of the redemption dates, credit spreads and the market price and volatility of the Company's common stock. The use of different assumptions and/or estimation methodologies could have a material effect on the estimated fair values.

The Company recognizes changes in fair value of the convertible notes related to changes in credit spread, if any, in Other Comprehensive Income (Loss) and the remaining changes in fair value in Interest (Income) Expense.

14. COMMITMENTS AND CONTINGENCIES

The Company is party to various negotiations and legal proceedings arising in the normal course of business. The Company provides reserves for these matters when a loss is probable and reasonably estimable. The Company does not disclose a range of potential loss because the likelihood of such a loss is remote. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations, cash flows or liquidity.

Federal Motor Vehicle Safety Standards ("FMVSS") Certification and Other Regulatory Matters

On September 22, 2021, we announced the Company decided to suspend deliveries of C-1000 vehicles and recall the 41 vehicles we have already delivered to customers. The new leadership team determined additional testing and modifications to existing vehicles are required to bring the C-1000 vehicles into full compliance with Federal Motor Vehicle Safety Standards ("FMVSS"). The Company further announced we filed a report with the National Highway Traffic Safety Administration ("NHTSA") regarding the need for additional testing and vehicle modifications to bring our C-1000 vehicles into full compliance with FMVSS. We indicated our previous statements related to the C-1000's compliance with NHTSA standards cannot be relied upon and so notified the Securities and Exchange Commission. We also disclosed we identified a number of enhancements to our production process and the design of the C-1000 vehicles to address customer feedback, primarily related to payload capacity.

In connection with the Company's recall of 41 previously delivered C-1000 vehicles, the Company estimates that 27 of the vehicles will be repaired or retrofitted at the Company's cost and delivered back to the customer. The remaining 14 vehicles are expected to be returned to the Company and the Company will process a full refund to the customer.

Due to the uncertainties and many variables involved in NHTSA matters, we cannot estimate the ultimate resolution of this matter and whether it will have a material adverse effect on the Company's financial position, results of operations, cash flows or liquidity. We are cooperating with NHTSA with respect to the recall of the outstanding vehicles, however, we cannot assure

that NHTSA or other government authorities will not attempt to impose potentially significant fines and penalties in response to the recall.

On October 19 and November 1, 2021, the Company received letters from the SEC requesting that it voluntarily provide information relating to (a) the events and trading in its securities leading up to the announcement of the award of a contract by the U.S. Postal Service for the manufacture of a postal service vehicle fleet and (b) recognition of revenue, if any, related to purchases of vehicles by certain of the Company's customers. On November 5, 2021, the Department of Justice ("DOJ") orally informed the Company that it has a related open investigation covering the Company. The Company has not received any subpoena or other request for documents from the DOJ with respect to this investigation. The Company is cooperating with the SEC and DOJ investigations. At this point, the Company cannot predict the eventual scope, duration, or outcome of these matters.

During the second quarter of 2021, the Company became aware of an issue regarding our E-Series vehicles that will require retrofitting of such vehicles. Management continues to work on remediation and does not expect the issue to have a material impact on the Company's financial condition and operations.

Legal Proceedings

Securities Litigation

As previously disclosed in our Quarterly Reports on Form 10-Q for the quarter ended June 30, 2021, on March 8, 2021, Sam Farrar, individually and on behalf of other similarly situated purchasers of the Company's securities, filed a putative class action complaint against the Company, Duane Hughes and Steve Schrader in the United States District Court for the Central District of California (Case 2:21-cv-02072) claiming violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. On March 11, 2021, John Kinney, individually and on behalf of other similarly situated purchasers of the Company's securities, filed a substantively identical putative class action complaint against the Company, Duane Hughes and Steve Schrader in the United States District Court for the Central District of California (Case 2:21-cv-02207) also claiming violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. On May 18, 2021, the Court consolidated the two cases and appointed Timothy M. Weis as lead plaintiff pursuant to the Private Securities Litigation Reform Act of 1995. On July 16, 2021, lead plaintiff filed an Amended Complaint. The Amended Complaint is now brought against the Company, Duane Hughes, Steve Schrader, Robert Willison and Gregory Ackerson, on behalf of purchasers of the Company's securities from March 10, 2020 through May 10, 2021. It alleges that the defendants violated the federal securities laws by intentionally or recklessly making material misrepresentations and/or omissions regarding the Company's participation in the bidding process to manufacture the new fleet of United States Postal Service ("USPS") next generation delivery vehicles, the prospect of the USPS awarding the contract to Workhorse given alleged deficiencies in Workhorse's proposal, the Company's manufacturing abilities generally and the Company's nonbinding "backlog" in its vehicles. Lead plaintiff seeks certification of a class and monetary damages in an indeterminate amount. The Company filed a motion to dismiss the Amended Complaint on September 3, 2021. The plaintiff's filed a response to the Company's motion to dismiss on October 18, 2021, and the Company's reply brief is due on November 12, 2021. The hearing on the Motion is set for December 6, 2021. The Company believes the Amended Complaint is without merit and intends to vigorously pursue all legal avenues to fully defend itself.

Fiduciary Duty Litigation

As previously disclosed in our Quarterly Reports on Form 10-Q for the quarter ended June 30, 2021, on April 16, 2021, Romario St. Clair, derivatively on behalf of the Company, filed a stockholder derivative complaint in the Eighth Judicial District Court of the State of Nevada in and for Clark County (Case No. A-21-833050-B) for breach of fiduciary duty and unjust enrichment against Duane Hughes, Steve Schrader, Stephen Fleming, Robert Willison, Anthony Furey, H. Benjamin Samuels, Raymond J. Chess, Harry DeMott, Gerald B. Budde, Pamela S. Mader, Michael L. Clark and Jacqueline A. Dedo. In this action, the plaintiff alleges that the defendants breached their fiduciary duties by allowing or causing the Company to violate the federal securities laws as alleged in the Amended Complaint discussed above and by selling Company stock and receiving other compensation while allegedly in possession of material non-public information about the prospect of the USPS awarding the contract to an electric vehicle manufacturer given that electrifying the USPS's entire fleet allegedly would be impractical and expensive. The plaintiff seeks damages and disgorgement in an indeterminate amount. Several nearly identical derivative complaints have been filed: (1) on May 19, 2021, Caruso v. Hughes et al. (Case No. 2:21-cv-04202) was filed in the Central District of California; (2) on May 24, 2021, Kistenmacher v. Hughes et al. (Case No. 2:21-cv-04294) was filed in the Central District of California; (3) on May 27, 2021, Brown v. Hughes et al. (Case No. 2:21-cv-04412) was filed in the Central District of California; (4) on June 24, 2021 Everson v. Hughes et al. (Case No. A-21-836888-B) was filed in the Eighth Judicial District Court of the State of Nevada in and for Clark County; and (5) on September 21, 2021, Cohen v. Hughes et al. (Case No.

1:21-cv-00601) was filed in the United States District Court for the Southern District of Ohio. On June 21, 2021, the Court ordered that the three cases filed in the Central District of California be consolidated and the parties file a proposed scheduling order within sixty days. On September 20, 2021, the Court in the Central District of California granted the parties' stipulation, staying the case pending the outcome of the case discussed in the previous paragraph. On November 4, 2021, the Court in the Southern District of Ohio issued an order extending the defendants' deadline to respond to the Complaint until December 14, 2021, and, on November 5, 2021, the Court granted the parties' stipulation transferring the case to the Central District of California. Although these claims purport to seek recovery on behalf of the Company, the Company will incur certain expenses due to indemnification and advancement obligations with respect to the defendants. The Company understands that defendants believe this action is without merit and intends to support them as they pursue all legal avenues to defend themselves fully.

Litigation Related to the United States Postal Service Award

On June 16, 2021, the Company filed a bid protest against the United States in the United States Court of Federal Claims (Case No. 21-cv-1484C) in connection with the USPS award of the contract for its Next Generation Delivery Vehicle to Oshkosh Defense, LLC ("Oshkosh") claiming that the USPS failed to conduct meaningful discussions with the Company pertaining to its alleged proposal deficiencies, the USPS unequally, arbitrarily and prejudicially evaluated the proposals and the USPS's arbitrary, capricious, and unreasonable evaluation of the Company's proposal breached an implied-in-fact contract with the Company to consider its proposal fairly. The Company requested an entry of judgment in favor of the Company, an entry of a declaratory judgment that the award to Oshkosh was unlawful and improper and an injunction directing the award be terminated, and directing the USPS to reevaluate the proposals and to conduct a new best value determination. On July 6, 2021, the United States and Oshkosh, as Defendant-Intervenor, filed a Motion to Dismiss requesting that the Company's complaint be dismissed with prejudice due to the Company's alleged failure to exhaust USPS's mandatory administrative dispute resolution process. On July 20, 2021, the Company filed an Opposition to the Motion to Dismiss claiming that the USPS process is outside of the congressional authorization and the pursuit of the USPS' dispute resolution process would have been futile. On September 15, 2021, the Company withdrew its bid protest filed in the United States Court of Federal Claims.

15. SUBSEQUENT EVENTS

The Company has evaluated subsequent events for potential recognition and disclosures through the date the Condensed Consolidated Financial Statements were filed.

2024 Notes

On October 6, 2021, the Company entered into securities exchange agreements ("Exchange Agreements") with Antara Capital LP ("Antara") and HT Investments MA LLC, the holders of its 2024 Notes, to exchange \$90.0 million in principal amount of the notes for approximately 15.6 million shares of common stock. The number of shares issued in connection with the Exchange Agreements was calculated by multiplying 109% of the principal amount of the notes exchanged by the average of the volume-weighted average closing prices of the Company's common stock for the three trading days immediately preceding October 11, 2021. The transaction settled on October 12, 2021 and the aggregate principal of 2024 Notes remaining outstanding was \$110.0 million. The Company recorded a loss on exchange of approximately \$17.5 million, which was recognized in Interest Expense.

On November 2, 2021, the Company entered into a securities exchange agreement ("Antara Exchange") with Antara to exchange \$2.5 million in principal amount of the 2024 Notes for approximately 12.1 million shares of common stock. The number of shares issued in connection with the Antara Exchange was calculated by dividing the principal amount of the notes exchanged by the average of the Nasdaq Official Closing Prices of the Company's common stock on the five trading days immediately preceding November 2, 2021. The Antara Exchange closed on November 4, 2021 and the aggregate principal of the 2024 Notes remaining outstanding is \$27.5 million. The Company recorded a loss on exchange of approximately \$17.4 million, which was recognized in Interest Expense.

The Company classified the fair value of the total principal exchanged under the Exchange Agreements and Antara Exchange as current in its Condensed Consolidated Balance Sheets as of September 30, 2021. There are no required redemptions of the outstanding principal, and the balance will generally not be redeemable at the option of the Company prior to the third anniversary of their issue date. Accordingly, the Company has classified the fair value of the \$27.5 million outstanding principal balance as long-term debt on its Condensed Consolidated Balance Sheets as of September 30, 2021.

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

Overview

We are a technology company focused on providing sustainable and cost-effective solutions to the commercial transportation sector. As an American manufacturer, we create all-electric delivery trucks and drone systems, including the technology that optimizes the way these mechanisms operate. We are last-mile delivery's first purpose-built electric mobility solution and we are currently focused on our core competency of bringing the C-Series electric delivery trucks to market and fulfilling our existing backlog of orders.

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 truck platform. As a key strategy, we have developed the Workhorse C-Series platform, which has been accelerated from our previous development efforts.

The Workhorse C-Series electric delivery truck platform is expected to be available in 650 and 1,000 cubic feet configurations. This ultra-low floor platform incorporates state-of-the-art safety features, economy and performance. We expect these vehicles will 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 delivery truck, and early indications of fleet interest are significant.

Our electric delivery trucks are in use by our customers on daily routes across the United States. Our delivery customers include companies such as Alpha Baking, FedEx Express, Fluid Market, Inc., Pride Group Enterprises, Pritchard, Ryder, UPS and W.B. Mason.

Federal Motor Vehicle Safety Standards ("FMVSS") Certification and Other Regulatory Matters

On September 22, 2021, we announced the Company decided to suspend deliveries of C-1000 vehicles and recall the 41 vehicles we have already delivered to customers. The new leadership team determined additional testing and modifications to existing vehicles are required to bring the C-1000 vehicles into full compliance with Federal Motor Vehicle Safety Standards ("FMVSS"). The Company further announced we filed a report with the National Highway Traffic Safety Administration ("NHTSA") regarding the need for additional testing and vehicle modifications to bring our C-1000 vehicles into full compliance with FMVSS. We indicated our previous statements related to the C-1000's compliance with NHTSA standards cannot be relied upon and so notified the Securities and Exchange Commission. We also disclosed we identified a number of enhancements to our production process and the design of the C-1000 vehicles to address customer feedback, primarily related to payload capacity.

In connection with the Company's recall of 41 previously delivered C-1000 vehicles, the Company estimates that 27 of the vehicles will be repaired or retrofitted at the Company's cost and delivered back to the customer. The remaining 14 vehicles are expected to be returned to the Company and the Company will process a full refund to the customer.

Due to the uncertainties and many variables involved in NHTSA matters, we cannot estimate the ultimate resolution of this matter and whether it will have a material adverse effect on the Company's financial position, results of operations, cash flows or liquidity. We are cooperating with NHTSA with respect to the recall of the outstanding vehicles, however, we cannot assure that NHTSA or other government authorities will not attempt to impose potentially significant fines and penalties in response to the recall.

On October 19 and November 1, 2021, the Company received letters from the SEC requesting that it voluntarily provide information relating to (a) the events and trading in its securities leading up to the announcement of the award of a contract by the U.S. Postal Service for the manufacture of a postal service vehicle fleet and (b) recognition of revenue, if any, related to purchases of vehicles by certain of the Company's customers. On November 5, 2021, the Department of Justice ("DOJ") orally informed the Company that it has a related open investigation covering the Company. The Company has not received any subpoena or other request for documents from the DOJ with respect to this investigation. The Company is cooperating with the SEC and DOJ investigations. At this point, the Company cannot predict the eventual scope, duration, or outcome of these matters.

Horsefly™

Our HorseFly Unmanned Aerial System ("UAS") is a custom-designed, purpose-built, all-electric drone system that is incorporated into our trucks and safely and efficiently delivers packages. HorseFly is designed with a maximum gross weight of

30 lbs., a 10 lb. payload and a maximum air speed of 50 mph. Our first aircraft can deliver a meaningful payload up to 10 miles, automatically lowering packages safely from 50 feet above the delivery point via our proprietary winch system. It is designed and built to be rugged and consisting of redundant systems to further meet the Federal Aviation Administration's ("FAA") required rules and regulations. Workhorse was granted a patent on our UAS, and though initially designed as a complimentary system delivering packages from our electric trucks, the latest iteration of our UAS supports package delivery point-to-point, enabling deliveries to and from almost anywhere, allowing it to serve a broader customer base. As part of the divestiture of SureFly, we formed a 50/50 joint venture to which we contributed our HorseFly technology.

Impact of COVID-19 Pandemic

During 2021, there has been a trend in many parts of the world of increasing availability and administration of the vaccine against COVID-19, as well as an easing of restrictions on social, business, travel and government activities and functions. However, infection rates and regulations continue to fluctuate and there are ongoing global impacts resulting from the pandemic, including challenges and increases in costs for logistics and supply chains, such as increased port congestion, intermittent supplier delays and a shortfall in microchip supply. We have also previously been affected by temporary manufacturing closures. As of September 30, 2021, our locations and primary suppliers continue to operate and we continue to work through supplier constraints caused by the COVID-19 outbreak, as well as the supply chain difficulties. For further discussion of the possible impact of the COVID-19 pandemic on our business, see "Part I – Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020.

Results of Operations

Our condensed consolidated statements of operations data is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Sales, net of returns and allowances	\$ (576,602)	\$ 564,707	\$ 1,147,334	\$ 740,949
Cost of sales	11,549,187	2,815,242	32,570,616	6,074,577
Gross loss	(12,125,789)	(2,250,535)	(31,423,282)	(5,333,628)
Operating expenses				
Selling, general and administrative	10,579,586	5,950,058	24,470,953	15,464,926
Research and development	2,801,394	1,614,485	8,788,969	5,133,325
Total operating expenses	13,380,980	7,564,543	33,259,922	20,598,251
Loss from operations	(25,506,769)	(9,815,078)	(64,683,204)	(25,931,879)
Interest (income) expense, net	(18,599,130)	74,315,644	(23,040,886)	185,638,961
Other loss (income)	77,127,266	—	225,432,884	(864,900)
Loss before benefit for income taxes	(84,034,905)	(84,130,722)	(267,075,202)	(210,705,940)
Benefit for income taxes	(2,919,491)	—	(21,833,930)	—
Net loss	\$ (81,115,414)	\$ (84,130,722)	\$ (245,241,272)	\$ (210,705,940)

Sales, net of returns and allowances

Net sales for the three months ended September 30, 2021 and 2020 were \$(0.6) million and \$0.6 million, respectively. The decrease in net sales was primarily due to a \$1.1 million refund liability recorded during the third quarter of 2021 related to the recall of our C-1000 vehicles.

Net sales for the nine months ended September 30, 2021 and 2020 were \$1.1 million and \$0.7 million, respectively. The increase in net sales was primarily due to an increase in volume related to our production of the C-Series electric delivery truck, net of a \$1.1 million refund liability recorded during the third quarter of 2021 related to the recall of our C-1000 vehicles.

Cost of Sales

Cost of sales for the three months ended September 30, 2021 and 2020 were \$11.5 million and \$2.8 million, respectively. Cost of sales for the nine months ended September 30, 2021 and 2020 were \$32.6 million and \$6.1 million, respectively. The

increase in cost of sales was primarily due to inventory write-downs attributable to inventory on hand that has a cost higher than its net realizable value, and an increase in warranty reserves due to the recall of our C-1000 vehicles. The increase is also attributable to an increase in volume and manufacturing costs related to our production of the C-Series electric delivery truck, higher consulting costs, and higher compensation-related costs due to increased headcount.

Selling, General and Administrative Expenses

Selling, general and administrative (“SG&A”) expenses during the three months ended September 30, 2021 and 2020 were \$10.6 million and \$6.0 million, respectively. The increase in SG&A was primarily driven by higher compensation-related costs of approximately \$3.2 million due to increased headcount, severance pay, and stock-based compensation, higher legal costs of approximately \$1.2 million, and higher insurance costs of approximately \$0.5 million.

SG&A expenses during the nine months ended September 30, 2021 and 2020 were \$24.5 million and \$15.5 million, respectively. The increase in SG&A was primarily driven by higher compensation-related costs of approximately \$4.5 million due to increased headcount, severance pay, and stock-based compensation, higher legal and consulting costs of approximately \$3.4 million, and higher insurance costs of approximately \$0.8 million, offset by a decrease in selling expenses of \$1.0 million related to the Hackney customer acquisition payment made in the prior year.

Research and Development Expenses

Research and development (“R&D”) expenses during the three months ended September 30, 2021 and 2020 were \$2.8 million and \$1.6 million, respectively. The increase in R&D is primarily due to higher compensation-related costs of approximately \$0.8 million due to increased headcount, and higher consulting costs of approximately \$0.4 million.

R&D expenses during the nine months ended September 30, 2021 and 2020 were \$8.8 million and \$5.1 million, respectively. The increase in R&D is primarily due to higher compensation-related costs of approximately \$1.8 million due to increased headcount, higher consulting costs of approximately \$1.0 million, and higher prototype component costs of approximately \$0.6 million related to the design of the C-Series electric delivery truck and continued development of the HorseFly delivery drone.

Other (Loss) Income

Other losses during the three months ended September 30, 2021 were \$77.1 million, compared to no losses during the three months ended September 30, 2020. Other losses during the nine months ended September 30, 2021 were \$225.4 million, compared to other income of \$(0.9) million during the nine months ended September 30, 2020. The losses in the current period were related to the decrease in fair value and sale of our Investment in LMC.

Net Interest (Income) Expense

Net interest (income) expense is comprised of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Change in fair value of convertible notes and loss on conversion to common stock	\$ (20,600,000)	\$ 67,942,400	\$ (27,600,000)	\$ 164,149,117
Contractual interest expense	2,000,000	1,157,671	5,977,777	3,112,246
Gain on forgiveness of PPP Term Note	—	—	(1,411,000)	—
Change in fair value of warrant liability and loss on exercise of warrants	—	—	—	12,176,690
Loss on redemption of Series B Preferred Stock	—	4,710,634	—	4,710,634
Amortization of discount and debt issuance costs	—	383,844	—	1,146,459
Other	870	121,095	(7,663)	343,815
Total interest (income) expense, net	\$ (18,599,130)	\$ 74,315,644	\$ (23,040,886)	\$ 185,638,961

Net interest income for the three months ended September 30, 2021 was \$18.6 million as compared to \$74.3 million of interest expense for the three months ended September 30, 2020. The decrease in interest expense was primarily driven by an \$88.5

million decrease in expense related to fair value adjustments and losses on conversion of our convertible notes and a \$4.7 million decrease in losses recognized on redemption of Series B Preferred Stock, offset by a \$0.8 million increase in contractual interest expense related to our convertible notes.

Net interest income for the nine months ended September 30, 2021 was \$23.0 million as compared to \$185.6 million of interest expense for the nine months ended September 30, 2020. The decrease in interest expense was primarily driven by a \$191.7 million decrease in expense related to fair value adjustments and losses on conversion of our convertible notes, a \$12.2 million decrease in expense related to mark-to-market adjustments and losses on exercises of warrants issued to lenders, and a \$4.7 million decrease in losses recognized on redemption of Series B Preferred Stock, offset by a \$2.9 million increase in contractual interest expense related to our convertible notes.

Liquidity and Capital Resources

Cash Requirements

From inception, we have financed our operations primarily through sales of equity securities and issuance of debt. We have utilized this capital for R&D, designing, building and delivering vehicles to customers and other working capital purposes.

As of September 30, 2021, we had approximately \$230.4 million in cash and cash equivalents, as compared to approximately \$241.2 million in cash and cash equivalents and restricted cash held in escrow as of December 31, 2020, resulting in a decrease of \$10.8 million. The net decrease is primarily attributable to cash used in operations related to our initial production of the C-Series electric delivery truck, including inventory build, employee-related costs and contract labor, offset by cash proceeds of approximately \$105.1 million in connection with the sale of the Investment in LMC.

We believe our current sources of funds will provide us with adequate liquidity during the 12-month period following September 30, 2021. We continually evaluate our cash needs and may decide it is best to raise additional capital or seek alternative financing sources to fund the rapid growth of our business.

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 existing stockholders could experience dilution. Any debt financing we can obtain may include 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 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.

For the three and nine months ended September 30, 2021, we maintained an investment in a bank money market fund. 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

	Nine Months Ended September 30,	
	2021	2020
Net cash used in operating activities	\$ (110,047,537)	\$ (37,641,992)
Net cash used in investing activities	\$ (3,803,807)	\$ (1,639,897)
Net cash provided by financing activities	\$ 103,043,701	\$ 94,636,214

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 nine months ended September 30, 2021 and 2020, net cash used in operating activities was \$110.0 million and \$37.6 million, respectively. The increase in net cash used in operations was primarily attributable to spend related to our initial production of the C-Series electric delivery truck, including inventory build, employee-related costs and contract labor.

Cash Flows from Investing Activities

Cash flows from investing activities and their variability across each period related primarily to capital expenditures, which were \$3.8 million for the nine months ended September 30, 2021 and \$1.6 million for the nine months ended September 30, 2020. Our capital expenditures are mainly for tooling related to components of our C-Series electric delivery truck.

Cash Flows from Financing Activities

Net cash provided by financing activities during the nine months ended September 30, 2021 was \$103.0 million, which consisted primarily of \$105.1 million net proceeds from the sale of our Investment in LMC. See Note 3, *Investment in LMC*, to the Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q for further details regarding the sale of the investment.

Net cash provided by financing activities during the nine months ended September 30, 2020 was \$94.6 million, which consisted primarily of \$68.9 million net proceeds from issuance of convertible notes, \$49.3 million net proceeds from the exercise of stock options and warrants, and \$1.4 million net proceeds from the PPP Term Note, offset by \$25.0 million used for redemption of Series B Preferred Stock.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our 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 and Estimates" included in our Annual Report on Form 10-K for the year ended December 31, 2020, under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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, 2020, 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, 2020.

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.

Our management, with the participation of our Principal Executive Officer and Principal Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our Principal Executive Officer and Principal Financial Officer have concluded that, as of the end of the covered by this Quarterly Report, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

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) that occurred during the three months ended September 30, 2021 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

For a description of certain material legal proceedings, please see Note 14, *Commitments and Contingencies*, to the consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. See also Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview for a discussion of certain regulatory matters.

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, 2020. Except as set forth below, there have been no material changes in the current period regarding our risk factors.

Modifications to our C-1000 vehicles are required to address customer feedback; additional testing and modifications to existing vehicles are required to bring the C-1000 vehicles into compliance with Federal Motor Vehicle Safety Standards (“FMVSS”); and we have suspended delivery of C-1000 vehicles and have recalled outstanding C-1000 vehicles. Our inability to bring C-1000 vehicles into compliance with FMVSS or to address customer requirements would have a material adverse effect on the Company's financial position, results of operations, cash flows or liquidity.

On September 22, 2021, we announced the Company decided to suspend deliveries of C-1000 vehicles and recall the 41 vehicles we have already delivered to customers and that our new leadership team had determined that additional testing and modifications to existing vehicles are required to bring the C-1000 vehicles into full compliance with FMVSS. We further announced that we filed a report with the National Highway Traffic Safety Administration (NHTSA) regarding the need for additional testing and vehicle modifications to bring our C-1000 vehicles into full compliance with FMVSS. We indicated that our previous statements related to the C-1000's compliance with NHTSA standards cannot be relied upon and that we had so notified the Securities and Exchange Commission. We also disclosed that we had identified a number of enhancements to our production process and the design of the C-1000 vehicles to address customer feedback, primarily related to payload capacity.

There can be no assurance that we will be able to make the modifications to our C-1000 vehicles that are necessary to meet customer requirements or that we will be able to bring our existing or any enhanced C-1000 vehicles into full compliance with FMVSS. In addition, we may be required to write off a significant amount of inventory as a result of these matters. Our inability to certify C-1000 vehicles under FMVSS or to address customer requirements would have a material adverse effect on our business, financial condition and results of operation.

Even if we are able to make the modifications to our C-1000 vehicles that are necessary to meet customer requirements and are able to bring our existing and any enhanced C-1000 vehicles into full compliance with FMVSS, we may be unable to launch and ramp up production as necessary, we may experience unexpected costs, delays or service burdens, we may be unable to deliver such vehicles on an economical basis and our customers may not find that our vehicles are acceptable for their use, and any of the foregoing would have a material adverse effect on our business, results of operations and financial condition.

Regulatory requirements may have a negative impact upon our business.

Our vehicles are subject to substantial regulation under federal, state, and local laws. As noted above, we have disclosed that our C-1000 vehicles do not comply with FMVSS and there can be no assurance that we will be able to bring our existing or any enhanced C-1000 vehicles into full compliance with FMVSS. Even if we are able to bring our existing and any enhanced C-1000 vehicles into full compliance with FMVSS, to the extent the laws change, or if we introduce new vehicles in the future, some or all of our vehicles may not comply with applicable federal, state, or local laws. Further, certain federal, state, and local laws and industrial standards currently regulate electrical and electronics equipment. Although standards for electric vehicles are not yet generally available or accepted as industry standards, our products may become subject to federal, state, and local regulation in the future. Compliance with these regulations could be burdensome, time consuming, and expensive.

Our products are subject to environmental and safety compliance with various federal and state regulations, including regulations promulgated by the Environmental Protection Agency, NHTSA, FAA and various state boards, and compliance certification is required for each new model year. NHTSA is active in requesting information from vehicle manufactures regarding potential product defects and safety measures. The cost of these compliance activities and the delays and risks associated with obtaining approval can be substantial. The risks, delays, and expenses incurred in connection with such compliance could be substantial.

We may incur costs, expenses and penalties related to regulatory matters, legal proceedings and other claims, which could have a material adverse effect on the Company's financial position, results of operations, cash flows or liquidity.

We are subject to extensive government regulations. Federal, state and local laws and regulations may change from time to time and our compliance with new or amended laws and regulations in the future may materially increase our costs and could adversely affect our results of operations and competitive position. In addition, violations of the laws and regulations to which we are subject to could result in civil and criminal fines, penalties and sanctions against us, our officers or our employees, as well as prohibitions on the conduct of our business, and could also materially affect our reputation, business and results of operations.

As noted above, in September 2021 we filed a report with NHTSA regarding the need for additional testing and vehicle modifications to bring our C-1000 vehicles into full compliance with FMVSS. We are cooperating with NHTSA with respect to the recall of the outstanding vehicles; however, we cannot assure you that NHTSA or other government authorities will not attempt to impose potentially significant fines and penalties in response to the recall.

At this point, we cannot estimate the ultimate impact on our company relating to this matter. In light of the uncertainties and many variables involved in NHTSA matters, we cannot assure you that the ultimate resolution of this matter will not have a material adverse effect on our business, results of operations or financial position.

Also as noted above, in September 2021, we disclosed that our previous statements related to the C-1000's compliance with NHTSA standards cannot be relied upon and that we had so notified the Securities and Exchange Commission. On October 19 and November 1, 2021, we received letters from the SEC requesting that we voluntarily provide information relating to (a) the events and trading in our securities leading up to the announcement of the award of a contract by the U.S. Postal Service for the manufacture of a postal service vehicle fleet and (b) recognition of revenue, if any, related to purchases of vehicles by certain of our customers. On November 5, 2021, the Department of Justice ("DOJ") orally informed us that it has a related open investigation covering the Company. We have not received any subpoena or other request for documents from the DOJ with respect to this investigation. We are cooperating with the SEC and DOJ investigations. At this point, we cannot predict the eventual scope, duration, or outcome of these matters. We cannot assure you that the SEC, DOJ or another governmental agency will not pursue enforcement against us related to the circumstances surrounding such notification and, if there is such an enforcement action, in light of the uncertainties and many variables involved in such matters, we cannot assure you that the ultimate resolution will not have a material adverse effect on our business, results of operations or financial position.

Any of the foregoing factors could cause the price of the Company's equity securities to decline, thereby exposing the Company to new securities class action and/or shareholder derivative litigation. New securities class action and/or shareholder derivative suits against us and/or our officers and directors (in addition to those currently pending and reported herein) could result in substantial additional costs to the Company and divert our management's time and attention, which would otherwise be used to benefit our business.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Description
10.1	Employment Agreement dated July 25, 2021 between Workhorse Group Inc. and Richard Dauch (incorporated by reference from Exhibit 10.1 to the registrant's Current Report on Form 8-K dated July 26, 2021, File No. 001-37673).
10.2*	Form of Restricted Stock Award Agreement between the Company and Richard Dauch
10.3*	Form of Performance Share Unit Award between the Company and Richard Dauch
10.4*	Form of Non-Statutory Option Award Agreement between the Company and Richard Dauch
10.5	Employment Separation Agreement and Release of Claims by and between Workhorse Group Inc. and Steve Schrader (incorporated by reference from Exhibit 10.1 to the registrant's Current Report on Form 8-K dated October 6, 2021, File No. 001-37673).
10.6	Employment Separation Agreement and Release of Claims by and between Workhorse Group Inc. and Rob Willison (incorporated by reference from Exhibit 10.1 to the registrant's Current Report on Form 8-K dated October 18, 2021, File No. 001-37673).
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL INSTANCE DOCUMENT
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Inline XBRL Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: November 9, 2021

WORKHORSE GROUP INC.

By: /s/ Richard Dauch
Name: Richard Dauch
Title: Chief Executive Officer
(Principal Executive Officer)

Dated: November 9, 2021

By: /s/ Gregory T. Ackerson
Name: Gregory T. Ackerson
Title: Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

**Workhorse Group Inc. 2019 Incentive Stock Plan
RESTRICTED STOCK AWARD AGREEMENT**

1. Grant of Time-Based Restricted Stock Award. In accordance with and subject to the terms and conditions of (a) the Workhorse Group Inc. 2019 Incentive Stock Plan, as it may be amended from time to time (the “**Plan**”) and (b) this Restricted Stock Award Agreement (the “**Agreement**”), Workhorse Group Inc. (the “**Company**”) grants to the Participant identified on Schedule 1 attached hereto (the “**Grantee**”) the number of shares (“**Shares**”) of common stock of the Company (“**Stock**”) set forth on Schedule 1, which Shares shall be subject to the terms, conditions, restrictions and limitations set forth in this Agreement (“**Restricted Stock**”). The Restricted Stock awarded under this Agreement shall be deemed to have been granted on the date set forth on Schedule 1 (the “**Grant Date**”). The grant of this Restricted Stock award is made in satisfaction of the portion of the Company’s obligation under Section _____ of the Employment Agreement by and between the Grantee and the Company dated as of July 25, 2021 (the “**Employment Agreement**”) to grant restricted stock subject to time-based vesting. Capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in the Plan.

2. Acceptance by Grantee. This award of the Restricted Stock is conditioned upon acceptance by the Grantee of the terms, conditions, restrictions and limitations of this Agreement, including the condition that the Grantee enter into that certain Employee Non-Compete Agreement (the “**Non-Compete Agreement**”) described in Section 9 hereof, as evidenced by the Grantee’s execution of Schedule 1 to this Agreement and the Non-Compete Agreement, and the delivery of an executed copy of such instruments to the Company. The Grantee hereby acknowledges receipt of a copy of the Plan and this Agreement. The Grantee has read and understands the provisions hereof, and accepts the Restricted Stock subject to all of the terms, conditions, restrictions and limitations of the Plan and this Agreement.

3. Issuance of Shares: Terms, Conditions, Restrictions and Limitations. Upon acceptance of this Agreement, the Company shall issue a stock certificate registered in the name of the Grantee representing the Restricted Stock granted pursuant to this Agreement or enter such Shares on the Company’s book entry system as described in Section 3(f) hereof. Except as hereinafter set forth, the stock certificate shall not be delivered to the Grantee but shall be held by the Company as escrow agent in accordance with Section 8 hereof at the principal office of the Company. Subject to the Plan and this Agreement, the Grantee shall enjoy all rights of ownership of the Restricted Stock, including the right to vote and receive dividends or other distributions with respect to the Shares as hereinafter set forth, during the period any such Restricted Stock is subject to forfeiture in accordance with this Agreement (the “**Restricted Period**”) with the exception that:

(a) Except as otherwise provided herein, the Grantee shall not be entitled to delivery of the stock certificates for the Restricted Stock until the Restricted Period applicable to such Shares shall have expired. In addition, and except as otherwise provided in this Agreement, no stock certificates will be delivered to the Grantee unless Grantee, on the lapse of the

applicable Restricted Period, remains in continuous employment with the Company as an employee of the Company (“**Continuous Service**”) and has remained in Continuous Service with the Company since the Grant Date.

(b) The Company will issue the Restricted Stock subject to a restrictive legend substantially in the form attached hereto as Exhibit A and, as escrow agent, will provide for retention of custody of the Restricted Stock during the Restricted Period, as set forth in this Agreement.

(c) During the applicable Restricted Period, the Grantee shall not transfer, deliver, assign, sell, or dispose of the Restricted Stock in any manner other than by will or by the laws of descent and distribution, nor pledge or otherwise hypothecate the Restricted Stock.

(d) A breach of the terms, conditions, restrictions or limitations contained herein shall cause the Restricted Stock to be forfeited to the Company.

(e) Any cash or stock dividends declared on the Restricted Stock will be paid directly to the Grantee on the dividend payment date (or shortly thereafter to process any required withholding of taxes).

(f) In lieu of the issuance of a share certificate evidencing Shares, the Company may use a “book entry” system in which a computerized or manual entry is made in the records of the Company to evidence the issuance of such Shares. Such Company records are, absent manifest error, binding on all parties.

4. Delivery of Share Certificates. If Grantee remains in Continuous Service with the Company from the Grant Date to one or more of the vesting dates described in Schedule 1 and has met all the other terms, conditions, restrictions and limitations contained herein and in the Plan, the Company shall deliver to the Grantee pursuant to Section 8 of this Agreement, certificates for the vested Shares without the legend referenced in Section 3(b) hereof or enter such vested Shares on the Company’s book entry system as described in Section 3(f) hereof.

5. Forfeiture of Restricted Stock. Subject to the provisions of Section 6(e) of the Plan (relating to discretionary actions that may, but are not required, be taken by the Board of Directors of the Company (the “**Board**,” which term shall include the Compensation Committee of the Board of Directors or such other authorized committee of the Board of Directors) with respect to the Restricted Stock upon the occurrence of Grantee’s retirement, resignation, death or disability), if Grantee’s Continuous Service with the Company terminates at any time for any reason during an applicable Restricted Period, the portion of the Restricted Stock not vested in accordance with Section 4 of this Agreement shall be forfeited on the date of such termination and the Company shall not have any further obligations to the Grantee under this Agreement. Upon such forfeiture, the Company shall become the legal and beneficial owner of the unvested portion of the Restricted Stock and all rights and interests therein and related thereto, without the payment of any consideration by the Company to the Grantee.

6. Payment of Taxes. The Grantee understands that he will have to pay income and employment taxes on the fair market value of the Restricted Stock when the restrictions lapse unless he elects, no later than thirty (30) days after the Grant Date, under Section 83(b) of the

Internal Revenue Code of 1986, as amended, and the corresponding regulations promulgated thereunder (the “Code”), to pay income and employment tax in the year the grant is made on the fair market value of the Restricted Stock on the Grant Date. In either case, the Company’s obligation to deliver the unrestricted Shares as a result of the vesting of the Restricted Stock shall be subject to the Grantee’s satisfaction of all applicable federal, state, and local income and employment tax withholding obligations. If tax withholding attributable to the Restricted Stock is required by the Company, then, at the Board’s discretion, the Company may satisfy such tax obligations by reducing the number of Shares otherwise deliverable or by accepting the delivery to the Company of Shares previously owned and unencumbered by the Grantee. The Company shall also have the right to withhold from any salary, bonus or other payments due Grantee the amount necessary to satisfy any tax withholding obligations related to the Restricted Stock. The Grantee acknowledges that if the Grantee makes the Section 83(b) election and later forfeits all or a portion of the Restricted Stock, certain adverse tax consequences may result in that the Grantee may not be able to fully utilize the capital losses realized as a result of such forfeiture. The Grantee understands that Grantee should seek tax advice before deciding whether or not to make the Section 83(b) election.

7. Nonassignability. Except as otherwise provided herein and in the Plan, the right of the Grantee to the Restricted Stock shall not be assignable or transferable by the Grantee other than to a designated beneficiary upon the Grantee’s death pursuant to his will or by the laws of descent and distribution. Any such assignment or transfer shall be null and void and without effect upon any attempted assignment or transfer, except as provided herein or in the Plan, including, without limitation, any purported assignment, whether voluntary or by operation of law, pledge, hypothecation, or other disposition contrary to the provisions hereof, or levy of execution, attachment, trustee process, or similar process, whether legal or equitable, upon the Restricted Stock.

8. Escrow. Stock certificates issued or Shares entered on the Company’s book entry system pursuant to Section 3 of this Agreement shall be held in escrow, together with stock powers duly executed in blank by Grantee in the form of that which is attached hereto as Exhibit B, with the chief financial officer of the Company to be held in accordance with the provisions hereof. Shares of Restricted Stock shall be: (a) released to the Company upon forfeiture as described in Section 5 of this Agreement, or (b) released and delivered to Grantee to the extent such Shares of Restricted Stock become vested pursuant to Section 4 of this Agreement.

9. Conditions of Granting Award.

(a) Execution of the Non-Compete Agreement. Grantee understands and agrees that, as a condition to the Company granting the Restricted Stock under this Agreement, he must execute and deliver the Non-Compete Agreement. Grantee further understands that the Non-Compete Agreement shall become effective upon Grantee’s execution and delivery thereof and that it shall remain in effect for the period described therein, which period would include a period following Grantee’s termination of employment with the Company irrespective of the whether or not Grantee becomes vested in the Restricted Stock in accordance with this Agreement.

10. Compliance with Law. The issuance and delivery of Shares shall be subject to compliance by the Company and the Grantee with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's Shares may be listed. No Shares shall be issued pursuant to this Agreement unless and until any then applicable requirements of state or federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel. The Grantee understands that the Company is under no obligation to register the Shares with the Securities and Exchange Commission, any state securities commission, or any stock exchange to effect such compliance.

11. Adjustments. The Shares of Restricted Stock may be adjusted or terminated in any manner as contemplated by Section 8 of the Plan.

12. No Right to Continued Employment. Nothing contained in the Plan or in this Agreement, nor any action taken by the Board, shall confer upon Grantee any right with respect to continuation of employment by the Company as an employee or service as an officer or director nor interfere in any way with the right of the Company to terminate Grantee's employment or other service as an employee, officer or director at any time with or without Cause, including during the Restricted Period.

13. Governing Law; Venue; Dispute. This Agreement has been granted, executed and delivered in the State of Ohio, and the interpretation and enforcement shall be governed by the laws thereof without regard to conflict of laws principles, and subject to the exclusive jurisdiction of the courts therein. Any dispute regarding the interpretation of this Agreement shall be submitted by Grantee or the Company to the Board for review. The resolution of such dispute by the Board shall be final, binding and conclusive on the Grantee and the Company.

14. Notices. Any notice required to be given pursuant to this Agreement or the Plan shall be in writing and shall be deemed to be delivered upon receipt or, in the case of notices by the Company, five (5) days after deposit in the U.S. mail, postage prepaid, addressed to Grantee at the address last provided by Grantee for Grantee's service provider records. Any notice to the Company shall be addressed to the chief financial officer or to the chief executive officer of the Company. Either party may designate another address in writing (or by such other method approved by the Company) from time to time.

15. Agreement Subject to Plan. This Agreement is made pursuant to the Plan and shall be interpreted to comply therewith. A copy of the Plan is available to Grantee, at no charge, at the principal office of the Company. The provisions of the Plan, as they may be amended from time to time, are hereby incorporated herein by reference. In the event of a conflict between any provision contained herein and a provision of the Plan, the applicable provisions of the Plan will govern and prevail.

16. Successors and Assigns. The Company may assign any of its rights under this Agreement. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on assignment and transfer set forth herein, this Agreement will be binding upon the Grantee and the Grantee's beneficiaries, executors,

administrators and the person(s) to whom the Restricted Stock may be transferred by will or the laws of descent or distribution.

17. Severability. The invalidity or unenforceability of any provision of the Plan or this Agreement shall not affect the validity or enforceability of any other provision of the Plan or this Agreement, and each provision of the Plan and this Agreement shall be severable and enforceable to the extent permitted by law.

18. Discretionary Nature of Plan. The Plan is discretionary and may be amended, cancelled or terminated by the Board at any time, in its discretion. The grant of the Restricted Stock pursuant to this Agreement does not create any contractual right or other right to receive any Restricted Stock or other Grants in the future. Future Grants, if any, will be at the sole discretion of the Board. Any amendment, modification, or termination of the Plan shall not constitute a change or impairment of the terms and conditions of the Grantee's employment or other service with the Company.

19. Amendment. The Board has the right to amend, alter, suspend, discontinue or cancel the Plan, prospectively or retroactively; provided, that, no such amendment shall alter or impair the Grantee's material rights and obligations under this Agreement without the Grantee's written consent.

20. No Effect on Other Benefits. The value of the Grantee's Restricted Stock is not part of Grantee's normal or expected compensation for purposes of calculating any severance, retirement, welfare, insurance or similar employee benefit, unless the express provisions of a written service provider benefit provides otherwise.

21. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Counterpart signature pages to this Agreement transmitted by facsimile transmission, by electronic mail in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing an original signature.

IN WITNESS WHEREOF, the parties hereto have caused this Restricted Stock Award Agreement to be executed as of the date set forth on Schedule 1 to this Agreement.

[Schedule 1 follows]

Schedule 1

Restricted Stock Award Agreement

Name of Grantee: Richard Dauch

Number of Shares: _____ Shares

Date of Grant: _____, 2021

Vesting Dates: Subject to forfeiture in accordance with Section 5 of the Restricted Stock Award Agreement, the following number of Shares of Restricted Stock shall vest on the following dates:

<u>Number of Shares</u>	<u>Vesting Date</u>
-------------------------	---------------------

Notwithstanding the foregoing vesting schedule:

(a) If the Grantee's employment is terminated due to an Involuntary Termination (as defined in the Employment Agreement), the unvested Shares of Restricted Stock shall vest but only to the extent the number of unvested Shares would have vested if the Grantee's employment with the Company had continued and ended on the 12-month anniversary following the date of his Involuntary Termination.

(b) If the Grantee's employment is terminated due to a Termination Upon Change of Control (as defined in the Employment Agreement), all of the unvested Shares of Restricted Stock shall vest as of the date of such Termination Upon Change of Control (or, if later, the date of the Change of Control).

The undersigned agrees to the terms and conditions of the Plan and Restricted Stock Award Agreement of which this Schedule 1 is a part.

COMPANY:

WORKHORSE GROUP INC.,
a Nevada corporation

By: _____
Name: _____
Title: _____
Date: _____

GRANTEE:

RICHARD DAUCH

By: _____
(signature)
Date: _____

Exhibit A

Restricted Stock Award Agreement

LEGEND TO BE PLACED ON STOCK CERTIFICATE

The shares represented by this certificate are subject to the terms, conditions, restrictions and limitations of the Workhorse Group Inc. 2019 Incentive Stock Plan (the "Plan") and a Restricted Stock Award Agreement (the "Agreement") between the holder hereof and Workhorse Group Inc. dated as of _____, 2021, and may not be sold or transferred except in accordance therewith. Copies of the Plan and Agreement are kept on file by the chief financial officer of Workhorse Group Inc.

Exhibit B

Restricted Stock Award Agreement

STOCK POWER

FOR VALUE RECEIVED, the undersigned, Richard Dauch, hereby sells, assigns, transfers, and conveys unto Workhorse Group Inc., a Nevada corporation (the "Company"), or its successors, _____ shares of common stock of the Company standing in my name on the books of the Company, which if represented by a share certificate is represented by Certificate No. _____, and hereby irrevocably constitutes and appoints each officer of the Company as my attorney-in-fact to transfer said stock on the books of the Company with full power of substitution in the premises.

Dated: _____
Richard Dauch

WITNESS:

Workhorse Group Inc. 2019 Incentive Stock Plan
PERFORMANCE SHARE UNIT AWARD AGREEMENT

1. **Grant of Performance Share Unit Award.** In accordance with, and subject to, the terms and conditions of (a) the Workhorse Group Inc. 2019 Incentive Stock Plan, as it may be amended from time to time (the “**Plan**”), and (b) this Performance Share Unit Award Agreement (the “**Agreement**”), Workhorse Group Inc. (the “**Company**”) grants to the Participant identified on Schedule 1 attached hereto (the “**Grantee**”) an award for a target number of Performance Share Units as set forth on Schedule 1 (the “**Target Award**”), which Performance Share Units shall be subject to the terms, conditions, restrictions and limitations set forth in this Agreement and the Plan. The Performance Share Units awarded under this Agreement shall be deemed to have been granted on the date set forth on Schedule 1 (the “**Grant Date**”). The number of Performance Share Units that the Grantee actually earns during the Performance Period will be determined by the level of achievement of the Performance Objective as set forth on Exhibit A. The Performance Share Units shall be credited to a separate notional account maintained for the Grantee on the books and records of the Company. The grant of this Performance Share Unit award is made in satisfaction of the portion of the Company’s obligation under Section 3.3(b) of the Employment Agreement by and between the Grantee and the Company dated as of July 25, 2021 (the “**Employment Agreement**”) to grant restricted stock subject to performance-based vesting.

2. **Definitions.** Capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in the Plan. The following capitalized terms shall have the following meanings:

- a. “**Involuntary Termination**” has the same meaning as provided in the Employment Agreement.
- b. “**Market Value Price**” means the latest available closing price of a Share or of a share of common stock of a company in the Peer Group, as the case may be, on the National Association of Security Dealers Automated Quotations (NASDAQ), the New York Stock Exchange, or other recognized market if the stock does not trade on either such exchanges at the relevant time.
- c. “**Peer Group**” means the group of companies established by the Committee and reported to the Board, as set forth on Exhibit B attached hereto.
- d. “**Performance Objective**” means the predetermined goal of the Company established by the Committee and reported to the Board, as more particularly set forth on Exhibit A attached hereto.
- e. “**Performance Period**” means the period commencing on the Grant Date and ending on December 31, 2024.

f. **“Performance Share Unit”** means the right to receive one (1) Share in the future based upon the satisfaction of the Performance Objective during the Performance Period, as determined by the Committee, or the equivalent value in cash, or a combination thereof.

g. **“Share”** means a share of Stock.

h. **“Termination Upon Change of Control”** has the same meaning as provided in the Employment Agreement.

i. **“Total Shareholder Return”** means with respect to the Company or a company in the Peer Group, as applicable, the cumulative return to shareholders during the Performance Period, measured by the change in Market Value Price plus dividends (or other distributions) reinvested over the Performance Period, determined on the Grant Date and the last business day of the Performance Period. Total Shareholder Return shall be calculated (i) using a 30-day trading average of the stock price ending on (A) the Grant Date, and (B) the last business day of the Performance Period, and (ii) assuming all dividends declared during the Performance Period are reinvested at the closing Market Value Price on the applicable ex-dividend date.

3. **Acceptance by Grantee.** This award of Performance Share Units is conditioned upon acceptance by the Grantee of the terms, conditions, restrictions and limitations of this Agreement, including the condition that the Grantee enter into that certain Employee Non-Compete Agreement (the **“Non-Compete Agreement”**) described in Section 11, as evidenced by the Grantee’s execution of Schedule 1 to this Agreement and the Non-Compete Agreement, and the delivery of an executed copy of such instruments to the Company. The Grantee hereby acknowledges receipt of a copy of the Plan and this Agreement. The Grantee has read and understands the provisions hereof, and accepts the Performance Share Units subject to all of the terms, conditions, restrictions and limitations of the Plan and this Agreement.

4. **Performance Objective.** Except as otherwise provided in Section 5(c) and (d):

a. The number of Performance Share Units earned by the Grantee for the Performance Period will be determined at the end of the Performance Period based on the level of achievement of the Performance Objective in accordance with Exhibit A. All determinations of whether or the level that the Performance Objective has been achieved, the number of Performance Share Units earned by the Grantee, and all other matters related to this Section 4 shall be made by the Committee in its sole discretion.

b. Promptly following completion of the Performance Period (and no later than 60 days following the end of the Performance Period), the Committee will review and certify in writing (i) whether, and to what extent, the Performance Objective for the Performance Period has been achieved, and (ii) the number of Performance Share Units earned by the Grantee, if any, subject to the requirements of Section 5. Such certification shall be final, conclusive, and binding on the Grantee, and on all other persons, to the maximum extent permitted by law.

5. Vesting of Performance Share Units.

a. The Performance Share Units are subject to forfeiture until they vest. Except as otherwise provided herein, provided that the Grantee remains in continuous service as an employee of the Company (“**Continuous Service**”) from the Grant Date through the last day of the Performance Period, and further provided that the “Threshold” level of the Performance Objective set forth in Exhibit A has been achieved, the Performance Share Units will vest on the last day of the Performance Period (the “**Vesting Date**”). The number of Performance Share Units that vest and become nonforfeitable under this Agreement shall be determined by the Committee based on the level of achievement of the Performance Objective set forth in Exhibit A and shall be rounded to the nearest whole Performance Share Unit. Performance Share Units that have not vested by the Vesting Date in accordance with this Section 5(a) shall be forfeited.

b. Subject to the provisions of Section 6(e) of the Plan (relating to discretionary actions that may, but are not required, be taken by the Committee with respect to the Performance Share Units upon the occurrence of Grantee’s retirement, resignation, death or disability) and except as otherwise expressly provided in this Agreement, if the Grantee’s Continuous Service terminates for any reason at any time prior to the Vesting Date, the Grantee’s Performance Share Units shall be automatically forfeited upon such termination of Continuous Service and the Company shall have no further obligations to the Grantee under this Agreement.

c. Notwithstanding Section 5(a) and (b), if the Grantee’s Continuous Service terminates prior to the Vesting Date due to a Termination Upon Change of Control, the Performance Share Units shall vest based on the level of achievement of the Performance Objective set forth in Exhibit A on the date of Grantee’s Termination Upon Change in Control (as if the Performance Period was terminated as of such date), as determined in good faith by the Committee.

d. Notwithstanding Section 5(a) and (b), if the Grantee’s Continuous Service terminates prior to the Vesting Date due to an Involuntary Termination, for purposes of this Section 5, Grantee’s Continuous Service shall be deemed to terminate on the date that is the 12month anniversary of the date of Grantee’s Involuntary Termination. If such deemed termination date is on or after the Vesting Date, the Performance Share Units shall vest based on the level of achievement of the Performance Objective set forth in Exhibit A on the date of Grantee’s Involuntary Termination (as if the Performance Period was terminated as of such date), as determined in good faith by the Committee.

6. Restrictions. Subject to any exceptions set forth in this Agreement or the Plan, during the Performance Period and until such time as the Performance Share Units are settled in accordance with Section 8, the Performance Share Units or the rights relating thereto may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Grantee. Any attempt to assign, alienate, pledge, attach, sell or otherwise transfer or encumber the Performance Share Units or the rights relating thereto shall be wholly ineffective and, if any such attempt is made, the Performance Share Units will be forfeited by the Grantee and all of the Grantee’s rights to such units shall immediately terminate without any payment or consideration by the Company.

7. Rights as Shareholder; Dividend Equivalents.

a. The Grantee shall not have any rights of a shareholder with respect to the Shares underlying the Performance Share Units unless and until the Performance Share Units vest and are settled by the issuance of such Shares.

b. Upon and following the settlement of the Performance Share Units in Shares, the Grantee shall be the record owner of the Shares underlying the Performance Share Units unless and until such Shares are sold or otherwise disposed of, and as record owner shall be entitled to all rights of a shareholder of the Company (including voting rights).

c. The Grantee shall not be entitled to any dividend equivalents with respect to the Performance Share Units to reflect any dividends payable on Shares.

8. Settlement of Performance Share Units.

a. Subject to Section 9, promptly following the Vesting Date, Termination Upon Change in Control or, if applicable, Involuntary Termination, and in any event no later than March 15 of the calendar year following the calendar year in which such Vesting Date or event occurs, the Company shall (i) issue and deliver to the Grantee a share certificate evidencing the number of Shares equal to the number of Performance Share Units that vested and were earned, and (ii) enter the Grantee's name on the books of the Company as the shareholder of record with respect to such Shares delivered to the Grantee. In lieu of the issuance of a share certificate evidencing Shares, the Company may use a "book entry" system in which a computerized or manual entry is made in the records of the Company to evidence the issuance of such Shares. Such Company records are, absent manifest error, binding on all parties. Notwithstanding the foregoing, the Committee shall have the discretion to settle all or a portion of the vested and earned Performance Share Units in cash using the Market Value Price of the Shares otherwise issuable with respect to such vested and earned Performance Share Units as of the Vesting Date or as of the separation from service date in the case of Grantee's Termination Upon Change in Control or Involuntary Termination.

b. If the Grantee is a "specified employee" within the meaning of Section 409A of the Code, as determined by the Committee, at a time when the Grantee becomes eligible for settlement of the Performance Share Units upon his "separation from service" within the meaning of Section 409A of the Code, then to the extent necessary to prevent any accelerated or additional tax under Section 409A of the Code, such settlement will be delayed until the earlier of (i) the date that is six (6) months following the Grantee's separation from service, and (ii) the Grantee's death.

9. Payment of Taxes. The Grantee understands that he will have to pay income and employment taxes on the fair market value of the vested Performance Share Units at the time of settlement of such Performance Share Units. The Company's obligation to deliver Shares or pay cash, as the case may be, in settlement of the vested Performance Share Units shall be subject to the Grantee's satisfaction of all applicable federal, state, and local income and employment tax withholding obligations. If tax withholding attributable to the settlement of the vested Performance Share Units is required by the Company, then, at the Board's discretion, the Company may satisfy such tax withholding obligations by reducing the number of Shares

otherwise deliverable or by accepting the delivery to the Company of Shares previously owned and unencumbered by the Grantee. The Company shall also have the right to withhold from any salary, bonus or other payments due Grantee the amount necessary to satisfy any tax withholding obligations related to the settlement of the vested Performance Share Units.

10. Nonassignability. Except as otherwise provided herein and in the Plan, the Performance Share Units and the rights relating thereto shall not be assignable or transferable by the Grantee other than to a designated beneficiary upon the Grantee's death pursuant to his will or by the laws of descent and distribution. Any such assignment or transfer shall be null and void and without effect upon any attempted assignment or transfer, except as provided herein or in the Plan, including, without limitation, any purported assignment, whether voluntary or by operation of law, pledge, hypothecation, or other disposition contrary to the provisions hereof, or levy of execution, attachment, trustee process, or similar process, whether legal or equitable, upon the Performance Share Units.

11. Conditions of Granting Award. Grantee understands and agrees that, as a condition to the Company granting the Performance Share Units under this Agreement, he must execute and deliver the Non-Compete Agreement. Grantee further understands that the Non-Compete Agreement shall become effective upon Grantee's execution and delivery thereof and that it shall remain in effect for the period described therein, which period would include a period following Grantee's termination of employment with the Company irrespective of the whether or not Grantee becomes vested in the Performance Share Units in accordance with this Agreement.

12. Compliance with Law. The issuance and delivery of any Shares shall be subject to compliance by the Company and the Grantee with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's Shares may be listed. No Shares shall be issued pursuant to this Agreement unless and until any then applicable requirements of state or federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel. The Grantee understands that the Company is under no obligation to register the Shares with the Securities and Exchange Commission, any state securities commission, or any stock exchange to effect such compliance.

13. Adjustments. The Performance Share Units may be adjusted or terminated in any manner as contemplated by Section 8 of the Plan.

14. No Right to Continued Employment. Nothing contained in the Plan or in this Agreement, nor any action taken by the Board, shall confer upon Grantee any right with respect to continuation of employment by the Company as an employee or service as an officer or director nor interfere in any way with the right of the Company to terminate Grantee's employment or other service as an employee, officer or director at any time with or without Cause, including during the Performance Period.

15. Governing Law; Dispute. This Agreement has been granted, executed and delivered in the State of Ohio, and the interpretation and enforcement shall be governed by the laws thereof without regard to conflict of laws principles, and subject to the exclusive jurisdiction of the courts therein. Any dispute regarding the interpretation of this Agreement

shall be submitted by Grantee or the Company to the Board for review. The resolution of such dispute by the Board shall be final, binding and conclusive on the Grantee and the Company.

16. Notices. Any notice required to be given pursuant to this Agreement or the Plan shall be in writing and shall be deemed to be delivered upon receipt or, in the case of notices by the Company, five (5) days after deposit in the U.S. mail, postage prepaid, addressed to Grantee at the address last provided by Grantee for Grantee's service provider records. Any notice to the Company shall be addressed to the chief financial officer or to the chief legal officer of the Company. Either party may designate another address in writing (or by such other method approved by the Company) from time to time.

17. Agreement Subject to Plan. This Agreement is made pursuant to the Plan and shall be interpreted to comply therewith. A copy of the Plan is available to Grantee, at no charge, at the principal office of the Company. The provisions of the Plan, as they may be amended from time to time, are hereby incorporated herein by reference. In the event of a conflict between any provision contained herein and a provision of the Plan, the applicable provisions of the Plan will govern and prevail.

18. Successors and Assigns. The Company may assign any of its rights under this Agreement. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on assignment and transfer set forth herein, this Agreement will be binding upon the Grantee and the Grantee's beneficiaries, executors, administrators and the person(s) to whom the Performance Share Units may be transferred by will or the laws of descent or distribution.

19. Severability. The invalidity or unenforceability of any provision of the Plan or this Agreement shall not affect the validity or enforceability of any other provision of the Plan or this Agreement, and each provision of the Plan and this Agreement shall be severable and enforceable to the extent permitted by law.

20. Discretionary Nature of Plan. The Plan is discretionary and may be amended, cancelled or terminated by the Board at any time, in its discretion. The grant of the Performance Share Units pursuant to this Agreement does not create any contractual right or other right to receive any Performance Share Units or other Grants in the future. Future Grants, if any, will be at the sole discretion of the Committee. Any amendment, modification, or termination of the Plan shall not constitute a change or impairment of the terms and conditions of the Grantee's employment or other service with the Company.

21. Amendment. The Board has the right to amend, alter, suspend, discontinue or cancel the Plan, prospectively or retroactively; provided, that, no such amendment shall alter or impair the Grantee's material rights and obligations under this Agreement without the Grantee's written consent.

22. Section 409A of the Code. This Agreement is intended to comply with Section 409A of the Code or an exemption thereunder and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A of the

Code and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Grantee on account of non-compliance with Section 409A of the Code.

23. No Effect on Other Benefits. The value of the Grantee's Performance Share Units is not part of Grantee's normal or expected compensation for purposes of calculating any severance, retirement, welfare, insurance or similar employee benefit, unless the express provisions of a written service provider benefit provides otherwise.

24. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Counterpart signature pages to this Agreement transmitted by facsimile transmission, by electronic mail in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing an original signature.

IN WITNESS WHEREOF, the parties hereto have caused this Performance Share Unit Award Agreement to be executed as of the date set forth on Schedule 1 to this Agreement.

[Schedule 1 follows]

Schedule 1

Performance Share Unit Award Agreement

Name of Grantee: Richard Dauch

Target Award: 250,000 Performance Share Units

Grant Date: _____, 2021

The undersigned agrees to the terms and conditions of the Plan and Performance Share Unit Award Agreement of which this Schedule 1 is a part.

COMPANY:

WORKHORSE GROUP INC.,
a Nevada corporation

By: _____

Name: _____

Title: _____

Date: _____

GRANTEE:

RICHARD DAUCH

By: _____

(signature)

Date: _____

Exhibit A

Performance Objective

The number of Performance Share Units earned shall be determined by reference to the Company's Total Shareholder Return ("TSR") over the Performance Period relative to the TSR of each of the entities in the Peer Group. Except as otherwise provided in the Plan or the Agreement, the number of Performance Share Units earned with respect to the Performance Period shall be determined as follows:

Percentile Rank of Company's TSR Compared to the TSR of the Peer Group Entities	Performance Share Units Earned as a Percentage of the Target Award
Less than 25 th percentile	0%
25 th percentile (Threshold)	50% of Target Award (i.e., 125,000 Performance Share Units)
50 th percentile (Target)	100% of Target Award (i.e., 250,000 Performance Share Units)
75 th percentile (Maximum)	200% of Target Award (i.e., 500,000 Performance Share Units)

With respect to both the stock of the Company and the stock of each of the companies that comprise the Peer Group, TSR shall be calculated (a) using a 30-day trading average of the stock price ending on the Grant Date and on the last day of the Performance Period, and (b) assuming all dividends declared during the Performance Period are reinvested at the closing price on the applicable ex-dividend date.

In the event the level of achievement falls between the Threshold percentile and Target percentile or between the Target percentile and Maximum percentile, the percentage of the Target Award earned will be interpolated on a straight-line basis between such applicable percentiles.

Depending on the Company's TSR over the Performance Period relative to the TSR of the companies that comprise the Peer Group, the Grantee may earn between 0% and 200% of the Target Award. In the event the level of achievement of the Performance Objective is in excess of the Maximum percentile, the Grantee shall not be entitled to any Performance Share Units in excess of 200% of the Target Award.

Exhibit B

Peer Group

The following companies shall comprise the Company's Peer Group for purposes of this Performance Share Unit Award:

1. ELMS (ticker symbol ELMS)
2. Lordstown Motors (RIDE)
3. Shyft Group (SHYF)
4. Arrival (ARVL)
5. Canoo (GOEV)
6. Lion Electric Company (LEV)
7. Lightning Motors (ZEV)
8. REE Automotive (REE)
9. Nikola Automotive (NKLA)
10. Proterra (PRTA)
11. XL Fleet (XL)
12. Fisker (FSR)

The Peer Group of 12 companies listed above shall not be adjusted during the Performance Period except to exclude one or more of the companies listed above that during the Performance Period (i) cease to be publicly traded or (ii) have experienced a major restructuring by reason of (a) a Chapter 11 filing or (b) a spin-off of more than 50% of any such company's assets.

Workhorse Group Inc. 2019 Incentive Stock Plan
NONSTATUTORY STOCK OPTION AWARD AGREEMENT

1. Grant of Nonstatutory Stock Option Award. In accordance with and subject to the terms and conditions of (a) the Workhorse Group Inc. 2019 Incentive Stock Plan, as it may be amended from time to time (the “**Plan**”) and (b) this Nonstatutory Stock Option Award Agreement (the “**Agreement**”), Workhorse Group Inc. (the “**Company**”) grants to the Participant identified on Schedule 1 attached hereto (the “**Grantee**”) an option to purchase the number of shares (the “**Shares**”) of common stock of the Company (the “**Stock**”) set forth on Schedule 1, at the exercise price per Share (the “**Exercise Price**”) set forth on Schedule 1, on the terms and conditions set forth in this Agreement (the “**Option**”). The Option is intended to be a Nonstatutory Stock Option and not an “incentive stock option” within the meaning of Section 422 of the Code. The Option awarded under this Agreement shall be deemed to have been granted on the date set forth on Schedule 1 (the “**Grant Date**”). The grant of the Option is made in consideration of the services to be rendered by the Grantee to the Company. Capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in the Plan.

2. Acceptance by Grantee. This Option award is conditioned upon acceptance by the Grantee of the terms, conditions, restrictions and limitations of this Agreement, including the condition that the Grantee enter into that certain Employee Non-Compete Agreement (the “**Non-Compete Agreement**”) described in Section 11 hereof, as evidenced by the Grantee’s execution of Schedule 1 to this Agreement and the Non-Compete Agreement, and the delivery of an executed copy of such instruments to the Company. The Grantee hereby acknowledges receipt of a copy of the Plan and this Agreement. The Grantee has read and understands the provisions thereof, and accepts the Option subject to all of the terms, conditions, restrictions and limitations of the Plan and this Agreement. The Grantee acknowledges that there may be adverse tax consequences upon exercise of the Option or disposition of the Shares subject to this Option and that the Grantee should consult a tax advisor prior to such exercise or disposition.

3. Exercise Period: Vesting.

a. Vesting Schedule. The Option will become vested and exercisable with respect to one-sixth of the total number of Shares on _____, 2022, an additional one-sixth of the total number of Shares on _____, 2022, an additional one-sixth of the total number of Shares on _____, 2023, an additional one-sixth of the total number of Shares on _____, 2023, an additional one-sixth of the total number of Shares on _____, 2024, and the final one-sixth of the total number of Shares on _____, 2024, subject to the provisions of Section 4 hereof regarding termination of the Option following the termination of the Grantee’s employment with the Company. Except as otherwise provided herein or in the Plan, in the event that the Grantee’s employment with the Company is terminated prior to the date on which the Option or any portion thereof becomes vested, the unvested portion of the Option shall expire and shall not become exercisable by the Grantee.

b. Accelerated Vesting upon Involuntary Termination. In the event of the Grantee's Involuntary Termination (as defined in the Employment Agreement by and between the Grantee and the Company dated as of July 25, 2021 (the "**Employment Agreement**")) the vesting of the Option shall be accelerated with respect to the number of Shares that would have vested if the Grantee's employment with the Company had continued and ended on the 12-month anniversary following the date of the Involuntary Termination.

c. Accelerated Vesting upon Termination Upon Change of Control. In the event of the Grantee's Termination Upon Change of Control (as defined in the Employment Agreement), the vesting of the Option shall be accelerated with respect to 100% of the Shares subject to the Option.

d. Expiration. This Option will expire on the expiration date set forth on Schedule 1 (the "**Expiration Date**"), or earlier as provided in this Agreement or the Plan and may not be exercised after such date.

4. Termination of Employment.

a. Termination for Reasons Other Than Involuntary Termination, Termination Upon Change of Control, Death, or Permanent Disability. If the Grantee's employment is terminated for any reason other than Involuntary Termination, Termination Upon Change of Control, death or Permanent Disability (as defined in the Employment Agreement), the Grantee may exercise the vested portion of the Option, but only within such period of time ending on the earlier of (i) 30 days following the termination of the Grantee's employment, or (ii) the Expiration Date.

b. Termination due to Involuntary Termination. If the Grantee's employment is terminated due to an Involuntary Termination, the Grantee may exercise the vested portion of the Option, but only within such period of time ending on the earlier of (i) 1 year following the termination of the Grantee's employment, or (ii) the Expiration Date.

c. Termination due to Termination Upon Change of Control. If the Grantee's employment is terminated due to a Termination Upon Change of Control, the Grantee may exercise the vested portion of the Option, but only within such period of time ending on the earlier of (i) 1 year following the termination of the Grantee's employment, or (ii) the Expiration Date.

d. Termination for Cause. If the Grantee's employment is terminated by the Company for Cause (as defined in the Employment Agreement), the Option (whether vested or unvested) shall immediately terminate and cease to be exercisable.

e. Termination due to Permanent Disability. If the Grantee's employment or performance of services terminates as a result of the Grantee's Permanent Disability, the Grantee may exercise the vested portion of the Option, but only within such period of time ending on the earlier of (i) the date 12 months following the Grantee's termination of employment or service, or (ii) the Expiration Date.

f. Termination due to Death. If the Grantee's employment terminates as a result of the Grantee's death, the vested portion of the Option may be exercised by the Grantee's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by the person designated to exercise the Option upon the Grantee's death, but only within the time period ending on the earlier of (i) the date 12 months following the Grantee's death, or (ii) the Expiration Date.

5. Manner of Exercise.

a. Election to Exercise. To exercise the Option, the Grantee (or in the case of exercise after the Grantee's death or incapacity, the Grantee's executor, administrator, heir or legatee, as the case may be) must deliver to the Company a notice of intent to exercise in the manner designated by the Board.

If someone other than the Grantee exercises the Option, then such person must submit documentation reasonably acceptable to the Company verifying that such person has the legal right to exercise the Option.

6. Payment of Exercise Price. The aggregate Exercise Price shall become immediately due upon exercise of the Option and shall be paid in cash or check made payable to the Company. Should the Company's outstanding Stock be registered under Section 12(g) of the Exchange Act at the time the Option is exercised, then the exercise price may also be paid as follows:

a. in shares of Stock held by the Grantee for the requisite period necessary to avoid a charge to the Company's earnings for financial reporting purposes and valued at Fair Market Value on the exercise date, or

b. through a special sale and remittance procedure pursuant to which the Grantee shall concurrently provide irrevocable written instructions (i) to a Company designated brokerage firm to effect the immediate sale of the purchased Shares and remit to the Company, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate Exercise Price payable for the purchased Shares plus all applicable federal, state and local income and employment taxes required to be withheld by the Company by reason of such purchase, and (ii) to the Company to deliver the purchased Shares directly to such brokerage firm in order to complete the sale transaction.

At the discretion of the Board, exercisable at the time of Option exercise, the aggregate Exercise Price may also be paid (x) by Grantee's delivery of a promissory note in form and substance satisfactory to the Company and permissible under applicable securities rules and bearing interest at a rate determined by the Board in its sole discretion, but in no event less than the minimum rate of interest required to avoid the imputation of compensation income to the Grantee under the federal income tax laws, or (y) in such other form of consideration permitted by the State of Nevada corporations law as may be acceptable to the Board including cashless exercise.

The aggregate Exercise Price may also be paid by any combination of the foregoing methods.

7. Withholding. Prior to the issuance of Shares upon the exercise of the Option, the Grantee must make arrangements satisfactory to the Company to pay or provide for any applicable federal, state and local withholding obligations of the Company. The Grantee may satisfy any federal, state or local tax withholding obligation relating to the exercise of the Option by tendering a cash payment. The Company has the right to withhold from any compensation paid to the Grantee.

8. Issuance of Shares. Provided that the exercise notice and payment are in form and substance satisfactory to the Company, the Company shall issue the Shares registered in the name of the Grantee, the Grantee's authorized assignee, or the Grantee's legal representative which shall be evidenced by stock certificates representing the Shares with the appropriate legends affixed thereto, appropriate entry on the books of the Company or of a duly authorized transfer agent, or other appropriate means as determined by the Company. In lieu of the issuance of a share certificate evidencing Shares, the Company may use a "book entry" system in which a computerized or manual entry is made in the records of the Company to evidence the issuance of such Shares. Such Company records are, absent manifest error, binding on all parties.

9. Change of Control.

a. Acceleration of Vesting. Unless otherwise determined by the Board at the time of a Change of Control (as defined in the Employment Agreement), a Change of Control shall have no effect on the Option other than as provided herein.

b. Cash-out. In the event of a Change of Control, the Board may, in its discretion and upon at least 10 days' advance notice to the Grantee, cancel the Option and pay to the Grantee the value of the Option based upon the price per Share received or to be received by other shareholders of the Company in the Change of Control event. Notwithstanding the foregoing, if at the time of a Change of Control the Exercise Price of the Option equals or exceeds the price paid for a Share in connection with the Change of Control, the Board may cancel the Option without the payment of consideration therefor.

10. Nonassignability. Except as otherwise provided herein and in the Plan, the right of the Grantee under this Option shall not be assignable or transferable by the Grantee other than to a designated beneficiary upon the Grantee's death by will or the laws of descent and distribution. Any such assignment or transfer shall be null and void and without effect upon any attempted assignment or transfer, except as provided herein or in the Plan, including, without limitation, any purported assignment, whether voluntary or by operation of law, pledge, hypothecation, or other disposition contrary to the provisions hereof, or levy of execution, attachment, trustee process, or similar process, whether legal or equitable, upon the Option (or the rights represented thereby).

11. Conditions of Granting Award.

(a) Execution of the Non-Compete Agreement. Grantee understands and agrees that, as a condition to the Company granting the Option under this Agreement, he must execute and deliver the Non-Compete Agreement. Grantee further understands that the Non-Compete Agreement shall become effective upon Grantee's execution and delivery thereof and that it shall remain in effect for the period described therein, which period would include a period

following Grantee's termination of employment with the Company irrespective of the whether or not Grantee becomes vested in the Option in accordance with this Agreement.

12. Compliance with Law. The exercise of the Option and the issuance and transfer of Shares shall be subject to compliance by the Company and the Grantee with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's Shares may be listed. No Shares shall be issued pursuant to this Option unless and until any then applicable requirements of state or federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel. The Grantee understands that the Company is under no obligation to register the Shares with the Securities and Exchange Commission, any state securities commission, or any stock exchange to effect such compliance.

13. Adjustments. The Shares subject to the Option may be adjusted or terminated in any manner as contemplated by Section 8 of the Plan.

14. No Right to Continued Employment. Nothing contained in the Plan or in this Agreement, nor any action taken by the Board, shall confer upon Grantee any right with respect to continuation of employment by the Company as an employee or service as an officer or director nor interfere in any way with the right of the Company to terminate Grantee's employment or other service as an employee, officer or director at any time with or without Cause, including during the vesting period.

15. No Rights as Shareholder. The Grantee shall not have any rights as a shareholder with respect to any Shares subject to the Option unless and until certificates representing the Shares have been issued by the Company to the holder of such Shares, or the Shares have otherwise been recorded on the books of the Company or of a duly authorized transfer agent as owned by such holder.

16. Governing Law; Venue; Dispute. This Agreement has been granted, executed and delivered in the State of Ohio, and the interpretation and enforcement shall be governed by the laws thereof without regard to conflict of laws principles, and subject to the exclusive jurisdiction of the courts therein. Any dispute regarding the interpretation of this Agreement shall be submitted by Grantee or the Company to the Board for review. The resolution of such dispute by the Board shall be final, binding and conclusive on the Grantee and the Company.

17. Notices. Any notice required to be given pursuant to this Agreement or the Plan shall be in writing and shall be deemed to be delivered upon receipt or, in the case of notices by the Company, five (5) days after deposit in the U.S. mail, postage prepaid, addressed to Grantee at the address last provided by Grantee for Grantee's service provider records. Any notice to the Company shall be addressed to the chief financial officer or to the chief executive officer of the Company. Either party may designate another address in writing (or by such other method approved by the Company) from time to time.

18. Agreement Subject to Plan. This Agreement is made pursuant to the Plan and shall be interpreted to comply therewith. A copy of the Plan is available to Grantee, at no charge, at the principal office of the Company. The provisions of the Plan, as they may be amended from time to time, are hereby incorporated herein by reference. In the event of a

conflict between any provision contained herein and a provision of the Plan, the applicable provisions of the Plan will govern and prevail.

19. Successors and Assigns. The Company may assign any of its rights under this Agreement. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on assignment and transfer set forth herein, this Agreement will be binding upon the Grantee and the Grantee's beneficiaries, executors, administrators and the person(s) to whom the Option may be transferred by will or the laws of descent or distribution.

20. Severability. The invalidity or unenforceability of any provision of the Plan or this Agreement shall not affect the validity or enforceability of any other provision of the Plan or this Agreement, and each provision of the Plan and this Agreement shall be severable and enforceable to the extent permitted by law.

21. Discretionary Nature of Plan. The Plan is discretionary and may be amended, cancelled or terminated by the Board at any time, in its discretion. The grant of the Option pursuant to this Agreement does not create any contractual right or other right to receive any Options or other Grants in the future. Future Grants, if any, will be at the sole discretion of the Board. Any amendment, modification, or termination of the Plan shall not constitute a change or impairment of the terms and conditions of the Grantee's employment or other service with the Company.

22. Amendment. The Board has the right to amend, alter, suspend, discontinue or cancel the Plan, prospectively or retroactively; provided, that, no such amendment shall alter or impair the Grantee's material rights and obligations under this Agreement without the Grantee's written consent.

23. No Effect on Other Benefits. The value of the Grantee's Option is not part of Grantee's normal or expected compensation for purposes of calculating any severance, retirement, welfare, insurance or similar employee benefit, unless the express provisions of a written service provider benefit provides otherwise.

24. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Counterpart signature pages to this Agreement transmitted by facsimile transmission, by electronic mail in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing an original signature.

IN WITNESS WHEREOF, the parties hereto have caused this Nonstatutory Stock Option Award Agreement to be executed as of the date set forth on Schedule 1 to this Agreement.

[Schedule 1 follows]

Schedule 1

Nonstatutory Stock Option Award Agreement

Name of Grantee: Richard Dauch

Number of Shares:

Exercise Price per Share \$ _____

Date of Grant: , 2021

The undersigned agrees to the terms and conditions of the Plan and Nonstatutory Stock Option Award Agreement of which this Schedule 1 is a part.

COMPANY:

WORKHORSE GROUP INC.,
a Nevada corporation

By: _____

Name: _____

Title: _____

Date: _____

GRANTEE:

By: _____

(signature) _____

Date: _____

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

I, Richard Dauch, 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: November 9, 2021

/s/ Richard Dauch

Richard Dauch,
Chief Executive Officer
(Principal Executive Officer)

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

I, Gregory T. Ackerson, 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: November 9, 2021

/s/ Gregory T. Ackerson

Gregory T. Ackerson,
Chief Financial Officer
(Principal Financial Officer and Principal 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 September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard Dauch, 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: November 9, 2021

/s/ Richard Dauch

Richard Dauch,
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 September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory T. Ackerson, 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: November 9, 2021

/s/ Gregory T. Ackerson

Gregory T. Ackerson,
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)