

AMP Holding Inc.
Form 10-Q
May 20, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2014

or

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

For the transition period from _____ to _____

Commission file number: 000-53704

AMP HOLDING INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

26-1394771

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

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

513-360-4704

Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company

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

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

Common Stock, \$0.001 par value per share
(Class)

99,255,828
(Outstanding at May 20, 2014)

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Forward-Looking Statements

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

All references in this Form 10-Q that refer to the “Company”, “AMP Holding”, “AMP”, “we,” “us” or “our” are to AMP Holding Inc. and unless otherwise differentiated, its wholly-owned subsidiaries, AMP Electric Vehicles Inc. and AMP Trucks Inc.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

(A Development Stage Company)

AMP Holding Inc.

Balance Sheets

March 31, 2014 and December, 31 2013

Assets	March 31, 2014 (Unaudited)	December 31, 2013
Current assets:		
Cash and cash equivalents	\$ 2,706,770	\$ 7,019
Inventory	392,750	392,750
Prepaid expenses and deposits	48,236	43,967
	3,147,756	443,736
Property, plant and equipment, net	4,305,767	4,407,261
	\$ 7,453,523	\$ 4,850,997
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	\$ 1,260,160	\$ 1,546,388
Accounts payable, related parties	467,449	468,165
Customer deposits	177,500	177,500
Shareholder advances	4,141,120	1,934,300
Current portion of long-term debt	248,542	338,225
	\$ 6,294,771	\$ 4,464,578
Long-term debt	2,456,825	2,292,890
Stockholders' equity (deficit):		
Series A preferred stock, par value of \$.001 per share 75,000,000 shares		
shares authorized, 0 shares issued and outstanding at December 31, 2013		
and December 31, 2012	-	-
Common stock, par value of \$.001 per share 250,000,000 shares authorized,		
98,216,014 shares issued and outstanding at March 31, 2014 and		
82,711,524 shares issued and outstanding at		
December 31, 2013	98,214	82,712
Additional paid-in capital	21,926,568	20,321,536
Stock based compensation	5,366,060	5,171,093
Accumulated deficit during the development		
stage	(28,688,915)	(27,481,812)
	(1,298,073)	(1,906,471)

\$	7,453,523	\$	4,850,997
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See accompanying notes to financial statements.

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AMP Holding Inc.
(A Development Stage
Company)
Statements of Operations
For the Three Months Ended March 31,
2014 and 2013
and for the Period From
Inception,
February 20, 2007 to March 31, 2014

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013	Since Date of Inception, February 20, 2007 to March 31, 2014
Sales	\$ -	\$ -	\$ 780,340
Operating Expenses			
Selling, general and administrative	545,530	826,563	15,291,504
Research and development	569,355	728,505	13,569,945
Total operating expenses	1,114,885	1,555,068	28,861,449
Interest expense, net	92,218	28,639	607,806
Net loss during the development stage	\$ (1,207,103)	\$ (1,583,707)	\$ (28,688,915)
Basic and diluted loss per share	\$ (0.01)	\$ (0.02)	\$ -
Weighted average number of common shares outstanding	81,233,095	78,504,998	-

See accompanying notes to financial
statements.

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AMP Holding Inc.
(A Development Stage Company)
Statements of Stockholders' Equity
(Deficit)
From Inception, February 20, 2007
to March 31, 2014

	Common Stock		Series A Preferred Stock		Additional Paid-in Capital	Stock Based Compensation	Accumulated Deficit During the Development Stage	Total Stockholders' Equity (Deficit)
	Number of Shares	Amount	Number of Shares	Amount				
Beginning capital - inception	-	\$-	-	\$-	\$-	\$-	\$-	\$-
Issuance of common stock, and fulfillment of stock subscriptions receivable	7,210	900,000	-	-	-	-	-	900,000
Net loss from operations, period of inception, February 20, 2007 to December 31, 2007	-	-	-	-	-	-	(456,145)	(456,145)
	7,210	\$ 900,000	-	\$-	\$-	\$-	\$(456,145)	\$ 443,855
Issuance of common stock, and fulfillment of stock subscriptions receivable	4,305	875,000	-	-	-	-	-	875,000
March 10, 2008 stock dividend	62,720	-	-	-	-	-	-	-
Share based compensation for the year ended December 31, 2008	-	9,757	-	-	-	-	-	9,757

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Net loss from operations for the year ended								
December 31, 2008								
	-	-	-	-	-	-	(1,383,884)	(1,383,884)
	74,235	\$ 1,784,757	-	\$-	\$-	\$-	\$(1,840,029)	\$(55,272)
January 1, 2009 stock re-pricing agreement								
	18,025	-						-
Issuance of common stock, and fulfillment of stock subscriptions receivable								
	168,210	753,511	-	-	49,989	-	-	803,500
Share based compensation to								
December 28, 2009								
	-	7,983	-	-	-	-	-	7,983
Shares issued out of stock option plan on								
December 31, 2009								
	3,220	-	-	-	-	-	-	-
Net effect of purchase accounting adjustments								
	17,508,759	(2,528,479)	-	-	2,528,479	-	-	-
Conversion of convertible notes								
	-	-	8,375	8	264,992	-	-	265,000
Net loss from operations for the year ended								
December 31, 2009								
	-	-	-	-	-	-	(1,524,923)	(1,524,923)
	17,772,449	\$ 17,772	8,375	\$ 8	\$ 2,843,460	\$-	\$(3,364,952)	\$(503,712)
Conversion of convertible note								
	29,750	30	-	-	9,970	-	-	10,000
Issuance of preferred stock, and fulfillment of stock subscriptions receivable								
	-	-	625	1	24,999	-	-	25,000
Issuance of common stock, and fulfillment of stock subscriptions receivable								
	9,808,566	9,809	-	-	3,682,530	-	-	3,692,339
Conversion of account payable								
	101,636	102	-	-	86,898	-	-	87,000
Share based compensation for the year ended								
December 31, 2010								
	-	-	-	-	-	1,436,979	-	1,436,979

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Net loss from operations for the year ended December 31, 2010								
	-	-	-	-	-	-	(5,028,106)	(5,028,106)
	27,712,401	\$ 27,713	9,000	\$ 9	\$ 6,647,857	\$ 1,436,979	\$(8,393,058)	\$(280,500)

Issuance of common stock, and fulfillment of stock subscriptions receivable								
	9,912,447	9,911	-	-	5,404,830	-	-	5,414,741
Stock options and warrants exercised								
	38,692	39	-	-	12,236	-	-	12,275
Conversion of preferred stock to common stock								
	1,071,110	1,072	(9,000)	(9)	(1,063)	-	-	-

Share based compensation for the year ended December 31, 2011								
	-	-	-	-	-	2,002,891	-	2,002,891

Net loss from operations for the year ended December 31, 2011								
	-	-	-	-	-	-	(8,705,711)	(8,705,711)
	38,734,650	\$ 38,735	-	\$ -	\$ 12,063,860	\$ 3,439,870	\$(17,098,769)	\$(1,556,304)

Issuance of detached warrants in connection with convertible debentures								
	-	-	-	-	91,493	-	-	91,493

Conversion of debentures and interest								
	10,227,070	10,227	-	-	2,035,187	-	-	2,045,414

Conversion of account payable								
	6,993,743	6,993	-	-	766,007	-	-	773,000

Share based compensation for the year ended December 31, 2012								
	-	-	-	-	-	338,853	-	338,853

Net loss from operations for the year ended December 31, 2012								
	-	-	-	-	-	-	(4,272,489)	(4,272,489)
	55,955,463	\$ 55,955	-	\$ -	\$ 14,956,547	\$ 3,778,723	\$(21,371,258)	\$(2,580,033)

Issuance of common stock, and fulfillment of stock subscriptions receivable								
	21,330,000	21,330	-	-	4,254,270	-	-	4,275,600

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Stock options and warrants exercised	18,764	20	-	-	1,143	-	-	1,163
Conversion of convertible note	500,000	500	-	-	99,500	-	-	100,000
Conversion of account payable	4,907,297	4,907	-	-	1,010,076	-	-	1,014,983
Share based compensation for the year ended December 31, 2013	-	-	-	-	-	1,392,370	-	1,392,370
Net loss from operations for the year ended December 31, 2013	-	-	-	-	-	-	(6,110,554)	(6,110,554)
	82,711,524	\$82,712	-	\$-	\$20,321,536	\$5,171,093	\$(27,481,812)	\$(1,906,471)
Issuance of common stock, and fulfillment of stock subscriptions receivable	12,000,000	12,000	-	-	1,188,000	-	-	1,200,000
Stock options and warrants exercised								
Conversion of convertible note								
Conversion of account payable	3,504,490	3,502	-	-	417,032	-	-	420,534
Share based compensation for the year ended March 31, 2014	-	-	-	-	-	194,967	-	194,967
Net loss from operations for the year ended March 31, 2014	-	-	-	-	-	-	(1,207,103)	(1,207,103)
	98,216,014	98,214	-	-	21,926,568	5,366,060	(28,688,915)	(1,298,073)

A vehicle with a fair market value of \$30,400 and cash of \$69,600 was accepted as consideration for issuance of common stock in February 2007.

A vehicle with a fair market value of \$30,884 and cash of \$69,116 was accepted as consideration for issuance of common stock in June 2007.

Consulting services valued at \$50,000 were accepted as consideration for issuance of common stock in October 2008.

Consulting services valued at \$87,000 were accepted as consideration for issuance of common stock in December 2010.

Consulting services valued at \$60,000, \$55,000, and \$203,000 were accepted as consideration for issuance of common stock in March, October, and December 2012, respectively.

Investment Agreement fees valued at \$375,000 were accepted as consideration for issuance of common stock in August 2012.

Legal services valued at \$40,000, \$15,000, and \$25,000 were accepted as consideration for issuance of common stock in September, November, and December 2012, respectively.

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Consulting services valued at \$302,500, \$126,000, \$119,075, \$11,750, and \$155,000 were accepted as consideration for issuance of common stock in March, May, June, July, and September 2013, respectively.

Legal services valued at \$40,000, \$15,000, \$5,000, and \$5,000 were accepted as consideration for issuance of common stock in March, June, July, and August 2013, respectively.

Rent expense valued at \$80,190 was accepted as consideration for issuance of common stock in March, June, July, and August 2013, respectively.

See
accompanying
notes to
financial
statements.

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AMP Holding Inc.

(A Development Stage Company)

Statements of Cash Flows

For the Three Months Ended March 31, 2014 and 2013
and for the Period From Inception,
February 20, 2007 to March 31, 2014

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013	Since Date of Inception, February 20, 2007 to March 31, 2014
Cash flows from operating activities:			
Net loss during the development stage	\$ (1,207,103)	\$ (1,583,707)	\$ (28,688,915)
Adjustments to reconcile net loss from operations to cash used by operations:			
Depreciation	101,494	15,171	714,150
Loss on sale of assets	-	-	27,544
Stock based compensation	194,967	330,116	5,383,800
Interest expense on convertible debentures	13,269	-	172,228
Amortized discount on convertible debentures	-	-	91,493
Legal, consulting and investment services	420,534	342,500	2,436,862
Capitalization of accrued interests	225,000	-	225,000
Effects of changes in operating assets and liabilities:	-	-	-
Inventory	-	-	7,250
Prepaid expenses and deposits	(4,269)	(27,964)	(48,236)
Accounts payable	(299,497)	(114,494)	1,760,527
Accounts payable, related parties	(716)	(17,427)	414,654
Customer deposits	-	110,000	177,500
Net cash used by operations	(556,321)	(945,805)	(17,326,143)
Cash flows from investing activities:			
Cash paid in acquisition of Workhorse Custom Chasis, LLC			
	-	(2,750,000)	(2,750,000)
Capital expenditures	-	-	(376,713)
Proceeds on sale of assets	-	-	38,900
Net cash used by investing activities	-	(2,750,000)	(3,087,813)
Cash flows from financing activities:			
Cash overdraft			1,939,250

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Proceeds from debentures	-	-	160,000
Proceeds from notes payable	-	100,000	(150,000)
Payments on notes payable	-	-	50,000
Proceeds from long-term debt	-	-	(230,884)
Payments on long-term debt	(150,748)	(17,139)	(150,748)
Conversion of note payable	-	-	1,934,300
Shareholder advances, net of repayments	2,206,820	-	18,368,809
Issuance of common and preferred stock	1,200,000	3,685,000	1,200,000
Net cash provided by financing activities	3,256,072	3,767,861	23,120,727
Change in cash and cash equivalents	2,699,751	72,056	2,706,771
Cash at the beginning of the period	7,019	39,819	-
Cash at the end of the period	2,706,770	111,875	2,706,771

Supplemental disclosure of non-cash activities:

Vehicles valued at \$61,284 were contributed as consideration for issuance of common stock in February 2007. Consulting services valued at \$50,000 were accepted as consideration for issuance of common stock in October 2008.

During March 2010 a note payable of \$10,000 was converted to 29,750 shares of common stock.

A vehicle valued at \$33,427 was acquired through bank financing in September 2010.

Consulting services valued at \$87,000 were accepted as consideration for issuance of common stock in December 2010.

Equipment valued at \$14,937 was acquired through debt financing in December 2011.

Consulting services valued at \$60,000, \$55,000, and \$203,000 were accepted as consideration for issuance of common stock in March, October, and December 2012, respectively.

Detachable warrants associated with convertible debentures valued at \$91,493 were recorded as increases to additional paid-in capital from January to August 2012.

Investment Agreement fees valued at \$375,000 were accepted as consideration for issuance of common stock in August 2012.

Legal services valued at \$40,000, \$15,000, and \$25,000 were accepted as consideration for issuance of common stock in September, November, and December 2012, respectively.

During November 2012 debentures for \$1,939,250 and interest of \$106,164 were converted to 10,227,070 shares of common stock.

During December 2012 accounts payable of \$513,636 were converted to notes payable.

During February 2013 a note payable of \$100,000 was converted to 500,000 shares of common stock.

During March 2013, the Company entered into a note payable in the amount of \$2,250,000 related to the acquisition of Workhorse Custom Chasis, LLC. See note 2 to the financial statements.

Consulting services valued at \$302,500, \$126,000, \$119,075, \$11,750, and \$155,000 were accepted as consideration for issuance of common stock in March, May, June, July, and September 2013, respectively.

Legal services valued at \$40,000, \$15,000, \$5,000, and \$5,000 were accepted as consideration for issuance of common stock in March, June, July, and August 2013, respectively.

Rent expense valued at \$80,190 was accepted as consideration for issuance of common stock in March, June, July, and August 2013, respectively.

See accompanying notes to financial statements.

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AMP Holding Inc. and Subsidiaries
(A Development Stage Company)

Notes to Consolidated Financial Statements

For the Three Months Ended March 31, 2014 and 2013
and for the Period From Inception,
February 20, 2007 to March 31, 2014
(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

Nature of operations and principles of consolidation

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

On December 28, 2009, the Company entered into and closed a Share Exchange Agreement with the Shareholders of Advanced Mechanical Products, Inc. (n/k/a AMP Electric Vehicles, Inc.) (AMP) pursuant to which the Company acquired 100% of the outstanding securities of AMP in exchange for 14,890,904 shares of the Company’s common stock. Considering that, following the merger, the AMP Shareholders control the majority of the outstanding voting common stock of the Company, and effectively succeeded the Company’s otherwise minimal operations to those that are AMP. AMP is considered the accounting acquirer in this reverse-merger transaction. A reverse-merger transaction is considered and accounted for as a capital transaction in substance; it is equivalent to the issuance of AMP securities for net monetary assets of the Company, which are de minimus, accompanied by a recapitalization. Accordingly, goodwill or other intangible assets have not been recognized in connection with this reverse merger transaction. AMP is the surviving entity and the historical financials following the reverse merger transaction will be those of AMP. The Company was a shell company immediately prior to the acquisition of AMP pursuant to the terms of the Share Exchange Agreement. As a result of such acquisition, the Company operations are now focused on the design, marketing and sale of modified vehicles with an all-electric power train and battery systems. Consequently, we believe that acquisition has caused the Company to cease to be a shell company as it now has operations. The Company formally changed its name to AMP Holding Inc. on May 24, 2010.

Since the acquisition, the Company has devoted the majority of its resources to the development of an all-electric drive system capable of moving heavy large vehicles ranging from full size SUV’s up to and including Medium Duty Commercial trucks. Additionally, in February, 2013 AMP Holding Inc. formed a new wholly owned subsidiary, AMP Trucks Inc., an Indiana corporation. On March 13, 2013 AMP Trucks Inc. closed on the acquisition of an asset purchase of Workhorse Custom Chassis, LLC. The assets included in this transaction include: The Workhorse brand, access to the dealer network of 440 dealers nationwide, intellectual property, and all physical assets which include the approximately 250,000 sq. ft. of facilities on 48 acres of land in Union City, Indiana. This acquisition allows AMP Holding Inc. the position as a medium duty OEM capable of producing new chassis with electric, propane, compressed natural gas, and hybrid configurations, as well as gasoline drive systems. Revenues since the inception of the Company, February 20, 2007, through the date of these financial statements have not been significant and consist

of customer vehicle conversions and sales of converted experimental vehicles.

Development-stage Company

Based on the Company's business plan, it is a development stage company since planned principal operations resulting in revenue have not fully commenced. Accordingly, the Company presents its financial statements in conformity with the accounting principles generally accepted in the United States of America that apply to developing enterprises. As a development stage enterprise, the Company discloses its retained earnings (or deficit accumulated) during the development stage and the cumulative statements of operations and cash flows from commencement of development stage to the current balance sheet date. The development stage began in 2007 when the Company was organized.

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AMP Holding Inc. and Subsidiaries
(A Development Stage Company)

Notes to Consolidated Financial Statements

For the Three Months Ended March 31, 2014 and 2013
and for the Period From Inception,
February 20, 2007 to March 31, 2014
(Unaudited)

Basis of presentation

The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the Company has limited revenues and has negative working capital and stockholders' deficits. During 2012 and 2013 the lack of liquidity delayed the Company from paying its employees their full salaries. Employee layoffs have occurred and additional layoffs are considered as a means of conserving cash. These conditions raise substantial doubt about the ability of the Company to continue as a going concern.

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

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

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

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

Financial instruments

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

Inventory

Inventory is stated at the lower of cost or market.

Property and depreciation

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

Buildings: 15 - 30 years

Leasehold improvements: 7 years
Software: 3 - 6 years
Equipment: 5 years
Vehicles and prototypes: 3 - 5 years

Capital stock

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

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AMP Holding Inc. and Subsidiaries
(A Development Stage Company)

Notes to Consolidated Financial Statements

For the Three Months Ended March 31, 2014 and 2013
and for the Period From Inception,
February 20, 2007 to March 31, 2014
(Unaudited)

The capital stock of the Company is as follows:

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

Common Stock - The Company has authorized 250,000,000 shares of common stock with a par value of \$.001 per share.

Revenue recognition / customer deposits

It is the Company's policy that revenues will be recognized in accordance with SEC Staff Bulletin (SAB) No. 104, "Revenue Recognition". Under SAB 104, product revenues (or service revenues) are recognized when persuasive evidence of an arrangement exists, delivery has occurred (or service has been performed), the sales price is fixed and determinable, and collectability is reasonably assured. Customer deposits include monies from customers to reserve a production slot for conversion of an OEM power train to the AMP all electric power train. The final retail price and delivery date are yet to be determined. Customer deposits are subject to a full refund at the request of the customer.

Income taxes

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

As no taxable income has occurred from the date of this merger to March 31, 2014 cumulative deferred tax assets of approximately \$6,766,000 are fully reserved, and no provision or liability for federal or state income taxes has been included in the financial statements. Net operating losses of approximately \$ 3,600,000 are available for carryover to be used against taxable income generated through 2030, net operating losses of approximately \$6,700,000 are available for carryover to be used against taxable income generated through 2031, net operating losses of approximately \$3,900,000 are available for carryover to be used against taxable income generated through 2032, net operating losses of approximately \$4,700,000 are available for carryover to be used against taxable income generated through 2033, and net operating losses of approximately \$1,000,000 are available for carryover to be used against taxable income generated through 2034. The Company had not filed income tax returns during its period as a shell company.

Uncertain tax positions

The Company adopted the provisions of Accounting for Uncertainty in Income Taxes. Those provisions clarify the accounting and recognition for income tax positions taken or expected to be taken in the Company's income tax returns. The Company's income tax filings are subject to audit by various taxing authorities. The years of filings open to these authorities and available for audit are 2010 - 2012. The Company's policy with regard to interest and penalties is to recognize interest through interest expense and penalties through other expense. No interest or penalties with regard to income tax filings were incurred in 2014 or 2013, or since the period of inception, February 20, 2007. In evaluating the Company's tax provisions and accruals, future taxable income, and the reversal of temporary differences, interpretations and tax planning strategies are considered. The Company believes their estimates are appropriate based on current facts and circumstances.

Research and development costs

The Company expenses research and development costs as they are incurred. Research and Development costs were approximately \$569K and \$729K for the three month period ended March 31, 2014 and 2013, and \$13.6 million for the period of inception to March 31, 2014, consisting primarily of personnel costs for our teams in engineering and research, prototyping expense, and contract and professional services. Union City plant expenses prior to the start of production are also included in research and development expenses.

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Basic and diluted loss per share

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

Stock based compensation

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

Related party transactions

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

Subsequent events

On March 18, 2014, the Company entered into a Subscription Agreement with Joseph T. Lukens ("Lukens"), an existing shareholder and an accredited investor, whereby Lukens agreed to acquire 30,000,000 shares of common stock and Common Stock Purchase Warrants to acquire 15,000,000 shares of common stock in consideration of \$3,000,000.

2. PROPERTY, PLANT AND EQUIPMENT

As of March 31, 2014 and December 31, 2013, our property, plant and equipment, net, consisted of the following:

	March 31, 2014	December 31, 2013
Land	300,000	300,000
Buildings	3,800,000	3,800,000
Leasehold Improvements	19,225	19,225
Software	27,721	27,721
Equipment	670,183	670,183
Vehicles and prototypes	164,959	164,959
	4,982,088	4,982,088

Less accumulated depreciation	(676,321)	(574,827)
	4,305,767	4,407,261

On March 13, 2013 the Company acquired the operating assets of Workhorse Custom Chassis, LLC, an unrelated company located in Union City, Indiana. The following summarizes the consideration paid, and the components of the purchase price and the related allocation of assets acquired and liabilities assumed.

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Consideration	
Cash at closing	\$2,750,000
Secured debenture	2,250,000
	\$5,000,000
Assets acquired	
Inventory	\$400,000
Equipment	500,000
Land	300,000
Buildings	3,800,000
	\$5,000,000

Valuation methods used for the identifiable assets acquired in the acquisition make use of fair value measurements based on unobservable inputs and reliance on management's assumptions that similar market participants would use in pricing the assets. As such, the fair value measurements represent a Level 3 input.

3. LONG-TERM DEBT

Long-term debt consists of the following:

	March 31, 2014	December 31, 2013
Secured debenture payable to Workhorse Custom Chassis, LLC, due March 2016 plus interest at 10%. The debenture is secured by the real estate and related assets of the plant located in Union City, Indiana with a net book value of \$4,246,667 at March 31, 2014	2,475,000	2,250,000
Note payable, Bank due in monthly installments of \$635 including interest at 5.04% with the final payment due August 2015. The note is secured by equipment with a net book value of \$9,476 at March 31, 2014	10,163	11,928
Note payable, vendor due in monthly installments of \$439 including interest at 8.00% with the final payment due December 2014. The note is secured by equipment with a net book value of \$8,028 at March 31, 2014	3,803	5,051
Note payable to the City of Loveland, due in annual installments of \$10,241 including interest with the final payment due October 2016. Interest rate amended to 8.00%. The note is unsecured and contains restrictions on the use of proceeds.	50,000	50,000
Note payable, vendor due in monthly installments of \$5,000 for the first half of 2013, escalating to final payment of \$43,736 which was paid in March 2014.	-	123,736

Note payable, vendor due in monthly installments of \$2,000 plus interest at 4% for the first half of 2013, escalating to final payment of \$18,461 plus interest at 4% in December 2014. Note is unsecured.	166,400	190,400
	2,705,366	2,631,115
Less current portion	248,542	338,468
Long term debt	2,456,824	2,292,647

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Aggregate maturities of long-term debt are as follows:

2014	248,542
2015	13,559
2016	2,194,723
	2,456,824

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

4. CONVERTIBLE DEBENTURES

From January 6, 2012 through August 3, 2012, the Company entered into Securities Purchase Agreements and Security Agreements with several accredited investors (the "2012 Investors") providing for the sale by the Company to the 2012 Investors of Secured Convertible Debentures in the aggregate amount of \$1,939,250 (the "2012 Notes"). The Company received the proceeds in connection with these financings between January 6, 2012 and August 3, 2012. Further a shareholder, director and officer converted secured and unsecured loans provided to the Company from September 30, 2011 to June 5, 2012 in the aggregate amount of \$389,250 into the 2012 Notes and 2012 Warrants. The 2012 Notes were to mature one year from their respective effective dates (the "Maturity Dates") and interest associated with the 2012 Notes was 10% per annum, payable on the Maturity Dates. In November 2012, the Company entered into a Note and Warrant Amendment and Conversion Agreement whereby the holders and the 2012 Investors converted all principal and interest under the 2012 Notes into 10,227,070 shares of common stock. Further, the exercise price of the 2012 Warrants was reduced to \$0.25 per share.

In addition to the 2012 Notes, the 2012 Investors also received common stock purchase warrants (the "2012 Warrants") to acquire 1,939,250 shares of common stock of the Company. The 2012 Warrants are exercisable for three years at an exercise price of \$0.50 per share, reduced to \$0.25 per share as noted above. The value of the detachable 2012 Warrants was determined using a lattice-based valuation model that used an expected volatility, estimated by management as 50% based on a range of forecasted results, and an expected risk-free rate of return, based on market yields in effect on the grant dates for United States Treasury debt securities with a three year maturity. The \$91,493 value of the detachable 2012 Warrants was recorded as an increase in additional paid-in capital and a discount against the 2012 Notes. The discount on the 2012 notes was amortized as interest expense during the period that the 2012 Notes were outstanding. Amortization charged to the Statement of Operations is \$91,493 for the year ended December 31, 2012.

The 2012 Notes and the 2012 Warrants carry standard anti-dilution provisions but in no event may the conversion price be reduced below \$0.25. Further, the 2012 Investors will have the right to participate in the next financing on a pro-rata basis up to \$1,000,000.

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5. SHAREHOLDER AND RELATED PARTY ADVANCES

Investor advances are as follows:

March 31, 2014	December 31, 2013	Rate	Date	Expire	Note
43,000	43,000	3%	11/30/2009	3/31/2012	1
10,000	15,000	10%	10/5/2012	10/5/2013	1
100,000	100,000	10%	10/16/2012	10/16/2013	1
100,000	100,000	10%	10/16/2012	10/16/2013	1
50,000	50,000	10%	10/19/2012	10/19/2013	1
50,000	50,000	10%	11/2/2012	11/2/2013	1
50,000	50,000	10%	11/8/2012	11/8/2013	1
100,000	100,000	10%	12/6/2012	12/6/2013	1
50,000	50,000	10%	12/19/2012	12/19/2013	1
3,200	3,200	10%	10/10/2013	10/10/2014	
2,500	2,500	10%	11/5/2013	11/5/2014	
200,000	200,000	10%	11/12/2013	11/12/2014	
50,000	50,000	10%	12/2/2013	12/2/2014	
50,000	50,000	10%	12/30/2013	12/30/2014	
-	80,000		12/11/2013		2
3,282,420	990,600		Various	Various	3
4,141,120	1,934,300				

- 1 The term of the advance has expired but the shareholders have not demanded repayment. The Company is negotiating to have the advances converted into equity during the second quarter of 2014.
- 2 Paid on 3/8/2014.
- 3 Various non-interest bearing shareholders' deposits. Being converted into equity second quarter 2014.

6. LEASE OBLIGATIONS

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

2014	114,517
2015	156,881

2016	161,588
2017	166,435
2018	127,614
	727,035

Total rent expense under these operating type leases for the three months ended March 31, 2014 and 2013 was \$43K and \$40K, respectively, and \$644K for the period from inception to March 31, 2014.

7. STOCK BASED COMPENSATION

Options to directors, officers and employees

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

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

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

	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Grant Date Fair Value per Share	Weighted Average Remaining Exercise Term in Months
Outstanding at December 31, 2010	4,940,000	\$0.56	\$0.33	77
Exercisable at December 31, 2010	1,854,625	\$0.53	\$0.32	75
Granted	3,425,000	0.63	0.28	54
Exercised	(29,750)	0.41	0.26	40
Forfeited	-	-	-	-
Expired	-	-	-	-