

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

FORM 8-K

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

Date of Report (Date of earliest event reported): June 30, 2015

WORKHORSE GROUP INC.

(Exact name of registrant as specified in its charter)

Nevada	000-53704	26-1394771
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification Number)

100 Commerce Drive, Loveland, Ohio 45140
(Address of principal executive offices) (zip code)

513-360-4704
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry Into A Material Definitive Agreement

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

Item 3.02 Unregistered Sales of Equity Securities

On June 30, 2015, (the "Initial Closing Date"), Workhorse Group Inc. (the "Company") entered into a Securities Purchase Agreement (the "Peak One Agreement") with Peak One Opportunity Fund L.P., a Delaware limited partnership ("Peak One"). Pursuant to the Peak One Agreement, Peak One agreed to purchase from the Company up to \$500,000 in convertible debentures (the "Debentures"), bearing interest at a rate of 0% per annum, with maturity on the third anniversary of the respective date of issuance, for an aggregate purchase price of \$450,000.

On the Initial Closing Date, the Company issued and sold to Peak One, and Peak One purchased from the Company, a first Debenture in the principal amount of \$150,000 for a purchase price of \$135,000. The Peak One Agreement provides that, subject to the Company's compliance with certain conditions to closing, (i) any time after 60 days from the Initial Closing Date, the Company will issue and sell to Peak One, and Peak One will purchase from the Company, a second Debenture in the principal amount of \$150,000 for a purchase price of \$135,000 and (ii) any time after 60 days from the closing of the second Debenture, the Company will issue and sell to Peak One, and Peak One will purchase from the Company, a third Debenture in the principal amount of \$200,000 for a purchase price of \$180,000. The Company will use the proceeds from the Debentures for general working capital purposes.

The principal amount of the Debentures can be converted at the option of Peak One into shares of the Company's common stock, par value \$0.001 per share, at a conversion price per share equivalent to the lower of \$0.30 or 65% of the lowest closing bid price for the Company's common stock during the previous 20 trading days. As part of the transaction, the Company agreed to reimburse Peak One for certain transaction costs and expenses in relation thereto, and to pay Peak One Investments, LLC ("Peak One Investments") the amount of \$5,000 and issue 75,000 shares of the Company's common stock as restricted shares. The Debentures may not be converted and/or exercised into more than 4.99% of the Company's outstanding common stock at any point in time.

At the option of the Company and subject to certain conditions, upon no more than two days written notice, the outstanding principal and accrued interest of the Debentures will be redeemable, in whole or in part, at (i) 100% of the principal amount of and accrued interest on the Debenture to be redeemed if the redemption occurs within ninety 90 days after the closing date, (ii) 110% of the principal amount of the Debenture to be redeemed if the redemption occurs between 91 and 120 days after the closing date, (iii) 120% of the principal amount on the Debenture if the redemption occurs between 121 days and 150 days of the closing date, (iv) 125% of the principal amount on the Debenture if the redemption occurs 151 days and 180 days of the closing date and (v) 130% if the redemption occurs more than 181 days following the closing date.

The sale of the Debenture was completed on June 30, 2015. As of the date hereof, the Company is obligated on \$150,000 in face amount of Debenture issued to Peak One. The Debenture is a debt obligation arising other than in the ordinary course of business which constitute a direct financial obligation of the Company.

The Debenture was offered and sold to the investor in a private placement transaction made in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933 (the "Securities Act") and/or Rule 506 promulgated under the Securities Act. Peak One is an accredited investors as defined in Rule 501 of Regulation D promulgated under the Securities Act.

Item 9.01 Financial Statements and Exhibits

Exhibit No.	Description of Exhibit
4.1	Securities Purchase Agreement, dated June 30, 2015, between the Company and Peak One
4.2	Debenture, issued June 30, 2015, by the Company to Peak One

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 hereunto duly authorized.

Date: July 1, 2015

WORKHORSE GROUP INC.

By: /s/ Stephen Burns

Name: Stephen Burns

Title: CEO

SECURITIES PURCHASE AGREEMENT

THIS SECURITIES PURCHASE AGREEMENT (the “Agreement”), dated as of June 30, 2015, is entered into by and between WORKHORSE GROUP INC., a Nevada corporation, (the “Company”) and PEAK ONE OPPORTUNITY FUND, L.P., a Delaware limited partnership (the “Buyer”).

WITNESSETH:

WHEREAS, the Company and the Buyer are executing and delivering this Agreement in accordance with and in reliance upon the exemption from securities registration afforded, *inter alia*, by Rule 506 under Regulation D (“Regulation D”) as promulgated by the United States Securities and Exchange Commission (the “SEC”) under the Securities Act of 1933, as amended (the “1933 Act”), and/or Section 4(2) of the 1933 Act; and

WHEREAS, the Buyer wishes to purchase from the Company, and the Company wishes to sell the Buyer, upon the terms and subject to the conditions of this Agreement, securities consisting of the Company’s Convertible Debentures due three years from the respective dates of issuance (the “Debentures”), each of which are in the form of Exhibit A hereto, which will be convertible into shares of the Company’s common stock, par value \$0.001 per share (the “Common Stock”), in the aggregate principal amount of up to Five Hundred Thousand and 00/100 Dollars (\$500,000.00), for an aggregate purchase price of up to Four Hundred Fifty Thousand and 00/100 Dollars (\$450,000.00), all upon the terms and subject to the conditions of this Agreement, the Debentures, and other related documents;

NOW THEREFORE, in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **DEFINITIONS; AGREEMENT TO PURCHASE.**

a . **Certain Definitions.** As used herein, each of the following terms has the meaning set forth below, unless the context otherwise requires:

(i) “Affiliate” means, with respect to a specific Person referred to in the relevant provision, another Person who or which controls or is controlled by or is under common control with such specified Person.

(ii) “Certificates” means the relevant Restricted Stock certificates duly executed on behalf of the Company and issued hereunder.

(iii) “Closing Date” means the date on which one of the three Closings are held, which are the Signing Closing Date, the Second Closing Date and the Third Closing Date.

- (iv) "Commitment Fee" shall have the meaning ascribed to such term in Section 12(a).
- (v) "Common Stock" shall have the meaning ascribed to such term in the Recitals.
- (vi) "Conversion Price" means the lesser of (i) \$0.30 per share (subject to equitable adjustments resulting from any stock splits, stock dividends, recapitalizations or similar events), and (ii) sixty five percent (65%) of the lowest closing bid price (as reported by Bloomberg LP) of Common Stock for the twenty (20) trading days immediately preceding the date of conversion of the Debentures (subject to equitable adjustments resulting from any stock splits, stock dividends, recapitalizations or similar events).
- (vii) "Conversion Shares" means the shares of Common Stock issuable upon conversion of the Debentures.
- (viii) "Dollars" or "\$" means United States Dollars.
- (ix) "Exchange Act" means the Securities Exchange Act of 1934, as amended.
- (x) "Material Adverse Effect" means a material adverse effect on the business, operations or condition (financial or otherwise), prospects or results of operation of the Company and its Subsidiaries taken as a whole, in the sole and absolute discretion of the Buyer, irrespective of any finding of fault, magnitude of liability (or lack of financial liability) or purported lack of materiality (it being understood that the mere finding of any such violation is in itself material and adverse). Without limiting the generality of the foregoing, the occurrence of any of the following, in the sole and absolute discretion of the Buyer, shall be considered a Material Adverse Effect: (i) any final money, judgment, writ or warrant of attachment, or similar process (including an arbitral determination) in excess of One Hundred Thousand Dollars (\$100,000) shall be entered or filed against the Company or any of its Subsidiaries (including, in any event, products liability claims against the Company or its Subsidiaries), (ii) the suspension or withdrawal of any governmental authority or permit pertaining to a material amount of the Company's or any Subsidiary's products or services, (iii) the loss of any material insurance coverage (including, in any case, comprehensive general liability coverage, products liability coverage or directors and officers coverage, in each case in effect at the time of execution and delivery of this Agreement), (iv) an action by a regulatory agency or governmental body affecting the Common Stock resulting in the suspension of trading of the Common Stock by the Financial Industry Regulation Authority ("FINRA"), the SEC, the OTC Bulletin Board ("OTCBB") or the OTC Markets Group, Inc., the failure of the Common Stock to be DTC eligible or the placing of the Common Stock on the DTC "chill list" or (2) the engaging in any market manipulation or other unlawful or improper trading or other activity by any Affiliate), (v) the Company's independent registered accountants shall resign under circumstances where a disagreement exists between the Company, (vi) the Company shall fail to timely file any disclosure document as required by applicable federal or state securities laws and regulations or by the rules and regulations of any exchange, trading market or quotation system to which the Company or the Common Stock is subject, or (vii) the Chief Executive Officer of the Company or any other key director of the Company, shall, for any reason (including, without limitation, termination, resignation, retirement, death or disability) cease to act on behalf of the Company in the same role and to the same extent as his or her involvement as of the date of execution and delivery of this Agreement.
- (xi) "Person" means any living person or any entity, such as, but not necessarily limited to, a corporation, partnership or trust.
- (xii) "Purchase Price" means the price that the Buyer pays for the Debentures at each respective Closing, which are the Signing Purchase Price, the Second Purchase Price and the Third Purchase Price, as defined in Sections 6(a), 6(b) and 6(c), respectively.
- (xiii) "Restricted Stock" shall mean shares of Common Stock which are not freely trading shares when issued.
- (xiv) "Securities" means the Debentures, the Shares and the Restricted Stock issuance contemplated by Section 12(a).
- (xv) "Shares" means the Conversion Shares.
- (xvi) "Second Closing Date" shall have the meaning ascribed to such term in Section 6(b).
- (xvii) "Second Debenture" means the second of the three (3) Debentures, in the principal amount of One Hundred Fifty Thousand and 00/100 Dollars (\$150,000.00), which is issued by the Company to the Buyer on the Second Closing Date.

(xviii) “Second Purchase Price” shall have the meaning ascribed to such term in Section 6(b).

(xix) “Signing Closing Date” shall have the meaning ascribed to such term in Section 6(a).

(xx) “Signing Debenture” means the first of the three (3) Debentures, in the principal amount of One Hundred Fifty Thousand and 00/100 (\$150,000.00), to be issued by the Company to the Buyer on the Signing Closing Date.

(xxi) “Signing Purchase Price” shall have the meaning ascribed to such term in Section 6(a).

(xxii) “Subsidiary” shall have the meaning ascribed to such term in Section 3(b).

(xxiii) “Third Closing Date” shall have the meaning ascribed to such term in Section 6(c).

(xxiv) “Third Debenture” means the third of the three (3) Debentures, in the principal amount of Two Hundred Thousand and 00/100 (\$200,000.00), to be issued by the Company to the Buyer on the Third Closing Date.

(xxv) “Third Purchase Price” shall have the meaning ascribed to such term in Section 6(c).

(xxvi) “Transaction Documents” means, collectively, this Agreement, the Debentures, the Transfer Agent Instruction Letter, and the other agreements, documents and instruments contemplated hereby or thereby.

(xxvii) “Transfer Agent” shall have the meaning ascribed to such term in Section 4(a).

(xxviii) “Transfer Agent Instruction Letter” shall have the meaning ascribed to such term in Section 5(a).

b. Purchase and Sale of Debentures.

(i) The Buyer agrees to purchase from the Company, and the Company agrees to sell to the Buyer, the Debentures on the terms and conditions set forth below in this Agreement and the other Transaction Documents.

(ii) Subject to the terms and conditions of this Agreement and the other Transaction Documents, the Buyer will purchase the Debentures at certain closings (each, a “Closing”) to be held on certain respective Closing Dates.

2. BUYER’S REPRESENTATIONS, WARRANTIES, ETC.

The Buyer represents and warrants to, and covenants and agrees with, the Company as follows:

a. **Investment Purpose.** The Buyer is purchasing the Debentures, and will be acquiring the Conversion Shares, for its own account for investment only and not with a view towards the public sale or distribution thereof and not with a view to or for sale in connection with any distribution thereof.

b. **Accredited Investor Status.** Buyer is (i) an “accredited investor” as that term is defined in Rule 501 of the General Rules and Regulations under the 1933 Act by reason of Rule 501(a)(3), (ii) experienced in making investments of the kind described in this Agreement and the related documents, (iii) able, by reason of the business and financial experience of its officers (if an entity) and professional advisors (who are not affiliated with or compensated in any way by the Company or any of its affiliates or selling agents), to protect its own interests in connection with the transactions described in this Agreement, and the related documents, and (iv) able to afford the entire loss of its investment in the Securities.

c. **Subsequent Offers and Sales.** All subsequent offers and sales of the Securities by the Buyer shall be made pursuant to registration of the Shares under the 1933 Act or pursuant to an exemption from registration and compliance with applicable states’ securities laws.

d . **Reliance on Exemptions.** Buyer understands that the Securities are being offered and sold to it in reliance on specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying upon the truth and accuracy of, and the Buyer's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of the Buyer to acquire the Securities.

e . **Information.** Buyer and its advisors have been furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Securities which have been requested by the Buyer. Buyer and its advisors have been afforded the opportunity to ask questions of the Company and have received complete and satisfactory answers to any such inquiries. Without limiting the generality of the foregoing, Buyer has also had the opportunity to obtain and to review the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, the Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2015 and the Form 8-K Current Report filed with the SEC on June 16, 2015, in each case including the financial statements included therein (the "SEC Documents").

f . **Investment Risk.** Buyer understands that its investment in the Securities involves a high degree of risk, including the risk of loss of the Buyer's entire investment.

g . **Governmental Review.** Buyer understands that no United States federal or state agency or any other government or governmental agency has passed on or made any recommendation or endorsement of the Securities.

h . **Organization; Authorization.** Buyer is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization. This Agreement and the other Transaction Documents have been duly and validly authorized, executed and delivered on behalf of the Buyer and create a valid and binding agreement of the Buyer enforceable in accordance with its terms, subject as to enforceability to general principles of equity and to bankruptcy, insolvency, moratorium and other similar laws affecting the enforcement of creditors' rights generally.

i . **Residency.** The state in which any offer to purchase shares hereunder was made to or accepted by Buyer is the state shown as the Buyer's address contained herein.

3. COMPANY REPRESENTATIONS AND WARRANTIES, ETC.

The Company represents and warrants to the Buyer that:

a . **Concerning the Debentures and the Shares.** There are no preemptive rights of any stockholder of the Company to acquire the Debentures or the Shares.

b . **Organization; Subsidiaries; Reporting Company Status.** Attached hereto as Schedule 3(b) is an organizational chart describing all of the Company's wholly-owned and majority-owned subsidiaries (the "Subsidiaries") and the relationships among the Company and such Subsidiaries, including as to each Subsidiary its jurisdiction of organization and the percentage of ownership held by the Company, and the parent company of the Company, including the percentage of ownership of the Company held by it. The Company and each Subsidiary is a corporation or other form of businesses entity duly organized, validly existing and in good standing under the laws its respective jurisdiction of organization, and each of them has the requisite corporate or other power to own its properties and to carry on its business as now being conducted. The Company and each Subsidiary is duly qualified as a foreign corporation or other entity to do business and is in good standing in each jurisdiction where the nature of the business conducted or property owned by it makes such qualification necessary, other than those jurisdictions in which the failure to so qualify would not have a Material Adverse Effect. The Common Stock is listed and traded on the OTCQB Market of the OTC Markets Group, Inc. (trading symbol: WKHS). The Company has received no notice, either oral or written, from FINRA, the SEC, or any other organization, with respect to the continued eligibility of the Common Stock for such listing, and the Company has maintained all requirements for the continuation of such listing.

c . **Authorized Shares.** Schedule 3(c) sets forth all capital stock and derivative securities of the Company that are authorized for issuance and that are issued and outstanding. All issued and outstanding shares of Common Stock have been duly authorized and validly issued and are fully paid and nonassessable. The Company has sufficient authorized and unissued shares of Common Stock as may be necessary to effect the issuance of the Shares, assuming the prior issuance and exercise, exchange or conversion, as the case may be, of all derivative securities authorized, as indicated in Schedule 3(c). The Shares have been duly authorized and, when issued upon conversion of, or as interest on, the Debentures, the Shares will be duly and validly issued, fully paid and non-assessable and will not subject the holder thereof to personal liability by reason of being such holder. At all times, the Company shall keep available and reserved for issuance to the holders of the Debentures shares of Common Stock duly authorized for issuance against the Debentures.

d . **Authorization.** This Agreement, the issuance of the Debentures (including without limitation the incurrence of indebtedness thereunder) and Restricted Stock and the other transactions contemplated by the Transaction Documents, have been duly and validly authorized by the Company, and this Agreement has been duly executed and delivered by the Company. Each of the Transaction Documents, when executed and delivered by the Company, are and will be, valid, legal and binding agreements of the Company, enforceable in accordance with their respective terms, subject as to enforceability to general principles of equity and to bankruptcy, insolvency, moratorium, and other similar laws affecting the enforcement of creditors' rights generally.

e . **Non-contravention.** The execution and delivery of the Transaction Documents, the issuance of the Securities and the consummation by the Company of the other transactions contemplated by this Agreement and the Debentures (including without limitation the incurrence of indebtedness thereunder) do not and will not conflict with or result in a breach by the Company of any of the terms or provisions of, or constitute a default under (i) the articles of incorporation or by-laws of the Company, each as currently in effect, (ii) any indenture, mortgage, deed of trust, or other material agreement or instrument to which the Company is a party or by which it or any of its properties or assets are bound, including any listing agreement for the Common Stock, except as herein set forth or an event which results in the creation of any lien, charge or encumbrance upon any assets of the Company or the triggering of any preemptive or anti-dilution rights or rights of first refusal or first offer on the part of holders of the Company's securities, (iii) to its knowledge, any existing applicable law, rule, or regulation or any applicable decree, judgment, or order of any court, United States federal or state regulatory body, administrative agency, or other governmental body having jurisdiction over the Company or any of its properties or assets, or (iv) the Company's listing agreement for its Common Stock (if applicable), except such conflict, breach or default which would not have a Material Adverse Effect.

f . **Approvals.** No authorization, approval or consent of any court, governmental body, regulatory agency, self-regulatory organization, or stock exchange or market or the stockholders of the Company is required to be obtained by the Company for the entering into and performing this Agreement and the other Transaction Documents (including without limitation the issuance and sale of the Securities to the Buyer as contemplated by this Agreement) except such authorizations, approvals and consents that have been obtained, or such authorizations, approvals and consents, the failure of which to obtain would not have a Material Adverse Effect.

g . **SEC Filings; Shell Company Status.** None of the SEC Documents contained, at the time they were filed, any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements made therein in light of the circumstances under which they were made, not misleading. The Company timely filed all requisite forms, reports and exhibits thereto with the SEC as required. The Company is not aware of any event occurring on or prior to the execution and delivery of this Agreement that would require the filing of, or with respect to which the Company intends to file, a Form 8-K after such time. Either (i) the Company satisfies the requirements of Rule 144(i)(2) as of the date hereof and shall continue to do so for as long as any Securities are outstanding or (ii) neither the Company nor any of its corporate predecessors is or has at any time been a shell company (as defined by the SEC).

h . **Absence of Certain Changes.** Since December 31, 2014, when viewed from the perspective of the Company and its Subsidiaries taken as a whole, there has been no material adverse change and no material adverse development in the business, properties, operations, condition (financial or otherwise), or results of operations of the Company and its Subsidiaries (including, without limitation, a change or development which constitutes, or with the passage of time is reasonably likely to become, a Material Adverse Effect), except as disclosed in the SEC Documents. Since December 31, 2014, except as provided in the SEC Documents, the Company has not (i) incurred or become subject to any material liabilities (absolute or contingent) except liabilities incurred in the ordinary course of business consistent with past practices; (ii) discharged or satisfied any material lien or encumbrance or paid any material obligation or liability (absolute or contingent), other than current liabilities paid in the ordinary course of business consistent with past practices; (iii) declared or made any payment or distribution of cash or other property to stockholders with respect to its capital stock, or purchased or redeemed, or made any agreements to purchase or redeem, any shares of its capital stock; (iv) sold, assigned or transferred any other tangible assets, or canceled any debts or claims, except in the ordinary course of business consistent with past practices; (v) suffered any substantial losses or waived any rights of material value, whether or not in the ordinary course of business, or suffered the loss of any material amount of existing business; (vi) made any changes in employee compensation, except in the ordinary course of business consistent with past practices; or (vii) experienced any material problems with labor or management in connection with the terms and conditions of their employment.

i . **Full Disclosure.** There is no fact known to the Company (other than general economic conditions known to the public generally or as disclosed in the SEC Documents) that has not been disclosed in writing to the Buyer that (i) would reasonably be expected to have a Material Adverse Effect, (ii) would reasonably be expected to materially and adversely affect the ability of the Company to perform its obligations pursuant to the Transaction Documents, or (iii) would reasonably be expected to materially and adversely affect the value of the rights granted to the Buyer in the Transaction Documents.

j . **Absence of Litigation.** Except as described in the SEC Documents, there is no action, suit, proceeding, inquiry or investigation before or by any court, public board or body pending or, to the knowledge of the Company, threatened against or affecting the Company, wherein an unfavorable decision, ruling or finding would have a Material Adverse Effect or which would adversely affect the validity or enforceability of, or the authority or ability of the Company to perform its obligations under, any of the Transaction Documents. The Company is not a party to or subject to the provisions of, any order, writ, injunction, judgment or decree of any court or government agency or instrumentality which could reasonably be expected to have a Material Adverse Effect.

k . **Absence of Liens.** Except as described in the SEC Documents, the Company's assets are not encumbered by any liens or mortgages.

l . **Absence of Events of Default.** No Event of Default (or its equivalent term), as defined in the respective agreement, indenture, mortgage, deed of trust or other instrument, to which the Company is a party, and no event which, with the giving of notice or the passage of time or both, would become an Event of Default (or its equivalent term) (as so defined in such document), has occurred and is continuing, which would have a Material Adverse Effect.

m . **No Undisclosed Liabilities or Events.** The Company has no liabilities or obligations other than those disclosed in the SEC Documents or those incurred in the ordinary course of the Company's business since December 31, 2014, and which individually or in the aggregate, do not or would not have a Material Adverse Effect. No event or circumstances has occurred or exists with respect to the Company or its properties, business, condition (financial or otherwise), or results of operations, which, under applicable law, rule or regulation, requires public disclosure or announcement prior to the date hereof by the Company but which has not been so publicly announced or disclosed. There are no proposals currently under consideration or currently anticipated to be under consideration by the Board of Directors or the executive officers of the Company which proposal would (x) change the articles of incorporation, by-laws or any other charter document of the Company, each as currently in effect, with or without shareholder approval, which change would reduce or otherwise adversely affect the rights and powers of the shareholders of the Common Stock or (y) materially or substantially change the business, assets or capital of the Company.

n . **No Integrated Offering.** Neither the Company nor any of its affiliates nor any Person acting on its or their behalf has, directly or indirectly, at any time during the six month period immediately prior to the date of this Agreement made any offer or sales of any security or solicited any offers to buy any security under circumstances that would eliminate the availability of the exemption from registration under Rule 506 of Regulation D in connection with the offer and sale of the Securities as contemplated hereby.

o . **Dilution.** The number of Shares issuable upon conversion of the Debentures may increase substantially in certain circumstances, including, but not necessarily limited to, the circumstance wherein the market price of the Common Stock declines prior to the conversion of the Debentures. The Company's executive officers and directors have studied and fully understand the nature of the securities being sold hereby and recognize that they have a potential dilutive effect and further that the conversion of the Debentures and/or sale of the Conversion Shares may have an adverse effect on the market price of the Common Stock. The Board of Directors of the Company has concluded, in its good faith business judgment that such issuance is in the best interests of the Company. The Company specifically acknowledges that its obligation to issue the Conversion Shares upon conversion of the Debentures is binding upon the Company and enforceable regardless of the dilution such issuance may have on the ownership interests of other shareholders of the Company.

p . **Regulatory Permits.** The Company has all such permits, easements, consents, licenses, franchises and other governmental and regulatory authorizations from all appropriate federal, state, local or other public authorities (“Permits”) as are necessary to own and lease its properties and conduct its businesses in all material respects in the manner described in the SEC Documents and as currently being conducted. All such Permits are in full force and effect and the Company has fulfilled and performed all of its material obligations with respect to such Permits, and no event has occurred that allows, or after notice or lapse of time would allow, revocation or termination thereof or will result in any other material impairment of the rights of the holder of any such Permit, subject in each case to such qualification as may be disclosed in the SEC Documents. Such Permits contain no restrictions that would materially impair the ability of the Company to conduct businesses in the manner consistent with its past practices. The Company has not received notice or otherwise has knowledge of any proceeding or action relating to the revocation or modification of any such Permit.

q . **Hazardous Materials.** The Company is in compliance with all applicable Environmental Laws in all respects except where the failure to comply does not have and could not reasonably be expected to have a Material Adverse Effect. For purposes of the foregoing:

“Environmental Laws” means, collectively, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, the Superfund Amendments and Reauthorization Act of 1986, the Resource Conservation and Recovery Act, the Toxic Substances Control Act, as amended, the Clean Air Act, as amended, the Clean Water Act, as amended, any other “Superfund” or “Superlien” law or any other applicable federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning, the environment or any Hazardous Material.

“Hazardous Material” means and includes any hazardous, toxic or dangerous waste, substance or material, the generation, handling, storage, disposal, treatment or emission of which is subject to any Environmental Law.

r . **Independent Public Accountants.** Clark, Schaefer, Hackett & Co. is an independent registered public accounting firm with respect to the Company, as required by the 1933 Act, the Exchange Act and the rules and regulations promulgated thereunder.

s . **Internal Accounting Controls.** The Company maintains a system of internal accounting controls sufficient to provide reasonable assurances that (1) transactions are executed in accordance with management’s general or specific authorization; (2) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (3) access to assets is permitted only in accordance with management’s general or specific authorization; and (4) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

s. **Brokers.** No Person (other than the Buyer and its principals, employees and agents) is entitled to receive any consideration from the Company or the Buyer arising from any finder’s agreement, brokerage agreement or other agreement to which the Company is a party.

4. CERTAIN COVENANTS AND ACKNOWLEDGMENTS.

a . **Transfer Restrictions.** The parties acknowledge and agree that (1) the Debentures have not been registered under the provisions of the 1933 Act and the Shares have not been registered under the 1933 Act, and may not be transferred unless (A) subsequently registered thereunder or (B) the Securities to be sold or transferred may be sold or transferred pursuant to an exemption from such registration; (2) any sale of the Securities made in reliance on Rule 144 promulgated under the 1933 Act (“Rule 144”) may be made only in accordance with the terms of Rule 144 and further, if Rule 144 is not applicable, any resale of such Securities under circumstances in which the seller, or the Person through whom the sale is made, may be deemed to be an underwriter, as that term is used in the 1933 Act, may require compliance with some other exemption under the 1933 Act or the rules and regulations of the SEC thereunder, (3) at the request of the Buyer, the Company shall, from time to time, within two (2) business days of such request, at the sole cost and expense of the Company, either (i) deliver to its transfer agent and registrar for the Common Stock (the “Transfer Agent”) a written letter instructing and authorizing the Transfer Agent to process transfers of the Shares at such time as the Buyer has held the Securities for the minimum holding period permitted under Rule 144, subject to the Buyer’s providing to the Transfer Agent certain customary representations contemporaneously with any requested transfer, or (ii) at the Buyer’s option or if the Transfer Agent requires further confirmation of the availability of an exemption from registration, furnish to the Buyer an opinion of the Company’s counsel in favor of the Buyer (and, at the request of the Buyer, any agent of the Buyer, including but not limited to the Buyer’s broker or clearing firm) and the Transfer Agent, reasonably satisfactory in form, scope and substance to the Buyer and the Transfer Agent, to the effect that a contemporaneously requested transfer of shares does not require registration under the 1933 Act, pursuant to the 1933 Act, Rule 144 or other regulations promulgated under the 1933 Act and (4) neither the Company nor any other Person is under any obligation to register the Securities (other than pursuant to this Agreement) under the 1933 Act or to comply with the terms and conditions of any exemption thereunder.

b . **Restrictive Legend.** The Buyer acknowledges and agrees that the Debentures, and, until such time as the Shares have been registered under the 1933 Act as contemplated hereby and sold in accordance with an effective registration statement, certificates and other instruments representing any of the Securities shall bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of any such Securities):

THIS SECURITY HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY.

c . **Securities Filings.** The Company undertakes and agrees to make all necessary filings (including, without limitation, a Form D) in connection with the sale of the Securities to the Buyer required under any United States laws and regulations applicable to the Company (including without limitation state "blue sky" laws), or by any domestic securities exchange or trading market, and to provide a copy thereof to the Buyer promptly after such filing.

d . **Reporting Status; Public Trading Market; DTC Eligibility.** So long as the Buyer beneficially owns any Securities, (i) the Company shall timely file, prior to or on the date when due, all reports that would be required to be filed with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if the Company had securities registered under Section 12(b) or 12(g) of the Exchange Act; (ii) the Company shall not be operated as, or report, to the SEC or any other Person, that the Company is a "shell company" or indicate to the contrary to the SEC or any other Person) and the Company shall satisfy the requirements of Rule 144(i)(2); (iii) the Company shall take all other action under its control necessary to ensure the availability of Rule 144 under the 1933 Act for the sale of Shares by the Buyer at the earliest possible date; and (iv) the Company shall at all times while any Securities are outstanding maintain its engagement of an independent registered public accounting firm. Except as otherwise set forth in Transaction Documents, the Company shall take all action under its control necessary to obtain and to continue the listing and trading of its Common Stock on the OTC Markets, Inc. ("OTCM") at the mid-tier ("OTCQB") or top-tier ("OTCQX"), and will comply in all material respects with the Company's reporting, filing and other obligations under the by-laws or rules of the Financial Industry Regulatory Authority ("FINRA"). If, so long as the Buyer beneficially owns any of the Securities, the Company receives any written notice from the OTCM, FINRA, or the SEC with respect to either any alleged deficiency in the Company's compliance with applicable rules and regulations (including without limitation any comments from the SEC on any of the Company's documents filed (or the failure to have made any such filing) under the 1933 Act or the Exchange Act) (each, a "Regulatory Notice"), then the Company shall promptly, and in any event within two business days, provide copies of the Regulatory Notice to the Buyer, and shall promptly, and in any event within five (5) business days of receipt of the Regulatory Notice (a "Regulatory Response"), respond in writing to the OTCM, FINRA and/or SEC (as the case may be), setting forth the Company's explanation and/or response to the issues raised in the Regulatory Notice, with a view towards maintaining and/or regaining full compliance with the applicable rules and regulations of the OTCM, FINRA and/or SEC and maintaining or regaining good standing of the Company with the OTCM, FINRA and/or SEC, as the case may be, the intent being to ensure that the Company maintain its reporting company status with the SEC and that its Common Stock be and remain available for trading on the OTCQB or OTCQX (for the avoidance of doubt, excluding the bottom-tier OTC Pink (or, "pink sheets"). Further, at all times when any Securities are outstanding, the Common Stock shall be eligible for clearing through the Depository Trust Company ("DTC") via the DTC's "DWAC" system and active and in good standing for DWAC issuance by the Transfer Agent, and the Common Stock shall not be subject to any DTC "chill" designation or similar restriction on the clearing of the Common Stock through DTC.

e . **Use of Proceeds.** The Company will use the proceeds from the sale of the Signing Debenture and Second Debenture for working capital purposes only and will be subject to customary restrictions. Absent the prior written approval of a majority of the principal amount of the Debentures then outstanding, the Company shall not use any portion of the proceeds of the sale of the Debentures to (i) repay any indebtedness or other obligation of the Company incurred prior to the date of this Agreement outside the normal course of business, (ii) pay any dividends or redemption amount on any of the Company's equity or equity equivalents or (iii) pay deferred compensation or any compensation to any of the directors or officers of the Company in excess of the rate or amount paid or accrued during the fiscal year ended December 31, 2014, other than modest increases consistent with prior practice that are approved by the Company's Board of Directors.

f. **Available Shares.** Commencing on the date of execution and delivery of this Agreement, the Company shall have and maintain authorized and reserved for issuance, free from preemptive rights, that number of shares equal to Five Hundred percent (500%) of the number of shares of Common Stock (1) issuable based upon the Conversion Price of the then-outstanding Debentures (including accrued interest thereon) as may be required to satisfy the conversion rights of the Buyer pursuant to the terms and conditions of the Debenture and (2) issuable to the Buyer on future Closing Dates, based upon the lowest closing bid price per share of the Common Stock on the date before the most recent Closing Date (as reported by Bloomberg LP). The Company shall monitor its compliance with the foregoing requirements on an ongoing basis. If at any time the Company does not have available an amount of authorized and non-issued Shares required to be reserved pursuant to this Section, then the Company shall, without notice or demand by the Buyer, call within thirty (30) days of such occurrence and hold within sixty (60) days of such occurrence a special meeting of shareholders, for the sole purpose of increasing the number of shares authorized. Management of the Company shall recommend to shareholders to vote in favor of increasing the number of Common Stock authorized at the meeting. Members of the Company's management shall also vote all of their own shares in favor of increasing the number of Common Stock authorized at the meeting. If the increase in authorized shares is approved by the stockholders at the meeting, the Company shall implement the increase in authorized shares within one (1) business day following approval at such meeting within ten (10) business days following approval at such meeting. Alternatively, to the extent permitted by applicable law, in lieu of calling and holding a meeting as described above, the Company may, within thirty (30) days of the date when the Company does not have available an amount of authorized and non-issued Shares required to be reserved as described above, procure the written consent of stockholders to increase the number of shares authorized, and provide the stockholders with notice thereof as may be required under applicable law (including without limitation Section 14(c) of the Exchange Act and Regulation 14C thereunder). Upon obtaining stockholder approval as aforesaid, the Company shall cause the appropriate increase in its authorized shares of Common Stock within one (1) business day (or as soon thereafter as permitted by applicable law). Company's failure to comply with these provisions will be an Event of Default.

g. **Reimbursement.** If (i) Buyer becomes a party defendant in any capacity in any action or proceeding brought by any stockholder of the Company, in connection with or as a result of the consummation of the transactions contemplated by the Transaction Documents, or if the Buyer is impleaded in any such action, proceeding or investigation by any Person, or (ii) the Buyer, other than by reason of its gross negligence, willful misconduct or breach of law, becomes a party defendant in any capacity in any action or proceeding brought by the SEC against or involving the Company or in connection with or as a result of the consummation of the transactions contemplated by the Transaction Documents, or if the Buyer is impleaded in any such action, proceeding or investigation by any Person, then in any such case, the Company will reimburse the Buyer for its reasonable legal and other expenses (including the cost of any investigation and preparation) incurred in connection therewith. The reimbursement obligations of the Company under this paragraph shall be in addition to any liability which the Company may otherwise have, shall extend upon the same terms and conditions to any affiliates of the Buyer who are actually named in such action, proceeding or investigation, and partners, directors, agents, employees and controlling Persons (if any), as the case may be, of the Buyer and any such Affiliate, and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Company, the Buyer and any such Affiliate and any such Person. Except as otherwise set forth in the Transaction Documents, the Company also agrees that neither any Buyer nor any such Affiliate, partners, directors, agents, employees or controlling Persons shall have any liability to the Company or any Person asserting claims on behalf of or in right of the Company in connection with or as a result of the consummation of the Transaction Documents except to the extent that any losses, claims, damages, liabilities or expenses incurred by the Company result from the gross negligence or willful misconduct of the Buyer or from a breach of the representations, covenants and conditions contained herein or from a breach of law.

h. **Intentionally left blank.**

i. **No Payments to Affiliates or Related Parties.** So long as any of the Debentures remain outstanding, if the Debentures are in default, the Company shall not, absent the prior written consent of the holders of all Debentures then outstanding, make any payments to any of the Company's or the Subsidiaries' respective affiliates or related parties, including without limitation payments or prepayments of principal or interest accrued on any indebtedness or obligation in favor of affiliates or related parties. Notwithstanding anything to the contrary contained herein, the provisions of this Section 4(j) shall not apply to payments to the Subsidiaries made in the ordinary course of business.

j. **Notice of Material Adverse Effect.** The Company shall notify the Buyer (and any subsequent holder of the Debentures), as soon as practicable and in no event later than three (3) business days of the Company's knowledge of any Material Adverse Effect on the Company. For purposes of the foregoing, "knowledge" means the earlier of the Company's actual knowledge or the Company's constructive knowledge upon due inquiry.

k . **Public Disclosure.** Except to the extent required by applicable law, absent the Buyer's prior written consent, the Company shall not reference the name of the Buyer in any press release, securities disclosure, business plan, marketing or funding proposal.

5. TRANSFER AGENT INSTRUCTIONS.

a. **Transfer Agent Instruction Letter.** The Company shall at all times while any Debentures are outstanding engage a Transfer Agent. As of the date of this Agreement, the Transfer Agent is Empire Stock Transfer. On or before the Signing Closing Date and each subsequent Closing Date, the Company will irrevocably instruct its Transfer Agent in writing using the letter substantially in the form of Exhibit B annexed hereto, executed by the Company, the Buyer, and the Transfer Agent on each Closing Date (the "Transfer Agent Instruction Letter"), to (i) reserve that number of shares of Common Stock as is required under Section 4(g) hereof, and (ii) issue Common Stock from time to time upon conversion of the Debentures in such amounts as specified from time to time by the Company to the Transfer Agent, bearing the restrictive legend specified in Section 4(b) of this Agreement prior to registration of the Shares under the 1933 Act, registered in the name of the Buyer or its permitted assigns and in such denominations to be specified by the Buyer in connection with each conversion of the Debentures. The Transfer Agent shall not be restricted from issuing shares from only the allotment reserved for the Conversion Amount (as defined in the Debentures), but instead may, to the extent necessary to satisfy the amount of shares issuable upon conversion, issue shares above and beyond the amount reserved on account of the Conversion Amount, without any additional instructions or authorization from the Company, and the Company shall not provide the Transfer Agent with any instructions or documentation contrary to the foregoing. The Company shall continuously monitor its compliance with the share reservation requirements and, if and to the extent necessary to increase the number of reserved shares to remain and be at least Five Hundred percent (500%) of the Conversion Amount to account for any decrease in the market price of the Common Stock, the Company shall immediately (and in any event within two (2) business days) notify the Transfer Agent in writing of the reservation of such additional shares, *provided* that in the event that the number of shares reserved for conversion of the Debentures is less than Five Hundred percent (500%) of the Conversion Amount, the Buyer may also directly instruct the Transfer Agent to increase the reserved shares as necessary to satisfy the minimum reserved share requirement, and the Transfer Agent shall act accordingly, *provided, further*, that the Company shall within two (2) business days provide any written confirmation, assent or documentation thereof as the Transfer Agent may request to act upon a share increase instruction delivered by the Buyer. The Company shall provide the Buyer with a copy of all written instructions to the Company's Transfer Agent with respect to the reservation of shares simultaneously with the issuance of such instructions to the Transfer Agent. The Company covenants that no instruction other than such instructions referred to in this Section 5 and stop transfer instructions to give effect to Section 4(a) hereof prior to registration and sale of the Conversion Shares under the 1933 Act will be given by the Company to the Transfer Agent and that the Conversion Shares shall otherwise be freely transferable on the books and records of the Company as and to the extent provided in this Agreement and applicable law. If the Buyer provides the Company and/or the Transfer Agent with an opinion of counsel reasonably satisfactory to the Company that registration of a resale by the Buyer of any of the Securities in accordance with clause (1)(B) of Section 4(a) of this Agreement is not required under the 1933 Act, the Company shall (except as provided in clause (2) of Section 4(a) of this Agreement) permit the de-legending or transfer of the Securities and, in the case of the Conversion Shares, instruct the Company's Transfer Agent to issue one or more certificates for Common Stock without legend in such name and in such denominations as specified by the Buyer.

b. **Conversion.** (i) The Company will permit the Buyer to exercise the right to convert the Debentures by telecopying, emailing or delivering overnight an executed and completed Notice of Conversion to the Company and/or the Transfer Agent. If so requested by the Buyer or the Transfer Agent, the Company will within one (1) business day respond with its endorsement so as to confirm the outstanding principal amount of any Debenture submitted for conversion or shall reconcile any difference with the Buyer promptly after receiving such Notice of Conversion.

(ii) The term "Conversion Date" means, with respect to any conversion elected by the holder of the Debentures, the date specified in the Notice of Conversion, provided the copy of the Notice of Conversion is given either via mail or facsimile to or otherwise delivered to the Transfer Agent and/or the Company in accordance with the provisions hereof so that it is received by the Transfer Agent and/or the Company on or before such specified date.

(iii) The Company will transmit (or will cause the Transfer Agent to transmit) the certificates representing the Conversion Shares issuable upon conversion of any Debentures (together, unless otherwise instructed by the Buyer, with Debentures not being so converted) to the Buyer at the address specified in the Notice of Conversion (which may be the Buyer's address for notices as contemplated by Section 10 hereof or a different address) via express courier, by electronic transfer or otherwise, within two (2) business days (the "Delivery Date") after (A) the business day on which the Company has received the Notice of Conversion (by facsimile or other delivery) or (B) the date on which payment of interest and principal on the Debentures, which the Company has elected to pay by the issuance of Common Stock, as contemplated by the Debentures, was due, as the case may be.

c . **Failure to Timely Issue Conversion Shares.** From and after the date on which the Shares have been registered under the 1933 Act as contemplated by this Agreement, the failure to issue unrestricted, freely tradable Conversion Shares to the Buyer upon Conversion shall be considered a non-curable Event of Default, which, accordingly, shall entitle the Buyer(s) whose Debentures are being converted to demand that the Debentures held by the Buyer(s) be immediately redeemed in full by a cash payment equal to one hundred forty percent (140%) of the aggregate of the unpaid principal amount of and accrued interest on such Debentures (whether or not the terms of such Debentures expressly permit the redemption thereof). The Company acknowledges that its failure to honor a Notice of Conversion shall cause definable financial hardship on the Buyer(s).

d . **Duties of Company; Authorization.** The Company shall inform the Transfer Agent of the reservation of shares contemplated by Section 4(g) and this Section 5, and shall keep current in its payment obligations to the Transfer Agent such that the Transfer Agent will continue to process share transfers and the initial issuance of shares of Common Stock upon the conversion of Debentures. The Company hereby authorizes and agrees to authorize the Transfer Agent to correspond and otherwise communicate with the Buyer or their representatives in connection with the foregoing and other matters related to the Common Stock. Further, the Company hereby authorizes the Buyer or its representative to provide instructions to the Transfer Agent that are consistent with the foregoing and instructs the Transfer Agent to honor any such instructions. Should the Company fail for any reason to keep current in its payment obligations to the Transfer Agent, the Buyer may pay such amounts as are necessary to compensate the Transfer Agent for performing its duties with respect to share reservation and/or de-legending certificates representing Restricted Stock, and all amounts so paid shall be promptly reimbursed by the Company. If not so reimbursed within thirty (30) days, such amounts shall, at the option of the Buyer and without prior notice to or consent of the Company, be added to the principal amount due under the Debenture(s) held by the Buyer, whereupon interest will begin to accrue on such amounts at the rate specified in the Debentures.

e . **Effect of Bankruptcy.** The Buyer shall be entitled to exercise its conversion privilege with respect to the Debentures notwithstanding the commencement of any case under 11 U.S.C. §101 et seq. (the “Bankruptcy Code”). In the event the Company is a debtor under the Bankruptcy Code, the Company hereby waives, to the fullest extent permitted, any rights to relief it may have under 11 U.S.C. §362 in respect of the Buyer’s conversion privilege. The Company hereby waives, to the fullest extent permitted, any rights to relief it may have under 11 U.S.C. §362 in respect of the conversion of the Debentures. The Company agrees, without cost or expense to the Buyer, to take or to consent to any and all action necessary to effectuate relief under 11 U.S.C. §362.

6. CLOSINGS.

a . **Signing Closing.** Promptly upon the execution and delivery of this Agreement, the Signing Debenture, and all conditions in Sections 7 and 8 herein are met (the “Signing Closing Date”), (A) the Company shall deliver to the Buyer the following: (i) the Signing Debenture; (ii) the Transfer Agent Instruction Letter; (iii) duly executed counterparts of the Transaction Documents; (iv) an officer’s certificate of the Company confirming the accuracy of the Company’s representations and warranties contained herein; (v) the fees and shares of Common Stock due under Section 12 of this Agreement; and (vi) INTENTIONALLY OMITTED and (B) the Buyer shall deliver to the Company the following: (i) One Hundred Thirty Five Thousand and 00/100 Dollars (\$135,000.00) (the “Signing Purchase Price”) and (ii) duly executed counterparts of the Transaction Documents (as applicable).

b. **Second Closing.** At any time sixty one (61) to One Hundred (100) days following the Signing Closing Date, subject to the mutual agreement of the Buyer and the Company, for the “Second Closing Date” and subject to satisfaction of the conditions set forth in Sections 7 and 8, (A) the Company may deliver to the Buyer the following: (i) the Second Debenture; (ii) an amendment to the Transfer Agent Instruction Letter instructing the Transfer Agent to reserve that number of shares of Common Stock as is required under Section 4(g) hereof, if necessary; (iii) an officer’s certificate of the Company confirming, as of the Second Closing Date, the accuracy of the Company’s representations and warranties contained herein and updating Schedule 3(c) to reflect the Company’s capitalization as of the Second Closing Date; and (iv) INTENTIONALLY OMITTED, and (B) the Buyer shall deliver to the Company the following: One Hundred Thirty Five Thousand and 00/100 Dollars (\$135,000.00) (the “Second Purchase Price”).

c. **Third Closing.** At any time sixty one (61) to One Hundred (100) days following the Second Closing Date, subject to the mutual agreement of the Buyer and the Company, for the “Third Closing Date” and subject to satisfaction of the conditions set forth in Sections 7 and 8, (A) the Company may deliver to the Buyer the following: (i) the Third Debenture; (ii) an amendment to the Transfer Agent Instruction Letter instructing the Transfer Agent to reserve that number of shares of Common Stock as is required under Section 4(g) hereof, if necessary; and (iii) an officer’s certificate of the Company confirming, as of the Third Closing Date, the accuracy of the Company’s representations and warranties contained herein and updating Schedule 3(c) to reflect the Company’s capitalization as of the Third Closing Date; and (iv) INTENTIONALLY OMITTED, and (B) the Buyer shall deliver to the Company the following: One Hundred Eighty Thousand and 00/100 Dollars (\$180,000.00) (the “Third Purchase Price”).

d. **Location and Time of Closings.** Each Closing shall be deemed to occur on the related Closing Date at the office of the Buyer's counsel and shall take place no later than 5:00 P.M., New York time, on such day or such other time as is mutually agreed upon by the Company and the Buyer.

7. **CONDITIONS TO THE COMPANY'S OBLIGATION TO SELL.**

The Company's obligation to sell the Debentures to the Buyer pursuant to this Agreement on each Closing Date is conditioned upon:

a. **Purchase Price.** Delivery to the Company of good funds as payment in full of the Purchase Price for the Debentures at each Closing in accordance with this Agreement;

b. **Representations and Warranties; Covenants.** The accuracy on the Closing Date of the representations and warranties of the Buyer contained in this Agreement, each as if made on such date, and the performance by the Buyer on or before such date of all covenants and agreements of the Buyer required to be performed on or before such date; and

c. **Laws and Regulations; Consents and Approvals.** There shall not be in effect any law, rule or regulation prohibiting or restricting the transactions contemplated hereby, or requiring any consent or approval which shall not have been obtained.

8. **CONDITIONS TO THE BUYER'S OBLIGATION TO PURCHASE.**

The Buyer's obligation to purchase the Debentures at each Closing is conditioned upon:

a. **Transaction Documents.** The execution and delivery of this Agreement by the Company;

b. **Debenture(s).** Delivery by the Company to the Buyer of the Debentures to be purchased in accordance with this Agreement;

c. **Section 4(2) Exemption.** The Debentures and Restricted Stock pursuant to the Transaction Documents shall be exempt from registration under the Securities Act of 1933 (as amended), pursuant to Section 4(2) thereof;

d. **DWAC Status.** The Common Stock shall be DWAC eligible and active and in good standing for DWAC issuance by the Transfer Agent;

e. **Representations and Warranties; Covenants.** The accuracy in all material respects on the Closing Date of the representations and warranties of the Company contained in this Agreement, each as if made on such date, and the performance by the Company on or before such date of all covenants and agreements of the Company required to be performed on or before such date;

f. **Good-faith Opinion.** It should be Buyer's reasonable belief that (i) no Event of Default under the terms of any outstanding indebtedness of the Company will have occurred or would likely occur with the passage of time and (ii) no material adverse change in the financial condition or business operations of the Company will have occurred;

g. **Legal Proceedings.** There shall be no litigation, criminal or civil, regulatory impairment or other legal and/or administrative proceedings challenging or seeking to limit the Company's ability to issue the Securities or the Common Stock;

h. **Legal Opinions.** INTENTIONALLY OMITTED.

i. **Corporate Resolutions.** Delivery by the Company to the Buyer a copy of resolutions of the Company's board of directors, approving and authorizing the execution, delivery and performance of the Transaction Documents and the transactions contemplated thereby in the form attached hereto as Exhibit C;

j. **Officer's Certificate.** Delivery by the Company to the Buyer of a certificate of the Chief Executive Officer of the Company in the form attached hereto as Exhibit D;

k. **Search Results.** Delivery by the Company to the Buyer of copies of UCC search reports, issued by the Secretary of State of the state of incorporation of the Company, dated such a date as is reasonably acceptable to Buyer, listing all effective financing statements which name the Company, under its present name and any previous names, as debtors, together with copies of such financing statements;

l. **Certificate of Good Standing.** Delivery by the Company to the Buyer of a copy of a certificate of good standing with respect to the Company, issued by the Secretary of State of the state of incorporation of the Company, dated such a date as is reasonably acceptable to Buyer, evidencing the good standing thereof;

m. **Laws and Regulations; Consents and Approvals.** There shall not be in effect any law, rule or regulation prohibiting or restricting the transactions contemplated hereby, or requiring any consent or approval which shall not have been obtained; and

n. **Adverse Changes.** From and after the date hereof to and including the Closing Date, (i) the trading of the Common Stock shall not have been suspended by the SEC, FINRA, or the NASD and trading in securities generally on OTCM shall not have been suspended or limited, nor shall minimum prices been established for securities traded on the OTCM; (ii) there shall not have occurred any outbreak or escalation of hostilities involving the United States or any material adverse change in any financial market that in either case in the reasonable judgment of the Buyer makes it impracticable or inadvisable to purchase the Debentures.

9. GOVERNING LAW; MISCELLANEOUS.

a. **MANDATORY FORUM SELECTION.** ANY DISPUTE ARISING UNDER, RELATING TO, OR IN CONNECTION WITH THE AGREEMENT OR RELATED TO ANY MATTER WHICH IS THE SUBJECT OF OR INCIDENTAL TO THE AGREEMENT (WHETHER OR NOT SUCH CLAIM IS BASED UPON BREACH OF CONTRACT OR TORT) SHALL BE SUBJECT TO THE EXCLUSIVE JURISDICTION AND VENUE OF THE STATE AND/OR FEDERAL COURTS LOCATED IN MIAMI-DADE COUNTY, FLORIDA. THIS PROVISION IS INTENDED TO BE A "MANDATORY" FORUM SELECTION CLAUSE AND GOVERNED BY AND INTERPRETED CONSISTENTLY WITH FLORIDA LAW.

b. **Governing Law.** Except in the case of the Mandatory Forum Selection clause above, this Agreement shall be delivered and accepted in and shall be deemed to be contracts made under and governed by the internal laws of the State of Nevada, and for all purposes shall be construed in accordance with the laws of the State of Nevada, without giving effect to the choice of law provisions. To the extent determined by the applicable court described above, the Company shall reimburse the Buyer for any reasonable legal fees and disbursements incurred by the Buyer in enforcement of or protection of any of its rights under any of the Transaction Documents.

c. **Waivers.** Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, shall not operate as a waiver thereof.

d. **Successors and Assigns.** This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto.

e . **Construction.** All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the context may require.

f . **Facsimiles; E-mails.** A facsimile or email transmission of this signed Agreement or a Notice of Conversion under the Debentures shall be legal and binding on all parties hereto. Such electronic signatures shall be the equivalent of original signatures.

g . **Counterparts.** This Agreement may be signed in one or more counterparts, each of which shall be deemed an original.

h . **Headings.** The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

i . **Enforceability.** If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement or the validity or enforceability of this Agreement in any other jurisdiction.

j . **Amendment.** This Agreement may be amended only by the written consent of a majority in interest of the holders of the Debentures and an instrument in writing signed by the Company.

k . **Entire Agreement.** This Agreement, together with the other Transaction Documents, supersedes all prior agreements and understandings among the parties hereto with respect to the subject matter hereof.

l . **No Strict Construction.** This Agreement shall be construed as if both Parties had equal say in its drafting, and thus shall not be construed against the drafter.

m . **Further Assurances.** Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

10. NOTICES.

Any notice required or permitted hereunder shall be given in writing (unless otherwise specified herein) and shall be deemed effectively given on the earliest of:

a. the date delivered, if delivered by personal delivery as against written receipt therefor or by confirmed facsimile transmission,

b. the seventh business day after deposit, postage prepaid, in the United States Postal Service by registered or certified mail, or

c. the third business day after mailing by next-day express courier, with delivery costs and fees prepaid, in each case, addressed to each of the other parties thereunto entitled at the following addresses (or at such other addresses as such party may designate by ten (10) days' advance written notice similarly given to each of the other parties hereto):

COMPANY: Workhorse Group Inc.
100 Commerce Drive
Loveland, OH 45140
Attention: Julio C. Rodriguez, Chief Financial Officer
Email: juliorodriguez@workhorse.com
Fax: 513-672-1012

With copies to (which shall not constitute notice):

Fleming PLLC
49 Front Street, Suite 206
Rockville Centre, New York 11570
Attention: Stephen M. Fleming, Esq.
Email: smf@flemingpllc.com
Fax: 516-977-1209

BUYER: Peak One Opportunity Fund, L.P.
333 South Hibiscus Drive
Miami Beach, FL 33139
Attention: Jason Goldstein
Email: jgoldstein@peakoneinvestments.com

With copies to (which shall not constitute notice):

Zabatta Group, LLP
91 Central Park West, Suite 1H
New York, NY 10023
Attention: Patrick G. Zabatta, Esq.
Email: pzabatta@gmail.com
Fax: 866-466-9016

11. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The Company's representations and warranties herein shall survive for so long as any Debentures are outstanding, and shall inure to the benefit of the Buyer, its successors and assigns.

12. FEES; EXPENSES.

a. **Commitment Fee.** The Company shall pay to Peak One Investments, LLC a non-accountable fee (the "Commitment Fee") of Five Thousand and 00/100 Dollars (\$5,000.00) and Seventy Five Thousand (75,000) shares of Restricted Stock to cover the expenses and analysis performed in connection with the analysis of the Company and the propriety of the Buyer's making the contemplated investment.

b. **Legal Fees.** The Company will pay the legal fees of the Buyer's counsel (the "Legal Fees") in the amount of Five Thousand and 00/100 Dollars (\$5,000.00). The Company further agrees to pay in full the reasonable legal fees of the Buyer's counsel incurred after the Signing Closing Date incurred in connection with the Transaction Documents (including enforcement of the Company's obligations or the exercise of the Buyer's remedies thereunder).

c. **Payment of Fees and Expenses.** The Company will pay the Commitment Fee, Legal Fees and issue the required number of shares of Restricted Stock on or before the Signing Closing Date. In furtherance of the foregoing, in that connection, the Company hereby authorizes the Buyer to deduct the cash amounts of such fees from the Signing Purchase Price and transmit same to the respective payee. Notwithstanding the foregoing, if for any reason any Closing does not occur, then the Company shall remain liable to pay the Commitment Fee and Legal Fees as provided in Sections 12(a) and (b) and shall remit payment (including issuance of the Restricted Stock) to the Buyer within five (5) days after the Buyer delivers to the Company a notice and demand for payment thereof. The Company shall pay disbursements of the Buyer's legal counsel and legal fees incurred after the Signing Closing Date within ten (10) days of invoice therefor.

[Signature Page Follows]

IN WITNESS WHEREOF, this Agreement has been duly executed by the Buyer and the Company as of the date first set forth above.

COMPANY:

WORKHORSE GROUP INC.

By: /s/ Julio C. Rodriguez

Name: Julio C. Rodriguez

Title: Chief Financial Officer

BUYER:

PEAK ONE OPPORTUNITY FUND, L.P.

By: Peak One Investments, LLC, its General Partner

By: /s/ Jason Goldstein

Name: Jason Goldstein

Title: Managing Member

[Signature Page to Securities Purchase Agreement]

DEBENTURE

NEITHER THESE SECURITIES NOR THE SECURITIES ISSUABLE UPON CONVERSION HEREOF HAVE BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE OR UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE SECURITIES ARE RESTRICTED AND MAY NOT BE OFFERED, RESOLD, PLEDGED OR TRANSFERRED EXCEPT AS PERMITTED UNDER THE ACT PURSUANT TO REGISTRATION REQUIREMENTS THEREOF OR EXEMPTION THEREFROM.

\$150,000.00

WORKHORSE GROUP INC.**CONVERTIBLE DEBENTURE DUE June 30, 2018**

Date of Issuance: June 30, 2015

FOR VALUE RECEIVED, WORKHORSE GROUP INC., a corporation organized and existing under the laws of the State of Nevada (the "Company"), hereby promises to pay to **PEAK ONE OPPORTUNITY FUND, L.P.**, having its address at 333 South Hibiscus Drive, Miami Beach, FL 33139, or its assigns (the "Holder" and together with the other holders of Debentures issued pursuant to the Securities Purchase Agreement (as defined below), the "Holders"), the principal sum of One Hundred Fifty Thousand and 00/100 Dollars and 00/100 Dollars (\$150,000.00) (the "Principal Amount") on June 30, 2018 (the "Maturity Date"). The Company has the option to redeem this Debenture prior to the Maturity Date pursuant to Section 2(b). All unpaid principal due and payable on the Maturity Date shall be paid in the form of Common Stock of the Company, par value \$0.001 per share ("Common Stock") pursuant to Section 3. The Holder has the option to cause any outstanding principal and accrued interest, if any, on this Debenture to be converted into Common Stock at any time prior to the Redemption Date (as defined below) or the Maturity Date pursuant to Section 2(a).

This Debenture is the Debenture referred to in the Securities Purchase Agreement (the "Securities Purchase Agreement") dated June 30, 2015, between the Company and the Holder. Capitalized terms used but not defined herein shall have the meanings set forth in the Securities Purchase Agreement. This Debenture is subject to the provisions of the Securities Purchase Agreement and further is subject to the following additional provisions:

1. This Debenture has been issued subject to investment representations of the original purchaser hereof and may be transferred or exchanged only in compliance with the Securities Act and other applicable state and foreign securities laws. The Holder may transfer or assign this Debenture (or any part thereof) without the prior consent of the Company, and the Company shall cooperate with any such transfer. In the event of any proposed transfer of this Debenture, the Company may require, prior to issuance of a new Debenture in the name of such other Person, that it receive reasonable transfer documentation including legal opinions that the issuance of the Debenture in such other name does not and will not cause a violation of the Securities Act or any applicable state or foreign securities laws or is exempt from the registration requirements of the Securities Act. Prior to due presentment for transfer of this Debenture to which the Company has consented, the Company and any agent of the Company may treat the Person in whose name this Debenture is duly registered on the Company's books and records of outstanding debt securities and obligations ("Debenture Register") as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Debenture be overdue, and neither the Company nor any such agent shall be affected by notice to the contrary.

2. Conversion at Holder's Option; Redemption at Company's Option.

a. From and after the date which is Ninety One (91) days after the Date of Issuance set forth above, the Holder shall be entitled to, at any time or from time to time, convert the Conversion Amount into shares of Common Stock, at a conversion price for each share of Common Stock (the "Conversion Price") equal to the lesser of (i) \$0.30 per share and (ii) Sixty Five percent (65%) of the lowest closing bid price (as reported by Bloomberg LP) of Common Stock for the twenty (20) trading days immediately preceding the date of conversion of the Debentures (subject in the case of either clause (i) or clause (ii) to equitable adjustments resulting from any stock splits, stock dividends, recapitalizations or similar events). The Company shall issue irrevocable instructions to its transfer agent regarding conversions. Notwithstanding the foregoing, the Holder shall not be entitled to convert any part of this Debenture as to which the Company has previously issued to the Holder a Redemption Notice in accordance with Section 2(b). The Conversion Price will be adjusted as provided in Section 6. For purposes of this Debenture, the following terms have the meanings indicated below:

(i) "Conversion Amount" shall mean the sum of (A) all or any portion of the outstanding principal amount of this Debenture, as designated by the Holder upon exercise of its right of conversion plus (B) any interest, pursuant to Section 10 or otherwise, that has accrued on the portion of the principal amount that has been designated for payment pursuant to (A).

(ii) "Market Price of the Common Stock" means (x) the closing bid price of the Common Stock for the period indicated in the relevant provision hereof (unless a different relevant period is specified in the relevant provision), as reported by Bloomberg, LP or, if not so reported, as reported on the OTCQB, OTCQX or OTC Pink or (y) if the Common Stock is listed on a stock exchange, the closing price on such exchange, as reported by Bloomberg LP.

(iii) "Trading Day" shall mean any day on which the New York Stock Exchange is open for business.

Conversion shall be effectuated by delivering by facsimile or other delivery to the Transfer Agent of the completed form of conversion notice attached hereto as Annex A, executed by the Holder of the Debenture evidencing such Holder's intention to convert this Debenture or a specified portion hereof. No fractional shares of Common Stock or scrip representing fractions of shares will be issued on conversion, but the number of shares issuable shall be rounded to the nearest whole share. The date on which notice of conversion is given (the "Conversion Date") shall be deemed to be the date on which the Transfer Agent receives by fax or by email or by mail the conversion notice ("Notice of Conversion"), substantially in the form annexed hereto as Annex A, duly executed, to the Transfer Agent. Delivery of the Notice of Conversion shall be accepted by the Transfer Agent by email at brian@empirestock.com (or such other contact email as may be designated by the Transfer Agent). Certificates representing Common Stock upon conversion must be delivered within two (2) business days from the date of delivery of the Notice of Conversion. For the avoidance of doubt, delivery of Common Stock issued upon conversion by DWAC shall constitute delivery for purposes hereof.

Notwithstanding the foregoing, unless the Holder delivers to the Company written notice at least sixty-one (61) days prior to the effective date of such notice that the provisions of this paragraph (the "Limitation on Ownership") shall not apply to such Holder, in no event shall a holder of Debentures have the right to convert Debentures into, nor shall the Company issue to such Holder, shares of Common Stock to the extent that such conversion would result in the Holder and its affiliates together beneficially owning more than 4.99% of the then issued and outstanding shares of Common Stock. For purposes hereof, beneficial ownership shall be determined in accordance with Section 13(d) of the Exchange Act and Regulation 13D-G under the Exchange Act.

b. So long as no Event of Default (as defined in Section 10) shall have occurred and be continuing, the Company may at its option call for redemption all or part of the Debentures, with the exception of any portion thereof which is the subject of a previously-delivered Notice of Conversion, prior to the Maturity Date, as follows:

(i) The Debentures called for redemption shall be redeemable, upon not more than two (2) days written notice, for an amount (the "Redemption Price") equal to: (i) if the Redemption Date (as defined below) is ninety (90) days or less from the date of issuance of this Debenture, one hundred percent (100%) of the sum of the Principal Amount so redeemed (plus accrued interest, if any); (ii) if the Redemption Date is greater than or equal to ninety one (91) days from the date of issuance of this Debenture and less than or equal to one hundred twenty (120) days from the date of issuance of this Debenture, One Hundred Ten percent (110%) of the sum of the Principal Amount so redeemed (plus accrued interest, if any); (iii) if the Redemption Date is greater than or equal to one hundred twenty one (121) days from the date of issuance of this Debenture and less than or equal to one hundred fifty (150) days from the date of issuance of this Debenture, One Hundred Twenty percent (120%) of the sum of the Principal Amount so redeemed (plus accrued interest, if any); (iv) if the Redemption Date is greater than or equal to one hundred fifty one (151) days from the date of issuance of this Debenture and less than or equal to one hundred eighty (180) days from the date of issuance of this Debenture, One Hundred Twenty Five percent (125%) of the sum of the Principal Amount so redeemed (plus accrued interest, if any); and (v) if the Redemption Date is greater than or equal to one hundred eighty one (181) days from the date of issuance of this Debenture, one hundred thirty percent (130%) of the sum of the Principal Amount so redeemed (plus accrued interest, if any). The date upon which the Debentures are redeemed and paid shall be referred to as the "Redemption Date" (and, in the case of multiple redemptions of less than the entire outstanding Principal Amount, each such date shall be a Redemption Date with respect to the corresponding redemption).

(ii) If fewer than all outstanding Debentures are to be redeemed and are held by different investors, then all Debentures shall be partially redeemed on a *pro rata* basis.

(iii) Prior to the Redemption Date, the Company shall deposit into escrow an amount sufficient for the payment of the aggregate Redemption Price of the Debentures being called for redemption and shall make such funds available on and after the Redemption Date for payment to the Holders who present their Debentures and otherwise comply with the Company's instructions contained in the Redemption Notice (as defined below).

(iv) On the Redemption Date, the Company shall cause the Holders whose Debentures have been presented for redemption to be issued payment of the Redemption Price. In the case of a partial redemption, the Company shall also issue new Debentures to the Holders for the principal amount remaining outstanding after the Redemption Date promptly after the Holders' presentation of the Debentures called for redemption.

(v) To effect a redemption the Company shall provide a written notice to the Holder(s) not more than two (2) days prior to the Redemption Date (the "Redemption Notice"), setting forth the following:

1. the Redemption Date;
2. the Redemption Price;
3. the aggregate principal amount of the Debentures being called for redemption;
4. a statement instructing the Holders to surrender their Debentures for redemption and payment of the Redemption Price, including the name and address of the Company or, if applicable, the paying agent of the Company, where Debentures are to be surrendered for redemption;
5. a statement advising the Holders that the Debentures (or, in the case of a partial redemption, that portion of the Principal Amount being called for redemption) as of the Redemption Date will cease to be convertible into Common Stock as of the Redemption Date; and
6. in the case of a partial redemption, a statement advising the Holders that after the Redemption Date a substitute Debenture will be issued by the Company after deduction the portion thereof called for redemption, at no cost to the Holder, if the Holder so requests.

Notwithstanding the foregoing, in the event the Company issues a Redemption Notice but fails to fund the redemption on the Redemption Date, then such Redemption Notice shall be null and void, and (i) the Holder(s) shall be entitled to convert the Debentures previously the subject of the Redemption Notice, and (ii) the Company may not redeem such Debentures for at least thirty (30) days following the intended Redemption Date that was voided, and the Company shall be required to pay to the Holder(s) or fund into escrow the Redemption Price simultaneously with the issuance of a Redemption Notice in connection with any subsequent redemption pursued by the Company.

3. Unless demand has otherwise been made by the Holder in writing for payment in cash as provided hereunder, and so long as no Event of Default shall exist (whether or not notice thereof has been delivered by the Holder to the Company), any Debentures not previously tendered to the Company for conversion as of the Maturity Date shall be deemed to have been surrendered for conversion, without further action of any kind by the Company or any of its agents, employees or representatives, as of the Maturity Date at the Conversion Price applicable on the Maturity Date ("Mandatory Conversion").

4. No provision of this Debenture shall alter or impair the obligation of the Company, which is absolute and unconditional to convert this Debenture into Common Stock, at the time, place, and rate herein prescribed. This Debenture is a direct obligation of the Company.

5. If the Company (a) merges or consolidates with another corporation or business entity and the Company is not the surviving entity or (b) sells or transfers all or substantially all of its assets to another Person and the holders of the Common Stock are entitled to receive stock, securities or property in respect of or in exchange for Common Stock, then as a condition of such merger, consolidation, sale or transfer, the Company and any such successor, purchaser or transferee will agree that this Debenture may thereafter be converted on the terms and subject to the conditions set forth above into the kind and amount of stock, securities or property receivable upon such merger, consolidation, sale or transfer by a holder of the number of shares of Common Stock into which this Debenture might have been converted immediately before such merger, consolidation, sale or transfer, subject to adjustments which shall be as nearly equivalent as may be practicable. In the event of any (i) proposed merger or consolidation where the Company is not the surviving entity or (ii) sale or transfer of all or substantially all of the assets of the Company (in either such case, a "Sale"), the Holder shall have the right to convert by delivering a Notice of Conversion to the Company within fifteen (15) days of receipt of notice of such Sale from the Company.

6. If, at any time while any portion of this Debenture remains outstanding, the Company effectuates a stock split or reverse stock split of its Common Stock or issues a dividend on its Common Stock consisting of shares of Common Stock or otherwise recapitalizes its Common Stock, the Conversion Price shall be equitably adjusted to reflect such action. By way of illustration, and not in limitation, of the foregoing (i) if the Company effectuates a 2:1 split of its Common Stock, thereafter, with respect to any conversion for which the Company issues the shares after the record date of such split, the Conversion Price shall be deemed to be one-half of what it had been calculated to be immediately prior to such split; (ii) if the Company effectuates a 1:10 reverse split of its Common Stock, thereafter, with respect to any conversion for which the Company issues the shares after the record date of such reverse split, the Conversion Price shall be deemed to be the amount of such Conversion Price calculated immediately prior to the record date multiplied by 10; and (iii) if the Company declares a stock dividend of one share of Common Stock for every 10 shares outstanding, thereafter, with respect to any conversion for which the Company issues the shares after the record date of such dividend, the Conversion Price shall be deemed to be the amount of such Conversion Price calculated immediately prior to such record date multiplied by a fraction, of which the numerator is the number of shares for which a dividend share will be issued and the denominator is such number of shares plus the dividend share(s) issuable or issued thereon.

7. All payments contemplated hereby to be made "in cash" shall be made by wire transfer of immediately available funds in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. All payments of cash and each delivery of shares of Common Stock issuable to the Holder as contemplated hereby shall be made to the Holder to an account designated by the Holder to the Company and if the Holder has not designated any such accounts at the address last appearing on the Debenture Register of the Company as designated in writing by the Holder from time to time; except that the Holder may designate, by notice to the Company, a different delivery address for any one or more specific payments or deliveries.

8. The Holder of the Debenture, by acceptance hereof, agrees that this Debenture is being acquired for investment and that such Holder will not offer, sell or otherwise dispose of this Debenture or the Shares of Common Stock issuable upon conversion thereof except in compliance with the terms of the Securities Purchase Agreement and under circumstances which will not result in a violation of the Securities Act or any applicable state Blue Sky or foreign laws or similar laws relating to the sale of securities.

9. This Debenture shall be governed by and construed in accordance with the laws of the State of Nevada. Each of the parties consents to the exclusive jurisdiction and venue of the state and/or federal courts located in Miami-Dade County, Florida in connection with any dispute arising under this Agreement. This provision is intended to be a “mandatory” forum selection clause and governed by and interpreted consistent with Florida law. Each of the parties hereby consents to the exclusive jurisdiction and venue of any state or federal court having its situs in said county, and each waives any objection based on forum non conveniens. To the extent determined by such court, the Company shall reimburse the Holder for any reasonable legal fees and disbursements incurred by the Holder in enforcement of or protection of any of its rights under this Debenture or the Securities Purchase Agreement.

10. The following shall constitute an “Event of Default”:

a. The Company fails in the payment of principal or interest (to the extent that interest is imposed under this Section 10) on this Debenture as required to be paid in cash hereunder, and payment shall not have been made for a period of five (5) business days following the payment due date; or

b. Any of the representations or warranties made by the Company herein, in the Securities Purchase Agreement between the Company and the Buyer therein, or in any certificate or financial or other written statements heretofore or hereafter furnished by the Company to in connection with the execution and delivery of this Debenture, the Securities Purchase Agreement shall be false or misleading (including without limitation by way of the misstatement of a material fact or the omission of a material fact) in any material respect at the time made (as to which no cure period shall apply); or

c. The Company fails to remain listed on OTCQB or a more senior stock exchange any time from the date hereof to the Maturity Date for a period in excess of ten (10) trading days.

d. The Company (i) fails to timely file required SEC reports when due, becomes, is deemed to be or asserts that it is a “shell company” at any time for purposes of the 1933 Act, and Rule 144 promulgated thereunder or otherwise takes any action, or refrains from taking any action, the result of which makes Rule 144 under the 1933 Act unavailable to the Buyer for the sale of their Securities, (ii) fails to issue shares of Common Stock to the Holder or to cause its Transfer Agent to issue shares of Common Stock upon exercise by the Holder of the conversion rights of the Holder in accordance with the terms of this Debenture, (iii) fails to transfer or to cause its Transfer Agent to transfer any certificate for shares of Common Stock issued to the Holder upon conversion of this Debenture as and when required by this Debenture and such transfer is otherwise lawful or (iv) fails to remove any restrictive legend or to cause its Transfer Agent to transfer any certificate or any shares of Common Stock issued to the Holder upon conversion of this Debenture as and when required by this Debenture or the Securities Purchase Agreement and such legend removal is otherwise lawful (no cure period shall apply in the case of clauses (i) through (iv) above, inclusive); or

e. The Company shall fail to perform or observe, in any material respect (i) any other covenant, term, provision, condition, agreement or obligation of the Debenture, provided that, other than in the case of such failure under Section 5 hereof, as to which no cure period shall apply, such failure shall continue uncured for a period of thirty (30) days after written notice from the holder of such failure, or (ii) any covenant, term, provision, condition, agreement or obligation of the Company under the Securities Purchase Agreement and such failure shall continue uncured for a period of either (a) three (3) days after the occurrence of the Company's failure under Section 4(d), (e) (except as described in Section 10(c) hereof, as to which Section 10(c) hereof shall control), (f), (g) or (h) of the Securities Purchase Agreement, or (b) thirty (30) days after the occurrence of the Company's failure under any other provision of the Securities Purchase Agreement; or

f. The Company shall (1) admit in writing its inability to pay its debts generally as they mature; (2) make an assignment for the benefit of creditors or commence proceedings for its dissolution; or (3) apply for or consent to the appointment of a trustee, liquidator or receiver for its or for a substantial part of its property or business; or

g. A trustee, liquidator or receiver shall be appointed for the Company or for a substantial part of its property or business without its consent and shall not be discharged within sixty (60) days after such appointment; or

h. Any governmental agency or any court of competent jurisdiction at the instance of any governmental agency shall assume custody or control of the whole or any substantial portion of the properties or assets of the Company and shall not be dismissed within sixty (60) days thereafter; or

i. Any money judgment, writ or warrant of attachment, or similar process (including an arbitral determination), in excess of One Hundred Thousand Dollars (\$100,000) in the aggregate shall be entered or filed against the Company or any of its properties or other assets; or

j. The occurrence of an event of default under the terms of any indebtedness of the Company or any subsidiary (including but not limited to any Subsidiary) of the Company in the aggregate amount of \$100,000 or more which is not waived by the creditors under such indebtedness (as to which no cure period shall apply); or

k. Bankruptcy, reorganization, insolvency or liquidation proceedings or other proceedings for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against the Company and, if instituted against the Company, shall not be dismissed within sixty (60) days after such institution or the Company shall by any action or answer approve of, consent to, or acquiesce in any such proceedings or admit the material allegations of, or default in answering a petition filed in any such proceeding; or

l. The issuance of an order, ruling, finding or similar adverse determination by the Securities and Exchange Commission, the Secretary of State of the State of Nevada, the National Association of Securities Dealers, Inc. or any other securities regulatory body (whether in the United States, Canada or elsewhere) having proper jurisdiction that the Company and/or any of its past or present directors or officers have committed a material violation of applicable securities laws or regulations; or

m. The Company shall have its Common Stock suspended or delisted from a national securities exchange or an electronic quotation service such as the OTCQB, OTCQX for a period in excess of five (5) trading days;

n. Any of the following shall occur and be continuing: (i) a breach or default under (a) any agreement identified by the Company in its SEC Filings as a material agreement or (b) any note or other form of indebtedness in favor of the Company (collectively, the "Material Agreements"), irrespective of whether such breach or default was waived, and (ii) any other event, circumstance or combination thereof shall have occurred which, singly or when taken as a whole, results in a Material Adverse Effect;

o. The determination in good faith by the Holder that a material adverse change has occurred in the financial condition or operations of the Company or any of its subsidiaries which change could have a Material Adverse Effect on the prospect for the Company to fully and punctually realize the full benefits conferred on the Holder by this Agreement, or the prospect of repayment of all Obligations.

p. The determination in good faith by Holder that the prospect for payment or performance of any of the Obligations is impaired for any reason.

Then, or at any time thereafter, the Company shall immediately give written notice of the occurrence of such Event of Default to the Holders of all Debentures then outstanding, and in each and every such case, unless such Event of Default shall have been waived in writing by a majority in interest of the Holders of the Debentures (which waiver shall not be deemed to be a waiver of any subsequent default), then at the option of a majority in interest of the Holders and in the discretion of a majority in interest of the Holders, (i) pursue remedies against the Company in accordance with the Holder's rights in under applicable law, (ii) the interest rate applicable to the Debentures shall be increased to the lesser of eighteen percent (18%) per annum and the maximum interest rate allowable under applicable law, and (iii) the Holder may at its option and discretion declare this Debenture, together with all accrued and unpaid interest thereon, in an amount equal to one hundred forty percent (140%) of the Principal Amount plus accrued and unpaid interest (the "Acceleration Amount"), to be immediately due and payable, without presentment, demand, protest or notice of any kinds, all of which are hereby expressly waived, anything herein or in any note or other instruments contained to the contrary notwithstanding. At its option, a Holder may elect to convert the Debenture pursuant to Section 2 notwithstanding the prior declaration of a default and acceleration, in the sole discretion of such Holder. A majority in interest of the Holders may immediately enforce any and all of the Holder's rights and remedies provided herein or any other rights or remedies afforded by law. Notwithstanding the foregoing, in the case of a default under Section 10(c), the Holder of the Debenture sought to be converted, transferred or de-legended, as the case may be, acting singly, shall have the sole and absolute discretion to increase the applicable interest rate on the Debentures held by such Holder and/or to declare the Debenture(s) held by such Holder to be immediately due and payable. The Company expressly acknowledges and agrees that the Acceleration Amount as so increased in the event of a default is reasonable and appropriate due to the inability to define the financial hardship that the Company's default would impose on the Holders.

11. Nothing contained in this Debenture shall be construed as conferring upon the Holder the right to vote or to receive dividends or to consent or receive notice as a shareholder in respect of any meeting of shareholders or any rights whatsoever as a shareholder of the Company, unless and to the extent converted in accordance with the terms hereof.

12. This Debenture may be amended only by the written consent of the parties hereto. Notwithstanding the foregoing, the principal amount of this Debenture shall automatically be reduced by any and all Conversion Amounts (to the extent that the same relate to principal hereof). In the absence of manifest error, the outstanding principal amount of the Debenture on the Company's book and records shall be the correct amount.

13. No waivers or consents in regard to any provision of this Debenture may be given other than by an instrument in writing signed by the Holder.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Debenture to be duly executed by an officer thereunto duly authorized as of the date of issuance set forth above.

WORKHORSE GROUP INC.

By: /s/ Julio C. Rodriguez
Name: Julio C. Rodriguez
Title: Chief Financial Officer

[Signature Page to Convertible Debenture]

ANNEX A

NOTICE OF CONVERSION

(To Be Executed by the Registered Holder in Order to Convert the Debenture)

The undersigned hereby irrevocably elects to convert \$ _____ of the principal amount of the above Debenture into Shares of Common Stock of Workhorse Group Inc., a Nevada corporation (the "Company"), according to the conditions hereof, as of the date written below. After giving effect to the conversion requested hereby, the outstanding principal amount of such debenture is \$ _____, absent manifest error.

Conversion Date

Applicable Conversion Price

Signature

Print Name

Address
