
**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): November 28, 2018

WORKHORSE GROUP INC.
(Exact name of registrant as specified in its charter)

Nevada
(State or Other Jurisdiction
of Incorporation)

000-53704
(Commission File Number)

26-1394771
(IRS Employer
Identification Number)

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

513-297-3640
(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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

Emerging growth company

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

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 November 28, 2018, Workhorse Group Inc. (the “Company”) entered into a Sales Agreement with Duke Energy One, Inc., a wholly-owned subsidiary of Duke Energy Corporation (NYSE: DUK) (“Duke”), pursuant to which the Company sold Duke 615,000 battery cells (the “615,000 Cells”) in consideration of \$1,340,700. Workhorse will continue to use the cells in the near term for the delivery of trucks to UPS and DHL. Until May 1, 2019, the Company has the right and option to require Duke to sell the 615,000 Cells back to the Company and Duke has the right and option to require the Company to purchase the 615,000 Cells at price equal to the price the 615,000 Cells were sold.

On November 28, 2018, in consideration for consenting to the Company selling the Cells to Duke, which served as collateral for Arosa Opportunistic Fund LP (“Arosa”) under a Loan Agreement, dated as of July 8, 2018, as amended, for \$7.8 million, the Company entered into a Limited Consent, Waiver and Release with Arosa pursuant to which the Company issued Arosa 2,000,000 shares of common stock and restruck the exercise price of warrants previously issued to Arosa to \$1.25 per share. In addition, while the Arosa Loan remains outstanding, the exercise price of the Arosa Warrants will be restruck to equal the price of any equity issued by the Company, including the issuance of any common stock purchase warrants or other derivative convertible securities, if the issuing price of such securities is less than \$1.25.

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

The description of the terms and conditions of the agreements above do not purport to be complete and are qualified in their entirety by the full text of the form of the agreements described above, which are filed as exhibits to this Form 8-K.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
4.1	<u>Form of Amended and Restated Warrant to Purchase Common Stock issued to Arosa Opportunistic Fund LP dated November 28, 2018</u>
10.1	<u>Sales Agreement by and between Workhorse Group Inc. and Duke Energy One, Inc. dated November 28, 2018</u>
10.2	<u>Limited Consent, Waiver and Release by and between Workhorse Group Inc. and Arosa Opportunistic Fund LP dated November 28, 2018</u>

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.

WORKHORSE GROUP INC.

Date: November 29, 2018

By: /s/ Paul Gaitan

Name: Paul Gaitan

Title: Chief Financial Officer

WORKHORSE GROUP INC.

Amended and Restated Warrant To Purchase Common Stock

Warrant No.:

Number of Shares of Common Stock:

Date of Issuance: November 28, 2018 (“**Issuance Date**”)

CUSIP No.

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

It is the intention of each of the parties hereto that the Warrant to Purchase Common Stock (the “**Original Warrant**”) issued by the Company on July 9, 2018 (the “**Original Issuance Date**”) be amended and restated in its entirety pursuant to this Warrant, and that this Warrant does not constitute a novation or termination of the obligations existing under the Original Warrant. The parties hereto further acknowledge and agree that this Warrant constitutes an amendment of the Original Warrant made under and in accordance with the terms of Section 9 of the Original Warrant. From and after the date hereof, all references to the “**Warrant**” contained in the Loan Agreement therein shall be deemed to refer to this Warrant.

1. EXERCISE OF WARRANT.

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

(b) Exercise Price. For purposes of this Warrant, “**Exercise Price**” means \$1.25, subject to adjustment as provided herein.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. PURCHASE RIGHTS; FUNDAMENTAL TRANSACTION.

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

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

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

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

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

7. REISSUANCE OF WARRANTS.

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

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

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

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

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

(i) if to the Company, to:

Workhorse Group Inc.
100 Commerce Drive
Loveland, Ohio 45140

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

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

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

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

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

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

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

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

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

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

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

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

(b) “**Adjustment Period**” mean, the period beginning on the Original Issuance Date up to and including the Obligations Satisfaction Date; provided, however that with respect to Common Stock issued under the Sales Agreement, the Adjustment Period will be deemed to be up to and including the last day of the fiscal quarter in which the Obligations Satisfaction Date occurred; provided further for the avoidance of doubt that if any event described in Section 2 occurs in connection with any financing, the proceeds of which are used to satisfy the Obligations, the date on which such event occurs shall be included in the Adjustment Period.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[Signature Page Follows]

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

WORKHORSE GROUP INC.

By: _____
Name: Paul Gaitan
Title: CFO

EXERCISE NOTICE

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

WORKHORSE GROUP INC.

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

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

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

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

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

Date: _____, _____

Name of Registered Holder

By: _____
Name:
Title:

ACKNOWLEDGMENT

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

WORKHORSE GROUP INC.

By: _____
Name:
Title:

SALES AGREEMENT

THIS SALES AGREEMENT (this "**Agreement**") is made and entered into this 28th day of November, 2018 (the "**Effective Date**"), between DUKE ENERGY One, Inc., a Delaware corporation ("**Buyer**") and WORKHORSE GROUP, INC., a Nevada corporation ("**Seller**").

STATEMENT OF PURPOSE

WHEREAS, Seller owns 615,000 Panasonic model 18650 battery cells (the "**Goods**");

WHEREAS, Buyer desires to purchase the Goods from Seller, and Seller desires to sell the Goods to Buyer, all in accordance with the terms and provisions of this Agreement; and

WHEREAS, Buyer and Seller desire that either party may, at a future date, exercise a put or call on the Goods in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the aforesaid Statement of Purpose, the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby, intending to be legally bound, agree as follows:

1. **Sales of Goods**. Seller shall sell the Goods to Buyer. All orders for the Goods shall be evidenced by a written purchase order issued to Seller by Buyer and accepted by Seller in writing.

2. **Price of Goods**. Unless otherwise provided in this Agreement, the aggregate price for all the Goods shall not exceed \$1,340,700.00 (One Million Three Hundred Forty Thousand Seven Hundred Dollars), with a unit price for each item of the Goods (i.e., for each battery cell) sold to Buyer not to exceed \$2.18 (Two Dollars and Eighty-Eight Cents). These prices are inclusive of all applicable taxes and fees (including without limitation sales and use taxes and fees to release any lien on the Goods), which taxes and fees shall be borne by Seller

3. **Delivery of Goods**. All Goods shall be tendered by Seller F.O.B. Seller's facility in Loveland, Ohio, where title to the Goods shall pass to Buyer.

4. **Payment for Goods**. Buyer shall pay Seller for Goods ordered by Buyer under this Agreement by wire transfer in immediately available funds to Seller's account on or before November 29, 2018. Title and risk of loss shall pass to Buyer simultaneously with Buyer's receipt of payment.

5. **Warranty**. Seller represents and warrants that: (a) Seller shall deliver good, exclusive and marketable title to the Goods free and clear of all liens, security interests, claims, and encumbrances; (b) the Goods shall be free from defects in design, materials and workmanship and shall comply with all final written descriptions, specifications, drawings and representations, including those specified in the Agreement; (c) no federal, state, local or foreign statute, law, rule, regulation or order will be violated in selling or delivering of the Goods. Seller shall promptly repair or replace, Buyer's election, all Goods that do not comply with this warranty. Whenever any unit of Goods is sent to Seller's premises for repair, refurbishment, or any other purpose related to Seller's provision of warranty Services, or otherwise stored at Seller's premises, title to such property shall at all times remain with Buyer and such property shall not be subject to any lien, security interest or other claim asserted by any creditor of Seller. Seller shall clearly mark such property to show that it is owned by Buyer. Seller shall bear the risk of loss or damage to such property while it is on Seller's premises.

6. Seller's Call Option. Buyer hereby grants Seller the right and option (the "**Call Option**"), at any time prior to May 1, 2019, to require Buyer to sell the Goods (or such portion of the Goods as Buyer owns on the date of receipt of Seller's call option notice), at a price per battery cell equal to (but in no event less than) \$2.18 (Two Dollars and Eighty-Eight Cents). Seller may exercise the Call Option by delivering an irrevocable written notice to Buyer of its intention prior to the Call Option expiration date set forth above. Upon receipt of such a notice, Buyer shall be obligated to transfer title to the Goods to Seller.

7. Buyer's Put Option. Seller hereby grants Buyer the right and option (the "**Put Option**"), at any time prior to May 1, 2019, to require Seller to purchase the Goods (or such portion of the Goods as Buyer owns on the date of receipt of Buyer's put option notice), at a price per battery cell equal to (but in no event less than) \$2.18 (Two Dollars and Eighty-Eight Cents). Buyer may exercise the Put Option by delivering an irrevocable written notice to Seller of its intention prior to the Put Option expiration date set forth above. Upon receipt of such a notice and Buyer's invoice, Seller shall be obligated to purchase the Goods from Buyer.

8. Payment for Goods upon Option Exercise. Following Seller's or Buyer's exercise of the Call or Put Option, as the case may be, the Seller shall promptly, but in no event later than 5 business days following receipt by the applicable party of the applicable option notice, submit its invoice to Buyer, which invoice shall set forth the number of units of Goods being sold to Seller, the price per unit therefor, and specifying a payment date no later than 90 days following Seller's receipt of said invoice. The price per unit and aggregate price of the Goods sold pursuant to the Call Option or the Put Option shall be exclusive of all applicable taxes and transaction fees, which shall be the responsibility of Seller.

9. No Warranties. Any purchase and sale of the Goods pursuant to the exercise of the Put Option or Call Option shall be on an "as is" basis with all faults, conditions and nonconformities. The Seller represents and covenants that it has been given, and will have had at the time of any eventual option exercise, the opportunity to review and inspect the Goods prior to the sale and that it has satisfied itself to the condition of the Goods. Buyer will make no representations or warranties, either express or implied, relating to the Goods whatsoever. The only warranties, if any, with respect to each Good purchased hereunder are solely made by the original manufacturer thereof with all such limitations and qualifications as such manufacturer may have imposed on such warranties. SELLER EXPRESSLY ACKNOWLEDGES, UNDERSTANDS AND AGREES THAT, IN CONNECTION WITH ANY EVENTUAL EXERCISE OF THE OPTIONS, BUYER HAS NOT MADE, DOES NOT MAKE AND WILL NOT MAKE ANY EXPRESS OR IMPLIED WARRANTIES AS TO ANY MATTER WHATSOEVER, INCLUDING WITHOUT LIMITATION THE CONDITION OF THE PRODUCTS, THEIR MERCHANTABILITY OR THEIR FITNESS FOR ANY PARTICULAR PURPOSE, ALL OF WHICH ARE HEREBY EXPRESSLY DISCLAIMED.

10. Certain Rights of Buyer. In consideration of Buyer's purchase of the Goods and the other terms and conditions of this Agreement, Seller shall, for a period of three years following the effective date of this Agreement, facilitate and support Buyer's development of charging infrastructure, vehicle and/or battery leasing, and distributed energy resources (including battery storage and micro grids) solutions for Seller and Seller's actual and prospective customers, and shall facilitate and support introductions of Buyer to such customers for the purpose of marketing such solutions; *provided*, that Seller shall not in any way facilitate or support third-party marketing efforts of such solutions, including without limitation introducing such third parties to their actual and prospective customers, without first obtaining Buyer's prior written consent at Buyer's sole discretion.

11. Term and Termination. The term of this Agreement shall commence on the Effective Date and shall continue for a period of one year thereafter. Notwithstanding the foregoing, the respective obligations of the parties with respect to Buyer's purchase of the Goods, or with respect to any eventual exercise of a Call Option or Put Option, prior to the expiration of this Agreement shall not terminate until such obligations are fulfilled or waived pursuant to this Agreement and such expiration or early termination shall not limit or otherwise affect any rights that have accrued to either party, including without limitation right to payment of all monies owed, prior to such expiration or early termination.

12. Release and Indemnification. SELLER HEREBY RELEASES BUYER, AND BUYER IS HEREBY RELEASED FROM ANY AND ALL LIABILITY FOR CLAIMS OF ANY KIND BY SELLER, WHETHER BASED ON CONTRACT, TORT (INCLUDING NEGLIGENCE AND STRICT LIABILITY), UNDER ANY WARRANTY OR OTHERWISE, FOR ANY LOSS OR DAMAGE ARISING OUT OF OR RELATED TO THE SALE AND PURCHASE OF THE PRODUCTS, INCLUDING WITHOUT LIMITATION, CLAIMS OF LOST PROFITS, LOSS OF USE, INCREASED COST OF CAPITAL, REPLACEMENT COSTS, CLAIMS OF CUSTOMERS, OR FOR ANY OTHER CONSEQUENTIAL, EXEMPLARY, INDIRECT, SPECIAL OR INCIDENTAL LOSS OR DAMAGE. Seller shall indemnify, defend and hold Buyer, its affiliates and their respective officers, directors and employees harmless from and against any claims, demands, losses, suits, judgments, damages and expenses (including reasonable attorneys' fees) relating to or arising out of the Seller's actions with the Goods, including without limitation the resale, use, operation, possession or maintenance of, or the failure to use, operate, maintain or secure, the Goods, on or after the date of delivery of the Goods.

13. Assignment. This Agreement shall not be assigned by either party without the prior written consent of the other, provided however, Buyer may assign this agreement to any affiliate of Buyer without such prior consent. Any attempted assignment in contravention of this Agreement shall be null and void *ab initio*.

14. Non-Waiver. No waiver by any party of any breach by another party of any provision hereof shall be deemed to be a waiver of any other breach thereof or as a waiver of any such or other provision of this Agreement.

15. Applicable Law. This Agreement is made and executed with the intention that the construction, interpretation and validity hereof shall be determined in accordance with and governed by the laws of the State of North Carolina, except that the North Carolina conflict of law provisions shall not be invoked in order to apply the laws of any other state or jurisdiction.

16. Dispute Resolution. The parties shall attempt to resolve any claims, disputes and other controversies arising out of or relating to this Agreement (collectively, "**Disputes**") promptly by negotiation between individuals who have authority to settle the Dispute and who are at a higher level of management than the persons with direct responsibility for administration of this Agreement. All negotiations pursuant to this section are to be deemed confidential and shall be treated as compromise and settlement negotiations for purposes of applicable rules of evidence. If the Dispute has not been resolved by negotiation within sixty (60) days of the disputing party's notice, then either party may initiate litigation. VENUE FOR ANY SUCH ACTION SHALL LIE EXCLUSIVELY IN THE APPROPRIATE STATE OR FEDERAL COURTS IN AND FOR THE STATE OF NORTH CAROLINA. SELLER AND BUYER AGREE TO RELINQUISH AND WAIVE THEIR RIGHTS TO A TRIAL BY JURY IN ANY ACTION BROUGHT HEREUNDER.

17. Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.

18. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes and cancels all prior or contemporaneous oral or written agreements and understandings with respect to the subject matter hereof. All exhibits to this Agreement are hereby incorporated herein by reference. No purchase order delivered by Buyer under this Agreement shall modify or supplement the terms and provisions of this Agreement, the parties acknowledging and agreeing that any different or supplemental terms contained therein are contained therein solely for the convenience of Buyer so that Buyer may use its standard purchase orders and shall have no effect whatsoever on this Agreement and shall be treated as if they do not exist. This Agreement may not be changed or modified orally or by any such purchase order, but only by an instrument in writing signed by the parties hereto which instrument unequivocally states that it is an amendment to this Agreement.

19. Severability. If any provision of this Agreement is declared invalid or unenforceable as a matter of law, such invalidity or unenforceability shall not affect or impair the validity or enforceability of any other provision of this Agreement or the remainder of this Agreement as a whole.

20. Survival. Sections 9 through 10 and 12 through 24, inclusive, shall survive the expiration or early termination (with or without cause) of this Agreement.

21. Notices. Any written notice or demand under this Agreement shall be given to a party by mailing such notice certified mail, return receipt requested, with proper postage affixed at the address set forth for such party on the signature page of this Agreement or at such other address as that party may provide in writing from time to time pursuant to this Section 21. Such notice or demand so mailed shall be effective when actually received by the intended party, but in no event more than 5 business days after transmittal.

22. No publication. Seller shall not use Buyer's name or the fact that Seller is purchasing Goods or services from Buyer in any press releases, media statements or public communications or otherwise publicize this Agreement without Buyer's prior written consent. Seller shall not use Buyer's (including its subsidiaries and affiliates) name, logos, trademarks, service marks, trade names or trade secrets in any way without Buyer's prior written consent, and Buyer shall not be deemed to have granted Seller a license of, or granted Seller any rights in, any of the foregoing by entering into this Agreement.

23. Counterparts. This Agreement may be executed in duplicate counterparts, each of which shall be deemed an original hereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their duly authorized representatives, as of the date first above written.

DUKE ENERGY ONE, INC.

By: /s/ Doug Esamann

Name: Doug Esamann

Title: Executive Vice President, Customer Solutions

Address: c/o EVP Customer Solutions
550 S. Tryon
Charlotte, NC 28202

WORKHORSE GROUP INC.

By: /s/ Stephen S. Burns

Name: Stephen S. Burns

Title: Chief Executive Officer

Address: c/o Chief Executive Officer
100 Commerce Drive
Loveland, OH 45140

LIMITED CONSENT, WAIVER AND RELEASE

This **LIMITED CONSENT, WAIVER AND RELEASE** (this “**Limited Waiver**”) is entered into this 28th day of November, 2018 by and between **AROSA OPPORTUNISTIC FUND LP**, a Cayman Islands exempted limited partnership (“**Lender**”), and **WORKHORSE GROUP INC.**, a Nevada corporation (“**Borrower**”).

RECITALS

A. Lender and Borrower have entered into that certain Loan Agreement dated as of July 6, 2018, as amended by that certain First Amendment to Loan Agreement dated as of August 2, 2018 (as the same may from time to time be amended, modified, supplemented or restated, the “**Loan Agreement**”), pursuant to which Lender has made a loan to Borrower for the purposes permitted in the Loan Agreement.

B. Borrower has informed Lender that Borrower desires to enter into one or more sales (collectively, the “**Cell Sale**”) of 615,000 Panasonic Inc. model 18650 battery cells (the “**Cells**”) together with an obligation or option to repurchase the Cells (the “**Repurchase Option**”) and has requested that Lender release its security interest in Collateral consisting of the Cells solely for the purpose of facilitating the Cell Sale, consent to Borrower’s Transfer of the Cells pursuant to the Cell Sale and waive the requirement that Borrower prepay the Obligations in an amount equal to the Asset Sale Proceeds arising from the Cell Sale.

C. Lender has agreed to release its security interest in the Cells, consent to the Cell Sale, and waive the requirement that Borrower prepay the Obligations in an amount equal to the Asset Sale Proceeds arising solely from the Cell Sales, but only to the extent, in accordance with the terms, subject to the conditions and in reliance upon the representations and warranties set forth below.

AGREEMENT

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

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

2. Release. Subject to the terms and conditions set forth herein and in reliance on the representations and warranties of Borrower herein contained, concurrently with the closing of a Cell Sale on terms reasonably acceptable to Lender with a counterparty reasonably acceptable to Lender, the Cells that are Transferred pursuant to such Cell Sale are hereby released from the security interest created by the Guarantee and Collateral Agreement; provided that (a) Lender is not releasing, and Lender’s security interest shall continue unimpaired, on the proceeds of the Cells, (b) Borrower shall exercise the Repurchase Option to reacquire all Cells sold pursuant to such Cell Sale no later than May 1, 2019 if any of the Obligations remain outstanding as of such date, and (c) upon exercise of the Repurchase Option or any other reacquisition of such Cells, such Cells shall constitute Collateral for all purposes under the Guarantee and Collateral Agreement and Borrower will execute any addendum thereto reasonably requested by Lender. Upon request by Borrower, Lender will, at Borrower’s sole expense, execute, deliver and acknowledge all such further documents, agreements and certificates and instruments as Borrower may reasonably request to more effectively effectuate the foregoing release of the Cells.

3. Limited Consent and Waivers.

(a) Subject to the terms and conditions set forth herein and in reliance on the representations and warranties of Borrower herein contained, Lender hereby: (i) waives compliance with the provisions of Sections 2.1(c)(iii) and 7.1 of the Loan Agreement to the extent, and only to the extent, necessary to permit Borrower to Transfer the Cells pursuant to a Cell Sale on terms reasonably acceptable to Lender with a counterparty reasonably acceptable to Lender and to do so without applying the Asset Sale Proceeds arising solely from such Cell Sale to prepay the Obligations, and (ii) acknowledges that Duke Energy One, Inc. (“**Duke**”) is reasonably acceptable to Lender and the terms of the Cell Sale agreement in the form attached hereto as Exhibit A (the “**Duke Agreement**”) are reasonably acceptable to Lender; provided that (y) this consent does not extend to any amendments or modifications to the Duke Agreement that are adverse to the interests of Lender and (z) Borrower shall exercise the Repurchase Option to reacquire all Cells sold pursuant to such Cell Sale no later than May 1, 2019 if any of the Obligations remain outstanding as of such date.

(b) Without limiting the generality of the provisions of Section 13.7 of the Loan Agreement, the waiver set forth above shall be limited precisely as written and relates solely to the noncompliance by Company with the provisions of Sections 2.1(c)(iii) and 7.1 of the Loan Agreement in the manner and to the extent described above, and nothing in this Limited Waiver shall be deemed to: (i) constitute a waiver of compliance by Borrower with respect to Section 2.1(c)(iii) or 7.1 of the Loan Agreement in any other instance or any other term, provision or condition of the Loan Agreement or any other Loan Document; or (ii) prejudice any right or remedy that Lender may now have or may have in the future under or in connection with the Loan Agreement or any other instrument or agreement referred to therein.

4. Additional Covenants. So long as the Obligations remain outstanding,

(a) commencing the week of November 25, 2018, Borrower shall deliver to Lender, on or before Friday of each week (commencing November 30, 2018) by no later than 2:00 p.m. Eastern time, an rolling 13-week cash flow forecast and in form and detail satisfactory to Lender, together with, commencing the week of December 2, 2018, a variance analysis of actual versus forecasted amounts for the preceding week; and

(b) commencing the week of November 25, 2018, no less frequently than weekly, on a day and at a time mutually convenient to Borrower and Lender, Borrower and its executive officers shall hold a meeting (which may be held telephonically) to discuss and analyze the financial conditions, liquidity and operations of Borrower and its Subsidiaries.

5. Warrant. Concurrently herewith, Borrower shall have (a) issued to Lender fully executed Amended and Restated Warrants in the forms attached hereto as Exhibit B (the “**Amended and Restated Warrants**”), amending and restating each of the warrants previously issued to Lender with a strike price of the lesser of \$1.25 and the existing strike price of the warrants, such strike price subject to further adjustment upon the issuance of equity or warrants having a lower price per share or strike price, which Amended and Restated Warrants will be subject to antidilution provisions, including, without limitation, in connection with additional equity capital raises and warrant issuances, such that the Amended and Restated Warrants will continue to be exercisable for 10% of the outstanding common shares after any subsequent equity capital raises or warrant issuances, and subject to other terms acceptable to Lender, (b) delivered to Lender evidence satisfactory to Lender that all board and shareholder consents necessary in connection with the Amended and Restated Warrants have been obtained, (c) delivered to Lender evidence satisfactory to Lender that Borrower has authorized and reserved a sufficient number of shares of common stock to issue upon exercise of the Amended and Restated Warrants, and (d) delivered to Lender evidence satisfactory to Lender that all filings necessary to be made with the SEC and Nasdaq in connection with the issuance of the Amended and Restated Warrants have been made. Borrower acknowledges that that (i) the issuance of the Amended and Restated Warrants are consideration for, and a material inducement to Lender’s entry into, this Limited Waiver and (ii) the consents, releases and waivers set forth herein are conditioned on the effectiveness of the Amended and Restated Warrants.

6. Purchase and Sale of Common Stock.

(a) Subject to the terms and conditions set forth herein and in reliance on the representations and warranties of Borrower and Lender herein contained, Borrower shall sell and deliver to Lender, and Lender agrees to purchase and acquire from Borrower, 2,000,000 shares of the common stock of Borrower (the “**Purchased Shares**”) against payment by Lender of a purchase price in cash equal to \$0.01 per share (the “**Purchase Price**”). The Purchase Price shall be paid by wire transfer of immediately available funds to Borrower to an account or accounts designated by Borrower to Lender.

(b) If (i) Borrower shall not within thirty (30) days after the date on which the Purchased Shares are issued (the “**Issuance Date**”) file with the Securities and Exchange Commission (“**SEC**”) a registration statement for the resale by Lender or any transferee thereof of the Purchased Shares (which registration statement shall be declared effective by the SEC no later than seventy-five (75) days (the “**Effective Date**”) after the Issuance Date, the “**Registration Statement**”), or (ii) a registration statement (which may be the Registration Statement) covering the issuance or resale of the Purchased Shares is not available at any time for resale of such Purchased Shares, as contemplated above and (x) Borrower fails to promptly, but in no event later than five (5) Business Days after such registration statement becomes unavailable, to so notify Lender and (y) after the Effective Date, Borrower is unable to deliver the Purchased Shares electronically without any restrictive legend by crediting such aggregate number of Purchased Shares to Lender’s or its designee’s balance account with DTC its custodian system (any of the events described in clauses (i) or (ii) above, a “**Failure**”), then, in each case of a Failure, in addition to all other remedies available to Lender, Borrower shall be obligated to issue to Lender, without any further consideration from the Lender, an additional number of shares of Common Stock equal to 100,000 (such shares, “**Additional Shares**”), and, to extent any such condition shall continue, shall further issue to Lender, Additional Shares (on the same terms as aforesaid) for each sixty (60) day period for which the Failure shall continue which such Additional Shares shall not exceed 500,000 shares in total. The foregoing limit in the total amount of Additional Shares shall in no way limit or release the Borrower’s obligation to file the registration statement or to have it declared effective within the time frames set forth above, and to maintain the effectiveness of such registration statement, or to in any way limit the ability of the Lender to seek or obtain specific performance to cause the Borrower to effect the same.

7. Effectiveness. This Limited Waiver shall be deemed effective upon the due execution and delivery to Lender of this Limited Waiver by each party hereto; provided that the provisions of Sections 2 and 3 shall be effective only upon the satisfaction of the following: (a) the due execution and delivery to Lender of (i) the Amended and Restated Warrants and (ii) written consent of Borrower’s board of directors to this Limited Waiver and the transactions contemplated hereby, (b) Borrower’s satisfaction of the requirements of Section 5 hereof, (c) Lender’s receipt of the Purchased Shares in accordance with Section 6 hereof, (d) Borrower’s payment of all Lender Expenses incurred and invoiced as of the date hereof, and (e) delivery of such other documents as Lender may request.

8. Representations and Warranties of Borrower. To induce Lender to enter into this Limited Waiver, Borrower hereby represents and warrants to Lender as follows:

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

(b) Borrower has the power and authority to execute and deliver this Limited Waiver, and to perform its obligations under this Limited Waiver and the Loan Agreement;

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

(d) The execution and delivery by Borrower of this Limited Waiver and the performance by Borrower of its obligations under this Limited Waiver and the Loan Agreement have been duly authorized;

(e) The execution and delivery by Borrower of this Limited Waiver and the performance by Borrower of its obligations under this Limited Waiver and the Loan Agreement do not and will not contravene (i) any law or regulation binding on or affecting Borrower, (ii) any material contractual restriction with a Person binding on Borrower, (iii) any order, judgment or decree of any court or other governmental or public body or authority, or subdivision thereof, binding on Borrower, or (iv) the organizational documents of Borrower;

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

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

(h) All the Purchased Shares have been duly authorized and validly issued, and all of the shares of common stock of Borrower for which the Amended and Restated Warrants are exercisable (the "**Warrant Shares**") have been duly authorized and will be validly issued, in compliance with applicable laws and the Purchased Shares and the Warrant Shares, when issued, will be fully paid and non-assessable. Each of the Purchased Shares and the Warrant Shares will, upon issuance, be approved for trading on the Nasdaq Capital Market. None of the Purchased Shares are, and none of the Warrant Shares will be, issued in violation of any contract, agreement, arrangement or commitment to which Borrower is a party or is subject to, or in violation of, any preemptive or similar rights of any person.

(i) Borrower has not, directly or through its agents, offered or sold the Purchased Shares or the Amended and Restated Warrants by any form of general solicitation or general advertising within the meaning of Rule 502(c) under the U.S. Securities Act of 1933 (the "**Securities Act**").

(j) To the knowledge of Borrower, none of Borrower or its affiliates is a "pilot program U.S. business" as defined in 31 C.F.R. § 801.213.

9. Representations and Warranties of Lender.

(a) Lender is (a) an "accredited investor" as that term is defined in Regulation D promulgated under the Securities Act, and (b) a "qualified purchaser" as that term is defined under the U.S. Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder.

(b) Lender understands and acknowledges that (i) the Purchased Shares have not been registered under the Securities Act or any state or other securities law, (ii) the Shares are being offered and sold in reliance on specific exemptions from the registration requirements of the United States federal and state securities laws, and (iii) that such federal and state securities laws govern any future transfers of Purchased Shares and the applicability of any exemptions from registration in connection with such transfer. Lender is acquiring the Purchased Shares for investment for its own account and without a present view to any public resale or other distribution of such Shares in violation of the Securities Act or other applicable securities law.

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

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

11. Prior Agreement.

(a) The Loan Documents are hereby ratified and reaffirmed and shall remain in full force and effect. This Limited Waiver is not a novation and the terms and conditions of this Limited Waiver shall be in addition to and supplemental to all terms and conditions set forth in the Loan Documents. In the event of any conflict or inconsistency between this Limited Waiver and the terms of such documents, the terms of this Limited Waiver shall be controlling, but such documents shall not otherwise be affected or the rights therein impaired.

(b) This Limited Waiver is a Loan Document. Borrower agrees and acknowledges that any violation of or failure to comply with the terms of this Limited Waiver shall constitute an immediate Event of Default under the Loan Agreement.

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

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

14. Governing Law. This Limited Waiver and the rights and obligations of the parties hereto shall be governed by and construed in accordance with the laws of the State of New York.

[Signature page follows.]

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

BORROWER:

WORKHORSE GROUP INC.

By: /s/ Stephen S. Burns

Name: Stephen S. Burns

Title: CEO

GUARANTORS:

WORKHORSE TECHNOLOGIES INC.

By: /s/ Stephen S. Burns

Name: Stephen S. Burns

Title: CEO

WORKHORSE PROPERTIES INC.

By: /s/ Stephen S. Burns

Name: Stephen S. Burns

Title: CEO

WORKHORSE MOTOR WORKS INC

By: /s/ Stephen S. Burns

Name: Stephen S. Burns

Title: CEO

SUREFLY, INC.

By: /s/ Duane A. Hughes

Name: Duane A. Hughes

Title: President and COO

LENDER:

AROSA OPPORTUNISTIC FUND LP

By: Arosa Capital Management Opportunistic GP II
LLC

Its: General Partner

By: /s/ Till Bechtolsheimer

Name: Till Bechtolsheimer

Title: Chief Executive Officer

EXHIBIT A
DUKE AGREEMENT

EXHIBIT B

AMENDED AND RESTATED WARRANTS
