

---

---

**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): February 4, 2019 (January 30, 2019)

**WORKHORSE GROUP INC.**

(Exact name of registrant as specified in its charter)

Nevada	000-53704	26-1394771
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)
100 Commerce Drive, Loveland, Ohio		45140
(Address of Principal Executive Offices)		(Zip Code)

Registrant's telephone number, including area code: (513) 297-3640

N/A

(Former Name or Former Address, if Changed Since Last Report)

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:

- 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 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

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 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements with Certain Officers.**

On January 30, 2019, Stephen S. Burns, Chief Executive Officer and a member of the Board of Directors (the “Board”) of Workhorse Group Inc. (the “Company”), resigned as Chief Executive Officer and as a member of the Board, effective immediately. Mr. Burns will serve the Company as a consultant pursuant to a Services Agreement between Mr. Burns and the Company dated as of February 4, 2019 (the “Services Agreement”).

On February 4, 2019, the Company announced the appointment of Duane Hughes as Chief Executive Officer and a member of the Board effective February 4, 2019. Mr. Hughes previously served as the Company’s President and Chief Operating Officer. Prior to joining the Company, Mr. Hughes served as Chief Operating Officer of Cumulus Interactive Technologies Group (“Cumulus ITG”). Prior to joining Cumulus ITG, Mr. Hughes served in senior management positions with Gannett Co., Inc., including as Vice President of Sales and Operations for Gannett Media Technologies International.

There is no understanding or arrangement between Mr. Hughes and any other person pursuant to which Mr. Hughes was selected as a director of the Company. Mr. Hughes does not have any family relationship with any director, executive officer or person nominated or chosen by us to become a director or an executive officer. Since January 1, 2018, Mr. Hughes has not had a direct or indirect material interest in any transaction or proposed transaction, in which the Company was or is a proposed participant exceeding \$120,000.

In connection with his appointment as Chief Executive Officer, the Company entered into an amended and restated retention agreement (the “Retention Agreement”) with Mr. Hughes effective February 4, 2019. Pursuant to the Retention Agreement, Mr. Hughes will receive a base salary of \$350,000 per year and will be eligible to receive a target performance bonus equal to 50% of his base salary with the potential to increase to 100% or 150% of his base salary assuming pre-determined milestones are met as determined by the Board. Mr. Hughes will also receive a \$25,000 signing bonus as well as a \$25,000 bonus upon the Company raising \$10 million in financing. The Company also granted an option to purchase 1,000,000 shares of the Company’s common stock that will vest over a three-year period. The stock option award was granted under the Company’s 2017 Incentive Stock Plan with an exercise price equal to \$0.97. The shares subject to such options will vest over three years in equal quarterly installments commencing March 31, 2019.

In the event Mr. Hughes is terminated without cause or resigns for good reason (as such terms are defined in the Retention Agreement), he will be entitled to severance payments in an amount equal to his base salary plus a prorated portion of his target performance bonus. In addition, any outstanding equity awards will immediately accelerate and vest. The Company will also continue to pay the employer portion of the COBRA premium cost for up to twelve months. In the event Mr. Hughes is terminated without cause or resigns for good reason within twelve months following a change in control of the Company (as such term is defined in the Retention Agreement) he shall be entitled to severance benefits described above.

In connection with his appointment as Chief Executive Officer, on February 4, 2019, the Company entered into a letter agreement (the “Director Agreement”) with Mr. Hughes setting forth certain terms of his appointment as director of the Company. The Director Agreement provides that Mr. Hughes will receive an annual fee of \$40,000 as consideration for his service as a director. Additionally, the Company granted Mr. Hughes options to purchase 50,000 shares of the Company’s common stock at \$0.97 per share. The options will expire ten years from the vesting period with 10,000 options vesting immediately and 4,000 every June 30 and December 31 thereafter.

Under the Services Agreement, Mr. Burns will provide consulting services to the Company for a term of one year and will receive a consulting fee of \$27,083.33 per month. The Company also granted Mr. Burns an option to purchase 1,000,000 shares of the Company’s common stock which vested immediately. The stock option award was granted under the Company’s 2017 Incentive Stock Plan with an exercise price equal to \$0.97.

The foregoing summary descriptions of the Service Agreement, the Retention Agreement and the Director Agreement do not purport to be complete and are subject to, and qualified in their entirety by, the full text of the agreements, copies of which are filed as Exhibit 10.1, Exhibit 10.2 and Exhibit 10.3 hereto, respectively, and incorporated by reference herein.

On February 5, 2019 the Company issued a press release regarding Hughes's appointment and Mr. Burns' resignation. The press release is filed with this report on Form 8-K as Exhibit 99.1 and is incorporated herein by reference.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits:

- |      |  |
|------|--|
| 10.1 | <a href="#"><u>Services Agreement between Stephen S. Burns and Workhorse Group Inc. dated February 4, 2019</u></a>                             |
| 10.2 | <a href="#"><u>Amended and Restated Executive Retention Agreement between Duane Hughes and Workhorse Group Inc. dated February 4, 2019</u></a> |
| 10.3 | <a href="#"><u>Director Agreement between Duane Hughes and Workhorse Group Inc. dated February 4, 2019</u></a>                                 |
| 99.1 | <a href="#"><u>Press Release dated February 5, 2019</u></a>  |

**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.

/s/ Paul Gaitan

Paul Gaitan

Chief Financial Officer

Date: February 5, 2019

**SERVICES AGREEMENT**

THIS **SERVICES AGREEMENT** (this “**Agreement**”), entered into this 4th day of February 2019, sets forth the arrangement between **STEPHEN S. BURNS** with an address located \_\_\_\_\_ (hereinafter referred to as “**Consultant**”), and **WORKHORSE GROUP INC.**, a Nevada corporation, with its principal place of business at 100 Commerce Drive, Loveland, Ohio 45140 (hereinafter referred to as “**Company**”), with respect to compensation to which Consultant may become entitled under the terms and conditions set forth in this Agreement.

**WITNESSETH:**

**WHEREAS**, the Company is American original equipment manufacturer that designs and builds high performance battery-electric trucks as well and is also developing an electric vertical take-off and landing vehicle (“**VTOL**”);

**WHEREAS**, Consultant founded the Company and served as Chief Executive Officer and director of the Company from 2010 until his resignation on January 30, 2019;

**WHEREAS**, Consultant has been integral in the development of the VTOL and has agreed to continue to provide services to the Company at the direction of the Chief Executive Officer of the Company as set forth herein which such services will be focused (i) on the Company’s efforts to sell SureFly, Inc. (“**SureFly**”), (ii) raising capital for SureFly, (iii) providing assistance and technical advice in connection with the development of the VTOL and (iv) to provide such other services as designated by the Chief Executive Officer of the Company (collectively, the “**Services**”);

**WHEREAS**, the Consultant has extensive knowledge and experience with respect to the Services and the Consultant has agreed to provide the Services to the Company; and

**NOW, THEREFORE**, in consideration of the mutual promises set forth in this Agreement, the parties agree as follows:

1. **Purpose; Services.** In consultation and at the direction of the Chief Executive Officer of the Company, the Consultant shall provide the Services. In performing the Services, Consultant shall report to such person as may, from time to time, be designated by the Company’s Chief Executive Officer. Consultant shall commit a full time effort to the Company to fulfill the Services. The Company acknowledges that the Consultant has advised that he intends to start a company focused on the manufacture and sale of electric scooters, which will be unrelated to the Company. The Consultant acknowledges that the operations of the electric scooter business will not interfere in the Services provided hereunder. Consultant shall not have any authority to execute contracts or make any commitments on behalf of the Company. Consultant accepts the engagement provided in this Agreement and agrees to perform the Services in a professional manner, diligently, in good faith, in a manner consistent with the best interests of the Company. Consultant shall be required to devote his full time and attention to the Services.

2. **Compensation; Expenses.** In consideration for providing the Services the Company shall pay Consultant \$27,083.33 per month during the Term of this Agreement. In addition, the Company hereby grants the Consultant a Stock Option to acquire 1,000,000 shares of common stock for a term of five years at an exercise price of \$0.97 per share (the “**Option**”), which Option shall be fully vested upon execution. The Option shall be issued under the 2017 Stock Incentive Plan and the form of Stock Option is attached hereto as **Exhibit A**.

**3. Independent Contractor Relationship.** This Agreement is intended to create an independent contractor relationship between Consultant and Company.

(a) **No Taxes Withheld from Compensation.** Company will not withhold any taxes from any compensation paid to Consultant according to this Agreement. It is acknowledged and agreed by the parties that Company has not, is not, and shall not be obligated to make, and that it is the sole responsibility of Consultant to make, in connection with compensation paid to Consultant according to this Agreement, all periodic filings and payments required to be made in connection with any withholding taxes, FICA taxes, Federal unemployment taxes, and any other federal, state or local taxes, payments or filings required to be paid, made or maintained.

(b) **Consultant Controls Time and Effort.** It is agreed that Company is interested only in the ultimate results of Consultant's activities pursuant to this Agreement, and that Consultant shall have exclusive control over the time and effort invested by Consultant pursuant to this Agreement, and the manner and means of Consultant's performance under this Agreement.

(c) **Independence from Company.** The parties further agree that Consultant shall have no control or supervision over Company's employees, officers, directors, representatives or affiliates. Consultant will not represent that it is an employee of Company. Consultant shall at all times represent himself and be construed as independent of Company. Consultant shall not, under any circumstances, be deemed to be a servant or employee of Company for any purpose, including for Federal tax purposes. Consultant's relationship to Company is that of an independent contractor, and nothing in this Agreement shall constitute this Agreement as a joint venture or partnership between Consultant and Company. Consultant shall have no authority to bind Company or any of its employees, officers, directors, representatives or affiliates by any promise or representation, oral or otherwise, unless specifically authorized in a writing bearing an authorized signature of a Company officer, director or representative. While Consultant may handle preliminary discussions and negotiations with sources for funding and/or financing for SureFly, Consultant will have no authority to bind the Company and will instruct any such funding or financing sources that is a consultant only and has no such authority. Final determination regarding any funding and/or financing shall be made exclusively by Company.

**4. Invention Assignment, Confidentiality, Non-Compete and Non-Solicit.** During the term of this Agreement and following any termination of this Agreement, Consultant agrees to continue to abide by the terms and conditions of the Invention Assignment & Confidentiality Agreement between the Consultant and the Company, which is attached hereto as **Exhibit B**.

**5. Term, Termination of this Agreement and Return of Property .** The term of this Agreement shall be for a period of one year (the "**Term**"), provided, however, either party may terminate upon providing the other party 90 days-notice of such termination. The Company agrees that Consultant will be paid for his services through the date of termination, including the re-imbusement for all reasonable expenses incurred by Consultant and which have pre-approved by the Company through the date of termination.

**6. Termination of Employment Agreement.** The Executive Retention Agreement between Consultant and the Company dated as of May 19, 2017 (the "Prior Retention Agreement") has terminated as a result of Consultant's voluntary resignation as Chief Executive Officer and director of the Company. The Prior Retention Agreement shall cease to be in effect, and neither the Company nor Consultant shall have any further rights or obligations or liabilities under the Prior Retention Agreement, except for Consultant's obligations under Sections 5, 8, and 9, which, by their terms are intended to and shall survive termination of the Prior Retention Agreement.

**7. Notice.** Any notice required under this Agreement shall be deemed duly delivered (and shall be deemed to have been duly received if so given), if personally delivered, sent by a reputable courier service, or mailed by registered or certified mail, postage prepaid, return receipt requested, addressed to the parties at the addresses set forth above or to such other address as any party may have furnished to the other in writing in accordance with this Section.

**8. Law and Jurisdiction.** The laws of the State of Ohio apply to this Agreement, without deference to the principles of conflicts of law. Both jurisdiction and venue for any litigation pursuant to this Agreement shall be proper in the courts of Ohio.

9. **Severability.** If the law does not allow a provision of this Agreement to be enforced, such unenforceable provision shall be amended to become enforceable and reflect the intent of the parties, and the rest of the provisions of this Agreement shall remain in effect.

10. **Waiver.** The failure of any party, in any instance, to insist upon strict enforcement of the provisions of this Agreement shall not be construed to be a waiver or relinquishment of enforcement in the future, and the terms of this Agreement shall continue to remain in full force and effect.

11. **Amendment.** This Agreement may only be amended or modified in a writing signed by both of the parties and referring to this Agreement.

12. **Entire Agreement.** This Agreement constitutes the entire agreement and final understanding of the parties with respect to the subject matter of this Agreement and supersedes and terminates all prior and/or contemporaneous understandings and/or discussions between the parties, whether written or verbal, express or implied, relating in any way to the subject matter of this Agreement.

13. **Execution in Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one in the same instrument. Confirmation of execution by electronic transmission of a facsimile signature shall be binding on the confirming party.

**SIGNING THIS AGREEMENT INDICATES ACCEPTANCE OF THE TERMS OF THIS AGREEMENT.**

**WORKHORSE GROUP INC.**

By: /s/ Duane Hughes  
Name: Duane Hughes  
Title: CEO

/s/ Stephen S. Burns  
Stephen S. Burns

**AMENDED AND RESTATED EXECUTIVE RETENTION AGREEMENT**

This Amended and Restated Executive Retention Agreement (the “*Agreement*”) is made and entered into as of February 4, 2019 (the “Effective Date”) by and between WORKHORSE GROUP INC., a Nevada corporation (the “*Company*”), and Duane Hughes (the “*Executive*”).

## Recitals:

WHEREAS, the Executive is a key employee of the Company who possesses valuable proprietary knowledge of the Company, its business and operations and the markets in which the Company competes; and

WHEREAS, the Company and the Executive desire to enter into this Agreement to encourage the Executive to continue to devote the Executive’s full attention and dedication to the success of the Company, and to provide specified compensation and benefits to the Executive in the event of a Termination Upon Change of Control or certain other terminations pursuant to the terms of this Agreement.

NOW, THEREFORE, THE PARTIES HEREBY AGREE AS FOLLOWS:

**1. PURPOSE AND TERM; DUTIES**

1.1 The purpose of this Agreement is to provide specified compensation and benefits to the Executive in the event of (i) a Termination Upon Change of Control or (ii) an Involuntary Termination. Subject to the terms of any applicable written employment agreement between Company and the Executive (as to which Executive acknowledges no other such agreement exists as of the date hereof), either the Executive or Company may terminate the Executive’s employment at any time for any reason, with or without notice. The term of this Agreement shall be the period from the date set forth above until Executive’s employment is terminated for any reason or this Agreement is terminated by mutual agreement of the parties.

1.2 The Executive’s job responsibilities will comprise of serving as the Chief Executive Officer of the Company managing and overseeing all operations and matters of the Company in order to establish a successful business and manage growth. In addition, Executive will undertake such functions as are customarily applicable to Executive’s position, as well as those that are reasonably assigned to you by the Board.

1.3 As part of Executive’s duties Executive will be required to work at the Company’s executive offices. The Executive is entitled to four (4) weeks of vacation which will accrue on a pro-rata basis during the year, in addition to all public holidays when the office is closed. Executive will be eligible to participate in all employee benefit plans established by the Company for its employees from time to time. In accordance with Company policies from time to time, the Company will reimburse you for all reasonable and proper travel and business expenses incurred by you in the performance of your duties.



## 2. COMPENSATION AND TERMINATION GENERALLY

### 2.1 Compensation.

2.1.1 Annual Salary. The Executive's current base salary of \$350,000 per annum, subject to periodic review and modification which may not be adjusted downward by the Company's Board of Directors (the "**Board**") as may be delegated to the Compensation Committee of the Board (references herein to the Compensation Committee shall include reference to the Board if no such Committee exists at any time) at such time or times as it shall determine. The Company's Compensation Committee shall also from time to time, in its discretion, determine the type and amount of other forms of compensation for Executive's service with the Company (including, without limitation, stock options or other forms of equity awards).

2.1.2 Bonuses. Upon signing this Agreement, Executive shall receive a bonus of \$25,000. In addition, Executive shall receive a bonus of \$25,000 upon the Company closing a financing in excess of \$10,000,000. Executive Each calendar year during the term of the Executive's employment with the Company (including the calendar year ending December 31, 2019), Executive will be eligible to receive a cash bonus ("Cash Bonus") as determined by the Board based upon the achievement of performance goals established by the Board and provided to Executive in writing within thirty (30) days after the beginning of the calendar years subject to the Company establishing an approved budget (for calendar year 2019 the performance goals shall be established by the Board and provided to Executive in writing within thirty (30) days after establishing an approved budget). The Executive's target Cash Bonus will be 50% of the Base Salary with the potential to receive 100% of the Base Salary or up to 150% of the Base Salary if the highest performance goals as established by the Board are achieved. With respect to each calendar year during the term of the Executive's employment with the Company, the Company will determine the amount of the Cash Bonus to be awarded within sixty (60) days after the end of the calendar year to which the Cash Bonus relates and will pay the awarded Cash Bonus at the next payroll to occur following such determination. To be eligible to receive an Cash Bonus for a particular year, the Executive must be employed by the Company through the end of such calendar year.

2.1.3 Options. The Executive will be provided with an initial grant of options to purchase 1,000,000 shares of common stock, which shall vest over three (3) years in equal quarterly installments of 83,333 shares per quarter commencing March 31, 2019. The exercise price of the options shall be \$0.97 per share and the term shall be ten years. The Executive may be eligible for additional equity incentive grants, subject to Executive's continued employment and satisfactory job performance, which may be made from time to time, by the Board, on the same terms as other executive employees of the Company. Terms and conditions of all the equity incentive grants, will be in accordance with the terms of the Company's Equity Incentive Plan in effect at the time of each such grant.

2.2 Termination of Employment Generally. In the event the Executive's employment with the Company terminates, for any reason whatsoever including death or disability the Executive shall be entitled to the benefits described in this Section 2.2.

2.2.1 Accrued Salary and Vacation. All salary and accrued vacation earned through the Termination Date shall be paid to Executive on such date.

2.2.2 Accrued Bonus Payment. The Executive shall receive a lump sum payment of any actual bonus amount to the extent that all the conditions for payment of such bonus have been satisfied and any such bonus was earned and is unpaid on the Termination Date.

2.2.3 Expense Reimbursement. Within ten (10) days following submission to the Company of proper expense reports by the Executive, the Company shall reimburse the Executive for all expenses incurred by the Executive, consistent with the Company's expense reimbursement policy in effect prior to the incurring of each such expense, in connection with the business of the Company prior to the Termination Date.

2.2.4 Equity Compensation. The period during which the Executive may exercise any rights ("*Exercise Period*") under any outstanding stock options (or any other equity award, including, without limitation, stock appreciation rights and restricted stock units) granted to the Executive under any equity incentive plan or agreement adopted by the Board of Directors (the "*Company Plans*") shall continue as set forth in such security; provide, however, such Exercise Period shall terminate immediately in the event Executive is terminated for Cause. Further, in the event the Executive is terminated for Cause or leaves for any reason except as set forth in Section 4, then the vesting of all outstanding stock options (or any other equity award, including, without limitation, stock appreciation rights and restricted stock units) shall cease.

### 3. TERMINATION UPON CHANGE OF CONTROL

3.1 Severance Payment. In the event of the Executive's Termination Upon Change of Control, the Executive shall be entitled to receive an amount equal to twelve (12) months of Executive's Base Salary which shall be paid according to the following schedule: (i) a lump sum payment equal to one-half of such amount shall be payable within ten (10) days following the Termination Date, and (ii) one-third of the balance of such amount shall be payable within ten (10) days of each of the three-month, six-month and nine-month anniversaries of the Termination Date (and in each case no interest shall accrue on such amount); provided, however, that if Section 409A of the Code would otherwise apply to such cash severance payment, it instead shall be paid at such time as permitted by Section 409A of the Code. In addition to the foregoing severance payment, in the event of the Executive's Termination Upon Change of Control, the Executive shall be entitled to receive, within ten (10) days following the Termination Upon Change of Control, a lump sum payment equal to one hundred percent (100%) of (a) any actual bonus amount earned with respect to a previous year to the extent that all the conditions for payment of such bonus have been satisfied (excluding any requirement to be in employment with the Company as of a given date which is after the Termination Date) and any such bonus was earned but is unpaid on the Termination Date; and (b) the target bonus then in effect for the Executive for the year in which such termination occurs, such payment to be prorated to reflect the full number of months the Executive remained in the employ of the Company; provided, however, that if Section 409A of the Code would otherwise apply to such cash payment, it instead shall be paid at such time as permitted by Section 409A of the Code. To illustrate, if the Executive's target bonus at 100% equals \$120,000 for the calendar year and the Executive is terminated on October 15<sup>th</sup>, then the foregoing payment shall equal \$100,000 (i.e., ten (10) months' prorated bonus at one hundred percent (100%) with October counting as a full month worked).

3.2 Equity Compensation Acceleration. Upon the Executive's Termination Upon Change of Control, the vesting and exercisability of all then outstanding stock options (or any other equity award, including, without limitation, stock appreciation rights and restricted stock units) granted to the Executive under any *Company Plans* shall be accelerated as to 100% of the shares subject to any such equity awards granted to the Executive.

3.3 COBRA. If the Executive timely elects coverage under the Consolidated Budget Reconciliation Act of 1985, as amended (“*COBRA*”), the Company shall continue to provide to the Executive, at the Company’s expense, the Company’s health-related employee insurance coverage for the employee only as in effect immediately prior to the Executive’s Termination Upon Change of Control for a period of twelve (12) months following such Termination Upon Change of Control. The date of the “qualifying event” for the Executive and any dependents shall be the Termination Date.

3.4 Indemnification. In the event of the Executive’s Termination Upon Change of Control, (a) the Company shall continue to indemnify the Executive against all claims related to actions arising prior to the termination of the Executive’s employment to the fullest extent permitted by law, and (b) if the Executive was covered by the Company’s directors’ and officers’ insurance policy, or an equivalent thereto, (the “*D&O Insurance Policy*”) immediately prior to the Change of Control, the Company or its Successor shall continue to provide coverage under a D&O Insurance Policy for not less than twenty-four (24) months following the Executive’s Termination Upon Change of Control on substantially the same terms of the D&O Insurance Policy in effect immediately prior to the Change of Control.

#### 4. INVOLUNTARY TERMINATION

4.1 Severance Payment. In the event of the Executive’s Involuntary Termination, the Executive shall be entitled to receive an amount equal to twelve (12) months of the Executive’s Base Salary which shall be paid according to the following schedule: (i) a lump sum payment equal to one-fourth of such amount shall be payable within ten (10) days following the Termination Date, and (ii) one-fourth of such amount shall be payable within ten (10) days of each of the three-month, six-month and nine-month anniversaries of the Termination Date (and in each case no interest shall accrue on such amount); provided, however, that if Section 409A of the Code would otherwise apply to such cash severance payment, it instead shall be paid at such time as permitted by Section 409A of the Code. In addition to the foregoing severance payment, in the event of the Executive’s Involuntary Termination, the Executive shall be entitled to receive, within ten (10) days following the Executive’s Involuntary Termination, a lump sum payment equal to one hundred percent (100%) of (a) any actual bonus amount earned with respect to a previous year to the extent that all the conditions for payment of such bonus have been satisfied (excluding any requirement to be in employment with the Company as of a given date which is after the Termination Date) and any such bonus was earned but is unpaid on the Termination Date; and (b) the target bonus then in effect for the Executive for the year in which such termination occurs, such payment to be prorated to reflect the full number of months the Executive remained in the employ of the Company; provided, however, that if Section 409A of the Code would otherwise apply to such cash payment, it instead shall be paid at such time as permitted by Section 409A of the Code. To illustrate, if the Executive’s target bonus at 100% equals \$120,000 for the calendar year and the Executive is terminated on October 15<sup>th</sup>, then the foregoing payment shall equal \$100,000 (i.e., ten (10) months’ prorated bonus at one hundred percent (100%) with October counting as a full month worked).

4.2 Equity Compensation Acceleration. Upon the Executive’s Involuntary Termination, the vesting and exercisability of all then outstanding stock options (or any other equity award, including, without limitation, stock appreciation rights and restricted stock units) granted to the Executive under any Company Plans shall be accelerated as to 100% of the shares subject to any such equity awards granted to the Executive.

4.3 COBRA. In the event of the Executive's Involuntary Termination, at any time after the expiration of twelve months after the Effective Date, if the Executive timely elects coverage under the Consolidated Budget Reconciliation Act of 1985, as amended ("COBRA"), the Company shall continue to provide to the Executive, at the Company's expense, the Company's health-related employee insurance coverage for the employee only as in effect immediately prior to the Executive's Involuntary Termination for a period of twelve (12) months following such Involuntary Termination. The date of the "qualifying event" for the Executive and any dependents shall be the Termination Date.

4.4 Indemnification. In the event of the Executive's Involuntary Termination, (a) the Company shall continue to indemnify the Executive against all claims related to actions arising prior to the Termination Date to the fullest extent permitted by law, and (b) if the Executive was covered by the D&O Insurance Policy immediately prior to the Termination Date, the Company shall continue to provide coverage under a D&O Insurance Policy for not less than twenty-four (24) months following the Executive's Involuntary Termination on substantially the same terms of the D&O Insurance Policy in effect immediately prior to the Termination Date.

## 5. FEDERAL EXCISE TAX UNDER SECTION 280G

5.1 Excise Tax. If (a) any amounts payable to the Executive under this Agreement or otherwise are characterized as excess parachute payments pursuant to Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), and (b) the Executive thereby would be subject to any United States federal excise tax due to that characterization, then if Executive would thereby be in a better after-tax position, the Company may elect, in the Company's sole discretion, to reduce the amounts payable under this Agreement or otherwise, or to have any portion of applicable options or restricted stock not vest or become exercisable, in order to avoid any "excess parachute payment" under Section 280G(b)(1) of the Code.

5.2 Calculation by Independent Public Accountants. Unless the Company and the Executive otherwise agree in writing, any calculation of the amount of any excess parachute payments payable by the Executive shall be made in writing by the Company's independent public accountants (the "Accountants") whose conclusion shall be final and binding on the parties. For purposes of making such calculations, the Accountants may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Executive shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make the required calculations. The Company shall bear all fees and expenses the Accountants may charge in connection with these services, but the engagement of the Accountants for this purpose shall be pursuant to an agreement between the Executive and the Accountants.

## 6. DEFINITIONS

6.1 Capitalized Terms Defined. Capitalized terms used in this Agreement shall have the meanings set forth in this Section 4, unless the context clearly requires a different meaning.

6.2 "Base Salary" means the greater of (a) if applicable, the monthly salary of the Executive in effect immediately prior to the Change of Control, or (b) the monthly salary of the Executive in effect immediately prior to the Termination Date.

6.3 “Cause” means:

- (a) the Executive willfully failed to follow the lawful written directions of the Board of Directors of the Company or Executive’s immediate superior; provided that no termination for such Cause shall occur unless the Executive: (i) has been provided with notice, specifying such willful failure in reasonable detail, of the Company’s intention to terminate the Executive for Cause; and (ii) has failed to cure or correct such willful failure within thirty (30) days of receiving such notice;
- (b) the Executive engaged in gross misconduct, or gross incompetence which is materially detrimental to the Company; provided that no termination for such Cause shall occur unless the Executive: (i) has been provided with notice, specifying such gross misconduct or gross incompetence in reasonable detail, of the Company’s intention to terminate the Executive for Cause; and (ii) has failed to cure or correct such gross misconduct within thirty (30) days of receiving such notice;
- (c) the Executive willfully failed to comply in any material respect with the Employee Invention Assignment & Confidentiality Agreement, the Company’s share dealing code, the Employee’s non-competition agreement or any other reasonable policies of the Company where non-compliance would be materially detrimental to the Company; provided that no termination for such Cause shall occur unless the Executive: (i) has been provided with notice of the Company’s intention to terminate the Executive for such Cause, and (ii) has failed to cure or correct such willful failure within thirty (30) days of receiving such notice, provided that such notice and cure period requirements shall not apply in the event that such non-compliance is of a nature that it is unable to be remedied; or
- (d) is convicted of a felony or crime involving moral turpitude (excluding drunk driving unless combined with other aggravating circumstances or offenses) or commission of a fraud which the Company reasonably believes would reflect adversely on the Company.

6.4 “Change of Control” means:

- (a) any “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”)) becomes the “beneficial owner” (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing fifty (50%) percent or more of (i) the outstanding shares of common stock of the Company, or (ii) the combined voting power of the Company’s outstanding securities;
- (b) the Company is party to a merger or consolidation, or series of related transactions, which results in the voting securities of the Company outstanding immediately prior thereto failing to continue to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity), directly or indirectly, at least fifty (50%) percent of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation;

- (c) the sale or disposition of all or substantially all of the Company's assets, or consummation of any transaction, or series of related transactions, having similar effect (other than to a subsidiary of the Company);

6.5 "Company" shall mean Workhorse Group Inc. and, following a Change of Control, any Successor.

6.6 "Involuntary Termination" means:

- (a) any termination without Cause of the employment of the Executive by the Company; or
- (b) any resignation by Executive for Good Reason where such resignation occurs within sixty (60) days following the occurrence of such Good Reason.

Notwithstanding the foregoing, the term "Involuntary Termination" shall not include any termination of the employment of the Executive: (1) by the Company for Cause; (2) by the Company as a result of the Permanent Disability of the Executive; (3) as a result of the death of the Executive; (4) that occurs within the period of time to qualify as a "Termination Upon Change of Control"; or (5) as a result of the voluntary termination of employment by the Executive for any reason other than Good Reason.

6.7 "Good Reason" means the occurrence of any of the following conditions, without the Executive's written consent:

- (a) Any act, set of facts or omissions with respect to the Executive that would, as a matter of applicable law, constitute a constructive termination of the Executive.
- (b) A reduction in the Executive's Base Salary or, if applicable, target bonus opportunity (subject to applicable performance requirements with respect to the actual amount of bonus compensation earned similar to the applicable performance requirements currently in effect), and in the event of a Change of Control, as compared to Executive's Base Salary and target bonus opportunity in effect immediately prior to the public announcement of the Change of Control; provided, however, that this clause (c) shall not apply in the event of a reduction in the Executive's Base Salary or, if applicable, target bonus opportunity as part of a Company-wide or executive team-wide cost-cutting measure or Company-wide or executive team-wide cutback as a result of overall Company performance.
- (c) The failure of the Company (i) to continue to provide the Executive an opportunity to participate in any benefit or compensation plans provided to employees who hold positions with the Company comparable to the Executive's position, (ii) to provide the Executive all other fringe benefits (or the equivalent) in effect for the benefit of any employee group which includes any employee who hold a position with the Company comparable to the Executive's position, where in the event of a Change of Control, such comparison shall be made relative to the time immediately prior to the public announcement of such Change of Control); or (iii) continue to provide director's and officers' insurance.

- (d) A material breach of this Agreement by the Company, including, in the event of a Change of Control, failure of the Company to obtain the consent of a Successor to perform all of the obligations of the Company under this Agreement.

The Executive must first give the Company an opportunity to cure any of the foregoing within thirty (30) days following delivery to the Company of a written explanation specifying the specific basis for Executive's belief that Executive is entitled to terminate employment for Good Reason, and Executive terminates employment with the Company not later than (30) days following the Company's failure to cure.

6.8 "Permanent Disability" means that:

- (a) the Executive has been incapacitated by bodily injury, illness or disease so as to be prevented thereby from engaging in the performance of the Executive's duties;
- (b) such total incapacity shall have continued for a period of six consecutive months; and
- (c) such incapacity will, in the opinion of a qualified physician, be permanent and continuous during the remainder of the Executive's life.

6.9 "Substantive Functional Equivalent" means that the Executive's position must:

- (a) be in a substantive area of the Executive's competence (e.g., finance or executive management) and not materially different from the position occupied immediately prior;
- (b) allow the Executive to serve in a role and perform duties functionally equivalent to those performed immediately prior; and
- (c) not otherwise constitute a material, adverse change in authority, title, status, responsibilities or duties from those of the Executive immediately prior, causing the Executive to be of materially lesser rank or responsibility, including requiring the Executive to report to a person other than the Board.

6.10 "Successor" means any successor in interest to, or assignee of, substantially all of the business and assets of the Company.

6.11 "Termination Date" means the date of the termination of the Executive's employment with the Company.

6.12 “Termination Upon Change of Control” means:

- (a) any termination of the employment of the Executive by the Company without Cause during the period commencing on or after the date that the Company first publicly announces a definitive agreement that results in a Change of Control (even though still subject to approval by the Company’s stockholders and other conditions and contingencies, but provided that the Change of Control actually occurs) and ending on the date which is twelve (12) months following the Change of Control; or
- (b) any resignation by Executive for Good Reason where (i) such Good Reason occurs during the period commencing on or after the date that the Company first publicly announces a definitive agreement that results in a Change of Control (even though still subject to approval by the Company’s stockholders and other conditions and contingencies, but provided that the Change of Control actually occurs) and ending on the date which is twelve (12) months following the Change of Control, and (ii) such resignation occurs at or after such Change of Control and in any event within six (6) months following the occurrence of such Good Reason.

Notwithstanding the foregoing, the term “Termination Upon Change of Control” shall not include any termination of the employment of the Executive: (1) by the Company for Cause; (2) by the Company as a result of the Permanent Disability of the Executive; (3) as a result of the death of the Executive; or (4) as a result of the voluntary termination of employment by the Executive for any reason other than Good Reason.

## 7. EXCLUSIVE REMEDY

7.1 No Other Benefits Payable. The Executive shall be entitled to no other termination, severance or change of control compensation, benefits, or other payments from the Company as a result of any termination with respect to which the payments and benefits described in Section 2 have been provided to the Executive, except as expressly set forth in this Agreement.

7.2 No Limitation of Regular Benefit Plans. Except as may be provided elsewhere in this Agreement, this Agreement is not intended to and shall not affect, limit or terminate any plans, programs or arrangements of the Company that are regularly made available to a significant number of employees or officers of the Company, including, without limitation, the Company’s stock option plans.

7.3 Release of Claims. The payment of the benefits described in Sections 3 and 4 of this Agreement is conditioned upon the delivery by the Executive to the Company of a signed and effective general release of claims as provided by the Company; provided, however, that the Executive shall not be required to release any rights the Executive may have to be indemnified by the Company or as otherwise provided under this Agreement.

7.4 Noncumulation of Benefits. The Executive may not cumulate cash severance payments, stock option vesting and exercisability and restricted stock vesting under this Agreement, any other written agreement with the Company and/or another plan or policy of the Company. If the Executive has any other binding written agreement with the Company which provides that, upon a Change of Control or Termination Upon a Change of Control or Involuntary Termination, the Executive shall receive termination, severance or similar benefits, then no benefits shall be received by Executive under this Agreement unless, prior to payment or receipt of benefits under this Agreement, the Executive waives Executive’s rights to all such other benefits, in which case this Agreement shall supersede any such written agreement with respect to such other benefits.



## 8. NON-COMPETE; PROPRIETARY AND CONFIDENTIAL INFORMATION

During the term of this Agreement and following any termination of employment, Executive agrees to continue to abide by the terms and conditions of each of the non-competition agreement (during the term of such Agreement) and the Employee Invention Assignment & Confidentiality Agreement between the Executive and the Company.

## 9. ARBITRATION

9.1 Disputes Subject to Arbitration. Any claim, dispute or controversy arising out of this Agreement (other than claims relating to misuse or misappropriation of the intellectual property of the Company), the interpretation, validity or enforceability of this Agreement or the alleged breach thereof shall be submitted by the parties to binding arbitration by a sole arbitrator under the rules of the American Arbitration Association; provided, however, that (a) the arbitrator shall have no authority to make any ruling or judgment that would confer any rights with respect to the trade secrets, confidential and proprietary information or other intellectual property of the Company upon the Executive or any third party; and (b) this arbitration provision shall not preclude the Company from seeking legal and equitable relief from any court having jurisdiction with respect to any disputes or claims relating to or arising out of the misuse or misappropriation of the Company's intellectual property. Judgment may be entered on the award of the arbitrator in any court having jurisdiction.

9.2 Costs of Arbitration. All costs of arbitration, including reasonable attorney's fees of the Executive, will be borne by the Company, except that if the Executive initiates arbitration and the arbitrator finds the Executive's claims to be frivolous the Executive shall be responsible for his own costs and attorneys fees.

9.3 Site of Arbitration. The site of the arbitration proceeding shall be in Cincinnati, Ohio.

## 10. NOTICES

For purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or five (5) business days after being mailed, return receipt requested, as follows: (a) if to the Company, attention: Chief Executive Officer, at the Company's offices at 100 Commerce Blvd., Loveland, OH 45140 and, (b) if to the Executive, at the address indicated below or such other address specified by the Executive in writing to the Company. Either party may provide the other with notices of change of address, which shall be effective upon receipt.

## 11. MISCELLANEOUS PROVISIONS

11.1 Heirs and Representatives of the Executive; Successors and Assigns of the Company. This Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the Executive's personal and legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the successors and assigns of the Company.

11.2 Amendment and Waiver. No provision of this Agreement shall be modified, amended, waived or discharged unless the modification, amendment, waiver or discharge is agreed to in writing, specifying such modification, amendment, waiver or discharge, and signed by the Executive and by an authorized officer of the Company (other than the Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

11.3 Withholding Taxes. All payments made under this Agreement shall be subject to deduction of all federal, state, local and other taxes required to be withheld by applicable law.

11.4 Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

11.5 Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Ohio, without regard to where the Executive has his residence or principal office or where he performs his duties hereunder.

11.6 No Duty to Mitigate. The Executive is not required to seek alternative employment following termination, and payments called for under this Agreement will not be reduced by earnings from any other source.

11.7 Section 409A of the Code. To the extent (a) any payments or benefits to which Employee becomes entitled under this Agreement, or under any agreement or plan referenced herein, in connection with Employee's termination of employment with the Company constitute deferred compensation subject to Section 409A of the Code and (b) Employee is deemed at the time of such termination of employment to be a "specified employee" under Section 409A of the Code, then such payments shall not be made or commence until the earliest of (i) the expiration of the six (6)-month period measured from the date of Employee's "separation from service" (as such term is at the time defined in Treasury Regulations under Section 409A of the Code) from the Company; or (ii) the date of Employee's death following such separation from service; provided, however, that such deferral shall only be effected to the extent required to avoid adverse tax treatment to Employee, including (without limitation) the additional twenty percent (20%) tax for which Employee would otherwise be liable under Section 409A(a)(1)(B) of the Code in the absence of such deferral. Upon the expiration of the applicable deferral period, any payments which would have otherwise been made during that period (whether in a single sum or in installments) in the absence of this paragraph shall be paid to Employee or Employee's beneficiary in one lump sum (without interest). Any termination of Employee's employment is intended to constitute a "separation from service" as such term is defined in Treasury Regulation Section 1.409A-1. It is intended that each installment of the payments provided hereunder constitute separate "payments" for purposes of Treasury Regulation Section 1.409A-2(b)(2)(i). It is further intended that payments hereunder satisfy, to the greatest extent possible, the exemption from the application of Code Section 409A (and any state law of similar effect) provided under Treasury Regulation Section 1.409A-1(b) (4) (as a "short-term deferral").

11.8 Entire Agreement. This Agreement represents the entire agreement and understanding between the parties as to the subject matter herein (whether oral or written and whether express or implied).

**[SIGNATURE PAGE TO EXECUTIVE RETENTION AGREEMENT FOLLOWS]**

In Witness Whereof, each of the parties has executed this Agreement, in the case of the Company, by its duly authorized officer, as of the day and year first above written.

**Executive**

/s/ Duane Hughes

Duane Hughes

**Workhorse Group Inc.**

By: /s/ Paul Gaitan

Name: Paul Gaitan

Title: Chief Financial Officer

---

**Workhorse Group Inc.  
100 Commerce Drive  
Loveland, Ohio 45140**

February 4, 2019

Duane Hughes

---

---

Letter of Appointment – Board of Directors

Dear Mr. Hughes:

We are pleased to offer you the role as a director of the Board of Directors (the “Board”) of Workhorse Group Inc. (the “Company”). This letter contains the terms of your appointment as a director of the Board of Directors of the Company and will be effective from the date of the signing of this letter.

1. Your Duties:

- a) You will be expected to attend all meetings (either in person or by teleconference) of the Board of the Company, of which we expect to hold approximately four per annum as well as sign all written consents if you deem appropriate. In addition, you will be expected to perform such other duties as are reasonably contemplated by your holding office as a director of the Company or which may reasonably be assigned to you by the Board from time to time.
- b) As a director you will:
  - i) Perform to the best of your abilities and knowledge the duties reasonably assigned to you by the Board from time to time, whether during or outside business hours and at such places as the Board reasonably requires;
  - ii) Use all reasonable efforts to promote the interests of the Company;
  - iii) Attend directors’ meetings;
  - iv) Act in the best interests of the Company; and
  - v) Work closely with the Board of Directors and the Chief Executive Officer.
- c) As you will appreciate, however, your time commitment will ultimately be a product of the matters confronting the Company from time to time and matters properly requiring your attention as a director of the Company.

2. Remuneration:

a) Fees

- i) The Company will pay you an annual fee of US\$40,000, prorated for any partial year of service.
- ii) The Company shall pay the annual fee in equal monthly instalments in arrears on the last day of each month. Your first and last instalments of the annual fee will be apportioned if necessary. The fee will be paid by wire to your nominated bank account.
- iii) Your fees shall be subject to adjustment periodically as determined by the Board.

- b) Options: The Company shall grant you options to purchase 50,000 shares of the Company's common stock at \$0.97 per share. The options will expire five years from the vesting period. Options will vest as follows: 10,000 shall vest on the effective date of this agreement and 4,000 on June 30 and December 31 of every year thereafter.

3. Expenses: Subject to you providing the Company with receipts or other evidence of payment, the Company will pay for or reimburse you for all travelling, hotel and other expenses reasonably incurred by you in connection with attending and returning from meetings or otherwise in connection with the Company's business. Reasonable travel and out of pocket expenses used in connection with the business of the Company shall include:

- a) Cell phone bills;
- b) Domestic and international travel (economy class under 4 hours and business class over 4 hours); and
- c) Hotel accommodation.

4. Termination of Appointment:

- a) Your appointment as the Director may be terminated at any time by the vote of the stockholders of the Company in accordance with the certificate of incorporation and bylaws of the Company.
- b) You acknowledge and agree that if the shareholders of the Company terminate your appointment, you will have no claim of any kind against the Company by reason of the termination.
- c) You are at liberty to terminate the appointment at any time by notice in writing to the Company.

5. What happens after termination of appointment?

If your appointment is terminated for any reason or you resign for any reason:

- a) The Company may set off any amounts you owe the Company against any amounts the Company owes to you as a Director at the date of termination except for amounts the Company is not entitled by law to set off;
- b) You must return all the Company's property (including property leased by the Company) to the Company on termination including all written material, software, computers, credit cards, keys and vehicles; and  
You must not record any confidential information in any form after termination.

6. Prohibited Activities:

- a) You undertake to the Company that you will not during the term of your appointment engage in a business or an activity that would place you in a position of conflict in respect of the performance of your duties.
- b) The terms of your appointment do not restrict you from accepting appointment as a director of any other company outside of the Company's industry, providing consulting services or any other business or other activity whatsoever. The Company acknowledges and accepts your current roles as a director. You recognize that the services to be performed by you under this agreement are special, unique and extraordinary. The parties confirm that it is reasonably necessary for the protection of the Company's goodwill that you agree, and accordingly, you do hereby agree and covenant, that during your term as director, you will not, directly or indirectly, except for the benefit of the Company:
  - i. become an officer, director, more than 2% stockholder, partner, associate, employee, owner, proprietor, agent, creditor, independent contractor, co-venturer or otherwise, or be interested in or associated with any other corporation, firm or business engaged in the same or any similar business competitive with that of the Company (including the Company's present and future subsidiaries and affiliates) (the "Business"); or
  - ii. solicit, cause or authorize, directly or indirectly, to be solicited for or on behalf of himself or third parties from parties who were customers of the Company (including its present and future subsidiaries and affiliates) at any time during your term, any business similar to the business transacted by the Company with such customer; or
  - iii. accept or cause or authorize, directly or indirectly, to be accepted for or on behalf of your or third parties, business from any such customers of the Company (including its present and future subsidiaries and affiliates); or
  - iv. solicit, or cause or authorize, directly or indirectly, to be solicited for employment for or on behalf of you or third parties, any persons who were at any time during your term hereunder, employees of the Company (including its present and future subsidiaries and affiliates); or
  - v. employ or cause or authorize, directly or indirectly, to be employed for or on behalf of yourself or third parties, any such employees of the Company (including its present and future subsidiaries and affiliates); or
  - vi. use the tradenames, trademarks, or trade dress of any of the products of the Company (including its present and future subsidiaries and affiliates); or any substantially similar tradename, trademark or trade dress likely to cause, or having the effect of causing, confusion in the minds of manufacturers, customers, suppliers and retail outlets and the public generally.

You acknowledge the intention that the Company shall have the broadest possible protection of the value of its business consistent with public policy, and it will not violate the intent of the parties if any court should determine that, consistent with established precedent of the forum state, the public policy of such state requires a more limited restriction in geographical area or duration of the aforesaid covenant not to compete, contained in an appropriate decree.

- c) Except as permitted in this agreement or as approved by the Company, you will not (i) use any Confidential Information (as defined below) or (ii) disseminate or in any way disclose the Confidential Information to any person, firm, business or governmental agency or department. You may use the Confidential Information to perform your Duties for the benefit of Company. You shall treat all Confidential Information with the same degree of care as you accord to your own confidential information, but in no case shall you use less than reasonable care. You shall immediately give notice to Company of any unauthorized use or disclosure of the Confidential Information. You shall assist Company in remedying any the unauthorized use or disclosure of the Confidential Information. You agree not to communicate any information to Company in violation of the proprietary rights of any third party.

“Confidential Information” means (a) any technical and non-technical information related to the Company’s business and current, future and proposed products and services of Company, including for example and without limitation, Company innovations, intellectual property, and information concerning research, development, design details and specifications, financial information, procurement requirements, engineering and manufacturing information, customer lists, business forecasts, sales information, marketing plans and business plans, and provided, in each case, that each is marked as “confidential” or “proprietary” and (b) any information that Company has received from others that may be made known to you and that Company is obligated to treat as confidential or proprietary, and provided, in each case, that each is marked as “confidential” or “proprietary”.

7. Notices and Other Communications:

a) Service of Notices

A notice, demand, consent, approval or communication under this letter (collectively a “Notice”) must be:

- i) In writing and in English directed to the address advised by the recipient for notices, as varied by any notice; and
- ii) Hand delivered or sent by prepaid post, overnight courier, facsimile or electronic mail to the recipient.

b) Effective on Receipt: A Notice given in accordance with section 7a takes effect when received (or at a later time specified in the Notice), and is taken to be received:

- i) If hand delivered, on delivery;
- ii) If sent by prepaid post, two Business Days after the date of posting (or seven Business Days after the date of posting if posted to or from outside The United States of America);
- iii) If sent by facsimile, when the sender's facsimile system generates a message confirming successful transmission of the entire Notice unless, within eight Business Hours after the transmission, the recipient informs the sender that it has not received the entire Notice;

but if the delivery, receipt or transmission is not on a Business Day or is after 5.00pm on a Business Day, the Notice is taken to be received at 9.00am on the Business Day after that delivery, receipt or transmission.

8. Miscellaneous

- a) Alterations: This letter may be altered only in writing signed by each party.
- b) Approvals and consents: Except where this letter expressly states otherwise, a party may, in its discretion, give conditionally or unconditionally or withhold any approval or consent under this letter.
- c) Assignment: This letter may NOT be assigned by either party.
- d) Costs: Each party must pay its own costs of negotiating, preparing and executing this letter.

- e) Survival: Any indemnity in this letter is independent and survives termination of this letter. Any other provision by its nature intended to survive termination of this letter survives termination of this letter.
  - f) Counterparts: This letter may be executed in counterparts. All executed counterparts constitute one document.
  - g) No Merger: The rights and obligations of the parties under this letter do not merge on completion of any transaction contemplated by this letter.
  - h) Entire Agreement: This letter constitutes the entire agreement between the parties in connection with its subject matter and supersedes all previous agreements or understandings between the parties in connection with its subject matter.
  - i) Further Action: Each party must do, at its own expense, everything reasonably necessary (including executing documents) to give full effect to this letter and the transactions contemplated by it.
  - j) Waiver: A party does not waive a right, power or remedy if it fails to exercise or delays in exercising the right, power or remedy. A single or partial exercise of a right, power or remedy does not prevent another or further exercise of that or another right, power or remedy. A waiver of a right, power or remedy must be in writing and signed by the party giving the waiver.
  - k) Relationship: Except where this letter expressly states otherwise, it does not create a relationship of employment, agency or partnership between the parties.
  - l) Confidentiality: A party may only use the confidential information of another party for the purposes of this letter, and must keep the existence of this letter and the terms of it and the confidential information of another party confidential information except where:
    - i) The information is public knowledge (but not because of a breach of this letter) or the party has independently created the information; or
    - ii) Disclosure is required by law or a regulatory body (including a relevant stock exchange).
  - m) Announcements: A public announcement in connection with this letter or a transaction contemplated by it must be agreed by the parties before it is made, except if required by law or a regulatory body (including a relevant stock exchange).
9. Insurance: The Company has directors' and officers' liability insurance under which you are covered in the US and elsewhere for all usual risks during the term of your appointment as the Director. The Company will maintain that cover for the full term of your appointment.
10. Contract for Services: This is a contract for services and is not a contract of employment.
11. Governing Law: This agreement shall be governed by the laws of the State of Ohio (without giving effect to choice of law principles or rules thereof that would cause the application of the laws of any jurisdiction other than the State of Ohio) and the invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision. Any provision of this agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating or affecting the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.



Please sign the attached copy of this letter to indicate that you have read, understood and accept the terms of your appointment.

Yours Sincerely,

Workhorse Group Inc.

By: /s/ Ray Chess

Name: Ray Chess

Title: Director

Agreed to and accepted by as of the date first set forth above:

/s/ Duane Hughes

Duane Hughes



### **Workhorse Group Promotes President and Chief Operating Officer Duane Hughes to Chief Executive Officer**

*Transition in Management Driven by Company's Successful Evolution from Research and Development Stage into Full Scale Production Capabilities*

**CINCINNATI, OH -- February 5, 2019 --** The Board of Directors of **Workhorse Group Inc.** (NASDAQ: WKHS) ("Workhorse"), an American technology company focused on providing sustainable and cost-effective electric-mobility solutions to the transportation sector, has promoted President and Chief Operating Officer Duane Hughes to Chief Executive Officer, replacing Co-Founder Steve Burns, effective immediately. Hughes has served as Workhorse's President and Chief Operating Officer since he joined the company in January 2015.

Burns will serve indefinitely in a consulting capacity with Workhorse, focused on the development and future monetization opportunities of SureFly<sup>TM</sup>, the company's electric vertical takeoff and landing (VTOL) aircraft business.

"I am incredibly grateful to have had the opportunity to serve as CEO of Workhorse from its earliest days to now in this pivotal transition period," said Burns. "As Workhorse has grown from an engineering startup to a full-scale production company, it has been a truly rewarding experience to have helped make significant strides in the overall electric mobility revolution. Implementing our planned succession process makes the most sense for me as well as our company at this time.

"Looking ahead, I am happily passing the baton to Duane as the new CEO and am immensely confident in his ability to guide this organization into the years ahead. I also look forward to continuing my work at the company and devoting even more time to our SureFly eVTOL business, an emerging space that has the potential to change transportation as we know it."

Hughes brings more than two decades of management experience as well as strong business relationships in the automotive, advertising, and technology segments. Before joining Workhorse, he served as Chief Operating Officer for Cumulus Interactive Technologies Group. As COO, he was responsible for managing the company's day-to-day sales and operations. Prior to that, Hughes spent nearly fifteen years in senior management positions with Gannett Co., which included duties as Vice President of Sales and Operations for Gannett Media Technologies International.

"On behalf of the entire Workhorse organization, I'd like to thank Steve for his many years of service and dedication to this company," said Hughes. "Steve is both a creator and innovator, two ideals upon which Workhorse was built. We're fortunate to have him staying on to ensure a seamless transition as well as help lead the efforts of our SureFly team as they look to become the first eVTOL to receive type certification from the FAA.

"On a personal level, I'm both excited and ready to take on this added responsibility and look forward to leading Workhorse into its next phase of growth from the development stage to a true production-based company. Going forward, the main focus of our core operations is on the production and delivery of the electric vehicles we currently have in our backlog. We have a significant amount of orders to work through in the months ahead and are now poised to deliver these EVs as efficiently as we can while still maintaining the signature Workhorse standard of quality. Additionally, another major component of our strategic direction will be to expand our partnership efforts with respect to electric utilities. As the industry continues to move toward large scale fleet electrification, we feel these partnerships provide the most significant near-term opportunity to grow our business."

---



## **WORKHORSE**

### **About Workhorse Group Inc.**

Workhorse is a technology company focused on providing electric mobility solutions to the transportation sector. As an American original equipment manufacturer, we design and build high performance battery-electric vehicles including trucks and aircraft. We also develop cloud-based, real-time telematics performance monitoring systems that are fully integrated with our vehicles and enable fleet operators to optimize energy and route efficiency. All Workhorse vehicles are designed to make the movement of people and goods more efficient and less harmful to the environment. For additional information, visit [www.workhorse.com](http://www.workhorse.com).

### ***Workhorse Safe Harbor Statement***

*This release includes forward-looking statements. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These statements may be identified by words such as “believes,” “expects,” “anticipates,” “estimates,” “projects,” “intends,” “should,” “seeks,” “future,” “continue,” or the negative of such terms, or other comparable terminology. Forward-looking statements are statements that are not historical facts. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from the forward-looking statements contained herein. Factors that could cause actual results to differ materially include, but are not limited to: our limited operations and need to expand in the near future to fulfill product orders; risks associated with obtaining orders and executing upon such orders; the ability to protect our intellectual property; the potential lack of market acceptance of our products; potential competition; our inability to retain key members of our management team; our inability to raise additional capital to fund our operations and business plan; our inability to maintain our listing of our securities on the Nasdaq Capital Market; our ability to continue as a going concern; our liquidity and other risks and uncertainties and other factors discussed from time to time in our filings with the Securities and Exchange Commission (“SEC”), including our annual report on Form 10-K filed with the SEC. Workhorse expressly disclaims any obligation to publicly update any forward-looking statements contained herein, whether as a result of new information, future events or otherwise, except as required by law.*

### **Investor Relations Contact:**

**Matt Glover and Tom Colton**

Liolios

949-574-3860

[WKHS@liolios.com](mailto:WKHS@liolios.com)

---