



Lordstown Motors Reports Results Of Special Committee Investigation Of Hindenburg Research Report

June 14, 2021

LORDSTOWN, Ohio, June 14, 2021 (GLOBE NEWSWIRE) -- Lordstown Motors Corp. (Nasdaq: RIDE), ("Lordstown Motors" or the "Company"), a leader in electric light duty trucks focused on the commercial fleet market, has received the below statement regarding the results of the investigation conducted by the Special Committee of its Board of Directors into the report published by Hindenburg Research on March 12, 2021 (the "Hindenburg Report").

The Special Committee of the Board of Directors of Lordstown Motors Corp.

Background

The Hindenburg Report stated, among other things, that Lordstown Motors had made various misstatements about demand for its Endurance pick-up truck, the viability of the technology utilized in the Endurance, and its ability to start production of the Endurance in September 2021. In response, the Lordstown Motors Board of Directors established a Special Committee of independent directors to investigate the allegations made in the Hindenburg Report. The members of the Special Committee are David T. Hamamoto, Jane Reiss, and Dale Spencer. The Special Committee engaged Sullivan & Cromwell LLP, a leading global law firm, to conduct the investigation. Sullivan & Cromwell was assisted by technical experts from a leading automotive consulting firm.

The Special Committee's investigation concluded that the Hindenburg Report is, in significant respects, false and misleading. In particular, its challenges to the viability of Lordstown Motors' technology and timeline to start of production are not accurate. The investigation did, however, identify issues regarding the accuracy of certain statements regarding the Company's pre-orders. A summary of the Special Committee's findings is presented below.

Findings

1. September 2021 Start of Production Target

The Hindenburg Report stated that Lordstown Motors' plan to start production in September 2021 is unrealistic based on Hindenburg's allegations relating to recent design changes (including to the composition of frames), a failure to complete necessary testing, a lack of battery pack manufacturing capability, and a lack of hub motor manufacturing capability. The Special Committee concluded that while various factors could lead to delays in the start of production, the projected September 2021 start of production remains achievable with the expectation of delivery to customers in the first quarter of 2022.

The Hindenburg Report cites a purported statement from an anonymous former Lordstown Motors' employee that Lordstown Motors switched from plastic frames to aluminum frames earlier this year. That is false. While Lordstown Motors made certain changes to the materials to be used for the doors, hoods, and fenders, there has been no change to its plan to manufacture the vehicle frame from steel.

Lordstown Motors has commenced and plans to complete required regulatory, durability, and Federal Motor Vehicle Safety Standards ("FMVSS") testing during 2021. While certain testing must be completed before Lordstown Motors can deliver the Endurance to customers, none of the testing cited in the Hindenburg Report must be complete before the start of production. Lordstown Motors has begun testing consistent on a timeline that anticipates delivery to customers in the first quarter of 2022, taking into account the potential adjusted production volumes discussed on the Company's May 24, 2021 first quarter earnings conference call.

Lordstown Motors has sourced battery cells from suppliers, and initial battery pack assembly equipment has been received and is being installed, with remaining equipment due to arrive in advance of the projected start of production date.

Lordstown Motors currently expects to produce hub motors in part using manual processes while the automated hub motor production line is installed over the next few months. It expects this process to provide sufficient hub motor production capacity to support expected production volumes in 2021 and 2022.

2. Viability Of Hub Motor Technology

The Hindenburg Report questioned the viability of the hub motor technology used in the Endurance, stating that the hub motors are licensed from a Slovenian company, Elaphe, that hub motors present durability issues because of "unsprung weight," and that hub motors have not previously been commercialized at scale in the light vehicle market. The Special Committee concluded that while hub motors have not previously been used at scale in commercially-produced passenger vehicles, the hub motor technology licensed from Elaphe is viable. The Endurance was engineered to address the unsprung vehicle mass attributable to in-wheel motors, including through tuning of the suspension, reinforcing the vehicle structure, and utilizing a heavier truck chassis. These measures are expected to alleviate any ride or durability issues that might otherwise arise.

3. January 13, 2021 Truck Fire

The Hindenburg Report described a January 13, 2021 incident in which a prototype of the Endurance caught fire during a test drive. The Special Committee concluded that the incident was an isolated event rather than one reflecting a systemic problem. Lordstown Motors conducted a technical investigation of the incident that identified the root cause of the fire to be non-conforming parts on a battery pack that had been manually reworked for assembly on the prototype. During a test drive, the driver accelerated beyond the expected test parameters for that prototype. As a result of the rapid acceleration, the faulty connection point resulting from the manually reworked assembly experienced an

overload of electric current which caused the battery to ignite. Lordstown Motors reported the incident to the relevant regulator and has taken steps to address the isolated issues that contributed to this incident. The production process now in place and the automation of battery pack assembly are intended to ensure that this type of issue does not recur.

4. Pre-Orders

The Hindenburg Report raised various questions regarding the Company's practices and disclosures regarding "pre-orders." Among other things, the Hindenburg Report stated that Lordstown Motors' pre-orders (i) are non-binding letters of intent, (ii) require no reservation payment and in some instances were procured through the payment of sales commissions, (iii) are from customers that generally do not operate fleets, and (iv) include pre-orders from customers that do not have the means to make the purchases indicated.

Lordstown Motors has repeatedly disclosed that its pre-orders are non-binding, and it has highlighted the risk that pre-orders may not be converted to actual orders.

In most instances, Lordstown Motors' pre-orders did not require a reservation or similar payment, though pre-orders submitted through a website portal required a refundable \$100 payment. Lordstown Motors entered into an arrangement to pay one entity commissions for procuring pre-orders. That entity procured approximately 1,000 pre-orders and also assisted Lordstown Motors into entering into an important commercial relationship with a leading fleet management company.

Lordstown Motors has obtained tens of thousands of pre-orders from fleets, fleet management companies, or other end users. If converted to orders, this demand will comprise substantially all of the Company's expected production volume through 2022.

Lordstown Motors made periodic disclosures regarding pre-orders which were, in certain respects, inaccurate.

- Lordstown Motors has stated on several occasions that its pre-orders were from, or "primarily" from commercial fleets. In fact, many pre-orders were obtained from (i) fleet management companies or other end users that indicated interest in purchasing Endurance trucks, similar to commercial fleets, and (ii) so-called "influencers" or other potential strategic partners that committed to attempt to secure pre-orders from other entities, but did not intend to purchase Endurance trucks directly.
- One entity that provided a large number of pre-orders does not appear to have the resources to complete large purchases of trucks. Other entities provided commitments that appear too vague or infirm to be appropriately included in the total number of pre-orders disclosed.

5. Other Matters

The Special Committee also reviewed certain other matters raised in the Hindenburg Report and made the following observations. First, although not in a position to assess ongoing litigation with Karma Motors, the Special Committee notes that Lordstown Motors has denied the allegations against it and is contesting both liability and damages. Second, as described in various Form 4 filings in the months following the DiamondPeak transaction, certain Lordstown Motors directors and executives have sold or transferred shares in the Company. Each of those transactions were made for reasons unrelated to the performance of the company or viability of the Endurance, and each such director and executive retained substantial Lordstown Motors equity holdings in the form of shares and options following the sales and transfers described in the Company's public filings.

About Lordstown Motors Corp.

Lordstown Motors Corp. is an Ohio-based original equipment manufacturer of light duty fleet vehicles, with the purpose of transforming Ohio's Mahoning Valley and Lordstown, Ohio, into the epicenter of electric-vehicle manufacturing. The company owns the 640 acre, 6.2 million square foot Lordstown Assembly Plant where it plans to build the Lordstown Endurance, believed to be the world's first full-size, all-electric pickup truck designed to serve the commercial fleet market. For additional information visit www.lordstownmotors.com.

Forward Looking Statements

This press 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 "feel," "believes," "expects," "estimates," "projects," "intends," "should," "is to be," 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 not guarantees of future performance and are subject to risks and uncertainties, which could cause actual results to differ materially from the forward-looking statements contained herein due to many factors, including, but not limited to: our limited operating history and our significant projected funding needs; risks associated with the conversion and retooling of our facility and ramp up of production; our inability to obtain binding purchase orders from customers and potential customers' inability to integrate our electric vehicles into their existing fleets; our inability to retain key personnel and to hire additional personnel; competition in the electric pickup truck market; our inability to develop a sales distribution network; and the ability to protect our intellectual property rights. Any forward-looking statements speak only as of the date on which they are made, and Lordstown Motors Corp. undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this press release.

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