
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): September 16, 2014

IDEAL POWER INC.

(Exact name of registrant as specified in Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

001-36216
(Commission File No.)

14-1999058
(IRS Employee Identification No.)

**4120 Freidrich Lane, Suite 100,
Austin, Texas, 78744**
(Address of Principal Executive Offices)

512-264-1542
(Issuer Telephone number)

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-(c) under the Exchange Act (17 CFR 240.13(e)-4(c))
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ITEM 5.02 DEPARTURE OF DIRECTORS OR CERTAIN OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF CERTAIN OFFICERS; COMPENSATORY ARRANGEMENTS OF CERTAIN OFFICERS

Entry into Executive Employment Agreements

On September 16, 2014, the Compensation Committee of the Board of Directors of Ideal Power Inc. (the "Company") approved revised employment agreements for Paul Bundschuh, the Company's President and Chief Marketing Officer, William C. Alexander, the Company's Chief Technology Officer and Timothy W. Burns, the Company's Chief Financial Officer (individually referred to as an "Executive" and collectively referred to as the "Executives").

Pursuant to the employment agreements, Mr. Bundschuh will continue to be compensated at an annual rate of \$200,000, Mr. Alexander will continue to be compensated at an annual rate of \$223,267 and Mr. Burns will continue to be compensated at an annual rate of \$200,000.

The Executives will continue to receive a cost of living adjustment on January 1st of each year beginning in January 2015, will continue to participate in any employee benefit plans the Company offers and will be entitled to four weeks of paid time off each year, all as set forth in their original employment agreements.

At least annually, each Executive and the Compensation Committee of the Board of Directors will meet to establish (i) performance standards and goals to be met by the Executive and (ii) cash bonus targets based on the performance standards and goals that are achieved. The standards and goals will support a target cash bonus of 50% of each Executive's annual salary. The standards and goals and the bonus targets will be mutually agreed to by each Executive and the Company's Chief Executive Officer, and approved by the Compensation Committee.

Our Board of Directors may terminate the services of the Executives for "cause," as defined in the employment agreements, or upon 30 days written notice to the Executive. The employment agreements may also be terminated by an Executive's death or disability, by the election of the Executive or due to a change in control, as defined in the employment agreements.

If an Executive is terminated as a result of death, disability or the Executive's election, he will receive his accrued but unpaid salary and the value of unused paid time off through the effective date of his termination, his accrued but unpaid annual bonus, if any, and his business expenses incurred prior to the effective date of his termination (the "Termination Payment"). The Executive will be entitled to continue to participate in any employee benefit plan to the extent provided for in the plan or as may be required by law. If the Company terminates an Executive's employment other than for cause, the Executive will receive the Termination Payment and severance consisting of six months annual salary. The Executive will also be entitled to continue to participate in any employee benefit plan for a period of six months following the termination of his employment. If an Executive is terminated as a result of a change in control, he will receive the Termination Payment and severance in an amount equal to one-half of his annual salary. In addition, any equity award that is scheduled to vest any time after the termination of the Executive's employment will vest immediately upon the termination as a result of a change in control. A termination as a result of a change in control is defined as a termination that occurs during the period that begins when negotiations for the change in control begin and ends on the six month anniversary of the closing of the change in control transaction and the termination is not a termination for cause or a termination resulting from the Executive's death, disability or election.

The employment agreements entered into with Mr. Bundschuh and Mr. Alexander on May 7, 2013 and the employment agreement entered into with Mr. Burns on December 10, 2013 were terminated.

Amendment to Employment Agreement with R. Daniel Brdar

Also on September 16, 2014, the Company and R. Daniel Brdar, its Chief Executive Officer, entered into an amendment (the “Amendment”) to Mr. Brdar’s employment agreement (the “Original Agreement”), which was entered into on January 8, 2014. Pursuant to the Amendment, at least annually, Mr. Brdar and the Compensation Committee of the Board of Directors will meet to establish performance standards and goals to be met by Mr. Brdar that will support a cash bonus of 75%, rather than 60%, of Mr. Brdar’s annual salary. Furthermore, Section 6 of the Original Agreement, which discussed certain options that Mr. Brdar would receive beginning with the 2015 calendar year and continuing through the 2018 calendar year for each year in which he met the standards and goals established by the Compensation Committee, has been deleted.

The above are brief descriptions of the employment agreements and the amendment to Mr. Brdar’s employment agreement and are qualified in their entirety by the full text of the employment agreements and the amendment, which are attached to this Current Report as exhibits.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

- Exhibit 10.1 Employment Agreement dated September 16, 2014 between the Company and William C. Alexander
 - Exhibit 10.2 Employment Agreement dated September 16, 2014 between the Company and Timothy W. Burns
 - Exhibit 10.3 Employment Agreement dated September 16, 2014 between the Company and Paul Bundschuh
 - Exhibit 10.4 Amendment No. 1 to Employment Agreement dated September 16, 2014 between the Company and R. Daniel Brdar
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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Current Report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: September 19, 2014

IDEAL POWER INC.

By: /s/ Timothy W. Burns
Timothy W. Burns
Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
10.1	Employment Agreement dated September 16, 2014 between the Company and William C. Alexander
10.2	Employment Agreement dated September 16, 2014 between the Company and Timothy W. Burns
10.3	Employment Agreement dated September 16, 2014 between the Company and Paul Bundschuh
10.4	Amendment No. 1 to Employment Agreement dated September 16, 2014 Between the Company and R. Daniel Brdar

EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** (“Agreement”), which is dated September 16, 2014 (the “Effective Date”), is made by and between Ideal Power Inc., a Delaware corporation, located at 4120 Freidrich Lane, Suite 100, Austin, Texas, 78744 and hereinafter referred to as “Company”, and William C. Alexander whose address is 1225 Overlook Circle, Spicewood, TX 78669, hereinafter referred to as “Executive.” The purpose of this Agreement is to confirm the terms of the employment relationship between Company and Executive.

RECITALS

WHEREAS, Company wishes to retain the services of Executive, and Executive wishes to render services to Company, as its Chief Technical Officer;

WHEREAS, Company and Executive wish to set forth in this Agreement the duties and responsibilities that Executive has agreed to undertake on behalf of Company, and the responsibilities that Company will owe to Executive.

THEREFORE, in consideration of the foregoing and of the mutual promises contained in this Agreement, Company and Executive (who are sometimes individually referred to as a “Party” and collectively referred to as the “Parties”) agree as follows:

AGREEMENT

1. TERM.

Company hereby employs Executive as its Chief Technical Officer pursuant to the terms of this Agreement and Executive hereby accepts employment with Company pursuant to the terms of this Agreement, which will continue until terminated pursuant to Section 11 or 12 below.

2. GENERAL DUTIES.

Executive shall devote his entire productive time, ability, and attention to Company’s business during Executive’s employment. Executive shall report to Company’s Chief Executive Officer and agrees to keep the Company’s CEO and Board of Directors (the “Board”) fully informed with regard to critical issues affecting the value and reputation of Company. Furthermore, in his capacity as Chief Technical Officer, Executive shall be primarily responsible for the vision and implementation of technical solutions for the Company. This includes both product as well as intellectual property development. Executive shall do and perform all services, acts, or things necessary or advisable to discharge his duties under this Agreement, and such other duties as are commonly performed by an employee of his rank in a publicly traded corporation or which may, from time to time, be prescribed by the Company through the Chief Executive Officer and Board of Directors. Executive agrees to cooperate with and work to the best of his ability with Company’s management team, which includes the Board and the officers and other employees, to continually improve Company’s reputation in its industry for quality products and performance.

3. NONSOLICITATION AND PROPRIETARY PROPERTY AND CONFIDENTIAL INFORMATION PROVISIONS.

As a condition of his employment with Company, Executive has executed a Proprietary Information and Inventions Agreement, the terms of which are included by reference into this Agreement.

4. COMPLIANCE WITH SECURITIES LAWS.

Executive acknowledges that he is subject to the provisions of Sections 10 and 16 of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder. Executive acknowledges that Sections 10 and 16 and the rules and regulations promulgated thereunder may prohibit Executive from selling or transferring his securities in Company. Executive agrees that he will comply with Company's policies that relate to securities laws, as stated from time to time.

5. COMPENSATION.

(a) **Annual Salary.** Company shall pay to Executive an annual base salary in the amount of \$223,267.20. The salary paid during Executive's employment shall be referred to in this Agreement as the "Annual Salary". The Annual Salary shall be subject to any tax withholdings and/or employee deductions that are applicable. The Annual Salary shall be paid to Executive in equal installments in accordance with the periodic payroll practices of the Company for its employees. The Annual Salary will be subject to review and adjustment at the discretion of the Board no less frequently than annually.

(b) **Bonus.** At least annually, Executive and the Compensation Committee of the Board of Directors shall meet to establish (i) performance standards and goals to be met by Executive and (ii) cash bonus targets based on the performance standards and goals that are achieved. The standards and goals will support a cash bonus of 50% of Executive's Annual Salary. The standards and goals and the bonus targets shall be mutually agreed to by Executive and the CEO as approved by the Compensation Committee. Nothing in this subsection (b) shall prevent Executive and the CEO, and approved by the Compensation Committee, from mutually agreeing to alternatives to the computation of the bonus to be paid to Executive in accordance with this subsection (b) (the "Bonus"), which may be implemented and paid to Executive in place of the Bonus described herein. The Bonus shall be subject to any applicable tax withholdings and/or employee deductions.

(c) **Cost of Living Adjustment.** Commencing as of January 1, 2015, and on each January 1st thereafter, the then effective Annual Salary shall be increased (but not decreased) by an amount which shall reflect the increase, if any, in the cost of living during the previous 12 months by adding to the Annual Salary an amount computed by multiplying the Annual Salary by the percentage by which the level of the Consumer Price Index for the Austin Metropolitan Area, as reported on January 1st of the new year by the Bureau of Labor Statistics of the United States Department of Labor has increased over its level as of January 1st of the prior year.

(d) **Participation In Employee Benefit Plans.** Executive shall have the same rights, privileges, benefits and opportunities to participate in any of Company's employee benefit plans which may now or hereafter be in effect on a general basis for executive officers or employees. During Executive's employment, the Company shall provide, at Company's sole expense, medical, dental and vision benefits for Executive, his spouse and children. At the discretion of the Board, Company may also provide, at its sole expense (i) disability insurance which, in the event of Executive's disability, will replace no less than 60% of the Annual Salary being paid to Executive at the time the disability occurred and (ii) life insurance in an amount to be agreed upon by the Board and Executive. Irrespective of the foregoing, Company may change any benefits contractor, or discontinue any benefit without replacement, in its sole discretion, and any such change or discontinuance will not be a breach of this Agreement. In the event Executive receives payments from the disability insurer, Company shall have the right to offset such payments against the Annual Salary otherwise payable to Executive during the period for which such payments are made.

6. EQUITY COMPENSATION.

During Executive's employment and subject always to the discretion of the Compensation Committee of the Board, Executive will be eligible to receive additional awards from the 2013 Equity Incentive Plan (or any other equity incentive plan adopted by the Board).

7. REIMBURSEMENT OF BUSINESS EXPENSES.

Company shall promptly reimburse Executive for all reasonable business expenses incurred by Executive in connection with the business of Company. However, each such expenditure shall be reimbursable only if Executive furnishes to Company adequate records and other documentary evidence required by federal and state statutes and regulations issued by the appropriate taxing authorities for the substantiation of each such expenditure as an income tax deduction.

8. PAID TIME OFF.

Executive shall be entitled to four weeks of paid time off each year; provided, however, failure to use paid time off by the end of the year in which it is earned will prevent the accumulation of additional paid time off in excess of four weeks. Said four weeks leave time includes sick leave time, vacation time and personal days off.

9. INDEMNIFICATION OF LOSSES.

So long as Executive's actions were taken in good faith and in furtherance of Company's business and within the scope of Executive's duties and authority, Company shall indemnify and hold Executive harmless to the full extent of the law from any and all claims, losses and expenses sustained by Executive as a result of any action taken by him to discharge his duties under this Agreement, and Company shall defend Executive, at Company's expense, in connection with any and all claims by stockholders or third parties.

10. PERSONAL CONDUCT.

Executive agrees promptly and faithfully to comply with all present and future policies, requirements, directions, requests and rules and regulations of Company in connection with Company's business. Executive further agrees to conform to all laws and regulations and not at any time to commit any act or become involved in any situation or occurrence tending to bring Company into public scandal, ridicule or which will reflect unfavorably on the reputation of Company.

11. TERMINATION FOR CAUSE.

The Board may terminate Executive for cause immediately, without notice, if Company reasonably concludes that Executive has committed fraud, theft, embezzlement, misappropriation of Company funds or other property, or any felony. The Board may also terminate Executive for cause for any of the following:

- (a) Breach by Executive of any material provision of this Agreement;
- (b) Violation by Executive of any statutory or common law duty of loyalty to Company; or
- (c) A material violation by Executive of Company's employment policies; or

(d) Commission of such acts of dishonesty, gross negligence, or willful misconduct as would prevent the effective performance of Executive's duties or which result in material harm to Company or its business.

The Board may terminate this Agreement for cause by giving written notice of termination to Executive, provided, however, if the Board declares Executive to be in default of this Agreement under subsection (a) above because Executive fails to substantially perform his material duties and responsibilities under this Agreement, the Board shall deliver a written demand for substantial performance of such duties and responsibilities to Executive. Such demand must identify the manner in which the Board believes that Executive has not substantially performed his duties, and Executive shall have a period of 30 days to correct the deficient performance. Upon termination for cause, the obligations of Executive and Company under this Agreement shall immediately cease. Such termination shall be without prejudice to any other remedy to which Company may be entitled either at law, in equity, or under this Agreement. If Executive's employment is terminated pursuant to this Section 11, Company shall pay to Executive (i) Executive's accrued but unpaid Annual Salary and the value of unused paid time off through the effective date of the termination; (ii) Executive's accrued but unpaid Bonus, if any; and (iii) business expenses incurred prior to the effective date of termination. Executive shall not be entitled to continue to participate in any employee benefit plans except to the extent provided in such plans for terminated participants, or as may be required by applicable law.

12. TERMINATION WITHOUT CAUSE.

(a) **Death.** Executive's employment shall terminate upon the death of Executive. Upon such termination, the obligations of Executive and Company under this Agreement shall immediately cease.

(b) **Disability.** The Board reserves the right to terminate Executive's employment upon 30 days written notice if, for a period of 90 days, Executive is prevented from discharging his substantial or material duties due to any physical or mental disability.

(c) **Election By Executive.** Executive's employment may be terminated at any time by Executive upon not less than 30 days written notice by Executive to the Board.

(d) **Election By Company.** Executive's employment may be terminated at any time by Company upon not less than 30 days written notice by the Board to Executive.

(e) **Termination Due to a Change in Control.** Executive's employment may be terminated upon a Change in Control. For purposes of this Agreement, the term "Change in Control" shall mean the sale or disposition by Company to an unrelated third party of substantially all of its business or assets, or the sale of the capital stock of Company in connection with the sale or transfer of a Controlling Interest in Company to an unrelated third party, or the merger or consolidation of Company with another corporation as part of a sale or transfer of a Controlling Interest in Company to an unrelated third party. For purposes of this definition, the term "Controlling Interest" means the sale or transfer of Company's securities representing at least 50.1% of the voting power. It will be presumed that a termination is a termination under this subsection (e) rather than a termination under subsection (d) (Election by Company) if Executive's employment is terminated during the period that begins when negotiations for the Change in Control begin and ends on the six month anniversary of the closing of the Change in Control transaction and such termination is not a termination for cause pursuant to Section 11 or a termination resulting from Executive's death, disability or election pursuant to subsections (a), (b) or (c) of this Section 12.

If Executive's employment is terminated pursuant to subsections (a), (b), or (c) of this Section 12, Company shall pay to Executive (i) Executive's accrued but unpaid Annual Salary and the value of unused paid time off through the effective date of the termination; (ii) Executive's accrued but unpaid Bonus, if any; and (iii) business expenses incurred prior to the effective date of termination. Executive shall not be entitled to continue to participate in any employee benefit plans except to the extent provided in such plans for terminated participants, or as may be required by applicable law.

If Executive's employment is terminated pursuant to subsection (d) of this Section 12, Company shall pay to Executive (i) Executive's accrued but unpaid Annual Salary and the value of unused paid time off through the effective date of the termination; (ii) Executive's accrued but unpaid Bonus, if any; (iii) business expenses incurred prior to the effective date of termination; and (iv) severance (the "Severance Payment") consisting of six months of the Annual Salary, less legally required deductions. Company may elect in its sole discretion whether to pay the Severance Payment in one lump sum or on regular pay days for the six months following termination of Executive's employment. For a termination under subsection (d), Executive shall be entitled to continue to participate in employee benefit plans described in Section 5(d), at Company's sole expense, for six months following termination of Executive's employment.

If Executive's employment is terminated pursuant to subsection (e) of this Section 12, Executive shall be entitled to receive (i) Executive's accrued but unpaid Annual Salary and the value of unused paid time off through the effective date of the termination; (ii) Executive's accrued but unpaid Bonus, if any; (iii) business expenses incurred prior to the effective date of termination; and (iv) an amount equal to one-half the Annual Salary. In addition, any equity award that is scheduled to vest any time after the termination of Executive's employment will vest immediately upon the termination of Executive's employment pursuant to subsection (e).

In the event of a termination of Executive's employment pursuant to subsections (a), (b), (c) and (d) above, all other rights Executive has under any benefit or stock option plans and programs shall be determined in accordance with the terms and conditions of such plans and programs.

With the exception of the terms of this Section 12 and any obligations, duties and responsibilities Executive has under the Proprietary Information and Inventions Agreement, upon termination of Executive's employment the obligations of Executive and Company under this Agreement shall immediately cease.

13. MISCELLANEOUS.

(a) **Preparation of Agreement.** It is acknowledged by each Party that such Party either had separate and independent advice of counsel or the opportunity to avail itself or himself of same. In light of these facts it is acknowledged that no Party shall be construed to be solely responsible for the drafting hereof, and therefore any ambiguity shall not be construed against any Party as the alleged draftsman of this Agreement.

(b) **Cooperation.** Each Party agrees, without further consideration, to cooperate and diligently perform any further acts, deeds and things and to execute and deliver any documents that may from time to time be reasonably necessary or otherwise reasonably required to consummate, evidence, confirm and/or carry out the intent and provisions of this Agreement, all without undue delay or expense.

(c) Interpretation.

(i) **Entire Agreement/No Collateral Representations.** Each Party expressly acknowledges and agrees that this Agreement, including all exhibits attached hereto: (1) is the final, complete and exclusive statement of the agreement of the Parties with respect to the subject matter hereof; (2) supersedes any prior or contemporaneous agreements, promises, assurances, guarantees, representations, understandings, conduct, proposals, conditions, commitments, acts, course of dealing, warranties, interpretations or terms of any kind, oral or written (collectively and severally, the "Prior Agreements"), and that any such prior agreements are of no force or effect except as expressly set forth herein; and (3) may not be varied, supplemented or contradicted by evidence of Prior Agreements, or by evidence of subsequent oral agreements. Any agreement hereafter made shall be ineffective to modify, supplement or discharge the terms of this Agreement, in whole or in part, unless such agreement is in writing and signed by the Party against whom enforcement of the modification or supplement is sought.

(ii) **Waiver.** No breach of any agreement or provision herein contained, or of any obligation under this Agreement, may be waived, nor shall any extension of time for performance of any obligations or acts be deemed an extension of time for performance of any other obligations or acts contained herein, except by written instrument signed by the Party to be charged or as otherwise expressly authorized herein. No waiver of any breach of any agreement or provision herein contained shall be deemed a waiver of any preceding or succeeding breach thereof, or a waiver or relinquishment of any other agreement or provision or right or power herein contained.

(iii) Remedies Cumulative. The remedies of each Party under this Agreement are cumulative and shall not exclude any other remedies to which such Party may be lawfully entitled.

(iv) Severability. If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be determined to be invalid, illegal or unenforceable under present or future laws effective during the term of this Agreement, then and, in that event: (A) the performance of the offending term or provision (but only to the extent its application is invalid, illegal or unenforceable) shall be excused as if it had never been incorporated into this Agreement, and, in lieu of such excused provision, there shall be added a provision as similar in terms and amount to such excused provision as may be possible and be legal, valid and enforceable, and (B) the remaining part of this Agreement (including the application of the offending term or provision to persons or circumstances other than those as to which it is held invalid, illegal or unenforceable) shall not be affected thereby and shall continue in full force and effect to the fullest extent provided by law.

(v) No Third Party Beneficiary. Notwithstanding anything else herein to the contrary, the parties specifically disavow any desire or intention to create any third party beneficiary obligations, and specifically declare that no person or entity, other than as set forth in this Agreement, shall have any rights hereunder or any right of enforcement hereof.

(vi) Headings; References; Incorporation; Gender. The headings used in this Agreement are for convenience and reference purposes only, and shall not be used in construing or interpreting the scope or intent of this Agreement or any provision hereof. References to this Agreement shall include all amendments or renewals thereof. Any exhibit referenced in this Agreement shall be construed to be incorporated in this Agreement. As used in this Agreement, each gender shall be deemed to include the other gender, including neutral genders or genders appropriate for entities, if applicable, and the singular shall be deemed to include the plural, and vice versa, as the context requires.

(d) Enforcement.

(i) **Applicable Law.** This Agreement and the rights and remedies of each Party arising out of or relating to this Agreement (including, without limitation, equitable remedies) shall be solely governed by, interpreted under, and construed and enforced in accordance with the laws (without regard to the conflicts of law principles thereof) of the State of Texas, as if this agreement were made, and as if its obligations are to be performed, wholly within the State of Texas.

(ii) **Consent to Jurisdiction and Venue.** Any action or proceeding arising out of or relating to this Agreement shall be filed in and heard and litigated solely before the state courts of Texas within Travis County.

(iii) **Attorneys' Fees.** If court proceedings are required to enforce any provision of this Agreement, the substantially prevailing or successful Party shall be entitled to an award of the reasonable and necessary expenses of litigation, including reasonable attorneys' fees.

(e) **No Assignment of Rights or Delegation of Duties by Executive.** Executive's rights and benefits under this Agreement are personal to him and therefore (i) no such right or benefit shall be subject to voluntary or involuntary alienation, assignment or transfer; and (ii) Executive may not delegate his duties or obligations hereunder.

(f) **Notices.** Unless otherwise specifically provided in this Agreement, all notices, demands, requests, consents, approvals or other communications (collectively and severally called "Notices") required or permitted to be given hereunder, or which are given with respect to this Agreement, shall be in writing, and shall be given by: (A) personal delivery (which form of Notice shall be deemed to have been given upon delivery), (B) by private overnight delivery service (which forms of Notice shall be deemed to have been given upon confirmed delivery by the delivery agency), or (C) by mailing in the United States mail by registered or certified mail, return receipt requested, postage prepaid (which forms of Notice shall be deemed to have been given upon the 5th business day following the date mailed). Notices shall be addressed to the address hereinabove set forth in the introductory paragraph of this Agreement, or to such other address as the receiving Party shall have specified most recently by like Notice, with a copy to the other Parties hereto. Any Notice given to the estate of a Party shall be sufficient if addressed to the party as provided in this subsection.

(g) **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument, binding on all parties hereto. Any signature page of this Agreement may be detached from any counterpart of this Agreement and reattached to any other counterpart of this Agreement identical in form hereto by having attached to it one or more additional signature pages.

(h) **Execution by All Parties Required to be Binding; Electronically Transmitted Documents.** This Agreement shall not be construed to be an offer and shall have no force and effect until this Agreement is fully executed by all Parties hereto. If a copy or counterpart of this Agreement is originally executed and such copy or counterpart is thereafter transmitted electronically by facsimile or similar device, such facsimile document shall for all purposes be treated as if manually signed by the Party whose facsimile signature appears.

IN WITNESS WHEREOF, the parties have executed this Agreement.

Company:
IDEAL POWER INC.

By: /s/ R. Daniel Brdar

Its: Chief Executive Officer

Executive:

/s/ William C. Alexander

William C. Alexander

EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** (“Agreement”), which is dated September 16, 2014 (the “Effective Date”), is made by and between Ideal Power Inc., a Delaware corporation, located at 4120 Freidrich Lane, Suite 100, Austin, Texas, 78744 and hereinafter referred to as “Company”, and Timothy W. Burns whose address is 4903 Mantle Drive, Austin, Texas 78746, hereinafter referred to as “Executive.” The purpose of this Agreement is to confirm the terms of the employment relationship between Company and Executive.

RECITALS

WHEREAS, Company wishes to retain the services of Executive, and Executive wishes to render services to Company, as its Chief Financial Officer;

WHEREAS, Company and Executive wish to set forth in this Agreement the duties and responsibilities that Executive has agreed to undertake on behalf of Company, and the responsibilities that Company will owe to Executive.

THEREFORE, in consideration of the foregoing and of the mutual promises contained in this Agreement, Company and Executive (who are sometimes individually referred to as a “Party” and collectively referred to as the “Parties”) agree as follows:

AGREEMENT**1. TERM.**

Company hereby employs Executive as its Chief Financial Officer pursuant to the terms of this Agreement and Executive hereby accepts employment with Company pursuant to the terms of this Agreement, which will continue until terminated pursuant to Section 11 or 12 below.

2. GENERAL DUTIES.

Executive shall devote his entire productive time, ability, and attention to Company’s business during Executive’s employment. Executive shall report to Company’s Chief Executive Officer and agrees to keep the Company’s CEO and Board of Directors (the “Board”) fully informed with regard to critical issues affecting the value and reputation of Company. Furthermore, in his capacity as Chief Financial Officer, Executive shall be primarily responsible for creating and overseeing Company’s financial goals and the administrative, financial and risk management operations of the Company. This includes the development and monitoring of control systems designed to preserve the Company’s assets and report accurate financial results. Executive shall do and perform all services, acts, or things necessary or advisable to discharge his duties under this Agreement, and such other duties as are commonly performed by an employee of his rank in a publicly traded corporation or which may, from time to time, be prescribed by the Company through the Board of Directors. Executive agrees to cooperate with and work to the best of his ability with Company’s management team, which includes the Board and the officers and other employees, to continually improve Company’s reputation in its industry for quality products and performance.

3. NONSOLICITATION AND PROPRIETARY PROPERTY AND CONFIDENTIAL INFORMATION PROVISIONS.

As a condition of his employment with Company, Executive has executed a Proprietary Information and Inventions Agreement, the terms of which are included by reference into this Agreement.

4. COMPLIANCE WITH SECURITIES LAWS.

Executive acknowledges that he is subject to the provisions of Sections 10 and 16 of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder. Executive acknowledges that Sections 10 and 16 and the rules and regulations promulgated thereunder may prohibit Executive from selling or transferring his securities in Company. Executive agrees that he will comply with Company's policies that relate to securities laws, as stated from time to time.

5. COMPENSATION.

(a) **Annual Salary.** Company shall pay to Executive an annual base salary in the amount of \$200,000.00. The salary paid during Executive's employment shall be referred to in this Agreement as the "Annual Salary". The Annual Salary shall be subject to any tax withholdings and/or employee deductions that are applicable. The Annual Salary shall be paid to Executive in equal installments in accordance with the periodic payroll practices of the Company for its employees. The Annual Salary will be subject to review and adjustment at the discretion of the Board no less frequently than annually.

(b) **Bonus.** At least annually, Executive and the Compensation Committee of the Board of Directors shall meet to establish (i) performance standards and goals to be met by Executive and (ii) cash bonus targets based on the performance standards and goals that are achieved. The standards and goals will support a cash bonus of 50% of Executive's Annual Salary. The standards and goals and the bonus targets shall be mutually agreed to by Executive and the CEO as approved by the Compensation Committee. Nothing in this subsection (b) shall prevent Executive and the CEO, and approved by the Compensation Committee, from mutually agreeing to alternatives to the computation of the bonus to be paid to Executive in accordance with this subsection (b) (the "Bonus"), which may be implemented and paid to Executive in place of the Bonus described herein. The Bonus shall be subject to any applicable tax withholdings and/or employee deductions.

(c) **Cost of Living Adjustment.** Commencing as of January 1, 2015, and on each January 1st thereafter, the then effective Annual Salary shall be increased (but not decreased) by an amount which shall reflect the increase, if any, in the cost of living during the previous 12 months by adding to the Annual Salary an amount computed by multiplying the Annual Salary by the percentage by which the level of the Consumer Price Index for the Austin Metropolitan Area, as reported on January 1st of the new year by the Bureau of Labor Statistics of the United States Department of Labor has increased over its level as of January 1st of the prior year.

(d) **Participation In Employee Benefit Plans.** Executive shall have the same rights, privileges, benefits and opportunities to participate in any of Company's employee benefit plans which may now or hereafter be in effect on a general basis for executive officers or employees. During Executive's employment, the Company shall provide, at Company's sole expense, medical, dental and vision benefits for Executive, his spouse and children. At the discretion of the Board, Company may also provide, at its sole expense (i) disability insurance which, in the event of Executive's disability, will replace no less than 60% of the Annual Salary being paid to Executive at the time the disability occurred and (ii) life insurance in an amount to be agreed upon by the Board and Executive. Irrespective of the foregoing, Company may change any benefits contractor, or discontinue any benefit without replacement, in its sole discretion, and any such change or discontinuance will not be a breach of this Agreement. In the event Executive receives payments from the disability insurer, Company shall have the right to offset such payments against the Annual Salary otherwise payable to Executive during the period for which such payments are made.

6. EQUITY COMPENSATION.

During Executive's employment and subject always to the discretion of the Compensation Committee of the Board, Executive will be eligible to receive additional awards from the 2013 Equity Incentive Plan (or any other equity incentive plan adopted by the Board).

7. REIMBURSEMENT OF BUSINESS EXPENSES.

Company shall promptly reimburse Executive for all reasonable business expenses incurred by Executive in connection with the business of Company. However, each such expenditure shall be reimbursable only if Executive furnishes to Company adequate records and other documentary evidence required by federal and state statutes and regulations issued by the appropriate taxing authorities for the substantiation of each such expenditure as an income tax deduction.

8. PAID TIME OFF.

Executive shall be entitled to four weeks of paid time off each year; provided, however, failure to use paid time off by the end of the year in which it is earned will prevent the accumulation of additional paid time off in excess of four weeks. Said four weeks leave time includes sick leave time, vacation time and personal days off.

9. INDEMNIFICATION OF LOSSES.

So long as Executive's actions were taken in good faith and in furtherance of Company's business and within the scope of Executive's duties and authority, Company shall indemnify and hold Executive harmless to the full extent of the law from any and all claims, losses and expenses sustained by Executive as a result of any action taken by him to discharge his duties under this Agreement, and Company shall defend Executive, at Company's expense, in connection with any and all claims by stockholders or third parties.

10. PERSONAL CONDUCT.

Executive agrees promptly and faithfully to comply with all present and future policies, requirements, directions, requests and rules and regulations of Company in connection with Company's business. Executive further agrees to conform to all laws and regulations and not at any time to commit any act or become involved in any situation or occurrence tending to bring Company into public scandal, ridicule or which will reflect unfavorably on the reputation of Company.

11. TERMINATION FOR CAUSE.

The Board may terminate Executive for cause immediately, without notice, if Company reasonably concludes that Executive has committed fraud, theft, embezzlement, misappropriation of Company funds or other property, or any felony. The Board may also terminate Executive for cause for any of the following:

- (a) Breach by Executive of any material provision of this Agreement;
- (b) Violation by Executive of any statutory or common law duty of loyalty to Company; or
- (c) A material violation by Executive of Company's employment policies; or

(d) Commission of such acts of dishonesty, gross negligence, or willful misconduct as would prevent the effective performance of Executive's duties or which result in material harm to Company or its business.

The Board may terminate this Agreement for cause by giving written notice of termination to Executive, provided, however, if the Board declares Executive to be in default of this Agreement under subsection (a) above because Executive fails to substantially perform his material duties and responsibilities under this Agreement, the Board shall deliver a written demand for substantial performance of such duties and responsibilities to Executive. Such demand must identify the manner in which the Board believes that Executive has not substantially performed his duties, and Executive shall have a period of 30 days to correct the deficient performance. Upon termination for cause, the obligations of Executive and Company under this Agreement shall immediately cease. Such termination shall be without prejudice to any other remedy to which Company may be entitled either at law, in equity, or under this Agreement. If Executive's employment is terminated pursuant to this Section 11, Company shall pay to Executive (i) Executive's accrued but unpaid Annual Salary and the value of unused paid time off through the effective date of the termination; (ii) Executive's accrued but unpaid Bonus, if any; and (iii) business expenses incurred prior to the effective date of termination. Executive shall not be entitled to continue to participate in any employee benefit plans except to the extent provided in such plans for terminated participants, or as may be required by applicable law.

12. TERMINATION WITHOUT CAUSE.

(a) **Death.** Executive's employment shall terminate upon the death of Executive. Upon such termination, the obligations of Executive and Company under this Agreement shall immediately cease.

(b) Disability. The Board reserves the right to terminate Executive's employment upon 30 days written notice if, for a period of 90 days, Executive is prevented from discharging his substantial or material duties due to any physical or mental disability.

(c) Election By Executive. Executive's employment may be terminated at any time by Executive upon not less than 30 days written notice by Executive to the Board.

(d) Election By Company. Executive's employment may be terminated at any time by Company upon not less than 30 days written notice by the Board to Executive.

(e) Termination Due to a Change in Control. Executive's employment may be terminated upon a Change in Control. For purposes of this Agreement, the term "Change in Control" shall mean the sale or disposition by Company to an unrelated third party of substantially all of its business or assets, or the sale of the capital stock of Company in connection with the sale or transfer of a Controlling Interest in Company to an unrelated third party, or the merger or consolidation of Company with another corporation as part of a sale or transfer of a Controlling Interest in Company to an unrelated third party. For purposes of this definition, the term "Controlling Interest" means the sale or transfer of Company's securities representing at least 50.1% of the voting power. It will be presumed that a termination is a termination under this subsection (e) rather than a termination under subsection (d) (Election by Company) if Executive's employment is terminated during the period that begins when negotiations for the Change in Control begin and ends on the six month anniversary of the closing of the Change in Control transaction and such termination is not a termination for cause pursuant to Section 11 or a termination resulting from Executive's death, disability or election pursuant to subsections (a), (b) or (c) of this Section 12.

If Executive's employment is terminated pursuant to subsections (a), (b), or (c) of this Section 12, Company shall pay to Executive (i) Executive's accrued but unpaid Annual Salary and the value of unused paid time off through the effective date of the termination; (ii) Executive's accrued but unpaid Bonus, if any; and (iii) business expenses incurred prior to the effective date of termination. Executive shall not be entitled to continue to participate in any employee benefit plans except to the extent provided in such plans for terminated participants, or as may be required by applicable law.

If Executive's employment is terminated pursuant to subsection (d) of this Section 12, Company shall pay to Executive (i) Executive's accrued but unpaid Annual Salary and the value of unused paid time off through the effective date of the termination; (ii) Executive's accrued but unpaid Bonus, if any; (iii) business expenses incurred prior to the effective date of termination; and (iv) severance (the "Severance Payment") consisting of six months of the Annual Salary, less legally required deductions. Company may elect in its sole discretion whether to pay the Severance Payment in one lump sum or on regular pay days for the six months following termination of Executive's employment. For a termination under subsection (d), Executive shall be entitled to continue to participate in employee benefit plans described in Section 5(d), at Company's sole expense, for six months following termination of Executive's employment.

If Executive's employment is terminated pursuant to subsection (e) of this Section 12, Executive shall be entitled to receive (i) Executive's accrued but unpaid Annual Salary and the value of unused paid time off through the effective date of the termination; (ii) Executive's accrued but unpaid Bonus, if any; (iii) business expenses incurred prior to the effective date of termination; and (iv) an amount equal to one-half the Annual Salary. In addition, any equity award that is scheduled to vest any time after the termination of Executive's employment will vest immediately upon the termination of Executive's employment pursuant to subsection (e).

In the event of a termination of Executive's employment pursuant to subsections (a), (b), (c) and (d) above, all other rights Executive has under any benefit or stock option plans and programs shall be determined in accordance with the terms and conditions of such plans and programs.

With the exception of the terms of this Section 12 and any obligations, duties and responsibilities Executive has under the Proprietary Information and Inventions Agreement, upon termination of Executive's employment the obligations of Executive and Company under this Agreement shall immediately cease.

13. MISCELLANEOUS.

(a) **Preparation of Agreement.** It is acknowledged by each Party that such Party either had separate and independent advice of counsel or the opportunity to avail itself or himself of same. In light of these facts it is acknowledged that no Party shall be construed to be solely responsible for the drafting hereof, and therefore any ambiguity shall not be construed against any Party as the alleged draftsman of this Agreement.

(b) **Cooperation.** Each Party agrees, without further consideration, to cooperate and diligently perform any further acts, deeds and things and to execute and deliver any documents that may from time to time be reasonably necessary or otherwise reasonably required to consummate, evidence, confirm and/or carry out the intent and provisions of this Agreement, all without undue delay or expense.

(c) Interpretation.

(i) **Entire Agreement/No Collateral Representations.** Each Party expressly acknowledges and agrees that this Agreement, including all exhibits attached hereto: (1) is the final, complete and exclusive statement of the agreement of the Parties with respect to the subject matter hereof; (2) supersedes any prior or contemporaneous agreements, promises, assurances, guarantees, representations, understandings, conduct, proposals, conditions, commitments, acts, course of dealing, warranties, interpretations or terms of any kind, oral or written (collectively and severally, the "Prior Agreements"), and that any such prior agreements are of no force or effect except as expressly set forth herein; and (3) may not be varied, supplemented or contradicted by evidence of Prior Agreements, or by evidence of subsequent oral agreements. Any agreement hereafter made shall be ineffective to modify, supplement or discharge the terms of this Agreement, in whole or in part, unless such agreement is in writing and signed by the Party against whom enforcement of the modification or supplement is sought.

(ii) **Waiver.** No breach of any agreement or provision herein contained, or of any obligation under this Agreement, may be waived, nor shall any extension of time for performance of any obligations or acts be deemed an extension of time for performance of any other obligations or acts contained herein, except by written instrument signed by the Party to be charged or as otherwise expressly authorized herein. No waiver of any breach of any agreement or provision herein contained shall be deemed a waiver of any preceding or succeeding breach thereof, or a waiver or relinquishment of any other agreement or provision or right or power herein contained.

(iii) Remedies Cumulative. The remedies of each Party under this Agreement are cumulative and shall not exclude any other remedies to which such Party may be lawfully entitled.

(iv) Severability. If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be determined to be invalid, illegal or unenforceable under present or future laws effective during the term of this Agreement, then and, in that event: (A) the performance of the offending term or provision (but only to the extent its application is invalid, illegal or unenforceable) shall be excused as if it had never been incorporated into this Agreement, and, in lieu of such excused provision, there shall be added a provision as similar in terms and amount to such excused provision as may be possible and be legal, valid and enforceable, and (B) the remaining part of this Agreement (including the application of the offending term or provision to persons or circumstances other than those as to which it is held invalid, illegal or unenforceable) shall not be affected thereby and shall continue in full force and effect to the fullest extent provided by law.

(v) No Third Party Beneficiary. Notwithstanding anything else herein to the contrary, the parties specifically disavow any desire or intention to create any third party beneficiary obligations, and specifically declare that no person or entity, other than as set forth in this Agreement, shall have any rights hereunder or any right of enforcement hereof.

(vi) Headings; References; Incorporation; Gender. The headings used in this Agreement are for convenience and reference purposes only, and shall not be used in construing or interpreting the scope or intent of this Agreement or any provision hereof. References to this Agreement shall include all amendments or renewals thereof. Any exhibit referenced in this Agreement shall be construed to be incorporated in this Agreement. As used in this Agreement, each gender shall be deemed to include the other gender, including neutral genders or genders appropriate for entities, if applicable, and the singular shall be deemed to include the plural, and vice versa, as the context requires.

(d) Enforcement.

(i) Applicable Law. This Agreement and the rights and remedies of each Party arising out of or relating to this Agreement (including, without limitation, equitable remedies) shall be solely governed by, interpreted under, and construed and enforced in accordance with the laws (without regard to the conflicts of law principles thereof) of the State of Texas, as if this agreement were made, and as if its obligations are to be performed, wholly within the State of Texas.

(ii) Consent to Jurisdiction and Venue. Any action or proceeding arising out of or relating to this Agreement shall be filed in and heard and litigated solely before the state courts of Texas within Travis County.

(iii) Attorneys' Fees. If court proceedings are required to enforce any provision of this Agreement, the substantially prevailing or successful Party shall be entitled to an award of the reasonable and necessary expenses of litigation, including reasonable attorneys' fees.

(e) No Assignment of Rights or Delegation of Duties by Executive. Executive's rights and benefits under this Agreement are personal to him and therefore (i) no such right or benefit shall be subject to voluntary or involuntary alienation, assignment or transfer; and (ii) Executive may not delegate his duties or obligations hereunder.

(f) Notices. Unless otherwise specifically provided in this Agreement, all notices, demands, requests, consents, approvals or other communications (collectively and severally called "Notices") required or permitted to be given hereunder, or which are given with respect to this Agreement, shall be in writing, and shall be given by: (A) personal delivery (which form of Notice shall be deemed to have been given upon delivery), (B) by private overnight delivery service (which forms of Notice shall be deemed to have been given upon confirmed delivery by the delivery agency), or (C) by mailing in the United States mail by registered or certified mail, return receipt requested, postage prepaid (which forms of Notice shall be deemed to have been given upon the 5th business day following the date mailed). Notices shall be addressed to the address hereinabove set forth in the introductory paragraph of this Agreement, or to such other address as the receiving Party shall have specified most recently by like Notice, with a copy to the other Parties hereto. Any Notice given to the estate of a Party shall be sufficient if addressed to the party as provided in this subsection.

(g) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument, binding on all parties hereto. Any signature page of this Agreement may be detached from any counterpart of this Agreement and reattached to any other counterpart of this Agreement identical in form hereto by having attached to it one or more additional signature pages.

(h) Execution by All Parties Required to be Binding; Electronically Transmitted Documents. This Agreement shall not be construed to be an offer and shall have no force and effect until this Agreement is fully executed by all Parties hereto. If a copy or counterpart of this Agreement is originally executed and such copy or counterpart is thereafter transmitted electronically by facsimile or similar device, such facsimile document shall for all purposes be treated as if manually signed by the Party whose facsimile signature appears.

IN WITNESS WHEREOF, the parties have executed this Agreement.

Company:
IDEAL POWER INC.

By: /s/ R. Daniel Brdar

Its: Chief Executive Officer

Executive:

/s/ Timothy W. Burns
Timothy W. Burns

EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** (“Agreement”), which is dated September 16, 2014 (the “Effective Date”), is made by and between Ideal Power Inc., a Delaware corporation, located at 4120 Freidrich Lane, Suite 100, Austin, Texas, 78744 and hereinafter referred to as “Company”, and Paul A. Bundschuh whose address is 1159 Lost Creek Blvd. Austin, Texas 78669, hereinafter referred to as “Executive.” The purpose of this Agreement is to confirm the terms of the employment relationship between Company and Executive.

RECITALS

WHEREAS, Company wishes to retain the services of Executive, and Executive wishes to render services to Company, as its President and Chief Marketing Officer;

WHEREAS, Company and Executive wish to set forth in this Agreement the duties and responsibilities that Executive has agreed to undertake on behalf of Company, and the responsibilities that Company will owe to Executive.

THEREFORE, in consideration of the foregoing and of the mutual promises contained in this Agreement, Company and Executive (who are sometimes individually referred to as a “Party” and collectively referred to as the “Parties”) agree as follows:

AGREEMENT**1. TERM.**

Company hereby employs Executive as its President and Chief Marketing Officer pursuant to the terms of this Agreement and Executive hereby accepts employment with Company pursuant to the terms of this Agreement, which will continue until terminated pursuant to Section 11 or 12 below.

2. GENERAL DUTIES.

Executive shall devote his entire productive time, ability, and attention to Company’s business during Executive’s employment. Executive shall report to Company’s Chief Executive Officer and agrees to keep the Company’s CEO and Board of Directors (the “Board”) fully informed with regard to critical issues affecting the value and reputation of Company. Furthermore, in his capacity as President and Chief Marketing Officer, Executive shall be primarily responsible for developing and implementing the Company’s marketing strategy, public image and brand awareness. This includes macroeconomic, political, and tax incentive analysis, development of a product roadmap substantiated by sound market and financial analysis, managing brand recognition, market image and public relations to drive market awareness, business growth, and shareholder value. Executive shall do and perform all services, acts, or things necessary or advisable to discharge his duties under this Agreement, and such other duties as are commonly performed by an employee of his rank in a publicly traded corporation or which may, from time to time, be prescribed by the Company through the Chief Executive Officer and Board of Directors. Executive agrees to cooperate with and work to the best of his ability with Company’s management team, which includes the Board and the officers and other employees, to continually improve Company’s reputation in its industry for quality products and performance.

3. NONSOLICITATION AND PROPRIETARY PROPERTY AND CONFIDENTIAL INFORMATION PROVISIONS.

As a condition of his employment with Company, Executive has executed a Proprietary Information and Inventions Agreement, the terms of which are included by reference into this Agreement.

4. COMPLIANCE WITH SECURITIES LAWS.

Executive acknowledges that he is subject to the provisions of Sections 10 and 16 of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder. Executive acknowledges that Sections 10 and 16 and the rules and regulations promulgated thereunder may prohibit Executive from selling or transferring his securities in Company. Executive agrees that he will comply with Company's policies that relate to securities laws, as stated from time to time.

5. COMPENSATION.

(a) **Annual Salary.** Company shall pay to Executive an annual base salary in the amount of \$200,000.00. The salary paid during Executive's employment shall be referred to in this Agreement as the "Annual Salary". The Annual Salary shall be subject to any tax withholdings and/or employee deductions that are applicable. The Annual Salary shall be paid to Executive in equal installments in accordance with the periodic payroll practices of the Company for its employees. The Annual Salary will be subject to review and adjustment at the discretion of the Board no less frequently than annually.

(b) **Bonus.** At least annually, Executive and the Compensation Committee of the Board of Directors shall meet to establish (i) performance standards and goals to be met by Executive and (ii) cash bonus targets based on the performance standards and goals that are achieved. The standards and goals will support a cash bonus of 50% of Executive's Annual Salary. The standards and goals and the bonus targets shall be mutually agreed to by Executive and the CEO as approved by the Compensation Committee. Nothing in this subsection (b) shall prevent Executive and the CEO, and approved by the Compensation Committee, from mutually agreeing to alternatives to the computation of the bonus to be paid to Executive in accordance with this subsection (b) (the "Bonus"), which may be implemented and paid to Executive in place of the Bonus described herein. The Bonus shall be subject to any applicable tax withholdings and/or employee deductions.

(c) **Cost of Living Adjustment.** Commencing as of January 1, 2015, and on each January 1st thereafter, the then effective Annual Salary shall be increased (but not decreased) by an amount which shall reflect the increase, if any, in the cost of living during the previous 12 months by adding to the Annual Salary an amount computed by multiplying the Annual Salary by the percentage by which the level of the Consumer Price Index for the Austin Metropolitan Area, as reported on January 1st of the new year by the Bureau of Labor Statistics of the United States Department of Labor has increased over its level as of January 1st of the prior year.

(d) Participation In Employee Benefit Plans. Executive shall have the same rights, privileges, benefits and opportunities to participate in any of Company's employee benefit plans which may now or hereafter be in effect on a general basis for executive officers or employees. During Executive's employment, the Company shall provide, at Company's sole expense, medical, dental and vision benefits for Executive, his spouse and children. At the discretion of the Board, Company may also provide, at its sole expense (i) disability insurance which, in the event of Executive's disability, will replace no less than 60% of the Annual Salary being paid to Executive at the time the disability occurred and (ii) life insurance in an amount to be agreed upon by the Board and Executive. Irrespective of the foregoing, Company may change any benefits contractor, or discontinue any benefit without replacement, in its sole discretion, and any such change or discontinuance will not be a breach of this Agreement. In the event Executive receives payments from the disability insurer, Company shall have the right to offset such payments against the Annual Salary otherwise payable to Executive during the period for which such payments are made.

6. EQUITY COMPENSATION.

During Executive's employment and subject always to the discretion of the Compensation Committee of the Board, Executive will be eligible to receive additional awards from the 2013 Equity Incentive Plan (or any other equity incentive plan adopted by the Board).

7. REIMBURSEMENT OF BUSINESS EXPENSES.

Company shall promptly reimburse Executive for all reasonable business expenses incurred by Executive in connection with the business of Company. However, each such expenditure shall be reimbursable only if Executive furnishes to Company adequate records and other documentary evidence required by federal and state statutes and regulations issued by the appropriate taxing authorities for the substantiation of each such expenditure as an income tax deduction.

8. PAID TIME OFF.

Executive shall be entitled to four weeks of paid time off each year; provided, however, failure to use paid time off by the end of the year in which it is earned will prevent the accumulation of additional paid time off in excess of four weeks. Said four weeks leave time includes sick leave time, vacation time and personal days off.

9. INDEMNIFICATION OF LOSSES.

So long as Executive's actions were taken in good faith and in furtherance of Company's business and within the scope of Executive's duties and authority, Company shall indemnify and hold Executive harmless to the full extent of the law from any and all claims, losses and expenses sustained by Executive as a result of any action taken by him to discharge his duties under this Agreement, and Company shall defend Executive, at Company's expense, in connection with any and all claims by stockholders or third parties.

10. PERSONAL CONDUCT.

Executive agrees promptly and faithfully to comply with all present and future policies, requirements, directions, requests and rules and regulations of Company in connection with Company's business. Executive further agrees to conform to all laws and regulations and not at any time to commit any act or become involved in any situation or occurrence tending to bring Company into public scandal, ridicule or which will reflect unfavorably on the reputation of Company.

11. TERMINATION FOR CAUSE.

The Board may terminate Executive for cause immediately, without notice, if Company reasonably concludes that Executive has committed fraud, theft, embezzlement, misappropriation of Company funds or other property, or any felony. The Board may also terminate Executive for cause for any of the following:

- (a) Breach by Executive of any material provision of this Agreement;
- (b) Violation by Executive of any statutory or common law duty of loyalty to Company; or
- (c) A material violation by Executive of Company's employment policies; or

(d) Commission of such acts of dishonesty, gross negligence, or willful misconduct as would prevent the effective performance of Executive's duties or which result in material harm to Company or its business.

The Board may terminate this Agreement for cause by giving written notice of termination to Executive, provided, however, if the Board declares Executive to be in default of this Agreement under subsection (a) above because Executive fails to substantially perform his material duties and responsibilities under this Agreement, the Board shall deliver a written demand for substantial performance of such duties and responsibilities to Executive. Such demand must identify the manner in which the Board believes that Executive has not substantially performed his duties, and Executive shall have a period of 30 days to correct the deficient performance. Upon termination for cause, the obligations of Executive and Company under this Agreement shall immediately cease. Such termination shall be without prejudice to any other remedy to which Company may be entitled either at law, in equity, or under this Agreement. If Executive's employment is terminated pursuant to this Section 11, Company shall pay to Executive (i) Executive's accrued but unpaid Annual Salary and the value of unused paid time off through the effective date of the termination; (ii) Executive's accrued but unpaid Bonus, if any; and (iii) business expenses incurred prior to the effective date of termination. Executive shall not be entitled to continue to participate in any employee benefit plans except to the extent provided in such plans for terminated participants, or as may be required by applicable law.

12. TERMINATION WITHOUT CAUSE.

(a) **Death.** Executive's employment shall terminate upon the death of Executive. Upon such termination, the obligations of Executive and Company under this Agreement shall immediately cease.

(b) **Disability.** The Board reserves the right to terminate Executive's employment upon 30 days written notice if, for a period of 90 days, Executive is prevented from discharging his substantial or material duties due to any physical or mental disability.

(c) **Election By Executive.** Executive's employment may be terminated at any time by Executive upon not less than 30 days written notice by Executive to the Board.

(d) **Election By Company.** Executive's employment may be terminated at any time by Company upon not less than 30 days written notice by the Board to Executive.

(e) **Termination Due to a Change in Control.** Executive's employment may be terminated upon a Change in Control. For purposes of this Agreement, the term "Change in Control" shall mean the sale or disposition by Company to an unrelated third party of substantially all of its business or assets, or the sale of the capital stock of Company in connection with the sale or transfer of a Controlling Interest in Company to an unrelated third party, or the merger or consolidation of Company with another corporation as part of a sale or transfer of a Controlling Interest in Company to an unrelated third party. For purposes of this definition, the term "Controlling Interest" means the sale or transfer of Company's securities representing at least 50.1% of the voting power. It will be presumed that a termination is a termination under this subsection (e) rather than a termination under subsection (d) (Election by Company) if Executive's employment is terminated during the period that begins when negotiations for the Change in Control begin and ends on the six month anniversary of the closing of the Change in Control transaction and such termination is not a termination for cause pursuant to Section 11 or a termination resulting from Executive's death, disability or election pursuant to subsections (a), (b) or (c) of this Section 12.

If Executive's employment is terminated pursuant to subsections (a), (b), or (c) of this Section 12, Company shall pay to Executive (i) Executive's accrued but unpaid Annual Salary and the value of unused paid time off through the effective date of the termination; (ii) Executive's accrued but unpaid Bonus, if any; and (iii) business expenses incurred prior to the effective date of termination. Executive shall not be entitled to continue to participate in any employee benefit plans except to the extent provided in such plans for terminated participants, or as may be required by applicable law.

If Executive's employment is terminated pursuant to subsection (d) of this Section 12, Company shall pay to Executive (i) Executive's accrued but unpaid Annual Salary and the value of unused paid time off through the effective date of the termination; (ii) Executive's accrued but unpaid Bonus, if any; (iii) business expenses incurred prior to the effective date of termination; and (iv) severance (the "Severance Payment") consisting of six months of the Annual Salary, less legally required deductions. Company may elect in its sole discretion whether to pay the Severance Payment in one lump sum or on regular pay days for the six months following termination of Executive's employment. For a termination under subsection (d), Executive shall be entitled to continue to participate in employee benefit plans described in Section 5(d), at Company's sole expense, for six months following termination of Executive's employment.

If Executive's employment is terminated pursuant to subsection (e) of this Section 12, Executive shall be entitled to receive (i) Executive's accrued but unpaid Annual Salary and the value of unused paid time off through the effective date of the termination; (ii) Executive's accrued but unpaid Bonus, if any; (iii) business expenses incurred prior to the effective date of termination; and (iv) an amount equal to one-half the Annual Salary. In addition, any equity award that is scheduled to vest any time after the termination of Executive's employment will vest immediately upon the termination of Executive's employment pursuant to subsection (e).

In the event of a termination of Executive's employment pursuant to subsections (a), (b), (c) and (d) above, all other rights Executive has under any benefit or stock option plans and programs shall be determined in accordance with the terms and conditions of such plans and programs.

With the exception of the terms of this Section 12 and any obligations, duties and responsibilities Executive has under the Proprietary Information and Inventions Agreement, upon termination of Executive's employment the obligations of Executive and Company under this Agreement shall immediately cease.

13. MISCELLANEOUS.

(a) **Preparation of Agreement.** It is acknowledged by each Party that such Party either had separate and independent advice of counsel or the opportunity to avail itself or himself of same. In light of these facts it is acknowledged that no Party shall be construed to be solely responsible for the drafting hereof, and therefore any ambiguity shall not be construed against any Party as the alleged draftsman of this Agreement.

(b) **Cooperation.** Each Party agrees, without further consideration, to cooperate and diligently perform any further acts, deeds and things and to execute and deliver any documents that may from time to time be reasonably necessary or otherwise reasonably required to consummate, evidence, confirm and/or carry out the intent and provisions of this Agreement, all without undue delay or expense.

(c) **Interpretation.**

(i) **Entire Agreement/No Collateral Representations.** Each Party expressly acknowledges and agrees that this Agreement, including all exhibits attached hereto: (1) is the final, complete and exclusive statement of the agreement of the Parties with respect to the subject matter hereof; (2) supersedes any prior or contemporaneous agreements, promises, assurances, guarantees, representations, understandings, conduct, proposals, conditions, commitments, acts, course of dealing, warranties, interpretations or terms of any kind, oral or written (collectively and severally, the "Prior Agreements"), and that any such prior agreements are of no force or effect except as expressly set forth herein; and (3) may not be varied, supplemented or contradicted by evidence of Prior Agreements, or by evidence of subsequent oral agreements. Any agreement hereafter made shall be ineffective to modify, supplement or discharge the terms of this Agreement, in whole or in part, unless such agreement is in writing and signed by the Party against whom enforcement of the modification or supplement is sought.

(ii) Waiver. No breach of any agreement or provision herein contained, or of any obligation under this Agreement, may be waived, nor shall any extension of time for performance of any obligations or acts be deemed an extension of time for performance of any other obligations or acts contained herein, except by written instrument signed by the Party to be charged or as otherwise expressly authorized herein. No waiver of any breach of any agreement or provision herein contained shall be deemed a waiver of any preceding or succeeding breach thereof, or a waiver or relinquishment of any other agreement or provision or right or power herein contained.

(iii) Remedies Cumulative. The remedies of each Party under this Agreement are cumulative and shall not exclude any other remedies to which such Party may be lawfully entitled.

(iv) Severability. If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be determined to be invalid, illegal or unenforceable under present or future laws effective during the term of this Agreement, then and, in that event: (A) the performance of the offending term or provision (but only to the extent its application is invalid, illegal or unenforceable) shall be excused as if it had never been incorporated into this Agreement, and, in lieu of such excused provision, there shall be added a provision as similar in terms and amount to such excused provision as may be possible and be legal, valid and enforceable, and (B) the remaining part of this Agreement (including the application of the offending term or provision to persons or circumstances other than those as to which it is held invalid, illegal or unenforceable) shall not be affected thereby and shall continue in full force and effect to the fullest extent provided by law.

(v) No Third Party Beneficiary. Notwithstanding anything else herein to the contrary, the parties specifically disavow any desire or intention to create any third party beneficiary obligations, and specifically declare that no person or entity, other than as set forth in this Agreement, shall have any rights hereunder or any right of enforcement hereof.

(vi) Headings; References; Incorporation; Gender. The headings used in this Agreement are for convenience and reference purposes only, and shall not be used in construing or interpreting the scope or intent of this Agreement or any provision hereof. References to this Agreement shall include all amendments or renewals thereof. Any exhibit referenced in this Agreement shall be construed to be incorporated in this Agreement. As used in this Agreement, each gender shall be deemed to include the other gender, including neutral genders or genders appropriate for entities, if applicable, and the singular shall be deemed to include the plural, and vice versa, as the context requires.

(d) Enforcement.

(i) **Applicable Law.** This Agreement and the rights and remedies of each Party arising out of or relating to this Agreement (including, without limitation, equitable remedies) shall be solely governed by, interpreted under, and construed and enforced in accordance with the laws (without regard to the conflicts of law principles thereof) of the State of Texas, as if this agreement were made, and as if its obligations are to be performed, wholly within the State of Texas.

(ii) **Consent to Jurisdiction and Venue.** Any action or proceeding arising out of or relating to this Agreement shall be filed in and heard and litigated solely before the state courts of Texas within Travis County.

(iii) **Attorneys' Fees.** If court proceedings are required to enforce any provision of this Agreement, the substantially prevailing or successful Party shall be entitled to an award of the reasonable and necessary expenses of litigation, including reasonable attorneys' fees.

(e) No Assignment of Rights or Delegation of Duties by Executive. Executive's rights and benefits under this Agreement are personal to him and therefore (i) no such right or benefit shall be subject to voluntary or involuntary alienation, assignment or transfer; and (ii) Executive may not delegate his duties or obligations hereunder.

(f) Notices. Unless otherwise specifically provided in this Agreement, all notices, demands, requests, consents, approvals or other communications (collectively and severally called "Notices") required or permitted to be given hereunder, or which are given with respect to this Agreement, shall be in writing, and shall be given by: (A) personal delivery (which form of Notice shall be deemed to have been given upon delivery), (B) by private overnight delivery service (which forms of Notice shall be deemed to have been given upon confirmed delivery by the delivery agency), or (C) by mailing in the United States mail by registered or certified mail, return receipt requested, postage prepaid (which forms of Notice shall be deemed to have been given upon the 5th business day following the date mailed). Notices shall be addressed to the address hereinabove set forth in the introductory paragraph of this Agreement, or to such other address as the receiving Party shall have specified most recently by like Notice, with a copy to the other Parties hereto. Any Notice given to the estate of a Party shall be sufficient if addressed to the party as provided in this subsection.

(g) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument, binding on all parties hereto. Any signature page of this Agreement may be detached from any counterpart of this Agreement and reattached to any other counterpart of this Agreement identical in form hereto by having attached to it one or more additional signature pages.

(h) Execution by All Parties Required to be Binding; Electronically Transmitted Documents. This Agreement shall not be construed to be an offer and shall have no force and effect until this Agreement is fully executed by all Parties hereto. If a copy or counterpart of this Agreement is originally executed and such copy or counterpart is thereafter transmitted electronically by facsimile or similar device, such facsimile document shall for all purposes be treated as if manually signed by the Party whose facsimile signature appears.

IN WITNESS WHEREOF, the parties have executed this Agreement.

Company:
IDEAL POWER INC.

By: /s/ R. Daniel Brdar

Its: Chief Executive Officer

Executive:

/s/ Paul A. Bundschuh
Paul A. Bundschuh

AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT

This **AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT** (“Amendment”) dated September 16, 2014 is made by and between Ideal Power Inc., a Delaware corporation, hereinafter referred to as “Company”, and R. Daniel Brdar, hereinafter referred to as “Executive”.

RECITALS

WHEREAS, the Company and the Executive have agreed to amend that certain Employment Agreement dated January 8, 2014 (the “Original Agreement”) in accordance with the terms of this Amendment.

THEREFORE, in consideration of the foregoing and of the mutual promises contained in this Amendment, the Company and the Executive agree as follows:

AGREEMENT

1. Modification to Section 5(b). Section 5(b) of the Original Agreement, which states:

(a) Bonus. At least annually, Executive and the Compensation Committee of the Board of Directors shall meet to establish (i) performance standards and goals (“Standards and Goals”) to be met by Executive and (ii) cash bonus targets based on the Standards and Goals that are achieved. The Standards and Goals will support a cash bonus of 60% of Executive’s Annual Salary, provided, however, that Executive will receive a cash bonus of no less than 25% of the Annual Salary for the first year of the Term. The Standards and Goals and the bonus targets shall be mutually agreed to by Executive and the Compensation Committee. Nothing in this subsection (b) shall prevent Executive and the Compensation Committee from mutually agreeing to alternatives to the computation of the bonus to be paid to Executive in accordance with this subsection (b) (the “Bonus”), which may be implemented and paid to Executive in place of the Bonus described herein. The Bonus shall be subject to any applicable tax withholdings and/or employee deductions.

shall be modified to state:

(b) Bonus. At least annually, Executive and the Compensation Committee of the Board of Directors shall meet to establish (i) performance standards and goals (“Standards and Goals”) to be met by Executive and (ii) cash bonus targets based on the Standards and Goals that are achieved. The Standards and Goals will support a cash bonus of 75% of Executive’s Annual Salary, provided, however, that Executive will receive a cash bonus of no less than 25% of the Annual Salary for the first year of the Term. The Standards and Goals and the bonus targets shall be mutually agreed to by Executive and the Compensation Committee. Nothing in this subsection (b) shall prevent Executive and the Compensation Committee from mutually agreeing to alternatives to the computation of the bonus to be paid to Executive in accordance with this subsection (b) (the “Bonus”), which may be implemented and paid to Executive in place of the Bonus described herein. The Bonus shall be subject to any applicable tax withholdings and/or employee deductions.

2. Deletion of Section 6. Section 6 of the Original Agreement, which states:

6. EQUITY COMPENSATION.

In accordance with that certain offer letter dated December 19, 2013 (the "Employment Offer"), Company has issued to Executive an option (the "Inducement Option") to purchase 250,000 shares of Company's common stock. The per share exercise price is equal to the closing price of Company's common stock on January 8, 2014. The right to purchase the common stock will vest in equal increments over 4 years, on the 31st day of December, beginning on December 31, 2014. The term of the Inducement Option is 10 years. Beginning with the 2015 calendar year and continuing through the 2018 calendar year, Executive will receive, for each year in which the Standards and Goals are met, an additional option to purchase 50,000 shares of Company's common stock (the "Target Option"). Therefore, assuming the Standards and Goals are met in all four years, Executive will receive Target Options covering an additional 200,000 shares of common stock. The per share exercise price will be equal to the closing price of the common stock on the day the Compensation Committee determines that the Standards and Goals have been met. The right to purchase the shares subject to each Target Option will vest in equal increments over a period of four years, beginning on the 31st day of December in the year in which the Standards and Goals are met. The Target Option will have a term of 10 years and will be subject to the terms of the Company's 2013 Equity Incentive Plan.

shall be deleted in its entirety and in its place shall appear the word, "Reserved".

3. Other Provisions to Remain the Same. All other terms and provisions of the Original Agreement shall remain the same.

[SIGNATURES APPEAR ON NEXT PAGE]

IN WITNESS WHEREOF, the Company and the Executive have executed this Amendment in the city of Austin, Texas on the date set forth above.

Company:
IDEAL POWER INC.

By: /s/ Lon E. Bell
Lon E. Bell, for the Compensation Committee

Executive:

/s/ R. Daniel Brdar
R. Daniel Brdar
