

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2019

OR

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

For the transition period from _____ to _____

Commission File Number 001-36216

IDEAL POWER INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

14-1999058
(I.R.S. Employer
Identification No.)

4120 Freidrich Lane, Suite 100
Austin, Texas 78744
(Address of principal executive offices)
(Zip Code)

(512) 264-1542
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	IPWR	The Nasdaq Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period than the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the issuer is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 13, 2019, the issuer had 14,722,840 shares of common stock, par value \$.001, outstanding.

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PART I-FINANCIAL INFORMATION

ITEM 1. CONDENSED FINANCIAL STATEMENTS

IDEAL POWER INC.
Balance Sheets

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
	<u>(unaudited)</u>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,228,664	\$ 3,258,077
Prepayments and other current assets	332,833	333,877
Current assets of discontinued operations held for sale	727,943	1,096,323
Total current assets	3,289,440	4,688,277
Property and equipment, net	55,600	63,214
Intangible assets, net	1,411,263	1,396,409
Right of use asset	386,624	-
Other assets	17,920	17,920
Total assets	<u>\$ 5,160,847</u>	<u>\$ 6,165,820</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 130,456	\$ 94,203
Accrued expenses	177,828	167,755
Current portion of lease liability	167,090	-
Current liabilities of discontinued operations held for sale	501,436	877,755
Total current liabilities	976,810	1,139,713
Long-term lease liability	221,828	-
Other long-term liabilities	430,978	428,163
Total liabilities	1,629,616	1,567,876
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized; 810,000 shares issued and outstanding at March 31, 2019 and 1,518,430 shares issued at December 31, 2018, respectively	810	1,518
Common stock, \$0.001 par value; 50,000,000 shares authorized; 14,736,020 shares issued and 14,722,840 shares outstanding at March 31, 2019 and 14,027,590 shares issued and 14,014,410 shares outstanding at December 31, 2018, respectively	14,736	14,028
Additional paid-in capital	67,984,046	68,009,860
Treasury stock, at cost, 13,180 shares at March 31, 2019 and December 31, 2018, respectively	(13,210)	(13,210)
Accumulated deficit	(64,455,151)	(63,414,252)
Total stockholders' equity	3,531,231	4,597,944
Total liabilities and stockholders' equity	<u>\$ 5,160,847</u>	<u>\$ 6,165,820</u>

The accompanying notes are an integral part of these condensed financial statements.

IDEAL POWER INC.
Statements of Operations
(unaudited)

	Three Months Ended	
	March 31,	
	2019	2018
Product revenue	\$ —	\$ —
Cost of product revenue	—	—
Gross profit	—	—
Operating expenses:		
Research and development	218,216	94,544
General and administrative	468,390	882,099
Total operating expenses	686,606	976,643
Loss from continuing operations before interest	(686,606)	(976,643)
Interest (income) expense, net	7,118	(1,315)
Loss from continuing operations	(693,724)	(975,328)
Loss from discontinued operations	(347,175)	(1,080,834)
Net loss	\$ (1,040,899)	\$ (2,056,162)
Loss from continuing operations per share – basic and fully diluted	\$ (0.05)	\$ (0.07)
Loss from discontinued operations per share – basic and fully diluted	(0.02)	(0.08)
Net loss per share – basic and fully diluted	\$ (0.07)	\$ (0.15)
Weighted average number of shares outstanding – basic and fully diluted	14,313,525	13,991,121

The accompanying notes are an integral part of these condensed financial statements.

IDEAL POWER INC.
Statements of Cash Flows
(unaudited)

	Three Months Ended	
	March 31,	
	2019	2018
Cash flows from operating activities:		
Loss from continuing operations	\$ (693,724)	\$ (975,328)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	27,595	43,704
Write-off of capitalized patents	–	10,873
Stock-based compensation	26,621	143,356
Decrease in operating assets:		
Prepayments and other current assets	1,044	32,645
Increase (decrease) in operating liabilities:		
Accounts payable	36,253	(55,362)
Accrued expenses	15,182	(85,084)
Net cash used in operating activities	<u>(587,029)</u>	<u>(885,196)</u>
Net cash used on operating activities – discontinued operations	<u>(409,867)</u>	<u>(942,176)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,194)	–
Acquisition of intangible assets	<u>(31,323)</u>	<u>(33,561)</u>
Net cash used in investing activities	<u>(32,517)</u>	<u>(33,561)</u>
Net cash used in investing activities – discontinued operations	<u>–</u>	<u>(8,046)</u>
Net decrease in cash and cash equivalents – continuing operations	(619,546)	(918,757)
Net decrease in cash and cash equivalents – discontinued operations	<u>(409,867)</u>	<u>(950,222)</u>
Cash and cash equivalents at beginning of period	3,258,077	10,022,247
Cash and cash equivalents at end of period	<u>\$ 2,228,664</u>	<u>\$ 8,153,268</u>

The accompanying notes are an integral part of these condensed financial statements.

IDEAL POWER INC.
Statement of Stockholders' Equity
For the Three Months Ended March 31, 2019 and 2018
(unaudited)

	Common Stock		Preferred Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount		Shares	Amount		
Balances at December 31, 2017	13,998,465	\$ 13,998	1,518,430	\$ 1,518	\$ 67,081,359	2,344	\$ (7,489)	\$ (55,509,263)	\$ 11,580,123
Stock-based compensation	—	—	—	—	192,033	—	—	—	192,033
Net loss for the three months ended March 31, 2018	—	—	—	—	—	—	—	(2,056,162)	(2,056,162)
Balances at March 31, 2018	<u>13,998,465</u>	<u>\$ 13,998</u>	<u>1,518,430</u>	<u>\$ 1,518</u>	<u>\$ 67,273,392</u>	<u>2,344</u>	<u>\$ (7,489)</u>	<u>\$ (57,565,425)</u>	<u>\$ 9,715,994</u>
Balances at December 31, 2018	14,027,590	\$ 14,028	1,518,430	\$ 1,518	\$ 68,009,860	13,180	\$ (13,210)	\$ (63,414,252)	\$ 4,597,944
Conversion of preferred stock to common stock	708,430	708	(708,430)	(708)	—	—	—	—	—
Stock-based compensation	—	—	—	—	(25,814)	—	—	—	(25,814)
Net loss for the three months ended March 31, 2019	—	—	—	—	—	—	—	(1,040,899)	(1,040,899)
Balances at March 31, 2019	<u>14,736,020</u>	<u>\$ 14,736</u>	<u>810,000</u>	<u>\$ 810</u>	<u>\$ 67,984,046</u>	<u>13,180</u>	<u>\$ (13,210)</u>	<u>\$ (64,455,151)</u>	<u>\$ 3,531,231</u>

The accompanying notes are an integral part of these financial statements.

Ideal Power Inc.
Notes to Financial Statements
(unaudited)

Note 1 – Organization and Description of Business

Ideal Power Inc. (the “Company”) was incorporated in Texas on May 17, 2007 under the name Ideal Power Converters, Inc. The Company changed its name to Ideal Power Inc. on July 8, 2013 and re-incorporated in Delaware on July 15, 2013. With headquarters in Austin, Texas, it developed power conversion solutions with a focus on solar + storage, microgrid and stand-alone energy storage applications. The principal products of the Company were 30-kilowatt power conversion systems, including 2-port and multi-port products.

On April 16, 2018, the Company realigned into two operating divisions: Power Conversion Systems, to continue the commercialization of its PPSA™ technology, and B-TRAN, to develop its Bi-directional bi-polar junction TRANsistor (B-TRAN™) solid state switch technology. On January 2, 2019, the Board of Directors of the Company (the “Board”) approved a strategic shift to focus on the commercialization of its B-TRAN™ technology and a plan to suspend further power converter system development and sales while the Company located a buyer for its power conversion systems division.

Since its inception, the Company has generated limited revenues from the sale of products and has financed its research and development efforts and operations through the sale of common stock. The Company’s continued operations are dependent upon its ability to obtain adequate sources of funding through future revenues, follow-on stock offerings, debt financing, co-development agreements, government grants, sale or licensing of developed intellectual property or other alternatives.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission for Form 10-Q. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The Balance Sheet at December 31, 2018 has been derived from the Company’s audited financial statements.

In the opinion of management, these financial statements reflect all normal recurring, and other adjustments, necessary for a fair presentation. These financial statements should be read in conjunction with the audited financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year or any other future periods.

Liquidity and Going Concern

As reflected in the accompanying condensed financial statements, the Company had a net loss of \$1 million and used \$1 million of cash in operating activities for the three months ended March 31, 2019. At March 31, 2019, the Company had net working capital of \$2.3 million and the Company’s principal source of liquidity consisted of \$2.2 million of cash and cash equivalents.

In order to meet the Company’s operating requirements through at least the next twelve months from the date of issuance of these financial statements, it will need to raise additional capital from third parties. There can be no assurance that the Company will be successful in obtaining third party financing. If external financing sources are not available or are inadequate to fund operations, or the technology under development is not capable of generating sustainable revenues in the future, the Company will be required to reduce operating costs, which could jeopardize future strategic initiatives and business plans. Accordingly, these factors, among others raise substantial doubt about the Company’s ability to continue as a going concern. The Company’s independent registered public accounting firm, in its report on the Company’s 2018 financial statements, raised substantial doubt about the Company’s ability to continue as a going concern.

The accompanying condensed financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The ability of the Company to continue as a going concern is dependent on its ability to raise additional capital and to develop profitable operations through implementation of its current business initiatives, however, there can be no assurances that the Company will be able to do so. The accompanying condensed financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Recently Adopted Standards

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the balance sheet. Most prominent among the amendments is the recognition of assets and liabilities by lessees for those leases classified as operating leases under previous U.S. GAAP. Under the new standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The new standard is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted. The Company elected not to early adopt this standard. Upon adoption, the Company recognized its lease commitment as a lease liability and right-of-use asset. For more details regarding the lease commitment, see Note 5.

Recent Accounting Pronouncements

Management does not believe that any other recently issued, but not yet effective, accounting standard, if adopted, would have a material impact on the Company's financial statements.

Note 3 – Discontinued Operations

On January 2, 2019, the Board approved a strategic shift to focus on the commercialization of its B-TRAN™ technology and a plan to suspend further power converter system development and sales while the Company located a buyer for its power conversion systems division. On January 4, 2019, the Company implemented a reduction-in-force in connection with this exit activity and recognized an expense of \$92,600 in involuntary termination benefits.

The Company's power conversion system division, a component supplier to energy storage system integrators, had not achieved the necessary scale to generate positive cash flows. As the division was dependent on the ability of its customers to scale in the small commercial and industrial segment of the storage market and based on the sales forecasts and commitments provided by these customers, the Company did not expect its power conversion systems division to scale sufficiently in the short term, requiring an inflow of additional capital for the business. As such, the decision was made to exit the power conversion systems business and sell the division and the Company's PPSA™ technology and focus on the Company's B-TRAN™ technology.

As a result, the assets held for sale and discontinued operations criteria have been met and the Company's financial statements are presented in accordance with ASC 205. Under ASC 205-20-45-10, during the period in which a component meets the assets held for sale and discontinued operations criteria, an entity must present the assets and liabilities of the discontinued operation separately in the asset and liability sections of the balance sheet for the comparative reporting periods. The prior period balance sheet should be reclassified for the held for sale items. For income statements, the current and prior periods should report the results of operations of the component in discontinued operations when comparative income statements are presented.

The following is a reconciliation of the carrying amounts of major classes of assets and liabilities of the discontinued operations to assets and liabilities held for sale:

	March 31, 2019	December 31, 2018
Accounts receivable, net	\$ 47,250	\$ 270,768
Inventories, net	134,082	131,342
Prepayments and other current assets	17,336	22,322
Property and equipment, net	327,122	329,738
Intangible assets, net (1)	202,153	342,153
Current assets held for sale (2)	<u>\$ 727,943</u>	<u>\$ 1,096,323</u>
Accounts payable	\$ 41,773	\$ 356,113
Accrued expenses	459,663	521,642
Current liabilities held for sale	<u>\$ 501,436</u>	<u>\$ 877,755</u>

- (1) Includes an impairment charge of \$500,000 of which \$140,000 was recognized in the three months ended March 31, 2019, calculated as the net book value of assets held for sale prior to the impairment less the expected proceeds from the planned sale. The expected proceeds are based on the estimated fair value of the net assets held for sale less the estimated cost to sell the net assets held for sale.
- (2) The assets of the discontinued operations classified as held for sale are classified as current on the March 31, 2019 and December 31, 2018 balance sheets because it is probable that the sale will occur and proceeds will be collected within one year.

The following is a reconciliation of the major classes of line items constituting loss on discontinued operations to loss on discontinued operations shown in the Statement of Operations:

	March 31,	
	2019	2018
Product revenue	\$ 113,500	\$ 181,500
Cost of product revenue	98,768	334,963
Research and development	160,284	663,239
General and administrative	25,506	9,889
Sales and marketing	36,117	254,243
Impairment (1)	140,000	—
Loss on discontinued operations	<u>\$ (347,175)</u>	<u>\$ (1,080,834)</u>

- (1) For the three months ended March 31, 2019, includes an impairment charge of \$140,000, calculated as the net book value of assets held for sale prior to the impairment less the expected proceeds from the planned sale. The expected proceeds are based on the estimated fair value of the net assets held for sale less the estimated cost to sell the net assets held for sale.

Note 4 – Intangible Assets

Intangible assets, net consisted of the following:

	March 31,	December 31,
	2019 (unaudited)	2018
Patents	\$ 855,327	\$ 824,004
Other intangible assets	732,175	732,175
	<u>1,587,502</u>	<u>1,556,179</u>
Accumulated amortization	(176,239)	(159,770)
	<u>\$ 1,411,263</u>	<u>\$ 1,396,409</u>

Amortization expense amounted to \$16,469 and \$15,950 for the three months ended March 31, 2019 and 2018, respectively. Amortization expense for the succeeding five years and thereafter is \$49,543 (2019), \$66,057 (2020-2023) and \$717,148 (thereafter).

At March 31, 2019 and December 31, 2018, the Company had capitalized \$380,344 and \$354,427, respectively, for costs related to patents that have not been awarded.

Note 5 – Lease

The Company leases 14,782 square feet of office and laboratory space located in Austin, Texas. On April 20, 2018, the Company entered into an amendment to its existing operating lease which extended the lease term from May 31, 2018 to May 31, 2021. The annual base rent in the first year of the lease extension is \$184,775 and increases by \$7,391 in each succeeding year of the lease extension. In addition, the Company is required to pay its proportionate share of operating costs for the building under this triple net lease. The lease does not contain renewal or termination options.

On January 1, 2019, the Company adopted ASC 842 utilized a modified retrospective approach with a date of initial application at the beginning of the period of adoption. At adoption, the Company recognized a right of use asset of \$422,819 and lease liability of \$427,131. As the discount rate implicit in the lease was not readily determinable and the Company did not have any outstanding indebtedness, the Company utilized market data, giving consideration to remaining term of the lease, to estimate its incremental borrowing rate at 8% per annum for purposes of calculating the right of use asset and lease liability.

Future undiscounted minimum payments under the lease, as amended, are as follows:

For the Year Ended December 31,	Amount
2019	\$ 142,893
2020	196,477
2021	83,149
Total future undiscounted minimum lease payments	\$ 422,519
Less: imputed interest	(33,601)
Total lease liability	<u>\$ 388,918</u>

For the three months ended March 31, 2019, operating cash flows for lease payments totaled \$46,194 and the operating lease cost, recognized on a straight-line basis, totaled \$48,488. At March 31, 2019, the remaining lease term was 26 months.

Note 6 – Commitments and Contingencies

License Agreement

In 2015, the Company entered into licensing agreements which expire on February 7, 2033. Per the agreements, the Company has an exclusive royalty-free license associated with semiconductor power switches which enhances its intellectual property portfolio. The agreements include both fixed and variable payments. The variable payments are a function of the number of associated patent filings pending and patents issued under the agreements. The Company will pay \$10,000 for each patent filing pending and \$20,000 for each patent issued within 20 days of December 21st of each year of the agreements, up to a maximum of \$100,000 per year (i.e. five issued patents). Through March 31, 2019, two patents associated with the agreements were issued. The estimated present value of future payments under the licensing agreements is shown on the Balance Sheet as other long-term liabilities. The Company is accruing interest for future payments related to the issued patents associated with these agreements.

Indemnification of Executives

The employment agreements of Company executives include an indemnification provision whereby the Company shall indemnify and defend, at the Company's expense, its executives so as long as an 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.

Note 7 — Common and Preferred Stock

On February 21, 2019, a shareholder converted 708,430 shares of preferred stock to 708,430 shares of common stock.

On March 7, 2019, and following an initial notice of non-compliance from Nasdaq on September 7, 2018, the Company received a notice letter from Nasdaq indicating that it had not regained compliance with the minimum bid price requirement of \$1 per share, as set forth in Nasdaq Listing Rule 5550(a)(2). However, Nasdaq determined that the Company was eligible for an additional 180-day period, or until September 3, 2019, to regain compliance based on the fact that it met the continued listing requirement for market value of publicly held shares and all other initial listing standards for the Nasdaq Capital Market, with the exception of the minimum bid price requirement, and it had provided written notice to Nasdaq of its intent to cure the deficiency during this second compliance period, by effecting a reverse stock split, if necessary. If the Company is unable to regain compliance with the Nasdaq's minimum bid price requirement or with the continued listing requirements of The NASDAQ Stock Market, its common stock may be delisted in the future which could adversely affect its ability to raise additional capital.

Note 8 — Equity Incentive Plan

On May 17, 2013, the Company adopted the 2013 Equity Incentive Plan (the "Plan") and reserved shares of common stock for issuance under the Plan. The Plan is administered by the Compensation Committee of the Company's Board of Directors.

At March 31, 2019, 764,588 shares of common stock were available for issuance under the Plan.

A summary of the Company's stock option activity and related information is as follows:

	Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Life (in years)
Outstanding at December 31, 2018	1,470,447	\$ 5.08	6.8
Granted	—		
Forfeited/Expired/Exchanged	(188,900)	\$ 5.61	
Outstanding at March 31, 2019	1,281,547	\$ 5.00	6.6
Exercisable at March 31, 2019	1,276,297	\$ 4.99	6.6

A summary of the Company's restricted stock unit activity is as follows:

	Restricted Stock Units
Outstanding at December 31, 2018	69,375
Granted	—
Vested	—
Forfeited	(58,125)
Outstanding at March 31, 2019	11,250

The Company had 119,000 performance stock units outstanding at both March 31, 2019 and December 31, 2018.

At March 31, 2019, there was \$106,421 of unrecognized compensation cost related to non-vested equity awards granted under the Plan. That cost is expected to be recognized over a weighted average period of 0.4 years.

Note 9 — Warrants

The Company had 7,128,176 and 7,136,078 warrants outstanding at March 31, 2019 and December 31, 2018, respectively, with a weighted average exercise price of \$2.62 per share. During the three months ended March 31, 2019, 7,902 warrants expired. At March 31, 2019, all warrants are exercisable, although for the Company's two largest beneficial owners their warrants may be exercised only to the extent that the total number of shares of common stock then beneficially owned by these shareholders does not exceed 9.99% of the outstanding shares of the Company's common stock.

Note 10 — Subsequent Events

On April 4, 2019, the Company entered into Award Forfeiture Agreements ("Forfeiture Agreements") with certain of the Company's executives and members of its Board. Pursuant to the Forfeiture Agreements, these individuals voluntarily forfeited their equity award grants with a grant date prior to January 1, 2018. The forfeitures included 495,794 stock options and 119,000 performance stock units issued under the Plan and 250,000 stock options not issued under the Plan.

On April 11, 2019, the Company entered into an asset purchase agreement (the "Purchase Agreement") with Pathion Holdings, Inc., a Delaware corporation (the "Purchaser") and Pathion, Inc., a Delaware corporation ("Subsidiary" and together with the Purchaser, the "Purchaser Entities") to sell certain assets related to the Company's PPSA™ / Power Conversion Systems business (the "PPSA Business"). The purchase price consists of \$500,000 in cash and 150,000 shares of the common stock of the Purchaser. Pursuant to the Purchase Agreement, the Purchaser will assume certain liabilities relating to the PPSA Business, and the Purchaser shall have a limited three (3) year exclusive option to purchase the Company's B-TRAN™, subject to certain minimum purchase obligations. The option is limited to third parties and for use in commercial, industrial, microgrid and grid-scale standalone energy storage systems using an integrated multi-port power conversion system. The Purchase Agreement contains customary provisions for an asset sale including representations and warranties, indemnification for intellectual property-related matters and indemnification, expiring after 6 months, for certain assumed liabilities in excess of \$1 million. The closing of the transaction is contingent upon the Company and the Purchaser entering into an agreement pursuant to which the Company will sublease to the Purchaser approximately 80% of the premises located at 4120 Freidrich Lane, Suite 100, Austin, Texas, and the satisfaction of customary closing conditions. Subject to certain exceptions described in the Purchase Agreement, in the event that the Purchase Agreement is terminated by either party prior to closing, a "break-up" fee of \$200,000 shall be payable to the non-terminating party. The transaction is expected to close in May 2019.

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND OTHER INFORMATION
CONTAINED IN THIS REPORT**

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and the provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. You can find many (but not all) of these statements by looking for words such as "approximates," "believes," "hopes," "expects," "anticipates," "estimates," "projects," "intends," "plans," "would," "should," "could," "may" or other similar expressions in this report. In particular, these include statements relating to future actions, prospective products, applications, customers, technologies, future performance or results of anticipated products, expenses, and financial results. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

- our history of losses;
- our ability to generate revenue;
- our limited operating history;
- the size and growth of markets for our technology;
- regulatory developments that may affect our business;
- our ability to successfully develop new technologies, particularly our bi-directional bipolar junction transistor, or B-TRAN™;
- our expectations regarding the timing of prototype and commercial fabrication of B-TRAN™ devices;
- our expectations regarding the performance of our B-TRAN™ and the consistency of that performance with both internal and third-party simulations;
- the expected performance of future products incorporating our B-TRAN™;
- the performance of third-party consultants and service providers whom we have and will continue to rely on to assist us in development of our B-TRAN™ and related drive circuitry;
- the rate and degree of market acceptance for our B-TRAN™;
- The time required for third parties to redesign, test and certify their products incorporating our B-TRAN™;
- our ability to successfully license our B-TRAN™ technology;
- our ability to secure strategic partnerships with semiconductor fabricators and others related to our B-TRAN™ technology;
- our ability to obtain, maintain, defend and enforce intellectual property rights protecting our technology;
- the success of our efforts to manage cash spending, particularly prior to the commercialization of our B-TRAN™ technology;
- general economic conditions and events and the impact they may have on us and our potential partners and licensees;
- our ability to obtain adequate financing in the future, as and when we need it;
- our success at managing the risks involved in the foregoing items; and
- other factors discussed in this report.

The forward-looking statements are based upon management's beliefs and assumptions and are made as of the date of this report. We undertake no obligation to publicly update or revise any forward-looking statements included in this report. You should not place undue reliance on these forward-looking statements.

Unless otherwise stated or the context otherwise requires, the terms "Ideal Power," "we," "us," "our" and the "Company" refer to Ideal Power Inc.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q as well as our audited 2018 financial statements and related notes included in our Annual Report on Form 10-K. In addition to historical information, the discussion and analysis here and throughout this Form 10-Q contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited, to those set forth under "Risk Factors" in Part II, Item 1A of this report.

Overview

Ideal Power is located in Austin, Texas. Prior to 2019, we were primarily focused on the design, marketing and sale of electrical power conversion products using our proprietary technology called Power Packet Switching Architecture™, or PPSA™. PPSA™ is a power conversion technology that improves upon existing power conversion technologies in key product metrics, such as size and weight while providing built-in isolation and bi-directional and multi-port capabilities. PPSA™ utilizes standardized hardware with application specific embedded software. Our products were designed to be used in both on-grid and off-grid applications with a focus on solar + storage, microgrid and stand-alone energy storage applications. The principal products of the Company were 30-kilowatt power conversion systems, including 2-port and multi-port products.

On April 16, 2018, we realigned into two operating divisions: Power Conversion Systems, to continue the commercialization of our PPSA™ technology, and B-TRAN, to develop our Bi-directional bi-polar junction TRANSistor (B-TRAN™) solid state switch technology.

On January 2, 2019, our Board of Directors approved a strategic shift to focus on the commercialization of our B-TRAN™ technology and a plan to suspend further power converter system, or PPSA™, development and sales while we located a buyer for our power conversion systems division and PPSA™ technology. We have classified our PPSA™ business as held for sale and now shows this business as a discontinued operation in our financial statements.

To date, operations have been funded primarily through the sale of common stock. Total revenue generated from inception to date as of March 31, 2019 amounted to \$14.9 million with approximately \$12.4 million of that revenue from discontinued operations and the remainder from grant revenue for bi-directional power switch development. We did not have revenue from continuing operations in the three months ended March 31, 2019 and 2018. We may pursue additional research and development grants, if and when available, to further develop and/or improve our technology.

Industry Background

A semiconductor material is a substance that, as its name suggests, is characterized for "conducting" electricity easily, while at the same time, working as an insulator to prevent the flow of electricity. By using semiconductors, it becomes possible to perform rectification for the one-directional flow of electricity, amplification for increasing electrical signals, and switching to open and close the flow of electricity.

Power semiconductors possess a structure that is different from regular semiconductors, enabling them to handle high voltages and large currents without damage. Failures may occur due to a rise in temperatures resulting from heat generated from handling large amounts of power. Therefore, methods have been developed to reduce the amount of power semiconductor loss, which is the cause of the heat generation, while also effectively releasing the generated heat to the outside.

Power semiconductors are mostly used in power conversion such as in changing voltages and frequencies, as well as changing DC to AC and AC to DC. Power semiconductors play an indispensable role in accurately driving motors from low to high speeds, controlling the voltage and flow of electricity in electric and hybrid vehicles, supplying power grids with power generated from solar cells with less power loss, and providing a stable source of electricity to various home appliances and electrical equipment. In recent years, there has been a greater demand for energy-savings and power consumption reductions, and as a result, the need for power semiconductors that minimize power loss has been increasing.

Power semiconductors are solid-state devices that act as a switch without any mechanical movement. Solid-state devices are completely made from a solid material, typically silicon, and their flow of charges is confined within this solid material. The term solid-state is often used to show a difference with the earlier technologies of vacuum and gas-discharge tube devices and also to exclude the conventional electro-mechanical devices such as relays, switches, hard drives and other devices with moving part. Solid-state switches are typically more efficient due to lower losses during power processing.

The \$12 billion global power semiconductor market may be categorized by component, material, end-use and geography. Based on component, the market includes power metal-oxide semiconductor field-effect transistors (“MOSFETs”), thyristors, rectifiers, bipolar junction transistors, insulated gate bipolar transistors (“IGBTs”) and power diodes. With respect to material, the power semiconductor market is bifurcated into silicon/germanium, silicon carbide and gallium nitride.

The end-use market is classified into automotive, industrial, renewable energy, telecommunication, consumer electronics, aerospace & defense, healthcare and others. Among these, automotive electronics accounts for significant consumption of power semiconductors. The number of semiconductors in vehicles has surged with the rising adoption of electric vehicles, plug-in electric vehicles, and hybrid electric vehicles. Further, the advent of drive-by-wire or x-by-wire technologies have led to a rise in number of electric components in vehicles over mechanical vehicle parts. This rise helps reduce vehicle weight which is directly related to improved fuel efficiency and reduced vehicular emissions. The heavy consumption of power semiconductors across several end use markets such as industrial, automotive, consumer electronics and renewable energy is a key growth driver of the power semiconductor market.

The telecommunications market is also a significant end-user of power semiconductors. This segment displays demand for radio frequency (“RF”) power amplifiers and IGBTs among others. With the launch of 5G, we believe the demand for power semiconductors is likely to increase.

Geographically, Asia Pacific accounts for the leading consumption of power semiconductors among other key regions. The region is also one of the leading exporters of power semiconductors in the world. The growth in the region is mainly attributed to China, which is the leading automotive and passenger vehicle market in the world. China is currently the leading consumer of power semiconductors. Furthermore, demand for power semiconductors is increasing from renewable energy sectors in the region.

Europe and North America are also leading consumers of power semiconductors among others in the global market.

Leading players in the global power semiconductor market include Infineon Technologies AG, Texas Instruments, ON Semiconductor, Fuji Electric Co. Ltd., ST Microelectronics N.V., Mitsubishi Electric Group, Semikron International GmbH, and Toshiba Corporation. While these companies are potential competitors, they are also potential licensees for our B-TRAN™ technology as there is not, to our knowledge, a high-efficiency bi-directional design available in the market.

Our Technology

To further improve the performance of our bi-directional PPSA™ technology and products, we identified the need for a true bi-directional power switch and applied for and, in 2012, received a grant from the U.S. Department of Energy’s Advanced Research Projects Agency-Energy (“ARPA-E”) to develop a bi-directional solid-state power switch. At the outset, our efforts under the ARPA-E grant were focused on the development of, including the manufacturing process development for, a bi-directional insulated gate bipolar transistor (“BD-IGBT”). Although work on BD-IGBTs had previously been done by others in research labs, it was a technology that had not yet been commercialized.

Our PPSA™-based products incorporate multiple IGBTs, which are power switches used in the process to convert power from one current form to another. IGBTs switch power in only one direction (DC to AC or AC to DC) and require the use of a blocking diode to prevent power from flowing back through the system. To enable our PPSA™ products to perform bi-directional power conversion, for each IGBT and diode used in our products, we were required to include a second IGBT and diode. These additional components have slight voltage drops that affect the electrical efficiency of our products and generate heat that must be dissipated. To eliminate the need to utilize four devices and to improve the performance of bi-directional switching, a true bi-directional switch is necessary. While we initially focused on the development of a BD-IGBT under the ARPA-E grant, we shifted our focus under the grant to the development of a new, highly efficient power switch called a bi-directional bipolar transistor, or B-TRAN™, that we believe will allow us to substitute one B-TRAN™ for two pairs of IGBTs and diodes used in PPSA™ products but, more importantly, is a potential replacement for conventional power switches in the broader power semiconductor market. The B-TRAN™ leverages many of the same processing steps we had developed for the BD-IGBT while also providing us with certain key advantages including patentability and higher efficiency compared to a BD-IGBT.

Based on third-party device software simulations and initial prototype testing, we believe that the B-TRANs™ can significantly improve electrical efficiency in power converters and many other power conversion applications. The higher efficiency would substantially reduce the heat generated by the operation of products utilizing this technology. As a result, products incorporating B-TRANs™ will require less space for heat dissipation which would enable increased power density, or power per pound, and reduce material costs.

In 2016, one of our semiconductor fabricators successfully fabricated single-sided B-TRAN™ silicon dies and test results on the single-sided B-TRAN™ die were consistent with third-party simulations that predict significant performance and efficiency improvements over conventional power switches such as silicon-controlled rectifiers (“SCRs”), IGBTs and MOSFETs. In the second half of 2017, we shifted our focus to de-risking the proof of concept phase of the B-TRAN™ development timeline, as this phase of development was taking longer than anticipated due to the complexity of manufacturing complicated, two-sided power semiconductor devices. To facilitate this, we engaged a second semiconductor fabricator, on a parallel path, to produce a less complex to manufacture B-TRAN™ on an accelerated schedule for proof of concept and initial testing. In the first quarter of 2018, we successfully confirmed the proof of concept of double-sided B-TRAN™ prototypes, validating the ability to make B-TRAN™ semiconductor power switches using conventional silicon semiconductor fabrication equipment and processes. Test results on the standard double-sided prototypes measured B-TRAN™ electrical losses at less than 40% that of conventional power switches such as silicon IGBTs.

In the second quarter of 2018, a domestic semiconductor fabricator was qualified and engaged for development runs on the standard version of the B-TRAN™. As a result, we now have the next run of devices with two fabricators in process. These runs incorporate the results of prior runs and testing into the B-TRAN™ design and their manufacturing process. With the double-sided transistor behavior and low conduction losses confirmed and corrections and improvements in the manufacturing process implemented, the next goal is to complete the fabrication of prototype engineering samples for engineering evaluation by potential customers and partners. These samples will include a packaging design based on our previous work and a driver. We have completed the design, first build and functional check-out of a prototype driver. The coupling of device samples with a driver will form the basis of an intelligent module required for potential customer and partner evaluation.

Business Strategy & Target Markets

Once we have completed the fabrication of engineering samples for engineering evaluation by potential customers and partners, we intend to engage potential partners for our B-TRAN™ utilizing a licensing model.

Potential target markets for B-TRAN™ devices include, but are not limited to, electric and hybrid vehicles electronic controls, industrial motor drives, direct current-based distribution and transmission switches and controls and renewable energy and energy storage system power converters. We are currently in the process of fully developing our commercialization strategy for our B-TRAN™ technology.

Intellectual Property

We rely on a combination of patents, laws that protect intellectual property, confidentiality procedures, and contractual restrictions with our employees and others, to establish and protect our intellectual property rights. As of March 31, 2019, we had 33 US and 11 foreign issued patents on our B-TRAN™ technology as well as approximately 30 additional pending U.S. and international patent applications on our B-TRAN™ technology. We expect to continue to build our patent estate for our bi-directional switch technology and other technological developments that broaden the scope of our technology platform.

Critical Accounting Policies

There have been no significant changes during the three months ended March 31, 2019 to the critical accounting policies disclosed in Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Results of Operations

Comparison of the three months ended March 31, 2019 to the three months ended March 31, 2018

Research and Development Expenses. Research and development expenses increased by \$123,672, or 131%, to \$218,216 in the three months ended March 31, 2019 from \$94,544 in the three months ended March 31, 2018. The increase was due to higher personnel costs. We expect flat to higher research and development expenses for the balance of 2019.

General and Administrative Expenses. General and administrative expenses decreased by \$413,709, or 47%, to \$468,390 in the three months ended March 31, 2019 from \$882,099 in the three months ended March 31, 2018. The decrease was due primarily to lower personnel costs of \$182,418, lower stock compensation expense of \$133,645, lower contract labor costs of \$35,733 and lower legal fees of \$34,485. General and administrative expenses were impacted by our cost reduction plan, inclusive of reduced headcount, and an absence of grants in recent years to tenured executives. We expect flat to lower general and administrative expenses for the balance of 2019 exclusive of the impact of any equity award grants.

Interest (Income) Expense, Net. Net interest expense was \$7,118 for the three months ended March 31, 2019 compared to net interest income of \$1,315 for the three months ended March 31, 2018.

Loss from Continuing Operations. Our loss from continuing operations for the three months ended March 31, 2019 was \$693,724 or 29% lower than the \$975,328 loss from continuing operations for the three months ended March 31, 2018.

Loss from Discontinued Operations. Our loss from discontinued operations for the three months ended March 31, 2019 was \$347,175, or 68% lower than the \$1,080,834 loss from discontinued operations for the three months ended March 31, 2018. The loss from discontinued operations was significantly lower than the comparative prior year period as we suspended operations of our power conversion system division on January 4, 2019, including the implementation of a significant reduction-in-force. Loss from discontinued operations for the three months ended March 31, 2019 includes a \$140,000 impairment of assets held for sale to write-down these assets to expected net proceeds from the anticipated sale.

Net Loss. Our net loss for the three months ended March 31, 2019 was \$1,040,899, or 49% lower, as compared to a net loss of \$2,056,162 for the three months ended March 31, 2018.

Liquidity and Capital Resources

We currently do not generate revenue. We have funded our operations through the sale of common stock.

At March 31, 2019, we had cash and cash equivalents of \$2,228,664. Our net working capital and long-term debt at March 31, 2019 were \$2,312,630 and \$0, respectively.

Operating activities in the three months ended March 31, 2019 resulted in cash outflows of \$996,896, which were due to the loss from continuing operations for the period of \$693,724 and cash used in operating activities related to discontinued operations of \$409,867 partly offset by non-cash items, including depreciation and amortization and stock-based compensation, of \$54,216 and favorable balance sheet timing of \$52,479. Operating activities in the three months ended March 31, 2018 resulted in cash outflows of \$1,827,372, which were due to the loss from continuing operations for the period of \$975,328, cash used in operating activities related to discontinued operations of \$942,176 and unfavorable balance sheet timing of \$107,801 partly offset by stock-based compensation of \$143,356, depreciation and amortization of \$43,704 and patent impairment charges of \$10,873. We expect a significant reduction in cash outflows from operating activities for the balance of 2019 due to the elimination of cash flows from discontinued operations once a sale of these operations is completed.

Investing activities in the three months ended March 31, 2019 and 2018 resulted in cash outflows of \$32,517 and \$41,607, respectively, for the acquisition of fixed assets and intangible assets. In the three months ended March 31, 2018, cash outflows from investing activities included \$8,046 in cash outflows related to discontinued operations.

Financing activities in the three months ended March 31, 2019 and 2018 resulted in no cash inflows or outflows.

As our technology is in the development stage and has not yet been commercialized, we will be required to obtain additional financing to continue our operations and execute our business plan. Even in the event we complete the planned sale of our power conversion systems division in the near term, we will still need to raise additional capital within the next twelve to months from the date of issuance of this report to fund our future operations. We may not be able to obtain such financing on commercially reasonable terms or at all. If we are unable to obtain such financing when needed, we will be required to reduce operating costs, which could jeopardize current and future strategic initiatives and business plans, or cease operations. Our independent registered public accounting firm, in its report on our 2018 financial statements, raised substantial doubt about our ability to continue as a going concern.

Off-Balance Sheet Transactions

We do not have any off-balance sheet transactions.

Trends, Events and Uncertainties

There are no material changes from trends, events or uncertainties disclosed in our 2018 Annual Report on Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide this information.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our management, with the participation of our Chief Executive Officer (principal executive officer) and our Chief Financial Officer (principal financial and accounting officer), has concluded that, as of March 31, 2019, our disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

There have been no material changes in our internal controls over financial reporting that occurred during the quarter ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Limitations on the Effectiveness of Controls

Control systems, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control systems' objectives are being met. Further, the design of any system of controls must reflect the fact that there are resource constraints, and the benefits of all controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of error or mistake. Control systems can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II-OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

There are no material changes from the risk factors disclosed in our 2018 Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

On April 11, 2019, we entered into an asset purchase agreement (the "Purchase Agreement") with Pathion Holdings, Inc., a Delaware corporation (the "Purchaser") and Pathion, Inc., a Delaware corporation ("Subsidiary" and together with the Purchaser, the "Purchaser Entities") to sell certain assets related to our PPSA™ / Power Conversion Systems business (the "PPSA Business"). The purchase price consists of \$500,000 in cash and 150,000 shares of the common stock of the Purchaser. Pursuant to the Purchase Agreement, the Purchaser will assume certain liabilities relating to the PPSA Business, and the Purchaser shall have a limited three (3) year exclusive option to purchase our B-TRAN™, subject to certain minimum purchase obligations. The option is limited to third parties and for use in commercial, industrial, microgrid and grid-scale standalone energy storage systems using an integrated multi-port power conversion system. The Purchase Agreement contains customary provisions for an asset sale including representations and warranties, indemnification for intellectual property-related matters and indemnification, expiring after 6 months, for certain assumed liabilities in excess of \$1 million. The closing of the transaction is contingent upon us and the Purchaser entering into an agreement pursuant to which we will sublease to the Purchaser approximately 80% of our premises located at 4120 Freidrich Lane, Suite 100, Austin, Texas, and the satisfaction of customary closing conditions. Subject to certain exceptions described in the Purchase Agreement, in the event that the Purchase Agreement is terminated by either party prior to closing, a "break-up" fee of \$200,000 shall be payable to the non-terminating party. The transaction is expected to close in May 2019.

ITEM 6. EXHIBITS

Exhibit Number	Document
<u>2.1*</u>	<u>Asset Purchase Agreement between the Company, Pathion Holdings, Inc. and Pathion, Inc. dated April 11, 2019</u>
<u>10.1*†</u>	<u>Award Forfeiture Agreement by and between the Company and Lon E. Bell dated April 4, 2019</u>
<u>10.2*†</u>	<u>Award Forfeiture Agreement by and between the Company and R. Daniel Brdar dated April 4, 2019</u>
<u>10.3*†</u>	<u>Award Forfeiture Agreement by and between the Company and Timothy Burns dated April 4, 2019</u>
<u>10.4*†</u>	<u>Award Forfeiture Agreement by and between the Company and David Eisenhaure dated April 4, 2019</u>
<u>31.1*</u>	<u>Certification of Principal Executive Officer pursuant to Exchange Act Rule, 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>31.2*</u>	<u>Certification of Principal Financial Officer pursuant to Exchange Act Rule, 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>32.1**</u>	<u>Certification pursuant to 18 U.S.C. 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS*	XBRL Instant Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
10.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
*	Filed herewith
**	Furnished herewith
†	Management contract or compensatory agreement

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant, has duly, caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated May 15, 2019

IDEAL POWER INC.

By: /s/ Lon E. Bell
Lon E. Bell
Chief Executive Officer

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

ASSET PURCHASE AGREEMENT

between

Ideal Power Inc.
a Delaware corporation,

Pathion Holdings, Inc.
a Delaware corporation

and

Pathion, Inc.
a Delaware corporation

Effective as of April 11, 2019

ASSET PURCHASE AGREEMENT

This **Asset Purchase Agreement** is entered into as of April 11, 2019, by and between **Ideal Power Inc.**, a Delaware corporation, (the "**Seller**"), Pathion Holdings, Inc., a Delaware corporation (the "**Purchaser**"), and Pathion, Inc., a Delaware corporation ("**Subsidiary**"). Purchaser and Subsidiary are collectively referred to herein as the "**Purchaser Entities**". Certain capitalized terms used in this Agreement are defined in Exhibit A.

Recitals

The Seller and the Purchaser wish to provide for the sale of the Transferred Assets (as defined in Section 1.1) to the Purchaser on the terms set forth in this Agreement.

Agreement

The parties to this Agreement, intending to be legally bound, agree as follows:

1. Sale of Transferred Assets; Related Transactions.

1.1 Sale of Transferred Assets. Upon the terms and subject to the conditions set forth in this Agreement, upon the Closing (as defined in Section 1.6), the Seller shall sell, assign, transfer, convey and deliver to the Purchaser, and the Purchaser shall purchase from the Seller, good and valid title to the Transferred Assets. For purposes of this Agreement, the term "**Transferred Assets**" shall mean all of the properties, rights, interests and tangible and intangible assets of the Seller relating to the PPSA Business (as defined herein) described below in Sections 1.1(a) – 1.1(j) (wherever located and whether or not required to be reflected on a balance sheet prepared in accordance with GAAP), whether existing as of the date of this Agreement or acquired during the Pre-Closing Period and whether owned by the Seller, which shall not include any Excluded Assets (as defined in Section 1.1(k)):

(a) **Patents and Patent Applications:** All right, title and interest of the Seller in, to and under the Seller's patents, patent applications and patent rights in any jurisdiction in the world, identified on Schedule 1.1(a), and any counterparts, reissues, divisions, reexaminations, continuations and continuations-in-part of, and any other patents claiming priority from, any of the foregoing (the patents, patent applications and patent rights referred to in this Section 1.1(a) being referred to in this Agreement as the "**Transferred Patents**").

(b) **Other Proprietary and IP Assets:** All right, title and interest of the Seller in, to and under the trademarks, trade secrets, know-how, inventions, designs, drawings, copyrights, software, bills of material and related supply chain information necessary for the fulfillment of production orders for, and other Intellectual Property and Intellectual Property Rights (other than patent rights) of the Seller relating to the PPSA Business, including works in progress and the trademarks identified on Schedule 1.1(b), and all associated goodwill (the Transferred Patents, together with the Intellectual Property and Intellectual Property Rights and goodwill referred to in this Section 1.1(b), being referred to in this Agreement as the "**Transferred IP**").

(c) **Inventory:** All of the inventory (including raw materials, work in process, demonstration or evaluation units and finished goods) of the Seller relating to the PPSA Business and identified on Schedule 1.1(c), unless, at least five business days prior to the Closing, the Purchaser notifies the Seller in writing that such inventory is an Excluded Asset (as defined below at the end of this Section 1.1) (the inventory referred to in this Section 1.1(c) being referred to in this Agreement as the "**Transferred Inventory**").

(d) Equipment: All equipment of the Seller relating to the PPSA Business (including test equipment) and identified on Schedule 1.1(d), unless, at least five business days prior to the Closing, the Purchaser notifies the Seller in writing that such other equipment are Excluded Assets (the equipment referred to in this Section 1.1(d), other than any equipment that the Purchaser determines are Excluded Assets, being referred to in this Agreement as the "Transferred Equipment").

(e) Other Fixed Assets: All furniture, fixtures, computer equipment and other tangible assets of the Seller relating to the PPSA Business and identified on Schedule 1.1(e), unless, at least five business days prior to the Closing, the Purchaser notifies the Seller in writing that such other tangible assets are Excluded Assets (the tangible assets referred to in this Section 1.1(e), other than any tangible assets that the Purchaser determines are Excluded Assets, being referred to in this Agreement as the "Transferred Fixed Assets").

(f) Contract Rights: (i) All rights of the Seller under all Seller Contracts relating to the PPSA Business and identified on Schedule 1.1(f).

(g) Governmental Authorizations and Certifications from Standards Bodies: All Governmental Authorizations and Certifications from Standards Bodies of the Seller relating to the PPSA Business and identified on Schedule 1.1(g), unless, at least five business days prior to the Closing, the Purchaser notifies the Seller in writing that such other Governmental Authorizations are Excluded Assets.

(h) Claims: All Claims (including Claims for past infringement of Transferred IP) of the Seller against other Persons to the extent relating to the Transferred Assets (regardless of whether or not such Claims have been asserted by the Seller), and all rights of indemnity, warranty rights, rights of contribution, rights to refunds, rights of reimbursement and other rights of recovery possessed by the Seller against other Persons to the extent relating to the Transferred Assets (regardless of whether such rights are currently exercisable).

(i) Promotional Materials, Records, Etc.: All advertising and promotional materials, and all books (including log books), records and files, of the Seller relating to the Transferred Assets and identified on Schedule 1.1(i) (the books, records and other items referred to in this Section 1.1(i) being referred to in this Agreement as the "Transferred Books").

(j) Accounts Receivable: All accounts receivable of the Seller relating to the PPSA Business and identified on Schedule 1.1(j), regardless of whether or not such accounts receivable would be required to be included on the Seller's financial statements in accordance with GAAP.

(k) Excluded Assets. Notwithstanding the foregoing, the parties agree that the Seller is not selling, assigning, transferring, conveying or delivering to the Purchaser or a Purchaser Affiliate, and the Transferred Assets shall not include, the assets of the Seller identified on Schedule 1.1(z), any inventory disposed of in the ordinary course of business and in a manner that does not contravene Section 4.2, or any asset of the Seller not relating to the PPSA Business or not specifically identified in Sections 1.1(a) – 1.1(j) above (collectively, the "Excluded Assets").

1.2 Agreements Relating to Transfer of Transferred Assets.

(a) Electronic Delivery. At the request of the Purchaser, any of the Transferred Assets (including software and any related documentation) that can be transmitted electronically will be so transmitted to the Purchaser promptly following the Closing and will not be delivered to the Purchaser on any tangible medium. Promptly following any electronic transmission, the Seller shall execute and deliver to the Purchaser a certificate in a form reasonably acceptable to the Purchaser and containing, at a minimum, the following information: (i) the date of transmission; (ii) the time the transmission was commenced and concluded; (iii) the name of the individual who made the transmission; (iv) the signature of such individual; and (v) a general description of the nature of the items transmitted sufficient to distinguish the transmission from other transmissions.

(b) Physical Delivery. The following provisions shall apply with respect to the physical delivery of the Transferred Inventory, Transferred Equipment, Transferred Fixed Assets and Transferred Books to the Purchaser (the "Tangible Transferred Assets"):

(i) any and all Tangible Transferred Assets that are located in any facility identified in Schedule 1.2(b)(i) shall remain at such location; and

(ii) if any Tangible Transferred Assets are located somewhere other than the facility identified in Schedule 1.2(b)(i), then the Seller shall cause such Tangible Transferred Assets to be delivered to such facility within ten days following the Closing.

1.3 Purchase Price. As consideration for the sale, assignment, transfer, conveyance and delivery of the Transferred Assets to the Purchaser, and in full payment therefore:

(a) The Purchaser will pay \$1,400,000 (one million four hundred thousand dollars) to the Seller (the "Purchase Price"), as follows:

(i) \$500,000 (five hundred thousand dollars) shall be payable in immediately available funds by check or wire transfer at the Closing to Seller as set forth in Schedule 1.3(a)(i) hereto; and

(ii) \$900,000 (nine hundred thousand dollars) shall be payable to the Seller by the issuance of 150,000 (one hundred fifty thousand) shares of the common stock of Pathion Holdings, Inc. (the "Shares").

(b) At the Closing, the Purchaser shall assume the Assumed Liabilities (as defined in Section 1.4(b)).

1.4 Assumption of Liabilities.

(a) Except as set forth in Section 1.4(b) and/or listed on Schedule 1.4(b), the Purchaser shall not assume any Liabilities of the Seller (whether or not related to the Transferred Assets), including: (i) Tax Liabilities of the Seller; (ii) any Liabilities of the Seller relating to indebtedness, legal services, accounting services, financial advisory services, investment banking services or other professional services performed in connection with the Transactions; or (iii) any wages or salaries or other Liabilities relating to any Seller Employee, including any Retained Employment Liabilities (as defined in Section 8.1).

(b) Assumed Liabilities: "Assumed Liabilities" shall include all liabilities relating to the PPSA Business or the Transferred Assets, including, but not be limited to: Accounts payable, accrued expenses, open purchase orders, and any warranty liability of the Seller identified and described on Schedule 1.4(b) of the Seller existing on the Closing Date, regardless of whether or not such liabilities would be required to be included on the Seller's financial statements in accordance with GAAP.

1.5 Allocation. Within sixty (60) days of the Closing Date (as defined in Section 1.6), the Purchase Price (and the Assumed Liabilities to the extent properly taken into account) shall be allocated to the Transferred Assets within a Schedule to be attached as Schedule 1.5 hereto, which shall be prepared in accordance with Section 1060 of the Code, and the Treasury Regulations promulgated thereunder. The allocation set forth on Schedule 1.5 hereto (and any amendments thereto) shall be binding upon the parties and none of the parties shall take any position inconsistent with such allocation, and any and all filings with and reports made to any taxing authority will be consistent with that allocation.

1.6 Closing. Subject to the terms and conditions of this Agreement, including the satisfaction or waiver of the conditions set forth in Section 5, the closing of the sale of the Transferred Assets pursuant to this Agreement (the "Closing") shall take place electronically at a time to be agreed upon by the Purchaser and the Seller, on a date (no later than the second business day after the satisfaction or waiver of the last of the conditions set forth in Section 5 to be satisfied, other than those conditions that by their nature are to be satisfied at Closing, but subject to the satisfaction or waiver of such conditions) to be agreed upon by the Purchaser and the Seller. The date on which the Closing takes place is referred to in this Agreement as the "Closing Date."

2. Representations and Warranties of the Seller .

Subject to the exceptions set forth in the Seller Disclosure Schedule prepared in accordance with Section 9.15, the Seller represents and warrants, to and for the benefit of the Purchaser Entities, as follows:

2.1 Due Organization; Charter Documents; Etc.

(a) The Seller has been duly organized and is validly existing and in good standing (or equivalent status), under the laws of the jurisdiction of its formation.

(b) The Seller has delivered to the Purchaser accurate and complete copies of the Charter Documents.

2.2 Liabilities.

(a) Schedule 1.4(b) provides an accurate and complete breakdown of each of the Assumed Liabilities of the Seller.

2.3 Title to Assets. The Seller owns and has good and valid title to the Transferred Assets free and clear of any Encumbrances, except as set forth in Part 2.3 of the Seller Disclosure Schedule.

2.4 Inventory; Fixed Assets; Leaseholds.

(a) Part 2.4(a) of the Seller Disclosure Schedule provides an accurate and complete breakdown as of the date of this Agreement of all inventory relating to the PPSA Business and included in the Transferred Assets (including raw materials, work in process, demonstration or evaluation units and finished goods) owned by the Seller and the location of such inventory.

(b) Part 2.4(b) of the Seller Disclosure Schedule provides an accurate and complete list as of the date of this Agreement of all items of equipment, fixtures and other tangible assets with an individual value of \$1,000 or greater owned by or leased to the Seller and included in the Transferred Assets, and states thereon whether such item is owned or leased. The assets identified in Part 2.4(b) of the Seller Disclosure Schedule have been maintained in accordance with normal industry practice, are in good condition and repair (ordinary wear and tear excepted) and are usable in the ordinary conduct of the PPSA Business.

(c) The Seller currently owns no real property and has no interest in any real property relating to the PPSA Business other than the leasehold interests identified in Part 2.4(d) of the Seller Disclosure Schedule.

(d) Part 2.4(d) of the Seller Disclosure Schedule accurately identifies: (i) each Contract pursuant to which the Seller leases or otherwise occupies or uses any real property in the conduct of the PPSA Business; and (ii) each Seller Contract relating to any of the properties leased or otherwise occupied or used by the Seller in the conduct of the PPSA Business.

2.5 Intellectual Property.

(a) Part 2.5(a) of the Seller Disclosure Schedule accurately identifies and describes:

(i) in Part 2.5(a)(i) of the Seller Disclosure Schedule, each type of Seller Product currently being designed, developed, manufactured, marketed, sold, delivered, maintained, supported or retrofitted by the Seller;

(ii) in Part 2.5(a)(ii) of the Seller Disclosure Schedule: (A) each item of Registered IP included in the Transferred Assets ("Transferred Registered IP") in which the Seller has or purports to have an ownership interest of any nature (whether exclusively, jointly with another Person or otherwise); (B) the jurisdiction in which such item of Transferred Registered IP has been registered or filed and the applicable registration or serial number; and (C) any other Person that has an ownership interest in such item of Transferred Registered IP and the nature of such ownership interest;

(iii) in Part 2.5(a)(iii) of the Seller Disclosure Schedule: (A) each Transferred Contract (as defined in Section 2.6(a)) under which any Intellectual Property Rights or Intellectual Property is licensed to the Seller (other than Open Source Licenses, agreements for Click-Through IP, and licenses for any generally available commercial third-party software that: (1) is so licensed solely in executable or object code form pursuant to a nonexclusive software license; (2) is not Seller Software; (3) is used by the Seller solely for its internal business purposes; and (4) does not require ongoing annual fees, for licenses or maintenance or support or otherwise, in excess of \$5,000) (the "Inbound Licenses"); and (B) whether the license or licenses so granted to the Seller is exclusive or nonexclusive;

(iv) in Part 2.5(a)(iv) of the Seller Disclosure Schedule, each Seller IP Contract included in the Transferred Assets or Assumed Liabilities, and whether the license, right or interest in the Seller IP granted to such Person is exclusive or nonexclusive;

(v) in Part 2.5(a)(v) of the Seller Disclosure Schedule, all Seller Software included in the Transferred Assets that: (A) was not developed by the Seller or its Predecessors; or (B) is not owned by the Sellers; and

(vi) in Part 2.5(a)(vi) of the Seller Disclosure Schedule, (A) all royalties, sales commissions or similar payments that the Seller owes or could owe upon the sale of any Seller Product under a Transferred Contract, and (B) the Transferred Contract pursuant to which such royalties, sales commissions or similar payments are to (or could) be paid.

(b) The Seller has delivered to the Purchaser a complete and accurate copy of each standard form of Seller IP Contract used by the Seller at any time since January 1, 2017, including each standard form of customer license agreement for any Seller Product. The Seller has delivered each standard form of the following Seller Contracts used by Seller at any time since January 1, 2017: (i) employee agreement containing any assignment or license of Intellectual Property or Intellectual Property Rights or any confidentiality provision; and (ii) consulting or independent contractor agreement containing any assignment or license of Intellectual Property or Intellectual Property Rights or any confidentiality provision.

(c) The Seller exclusively owns all right, title and interest to and in the Seller IP included in the Transferred Assets (Transferred Seller IP), free and clear of any Encumbrances. Without limiting the generality of the foregoing:

(i) all documents and instruments necessary to perfect the rights of the Seller in the Transferred Seller IP have been validly executed, delivered and filed in a timely manner with the appropriate Governmental Body;

(ii) each Seller Employee who is or was involved in the creation or development of any Transferred Seller IP has signed a valid and enforceable agreement containing an irrevocable assignment of Intellectual Property Rights to the Seller for which such Person is or was an employee or independent contractor and confidentiality provisions protecting the Transferred Seller IP;

(iii) no Seller Employee has any claim, right (whether or not currently exercisable) or interest to or in any Transferred Seller IP;

(iv) no Seller Employee is to Seller's Knowledge: (A) bound by or otherwise subject to any Contract restricting him or her from performing his or her duties for the Seller in the conduct of the PPSA Business; or (B) in breach of any Contract with any former employer or other Person concerning Intellectual Property Rights or confidentiality as a result of his or her employment, duties, or activities with or for the Seller (or any of its Predecessors) in the conduct of the PPSA Business;

(v) the Seller has taken all commercially reasonable steps to maintain the confidentiality of and otherwise protect and enforce its rights in all proprietary information relating to the PPSA Business held by the Seller, or purported to be held by the Sellers, as a trade secret;

(vi) the Seller has never been a member or promoter of, or a contributor to, any industry standards body or similar organization that could require or obligate the Seller to grant or offer to any other Person any license or right to any Transferred Seller IP;

(vii) except for the nonexclusive licenses and rights granted (1) in Contracts identified or referred to in Part 2.5(a)(iv) of the Seller Disclosure Schedule or (2) to end user customers of Seller Products pursuant to an agreement that does not deviate in any material respect from the Seller's standard form thereof, the Seller is not bound by, and no Transferred Seller IP is subject to, any Contract containing any covenant or other provision that in any way limits or restricts the ability of the Seller to exploit, assert, or enforce any Transferred Seller IP anywhere in the world; and

(viii) to Seller's Knowledge, the Seller owns or otherwise has, and after the Closing the Purchaser will have, all Intellectual Property Rights needed to conduct the PPSA Business.

(d) All Transferred Registered IP is valid and, subsisting and to Seller's Knowledge, enforceable. Without limiting the generality of the foregoing:

(i) all filings, payments and other actions required to be made or taken to maintain such item of Transferred Registered IP in full force and effect have been made by the applicable deadline;

(ii) no application for a patent or for a copyright or trademark registration or any other type of Transferred Registered IP filed by or on behalf of the Seller has been unintentionally abandoned, allowed to lapse or rejected; and

(iii) no interference, opposition, reissue, reexamination or other Proceeding of any nature is or has been pending or, to the Knowledge of the Seller, threatened, in which the scope, validity or enforceability of any Transferred Registered IP is being, has been or could reasonably be expected to be contested or challenged.

(e) Neither the execution, delivery or performance of this Agreement nor the consummation of any of the Transactions or any such other agreement will, with or without notice or the lapse of time, result in or give any other Person the right or option to cause or declare: (i) a loss of, or Encumbrance on, any Transferred Seller IP; (ii) a breach of any Contract listed or required to be listed in Part 2.5(a)(iii) or Part 2.5(a)(iv) of the Seller Disclosure Schedule; (iii) the release, disclosure or delivery of any Transferred Seller IP by or to any escrow agent or other Person; or (iv) the grant, assignment or transfer to any other Person (other than the Purchaser Entities) of, or entitle any other Person (other than the Purchaser Entities) to exercise or use, any license or other right or interest under, to or in any of the Transferred Seller IP.

(f) To the Knowledge of the Seller, no Person has infringed, misappropriated, or otherwise violated, and no Person is currently infringing, misappropriating or otherwise violating, any Transferred Seller IP. Part 2.5(f) of the Seller Disclosure Schedule accurately identifies (and the Seller has delivered to the Purchaser a complete and accurate copy of) each letter or other written or electronic communication or correspondence that has been sent or otherwise delivered by the Seller (or any of its Predecessors) or any Representative of the Seller (or any of its Predecessors) regarding any actual, alleged or suspected infringement or misappropriation of any Transferred Seller IP.

(g) To its Knowledge, neither the Seller (nor any of its Predecessors) has ever infringed (directly, contributorily, by inducement or otherwise), misappropriated or otherwise violated or made unlawful use of any Intellectual Property Right of any other Person in the conduct of the PPSA Business. Without limiting the generality of the foregoing, to the Seller's Knowledge:

(i) no Seller Product or Seller Software owned by Seller has ever infringed, violated or made unlawful use of any Intellectual Property Right of any other Person or contains any Intellectual Property that was misappropriated from any other Person;

(ii) no infringement, misappropriation or similar claim or Proceeding involving the Transferred Seller IP is pending or, to the Knowledge of the Seller, has been threatened against the Seller or against any other Person who may be entitled to be indemnified, defended, held harmless or reimbursed by the Seller with respect to such claim or Proceeding;

(iii) the Seller (and none of its Predecessors) has not received any written notice relating to any actual, alleged or suspected infringement, misappropriation or violation by Seller in the conduct of the PPSA Business of any Intellectual Property Right of another Person; and

(iv) no claim or Proceeding involving any Intellectual Property or Intellectual Property Right licensed to the Seller is pending or, to the Knowledge of the Seller, has been threatened, except for any such claim or Proceeding that, if adversely determined, would not adversely affect: (A) the use or exploitation of such Intellectual Property or Intellectual Property Right by the Seller in the conduct of the PPSA Business; or (B) the design, development, manufacturing, distribution, sale, maintenance, or support of any Seller Product or Seller Software.

(h) [Reserved]

(i) Part 2.5(i) of the Seller Disclosure Schedule accurately identifies (a) all software that is licensed to the Seller under any Open Source License and that is incorporated into, distributed as part of or along with, or was or is used directly to design, develop, manufacture, maintain, or support any Seller Product or Seller-owned Seller Software, and (b) the Open Source License pursuant to which the Seller uses such software.

(j) [Reserved]

(k) No source code for any Seller-owned Seller Software has been delivered, licensed or made available to any escrow agent or other Person who is not, as of the date of this Agreement, an employee or independent contractor of the Seller. The Seller has no duty or obligation (whether present, contingent or otherwise) to deliver, license or make available the source code for any Seller Software to any escrow agent or other Person. No event has occurred, and no circumstance or condition exists, that (with or without notice or lapse of time) will, or could reasonably be expected to, result in the delivery, license or disclosure of any source code for any Seller Software to any other Person.

2.6 Contracts.

(a) Part 2.6(a) of the Seller Disclosure Schedule accurately identifies each of the Seller Contracts included in the Transferred Assets or Assumed Liabilities (the "Transferred Contracts").

(b) The Seller has delivered to the Purchaser accurate and complete copies of all written Transferred Contracts, including all amendments thereto. Each Transferred Contract is valid and in full force and effect, and, to the Knowledge of the Seller, is enforceable by the Seller in accordance with its terms, subject to: (i) laws of general application relating to bankruptcy, insolvency and the relief of debtors; and (ii) rules of law governing specific performance, injunctive relief and other equitable remedies.

(c) Except as set forth in Part 2.6(c) of the Seller Disclosure Schedule: (i) the Seller (and none of its Predecessors) has not violated or breached, or committed any default under, any Transferred Contract, which remains uncured, and, to the Knowledge of the Seller no other Person has violated or breached, or committed any default under, any Transferred Contract which remains uncured; (ii) to the Knowledge of the Seller no event has occurred, and no circumstance or condition exists, that (with or without notice or lapse of time) will, or could reasonably be expected to: (A) result in a material violation or breach of any of the provisions of any Transferred Contract; (B) give any Person the right to declare a default or exercise any remedy under any Transferred Contract; (C) give any Person the right to accelerate the maturity or performance of any Transferred Contract; or (D) give any Person the right to cancel, terminate or modify any Transferred Contract; (iii) the Seller (and none of its Predecessors) has received any notice or other communication regarding any actual or possible material violation or breach of, or default under, any Transferred Contract; and (iv) the Seller (and its Predecessors) has not waived any of its respective material rights under any Transferred Contract.

2.7 **Compliance with Legal Requirements.** To the Knowledge of the Seller, the Seller is, (and each of its Predecessors) at all times has been, in compliance in all material respects with each Legal Requirement that is applicable to it for the conduct of the PPSA Business or the ownership of the Transferred Assets. Except as set forth in Part 2.7 of the Seller Disclosure Schedule, the Seller has not (nor has any of its Predecessors) received in the last five (5) years any notice or other communication from any Person regarding any actual or possible violation of, or failure to comply with, any Legal Requirement, in each case in connection with the conduct or operation of the PPSA Business.

2.8 **Governmental Authorizations.** Part 2.8 of the Seller Disclosure Schedule identifies each Governmental Authorization held by the Seller that is necessary for the operation of the PPSA Business or maintaining the Transferred Assets, and the Seller has delivered to the Purchaser accurate and complete copies of all Governmental Authorizations identified in Part 2.8 of the Seller Disclosure Schedule. The Governmental Authorizations identified in Part 2.8 of the Seller Disclosure Schedule are valid and in full force and effect, and collectively constitute all Governmental Authorizations necessary to enable the Seller to lawfully operate the PPSA Business.

2.9 Tax Matters. The Seller is not nor has it ever been a United States Real Property Holding Corporation within the meaning of Section 897(c)(2) of the Code.

2.10 [Reserved]

2.11 Proceedings; Orders.

(a) There is no pending Proceeding and, to the Knowledge of the Seller, no Person has threatened to commence any Proceeding: (i) that involves the Seller's operation of the PPSA Business or any of the Transferred Assets; or (ii) that challenges, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with, any of the Transactions. To the Knowledge of the Seller, no event has occurred, and no claim, dispute or other condition or circumstance exists, that will or could reasonably be expected to, give rise to or serve as a basis for the commencement of any such Proceeding.

(b) Except as set forth in Part 2.11(b) of the Seller Disclosure Schedule, to the Knowledge of the Seller, no Proceeding involving Seller's operation of the PPSA Business or any of the Transferred Assets involving claims in excess of \$25,000 has ever been commenced by, and no Proceeding involving claims in excess of \$25,000 has ever been pending against, the Seller.

(c) To the Seller's knowledge, there is no order, writ, injunction, judgment or decree to which the Seller's operation of the PPSA Business or any of the Transferred Assets is subject.

2.12 Authority; Binding Nature of Agreement; Inapplicability of Anti-takeover Statutes.

(a) The Seller has the absolute and unrestricted right, power and authority to enter into and to perform its obligations under this Agreement and under each other agreement, document or instrument referred to in or contemplated by this Agreement to which the Seller is or will be a party; and, the execution, delivery and performance by the Seller of this Agreement and of each such other agreement, document and instrument have been duly authorized by all necessary action on the part of the Seller and its board of directors. This Agreement and each other agreement, document and instrument referred to in or contemplated by this Agreement to which the Seller is a party constitutes the legal, valid and binding obligation of the Seller, enforceable against the Seller in accordance with its terms, subject to: (i) laws of general application relating to bankruptcy, insolvency and the relief of debtors; and (ii) rules of law governing specific performance, injunctive relief and other equitable remedies.

(b) The Seller's board of directors has: (i) unanimously determined that the Transactions are advisable and fair and in the best interests of the Seller and its stockholders; and (ii) to the extent necessary, adopted a resolution having the effect of causing the Seller not to be subject to any state takeover law or similar Legal Requirement that might otherwise apply to the Transactions.

2.13 Non-Contravention; Consents. Neither: (1) the execution, delivery or performance of this Agreement or any of the other agreements, documents or instruments referred to in this Agreement; nor (2) the consummation of the Transactions or any such other agreement, document or instrument, will (with or without notice or lapse of time):

(a) contravene, conflict with or result in a violation of: (i) any of the provisions of any Charter Documents; or (ii) any resolution adopted by the stockholders, board of directors (or similar body) or any committee of the board of directors (or similar body) of the Seller;

(b) contravene, conflict with or result in a violation of any Legal Requirement or any order, writ, injunction, judgment or decree to which the Seller, or any of Transferred Assets, is subject;

(c) contravene, conflict with or result in a violation or breach of, or result in a default under, any provision of any Seller Contract included in the Transferred Assets, or give any Person the right to: (i) declare a default or exercise any remedy under any such Seller Contract; (ii) accelerate the maturity or performance of any such Seller Contract; or (iii) cancel, terminate or modify any such Seller Contract; or

(d) result in the imposition or creation of any lien or other Encumbrance upon or with respect to any Transferred Asset (except for minor liens that will not, in any case or in the aggregate, materially detract from the value of the assets subject thereto or materially impair the operations of the Seller).

Except as set forth in Part 2.13 of the Seller Disclosure Schedule, the Seller is not and the Seller will not be required to make any filing with or give any notice to, or to obtain any Consent from, any Person in connection with: (A) the execution, delivery or performance of this Agreement or any of the other agreements referred to in this Agreement; or (B) the consummation of any of the Transactions.

2.14 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other similar fee or commission in connection with any of the Transactions based upon arrangements made by or on behalf of any of the Seller.

3. Representations and Warranties of the Purchaser Entities.

Subject to the exceptions set forth in the Purchaser Disclosure Schedule prepared in accordance with Section 9.15, the Purchaser and the Subsidiary, jointly and severally, represent and warrant to, and for the benefit of the Seller as follows:

3.1 Due Organization; Charter Documents, Etc.

(a) Each of the Purchaser and the Subsidiary is a corporation, validly existing and in good standing (or equivalent status) under the laws of Delaware and each has the requisite corporate power and authority to own, lease and operate its assets and properties and to carry on its business as now being conducted and as presently proposed to be conducted. Each Purchaser Entity is duly qualified to transact business and is in good standing in each jurisdiction in which the failure to so qualify would have a Material Adverse Effect on such Purchaser Entity.

(b) Each of the Purchaser and the Subsidiary have delivered to the Seller accurate and complete copies of (i) its Charter Documents; and (ii) the minutes and other records of the meetings and other proceedings (including any actions taken by written consent or otherwise without a meeting) of its stockholders or members, its board of directors (or other similar body) and all committees of its board of directors (or other similar body), as applicable, since its date of incorporation, which minutes or other records contain a complete summary of all meetings of directors, stockholders and members, and all actions taken thereat or by written consent, since its incorporation.

(c) Purchaser has adequate cash consideration for the purchase hereunder and has adequate Shares reserved for all issuances under this Agreement.

3.2 Capitalization.

(a) As of the date of this Agreement, the entire authorized capitalization of Purchaser consists of 300,000,000 shares of common stock, 19,680,587 of which have been duly authorized, are validly issued, fully paid and nonassessable and were issued in accordance with the with the registration or qualification provisions of the Securities Act of 1933, as amended (the "Act"), and any relevant state securities laws, or pursuant to valid exemptions therefrom, and the applicable Purchaser Charter Documents, and are not subject to or issued in violation of any purchase option, call option, right of first refusal, preemptive right, registration right, subscription right, or any similar right under any provision of the laws of the State of Delaware or any contract to which Purchaser is a party or otherwise bound.

(b) As of the date of this Agreement, the entire authorized capitalization of Subsidiary consists of 100,000,000 shares of common stock, 19,480,587 of which have been duly authorized, are validly issued, fully paid and nonassessable and were issued in accordance with the with the registration or qualification provisions of the Act, and any relevant state securities laws, or pursuant to valid exemptions therefrom, and the applicable Subsidiary Charter Documents, and are not subject to or issued in violation of any purchase option, call option, right of first refusal, preemptive right, registration right, subscription right, or any similar right under any provision of the laws of the State of Delaware or any contract to which Subsidiary is a party or otherwise bound.

3.3 Subsidiaries. Except for the Subsidiary, no Purchaser Entity currently owns or controls, directly or indirectly, any interest in any other corporation, partnership, trust, joint venture, limited liability company, association, or other business entity. No Purchaser Entity is a participant in any joint venture, partnership or similar arrangement.

3.4 Non-Contravention; Consents. Neither: (a) the execution, delivery or performance of this Agreement or any of the other Transactional Agreements; nor (b) the consummation of the Transactions, will (with or without notice or lapse of time) contravene, conflict with or result in a violation of: (i) any of the provisions of either Purchaser Entity's Charter Documents; (ii) any resolution adopted by the stockholders, the board of directors (or similar body) or any committee of the board of directors (or similar body) of either Purchaser Entity; or (iii) any provision of any material contract to which either Purchaser Entity is bound, except in the case of clauses "(i)," "(ii)" and "(iii)" as would not have a Material Adverse Effect on such Purchaser Entity's ability to consummate the Transactions or to perform its obligations under this Agreement. No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any Governmental Body is required on the part of either Purchaser Entity in connection with the consummation of the Transactions, including the issuance of the Shares.

3.5 Authority; Binding Nature of Agreement. Each Purchaser Entity has all necessary corporate power and authority to enter into and perform its obligations under this Agreement and under each other agreement, document and instrument referred to in this Agreement to which it is a party, and to consummate the transactions contemplated hereby and thereby; and the execution, delivery and performance by each Purchaser Entity of this Agreement any of each such other agreement, document and instrument and the consummation by the Purchaser Entities of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of each Purchaser Entity and no other actions on the part of either Purchaser Entity is necessary to authorize this Agreement any of each such other agreement, document and instrument and the consummation by the Purchaser Entities of the transactions contemplated hereby and thereby. This Agreement and each other agreement, document or instrument referred to in this Agreement to which either Purchaser Entity is a party constitutes the legal, valid and binding obligation of such Purchaser Entity enforceable against it in accordance with its terms, subject to: (a) laws of general application relating to bankruptcy, insolvency and the relief of debtors; and (b) rules of law governing specific performance, injunctive relief and other equitable remedies.

3.6 Valid Issuance of Shares. The Shares, when issued, sold and delivered in accordance with the terms and for the consideration set forth in this Agreement, will be validly issued, fully paid and non-assessable and free of restrictions on transfer other than restrictions on transfer, applicable state and federal securities laws and liens or encumbrances created by or imposed by Seller. The Shares will be issued in compliance with all applicable federal and state securities laws. As of April 11, 2019, Pathion Holdings, Inc. has sold 200,000 shares of its common stock at \$6/share.

3.7 Proceedings; Orders. There is no pending Proceeding and, to the Knowledge of the Purchaser and the Subsidiary, no Person has threatened to commence any Proceeding: (i) that involves either Purchaser Entity or any officer, director or any executive-level employee of either Purchaser Entity; (ii) that challenges, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with, any of the Transactions, or (iii) that would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect. To the Knowledge of the Purchaser and the Subsidiary, no event has occurred, and no claim, dispute or other condition or circumstance exists, that will or could reasonably be expected to, give rise to or serve as a basis for the commencement of any such Proceeding.

3.8 Full Disclosure. To the Knowledge of the Purchaser and the Subsidiary, this Agreement does not: (i) contain any representation, warranty or information that is false or misleading with respect to any material fact; or (ii) omit to state any material fact necessary in order to make the representations, warranties and information contained and to be contained herein and therein (in the light of the circumstances under which such representations, warranties and information were or will be made or provided) not false or misleading.

4. Certain Covenants.

4.1 Access and Investigation. During the Pre-Closing Period, the each party shall, and shall cause its Representatives to: (a) provide the other party's Representatives with reasonable access during normal business hours to the such party's Representatives, personnel and assets and to all existing books, records, Tax Returns, work papers and other documents and information relating to the Purchaser, or in the case of the Seller, relating to the PPSA Business and the Transferred Assets; and (b) provide the other party and its Representatives with copies of such existing books, records, Tax Returns, work papers and other documents and information relating to the Purchaser, or in the case of the Seller relating to the PPSA Business and the Transferred Assets, and with such additional financial, operating and other data and information regarding the Purchaser, or in the case of the Seller, relating to the PPSA Business or the Transferred Assets, as the other party may reasonably request. During the Pre-Closing Period, a party may make inquiries of Persons having business relationships with the other party (including suppliers, licensors, distributors and customers) only with the other party's prior written consent (which consent shall not be unreasonably withheld or delayed).

4.2 Operation of Business. During the Pre-Closing Period, each party shall ensure that:

(a) it does not: (i) enter into, or in the case of Seller, permit any of the Transferred Assets owned or used by it to become bound by, any Contract that is or would constitute a Contract required to be identified in Part 2.6(a) of the Seller Disclosure Schedule or Part 3.9 of the Purchaser Disclosure Schedule, as applicable, if entered into prior to the date of this Agreement; or (ii) amend or prematurely terminate, or waive any material right or remedy under, any Contract required to be identified in Part 2.6(a) of the Seller Disclosure Schedule or Part 3.9 of the Purchaser Disclosure Schedule, as applicable;

(b) it does not: (i) acquire, lease or license any right or other asset used in the PPSA Business or the Business of the Purchaser Entities from any other Person for an aggregate value in excess of \$5,000; (ii) sell or otherwise dispose of, or lease, license or encumber, any Seller Products or any other right or asset used in the PPSA Business or the Business of the Purchaser Entities to any other Person; or (iii) waive or relinquish any right, except in the ordinary course of business consistent with past practices;

(c) it does not commence or settle any Proceeding other than: (i) for the routine collection of bills; (ii) in such cases where it in good faith determines that failure to commence a suit would result in the material impairment of a valuable aspect of its business (provided that it consults with the other party prior to the filing of such a suit); or (iii) for a breach of this Agreement; and

Notwithstanding the foregoing, each party may take any action described in: (i) clauses “(a)” through “(c)” above if: (A) the other party gives its prior written consent to the taking of such action by such party; or (B) such action is expressly contemplated by this Agreement; and (ii) Part 4.2 of the Seller Disclosure Schedule or the Purchaser Disclosure Schedule, as applicable, after consultation with the other party.

4.3 Filings and Consents. The Seller and the Purchaser Entities shall use commercially reasonable efforts to take, or cause to be taken, all actions necessary to consummate and make effective the Transactions as promptly as practicable after the date of this Agreement. Without limiting the generality of the foregoing, each party to this Agreement: (i) shall make all filings (if any) and give all notices (if any) required to be made and given by such party in connection with the Transactions; (ii) shall use commercially reasonable efforts to obtain each Consent (if any) required to be obtained (pursuant to any applicable Legal Requirement or Contract, or otherwise) by such party in connection with the Transactions; and (iii) shall use commercially reasonable efforts to lift any restraint, injunction or other legal bar to the Transactions. Notwithstanding the foregoing, Seller’s obligation to make any filing or give any notice under the Transactional Agreements or in connection with the Transactions shall be subject to Seller’s compliance with its obligations as a publicly traded company and the rules or regulations of any securities exchange on which the securities of Seller are listed or traded.

4.4 Notification; Updates to Disclosure Schedules.

(a) During the Pre-Closing Period, the Seller and the Purchaser Entities shall promptly notify the other party in writing of: (i) the discovery by the Seller or the Purchaser Entities, as applicable, of any event, condition, fact or circumstance that occurred or existed on or prior to the date of this Agreement and that caused or constitutes a material breach of or an inaccuracy in any representation or warranty made by the Seller or the Purchaser Entities, as applicable, in this Agreement; (ii) any event, condition, fact or circumstance that occurs, arises or exists after the date of this Agreement and that would cause or constitute a material breach of or an inaccuracy in any representation or warranty made by the Seller or the Purchaser Entities, as applicable, in this Agreement if: (A) such representation or warranty had been made as of the time of the occurrence, existence or discovery of such event, condition, fact or circumstance; or (B) such event, condition, fact or circumstance had occurred, arisen or existed on or prior to the date of this Agreement; (iii) any material breach of any covenant or obligation of the Seller or the Purchaser Entities, as applicable; and (iv) any event, condition, fact or circumstance that would make the timely satisfaction of any of the conditions set forth in Section 5 impossible or unlikely.

(b) If any event, condition, fact or circumstance that is required to be disclosed pursuant to Section 4.4(a) requires any change in the Seller Disclosure Schedule or the Purchaser Disclosure Schedule, as applicable, or if any such event, condition, fact or circumstance would require such a change assuming the Seller Disclosure Schedule or the Purchaser Disclosure Schedule, as applicable, were dated as of the date of the occurrence, existence or discovery of such event, condition, fact or circumstance, then prior to the fifth business day prior to the Closing Date, the Seller or the Purchaser Entities, as applicable, shall promptly deliver to the other party an update to the Seller Disclosure Schedule or the Purchaser Disclosure Schedule, as applicable, specifying such change. No such update shall be deemed to supplement or amend the Seller Disclosure Schedule or the Purchaser Disclosure Schedule, as applicable, for the purpose of: (i) determining the accuracy of any of the representations and warranties made by the Seller or the Purchaser Entities, as applicable, in this Agreement; or (ii) determining whether any of the conditions set forth in Section 5 has been satisfied.

4.5 Consent of Stockholders. As promptly as practicable after the execution and delivery of this Agreement, the Purchaser Entities shall, in accordance with their respective Charter Documents and applicable Legal Requirements, provide to their respective stockholders appropriate documents (if any) in connection with the obtaining of any necessary written consents of the stockholders of the Purchaser Entities authorizing the Transactions and waiving any advance notice provision applicable to any of the Transactions. Notwithstanding anything to the contrary contained in this Agreement, any materials submitted to each Purchaser Entities' stockholders in connection with the Transactions, if any, shall be subject to prior review and approval by the Seller (which approval shall not be unreasonably withheld).

4.6 Efforts. During the Pre-Closing Period, the Seller and the Purchaser Entities shall use commercially reasonable efforts to cause the conditions set forth in Section 5 to be satisfied on a timely basis.

4.7 Update to Outstanding Liabilities. At least two business days (and no more than five business days) prior to the Closing, the Seller shall deliver to the Purchaser an update of Schedule 1.4(b) and the Purchaser entities shall deliver to the Seller and updated to Part 3.11 of the Purchaser Disclosure Schedule, in each case identifying each of the creditors of the Seller or the Purchaser Entities, as applicable, including lenders, trade creditors, employees and professional advisors, and the outstanding amount owed by the Seller or the Purchaser Entities, as applicable, to such creditor, as of the date on which such update is delivered and estimated to be owed as of the Closing.

4.8 Notice to Certain Persons and Cooperation. The parties: (a) no later than the third business day following the date of this Agreement, shall provide all Persons entitled to notice of any of the Transactions prior to the closing of the Transactions with written notice of such Transactions; and (b) upon the request of the other party, shall use its reasonable efforts to obtain waivers (in a form reasonably satisfactory to the other party) executed by all Persons described in clause "(a)" of this sentence of the notice requirements described in clause "(a)" of this sentence (it being understood that waivers shall not be required from any Person with respect to whom such notice period has been complied with). The Seller will use its reasonable efforts to transfer (and cooperate with the Purchaser in any manner reasonably requested by the Purchaser to transfer) all current customer orders of the Seller to the Purchaser in a non-disruptive fashion, and advise such customers to begin doing business with the Purchaser following the Closing with regard to all Transferred Products or otherwise. Notwithstanding the foregoing, Seller's obligations under this Section 4.8 shall be subject to Seller's compliance with its obligations as a publicly traded company and the rules or regulations of any securities exchange on which the securities of Seller are listed or traded

4.9 B-Tran Option. Upon the terms and subject to the conditions contained in this Agreement, the Seller shall provide a three (3) year exclusive option to Purchaser to purchase the Seller's "B-Tran" chips, which option period shall commence upon commercial production of the same (the "B-Tran Option"). Subject to Purchaser Entities meeting the Minimum Purchase Obligations (as defined below), during the B-Tran Option period, Seller shall not sell B-Tran chips to third parties for use in commercial, industrial, microgrid, and grid-scale standalone energy storage systems using an integrated multi-port power conversion system. The exclusivity granted hereunder shall terminate in the event that the Purchaser Entities do not purchase B-Tran chips having an aggregate purchase price of \$500,000 or more in the first year of the B-Tran Option, and B-Tran chips having an aggregate purchase price of \$750,000 or more in the second year of the B-Tran Option (the "Minimum Purchase Obligations").

5. Conditions Precedent to Close.

5.1 Conditions to Obligations of Purchaser Entities. The Purchaser Entities' obligations to purchase the Transferred Assets and to take the other actions required to be taken by the Purchaser Entities at the Closing are subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived by the Purchaser Entities, in whole or in part, in writing):

(a) Accuracy of Representations, Warranties and Covenants. Except as disclosed in the Seller Disclosure Schedule, (i) each of the representations and warranties made by the Seller in this Agreement shall have been accurate in all material respects as of the date of this Agreement, (ii) each of the representations and warranties made by the Seller in this Agreement shall be accurate in all material respects as of the Closing Date as if made on and as of the Closing Date (except for such representations and warranties which address matters only as of a particular time, which shall have been accurate in all material respects as of such particular time), and (iii) all of the covenants and obligations that the Seller is required to comply with or to perform at or prior to the Closing shall have been duly complied with and performed in all material respects.

(b) Governmental and Other Consents. Each of the Consents identified in Part 2.13 of the Seller Disclosure Schedule shall have been obtained and shall be in full force and effect.

(c) No Material Adverse Effect. Between the date of this Agreement and the Closing Date, no event shall have occurred or circumstance shall exist that has had (or would be reasonably expected to have) a Material Adverse Effect on the Seller or the PPSA Business.

(d) Release of Liens. The Purchaser shall have received evidence satisfactory to it of the release by any Person who held a security interest in the Transferred Assets of all Encumbrances on the Transferred Assets, except as set forth in Part 2.3 of the Seller Disclosure Schedule, and there shall not be any other Encumbrance on any of the Transferred Assets (other than any liens for sales Taxes that are imposed by law and that are not in excess of \$1,000 in the aggregate).

(e) Agreements and Documents. The Purchaser Entities shall have received the following agreements and documents:

(i) a Bill of Sale and Assignment Agreement in the form of Exhibit B (the "Bill of Sale"), duly executed by Seller;

(ii) recordable assignment agreements with respect to the Transferred Patents and Transferred IP and such bills of sale, endorsements, assignments, business transfer agreements and other documents as may reasonably be necessary or appropriate to assign, convey, transfer and deliver to the Purchaser or a Purchaser Affiliate good and valid title to the Transferred Assets;

(iii) a certificate duly executed on behalf of the Seller by the chief executive officer of the Seller and containing the representation and warranty of the Seller that the conditions set forth in Sections 5.1(a) and 5.1(f) have been duly satisfied (the "Seller Closing Certificate");

(iv) a certified copy of resolutions of the Seller's board of directors pursuant to which the board of directors indicates its good faith belief that the purchase price being paid to the Seller under this Agreement constitutes fair value for the Transferred Assets; and

(v) evidence in form and substance satisfactory to the Purchaser that each other Seller Employee has properly assigned all Intellectual Property and Intellectual Property Rights included in the Transferred Assets.

(f) No Restraints. No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of any of the Transactions shall have been issued by any court of competent jurisdiction and remain in effect, and there shall not be any Legal Requirement enacted or deemed applicable to any of the Transactions that makes consummation of the Transactions illegal.

5.2 Conditions to Obligations of Seller. The obligations of the Seller to cause the Transferred Assets to be sold and to take the other actions required to be taken by the Seller at the Closing are subject to the satisfaction (or waiver), at or prior to the Closing, of the following conditions:

(a) Accuracy of Representations, Warranties and Covenants. Except as disclosed in the Purchaser Disclosure Schedule, (i) each of the representations and warranties made by the Purchaser Entities in this Agreement shall have been accurate in all material respects as of the date of this Agreement, (ii) each of the representations and warranties made by the Purchaser Entities in this Agreement shall be accurate in all material respects as of the Closing Date as if made on and as of the Closing Date (except for such representations and warranties which address matters only as of a particular time, which shall have been accurate in all material respects as of such particular time), and (iii) all of the covenants and obligations that the Purchaser Entities are required to comply with or to perform at or prior to the Closing shall have been complied with and performed in all material respects.

(b) Documents. The Seller shall have received the following agreements and documents:

(i) the Assumption Agreement, duly executed by the Purchaser; and

(ii) a Sublease Agreement in the form of Exhibit C (the "Sublease Agreement"), duly executed by the Purchaser and the Landlord (as defined in the Sublease Agreement).

(c) No Restraints. No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of any of the Transactions shall have been issued by any court of competent jurisdiction and remain in effect, and there shall not be any Legal Requirement enacted or deemed applicable to any of the Transactions that makes consummation of any of the Transactions illegal.

6. Termination.

6.1 Termination Events. This Agreement may be terminated prior to the Closing:

(a) by the mutual written consent of the Purchaser and the Seller;

(b) unless otherwise terminated pursuant to this Section 6.1, by either party, with a \$200,000 "break-up" fee payable to the other party;

(c) by either the Purchaser or the Seller if: (i) a court of competent jurisdiction or other Governmental Body shall have issued a final and non-appealable order, decree or ruling, or shall have taken any other action, having the effect of permanently restraining, enjoining or otherwise prohibiting the Transactions; or (ii) there shall be any Legal Requirement enacted, promulgated, issued or deemed applicable to any of the Transactions by any Governmental Body that would make consummation of any of the Transactions illegal;

(d) by the Purchaser if: (i) any of the representations and warranties of the Seller contained in this Agreement shall be materially inaccurate as of the date of this Agreement, or shall have become materially inaccurate as of a date subsequent to the date of this Agreement, such that the condition set forth in Section 5.1(a) would not be satisfied; or (ii) any of the covenants of the Seller contained in this Agreement shall have been materially breached such that the condition set forth in Section 5.1(a) would not be satisfied; *provided, however*, that if an inaccuracy in any of the representations and warranties of the Seller as of a date subsequent to the date of this Agreement or a breach of a covenant by the Seller is curable by the Seller through the use of reasonable efforts within 30 days after the Purchaser notifies the Seller in writing of the existence of such inaccuracy or breach (the "Seller Cure Period"), then the Purchaser may not terminate this Agreement under this Section 6.1(d) as a result of such inaccuracy or breach prior to the expiration of the Seller Cure Period, provided the Seller, during the Seller Cure Period, continues to exercise reasonable efforts to cure such inaccuracy or breach (it being understood that the Purchaser may not terminate this Agreement pursuant to this Section 6.1(d) with respect to such inaccuracy or breach if such inaccuracy or breach is cured prior to the expiration of the Seller Cure Period);

(e) by the Seller if: (i) any of the Purchaser's representations and warranties contained in this Agreement shall be materially inaccurate as of the date of this Agreement, or shall have become materially inaccurate as of a date subsequent to the date of this Agreement, such that the condition set forth in Section 5.2(a) would not be satisfied; or (ii) if any of the Purchaser's covenants contained in this Agreement shall have been materially breached such that the condition set forth in Section 5.2(a) would not be satisfied; *provided, however*, that if an inaccuracy in any of the Purchaser's representations and warranties as of a date subsequent to the date of this Agreement or a breach of a covenant by the Purchaser is curable by the Purchaser through the use of reasonable efforts within 30 days after the Seller notifies the Purchaser in writing of the existence of such inaccuracy or breach (the "Purchaser Cure Period"), then the Seller may not terminate this Agreement under this Section 6.1(e) as a result of such inaccuracy or breach prior to the expiration of the Purchaser Cure Period, provided the Purchaser, during the Purchaser Cure Period, continues to exercise reasonable efforts to cure such inaccuracy or breach (it being understood that the Seller may not terminate this Agreement pursuant to this Section 6.1(e) with respect to such inaccuracy or breach if such inaccuracy or breach is cured prior to the expiration of the Purchaser Cure Period); or

6.2 Termination Procedures. If the Purchaser wishes to terminate this Agreement pursuant to Section 6.1, the Purchaser shall deliver to the Seller a written notice stating that the Purchaser is terminating this Agreement and setting forth a brief description of the basis on which the Purchaser is terminating this Agreement. If the Seller wishes to terminate this Agreement pursuant to Section 6.1, the Seller shall deliver to the Purchaser a written notice stating that the Seller is terminating this Agreement and setting forth a brief description of the basis on which the Seller is terminating this Agreement.

6.3 Effect of Termination. If this Agreement is terminated pursuant to Section 6.1, all further liability or obligations of the parties under this Agreement shall terminate (other than the \$200,000 "break-up" fee in the case of a termination pursuant to Section 6.1(b)); *provided, however*, that: (a) neither the Seller nor the Purchaser Entities shall be relieved of any obligation or liability arising from any prior breach by such party of any provision of this Agreement; and (b) the parties shall, in all events, remain bound by and continue to be subject to the provisions set forth in this Section 6.3 and Section 9.

7. Indemnification, Etc.

7.1 Survival of Representations, Etc. The representations and warranties made by the Seller in this Agreement (including the representations and warranties set forth in the Seller Closing Certificate) shall survive the Closing until 11:59 p.m. Texas time on the date that is twelve (12) months following the Closing Date (the "Representation Survival Time") and shall thereafter terminate; *provided, however*, that if, at any time prior to the Representation Survival Time, a party delivers to the other party a written notice asserting a claim for a breach of such representations and warranties, then the claim asserted in such notice shall survive the Representation Survival Time until such time as such claim is fully and finally resolved.

7.2 Indemnification by the Seller. From and after the Closing and through the Indemnification Survival Time (as defined below) (but subject to Section 7.3), the Seller shall hold harmless and indemnify each of the Indemnitees from and against, and shall compensate and reimburse each of the Indemnitees for, any Damages which are suffered or incurred by any of the Indemnitees or to which any of the Indemnitees may otherwise become subject (regardless of whether or not such Damages relate to any third-party claim) to the extent such Damages directly or indirectly arise from or as a result of, or are directly or indirectly connected with (i) any claims of infringement with regard to Transferred IP or the Transferred Patents (this indemnification includes, but is not limited to, claims by Princeton Power and NextEnergy), or (ii) the aggregate amount of Assumed Liabilities as of the Closing exceeding \$1,000,000.

7.3 Limitations.

(a) Seller shall not be required to make any indemnification payment pursuant to Section 7.2 until such time as the total amount of all Damages that have been suffered or incurred by any one or more of the Indemnitees, or to which any one or more of the Indemnitees has or have otherwise become subject, exceeds \$10,000 in the aggregate. If the total amount of such Damages exceeds \$10,000 in the aggregate, then the Indemnitees shall be entitled to be indemnified against and compensated and reimbursed for the entire amount of such Damages, and not merely the portion of such Damages exceeding \$10,000; *provided, however*, that: (i) neither Seller nor Purchaser Entities shall be liable to the other party under this Agreement for any lost profits, diminution of value, special, exemplary, punitive, incidental or consequential damages, or damages calculated as a multiple of company revenue, profits or similar metrics; (ii) Seller shall not be liable to Purchaser Entities or to any other party under Section 7.2(i) for any damages, losses, or liabilities of any kind following the expiration of the statute of limitations for any such infringement claims (the "Indemnification Survival Time"), provided, however, that if at any time prior to the Indemnification Survival Time the Purchaser (acting in good faith) delivers to the Seller a written notice asserting an Indemnification Claim under Section 7.2(i) properly asserted in accordance with this Agreement (on behalf of itself or any other Indemnitees), then the claim asserted in such notice shall survive the Indemnification Survival Time until such time as such claim is fully and finally resolved; and (iii) Seller shall not be liable to the Purchaser Entities or to any other party under this Agreement, whether pursuant to Section 7.2(ii) or otherwise, for any damages, losses, or liabilities of any kind related to any Assumed Liabilities on or after the date that is six (6) months following the Closing Date.

(b) The limitations set forth in Section 7.3(a) shall not apply in the case of intentional misrepresentation, willful misconduct or fraud.

7.4 Indemnification Procedure; Defense of Third Party Claims

(a) Whenever any Damages shall be asserted against or incurred by any Indemnitee, such Indemnitee (or, if not a party, the party that is related to such Indemnitee) (the "Indemnified Party"), shall give written notice thereof (an "Indemnification Claim") to Seller. The Indemnified Party shall furnish to the Seller in reasonable detail such information as the Indemnified Party may have with respect to the Indemnification Claim (including in any case copies of any summons, complaint or other pleading that may have been served on it and any written claim, demand, invoice, billing or other document evidencing or asserting the same). The failure to give such notice shall not relieve the Indemnifying Party of any of its indemnification obligations under this Agreement unless (and then only to the extent that) such failure materially and adversely affects the ability of the Indemnifying Party to defend against the Indemnification Claim.

(b) If the Indemnification Claim is based on a claim of a Person that is not a party to this Agreement, Seller shall be entitled, but not obligated, to undertake the defense of such Indemnification Claim, with counsel of its own choice (such counsel being subject to written approval by the Indemnified Party, which approval shall not be unreasonably withheld or delayed), with Seller having the right to control the defense and settlement of such Indemnification Claim; *provided, however*, that (i) Seller shall use commercially reasonable efforts in its defense of any such Indemnification Claim; (ii) each Indemnified Party shall have the right to participate in the defense of such matter with counsel of its own choice, but not to determine or conduct any negotiation of settlement, adjustment or compromise with respect to any such Indemnification Claim, and the fees and expenses of such counsel shall be at the expense of the Indemnified Party; and (ii) the Indemnified Party shall approve in writing (such approval not to be unreasonably withheld or delayed) any settlement or compromise, or any consent to the entry of any judgment with respect to the Indemnification Claim. To the extent requested by Seller, each Indemnified Party agrees to reasonably cooperate with Seller and its counsel in connection with the Indemnification Claim, provided that Seller shall reimburse the Indemnified Party for any direct out-of-pocket expenses associated with the same. Each Indemnified Party and Seller Party shall use reasonable efforts to keep the other party informed at all times as to the status of its efforts with respect to any Indemnification Claim covered hereby and to consult with the other party concerning its efforts. In the event that Seller does not undertake the defense of any Indemnification Claim, (i) each Indemnified Party shall have the right to participate in the defense of such matter with counsel of its own choice and the fees and expenses of such counsel shall be at the expense of such Indemnified Party and (ii) Indemnifying Party shall have the right to approve in writing (such approval not to be unreasonably withheld or delayed) any settlement or compromise, or any consent to the entry of any judgment with respect to the Indemnification Claim.

8. Employee Matters.

8.1 Responsibility for Employment Liabilities and Claims. The Seller shall be fully responsible for any and all Liabilities and Claims arising out of or relating to: (a) the Seller's employment or termination of employment of any Seller Employee, and (b) the Seller Plans (collectively, the "Retained Employment Liabilities"). Retained Employment Liabilities also shall include any Liabilities and Claims relating to change in control agreements, severance payments, 280G payments and excise Taxes, sale bonuses and other retention arrangements established by the Seller regardless of whether such Liabilities and Claims arise before, on or after the Closing Date.

8.2 401(k) Plan. Effective as of the Closing Date, the Seller shall permit each Proposed Employee who timely accepts an offer of employment extended to such individual by Purchaser or a Purchaser Affiliate in connection with the Transactions (each a "Hired Employee") to: (a) elect a distribution of his or her account balance in the Seller 401(k) Plan, pursuant to the provisions thereof; or (b) elect to retain his/her account balance in the Seller 401(k) Plan.

8.3 Workers Compensation. Responsibility for workers compensation Claims of Seller Employees arising out of conditions having a date of injury (or, in the case of a Claim relating to occupational illness or disease, the last significant exposure) prior to or on the Closing Date shall remain with the Seller. The Purchaser shall have responsibility for workers compensation Claims of Hired Employees arising out of conditions having a date of injury (or, in the case of a claim relating to occupational illness or disease, the last significant exposure) after the Closing Date.

8.4 Prior Contracts. As of the Closing, the Seller shall terminate, waive and release its rights under any covenants regarding noncompetition, non-solicitation, conflicting obligations and other similar rights under any Contracts with the Hired Employees and Hired Consultants solely to the extent necessary to allow the Purchaser Entities to operate the PPSA Business post-Closing.

8.5 Communications. The Seller shall not (and the Seller shall not permit any of its Representatives to) communicate with Seller Employees regarding post-Closing employment matters with the Purchaser or any Purchaser Affiliate, including post-Closing employee benefit plans and compensation, without the prior written approval of the Purchaser.

9. Miscellaneous Provisions.

9.1 Further Actions. From and after the Closing Date, the Seller shall cooperate with the Purchaser and the Purchaser's Representatives and shall execute and deliver such documents and take such other actions as the Purchaser may reasonably request, for the purpose of evidencing the Transactions and putting the Purchaser in possession and control of all of the Transferred Assets. To the extent that the Seller has been unable to obtain any Consent that the Purchaser reasonably deems necessary to be obtained for the transfer to the Purchaser of any of the Transferred Assets by the Closing Date, the Seller shall use its reasonable efforts to obtain such Consent as promptly as practicable thereafter. Until such Consent is obtained, the Seller shall cooperate, and shall use its reasonable efforts to cause its Representatives to cooperate, with the Purchaser in any lawful arrangement designed to provide the Purchaser with the benefits of such Transferred Assets at no cost to the Purchaser in excess of the cost the Purchaser would have incurred (without modification to the terms of the Contract) if the Consent had been obtained. The Seller hereby irrevocably nominates, constitutes and appoints the Purchaser as the true and lawful attorney-in-fact of the Seller, solely with respect to the transfer of the Transferred Assets to Purchaser, (with full power of substitution) effective as of the Closing Date, and hereby authorizes the Purchaser, solely with respect to the transfer of the Transferred Assets to Purchaser, in the name of and on behalf of the Seller, to execute, deliver, acknowledge, certify, file and record any document, to institute and prosecute any Proceeding and to take any other action (on or at any time after the Closing Date) that the Purchaser may deem reasonably appropriate for the purpose of: (a) collecting, asserting, enforcing or perfecting any Claim, right or interest of any kind that is included in or relates to any of the Transferred Assets; (b) defending or compromising any Claim or Proceeding relating to any of the Transferred Assets; or (c) otherwise carrying out or facilitating any of the Transactions, provided, however, that Purchaser shall provide Seller with written notice of any such action within the period that is five (5) business days prior to taking such action. The power of attorney referred to in the preceding sentence is and shall be coupled with an interest and shall be irrevocable and shall survive the dissolution or insolvency of the Seller.

9.2 Continuing Access to Information. Following the Closing, the Seller shall make its Representatives reasonably available to the Purchaser at reasonable times to answer questions related to the Transferred Assets and the PPSA Business as conducted pre-Closing by the Seller.

9.3 Publicity. The Seller and the Purchaser Entities shall ensure that, on and at all times during the Pre-Closing Period and after the Closing Date: (a) no press release, public statement or other publicity concerning any of the Transactions is issued or otherwise disseminated by or on behalf of the other party or any of the Representatives of the other party without the other party's prior written consent; (b) the Seller and the Seller's Representatives or the Purchaser Entities and the Purchaser Entities' Representatives, as applicable, continue to keep the terms of this Agreement and the other Transactional Agreements strictly confidential; *provided, however*, that the existence and terms of this Agreement and the other Transactional Agreements may be disclosed to the extent required by law, provided that before making such a disclosure the disclosing party first notifies the other party and gives the other party an opportunity to limit such disclosure or seek a protective order and the disclosing party cooperates with the other party as reasonably requested; and (c) the Seller and the Representatives of the Seller or the Purchaser Entities and the Purchaser Entities' Representatives, as applicable, keep strictly confidential, and do not use or disclose to any other Person, any non-public document or other information that relates to the Agreement, the Transactions or Transferred Assets. During the Pre-Closing Period, except as expressly contemplated by this Agreement, each party will use all reasonable efforts to consult with the other party prior to issuing any press release or making any public statement regarding this Agreement or the Transactions, subject in all cases to Seller's compliance with its obligations as a publicly traded company and the rules or regulations of any securities exchange on which the securities of Seller are listed or traded.

9.4 Fees and Expenses. The parties shall each bear and pay their own fees, costs and expenses that have been incurred or that are in the future incurred in connection with: (i) the negotiation, preparation and review of this Agreement (including the Seller Disclosure Schedule and the Purchaser Disclosure Schedule), the other Transactional Agreements and all bills of sale, assignments, certificates and other instruments and documents delivered or to be delivered in connection with the Transactions; (ii) the preparation and submission of any filing or notice required to be made or given in connection with any of the Transactions, and the obtaining of any Consent required to be obtained in connection with any of the Transactions; and (iii) the consummation and performance of the Transactions.

9.5 Attorneys' Fees. If any Proceeding relating to this Agreement or the enforcement of any provision of this Agreement is brought against any party to this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees, costs and disbursements (in addition to any other relief to which the prevailing party may be entitled).

9.6 Notices. Any notice or other communication required or permitted to be delivered to any party under this Agreement shall be in writing and shall be deemed properly delivered, given and received: (a) when delivered by hand; or (b) the third business day after sent by registered mail or by courier or express delivery service, in any case to the address set forth beneath the name of such party below (or to such other address as such party shall have specified in a written notice given to the other parties hereto):

If to any Purchaser Entity:

Pathion, Inc.
16450 Los Gatos Boulevard, Suite 207
Los Gatos, California 95032
Attention: Glen Haubl

with a copy delivered by email to gjones@pathion.com and wglausi@grsm.com

If to the Seller:

Ideal Power Inc.
4120 Freidrich Lane, Suite 100
Austin, TX 78744
Attention: Timothy Burns

with a copy delivered by email to tim.burns@idealpower.com and lon.bell@idealpower.com

9.7 Headings. The bold-faced headings contained in this Agreement are for convenience of reference only, shall not be deemed to be a part of this Agreement and shall not be referred to in connection with the construction or interpretation of this Agreement.

9.8 Counterparts and Exchanges by Electronic Transmission. This Agreement may be executed in separate counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute one agreement. The exchange of a fully executed Agreement (in counterparts or otherwise) by electronic transmission shall be sufficient to bind the parties to the terms and conditions of this Agreement.

9.9 Governing Law; Venue.

(a) This Agreement shall be construed in accordance with, and governed in all respects by, the internal laws of the State of Delaware (without giving effect to principles of conflicts of laws).

(b) Except as otherwise provided in in Section 9.9(c), any Proceeding relating to this Agreement or the enforcement of any provision of this Agreement (including a Proceeding based upon intentional misrepresentation, willful misconduct or fraud) may be brought or otherwise commenced in any state or federal court located in the State of Delaware. Each party to this Agreement: (i) expressly and irrevocably consents and submits to the jurisdiction of each state and federal court located in the State of Delaware (and each appellate court located in the State of Delaware) in connection with any such Proceeding; (ii) agrees that each state and federal court located in the State of Delaware shall be deemed to be a convenient forum; and (iii) agrees not to assert (by way of motion, as a defense or otherwise), in any such Proceeding commenced in any state or federal court located in the State of Delaware, any claim that such party is not subject personally to the jurisdiction of such court, that such Proceeding has been brought in an inconvenient forum, that the venue of such proceeding is improper or that this Agreement or the subject matter of this Agreement may not be enforced in or by such court.

9.10 Successors and Assigns; Parties in Interest.

(a) This Agreement shall be binding upon the Seller and its successors and assigns (if any) and the Purchaser and its successors and assigns (if any). This Agreement shall inure to the benefit of the Seller, the Purchaser, the other Indemnitees, and the respective successors and assigns (if any) of the foregoing.

(b) Neither the Seller nor the Purchaser Entities shall be permitted to assign any of its rights or delegate any of its obligations under this Agreement without the other party's prior written consent.

(c) None of the provisions of this Agreement is intended to provide any rights or remedies to any Person other than the parties to this Agreement and the Indemnitees and their respective successors and assigns (if any).

9.11 Waiver. No failure on the part of any Person to exercise any power, right, privilege or remedy under this Agreement, and no delay on the part of any Person in exercising any power, right, privilege or remedy under this Agreement, shall operate as a waiver of such power, right, privilege or remedy; and no single or partial exercise of any such power, right, privilege or remedy shall preclude any other or further exercise thereof or of any other power, right, privilege or remedy. No Person shall be deemed to have waived any claim arising out of this Agreement, or any power, right, privilege or remedy under this Agreement, unless the waiver of such claim, power, right, privilege or remedy is expressly set forth in a written instrument duly executed and delivered on behalf of such Person; and any such waiver shall not be applicable or have any effect except in the specific instance in which it is given.

9.12 Amendments. This Agreement may not be amended, modified, altered or supplemented other than by means of a written instrument duly executed and delivered on behalf of the Purchaser Entities and the Seller.

9.13 Severability. In the event that any provision of this Agreement, or the application of any such provision to any Person or set of circumstances, shall be determined to be invalid, unlawful, void or unenforceable to any extent, the remainder of this Agreement, and the application of such provision to Persons or circumstances other than those as to which it is determined to be invalid, unlawful, void or unenforceable, shall not be impaired or otherwise affected and shall continue to be valid and enforceable to the fullest extent permitted by law.

9.14 Entire Agreement. The Transactional Agreements set forth the entire understanding of the parties relating to the subject matter thereof and supersede all prior agreements and understandings among or between any of the parties relating to the subject matter thereof, including, without limitation that certain Term Sheet for Acquisition of Ideal Power PPSA Assets entered into by the Purchaser and the Seller on or about February 17, 2019.

9.15 Disclosure Schedules. The Seller Disclosure Schedule and the Purchaser Disclosure Schedule shall each be arranged in separate parts corresponding to the numbered and lettered sections contained herein permitting such disclosure, and the information disclosed in any numbered or lettered part shall be deemed to relate to and to qualify only the particular representation or warranty set forth in the corresponding numbered or lettered section herein permitting such disclosure.

9.16 Construction.

(a) For purposes of this Agreement, whenever the context requires: the singular number shall include the plural, and vice versa; the masculine gender shall include the feminine and neuter genders; the feminine gender shall include the masculine and neuter genders; and the neuter gender shall include the masculine and feminine genders.

(b) The parties hereto agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in the construction or interpretation of this Agreement.

(c) As used in this Agreement, the words "include" and "including," and variations thereof, shall not be deemed to be terms of limitation, but rather shall be deemed to be followed by the words "without limitation."

(d) Except as otherwise indicated, all references in this Agreement to "Sections," "Schedules" and "Exhibits" are intended to refer to Sections of this Agreement and Schedules and Exhibits to this Agreement.

[Remainder of page intentionally left blank]

The parties to this Agreement have caused this Agreement to be executed and delivered as of the date first written above.

Pathion, Inc.,
a Delaware corporation

By: /s/ Michael Liddle
Name: Michael Liddle
Title: CEO

Pathion Holdings, Inc.,
a Delaware corporation

By: /s/ Michael Liddle
Name: Michael Liddle
Title: CEO

Ideal Power Inc.
a Delaware corporation

By: /s/ Lon E. Bell
Name: Lon E. Bell
Title: President and CEO

Exhibits

- Exhibit A - Certain Definitions
- Exhibit B - Form of Bill of Sale and Assignment Agreement
- Exhibit C - Form of Sublease Agreement

Schedules

- Schedule 1.1(a) - Certain Intellectual Property (Patents)
 - Schedule 1.1(b) - Certain Intellectual Property (Trademarks)
 - Schedule 1.1(c) - Certain Inventory
 - Schedule 1.1(d) - Certain Equipment
 - Schedule 1.1(e) - Certain Fixed Assets
 - Schedule 1.1(f) - Contractual Rights
 - Schedule 1.1(g) - Certain Governmental Authorizations and Certifications from Standards Bodies
 - Schedule 1.1(i) - Certain Books
 - Schedule 1.1(j) - Certain Accounts
 - Schedule 1.1(z) - Excluded Assets
 - Schedule 1.2(b)(i) - Certain Facilities
 - Schedule 1.3(a)(i) - Seller Wire Instructions
 - Schedule 1.4(b) - Assumed Liabilities
 - Schedule 1.5 - Allocation
-

Exhibit A

CERTAIN DEFINITIONS

For purposes of the Agreement (including this Exhibit A):

Affiliate. “Affiliate” means, with respect to any specified Person, any other Person who, directly or indirectly, controls, is controlled by, or is under common control with such Person, including, without limitation, any general partner, managing member, officer, director or trustee of such Person, or any venture capital fund or registered investment company now or hereafter existing that is controlled by one or more general partners, managing members or investment advisers of, or shares the same management company or investment adviser with, such Person.

Agreement. “Agreement” means the Asset Purchase Agreement to which this Exhibit A is attached (including the Seller Disclosure Schedule and the Purchaser Disclosure Schedule), as it may be amended from time to time.

Business of the Purchaser Entities. “Business of the Purchaser Entities” means the business of the Purchaser Entities as now being conducted and as presently proposed to be conducted.

Charter Documents. “Charter Documents” means with respect to any particular entity, the certificate of incorporation and bylaws or equivalent governing documents, including all amendments thereto.

Claim. “Claim” means and includes all past, present and future disputes, claims, controversies, demands, rights, obligations, liabilities, actions and causes of action of every kind and nature, including: (a) any unknown, unsuspected or undisclosed claim; and (b) any claim, right or cause of action based upon any breach of any Contract.

Click-Through IP. “Click-Through IP” means Intellectual Property licensed to the Seller comprising widely-available commercial software products and services that are licensed on a “software-as-a-service” or web-based basis pursuant to a non-exclusive, internal-use license and are generally available on standard terms for less than \$5,000.

Code. “Code” means the Internal Revenue Code of 1986, as amended.

Consent. “Consent” means any approval, consent, ratification, permission, waiver or authorization (including any Governmental Authorization).

Contract. “Contract” means any written, oral, implied or other agreement, contract, subcontract, lease, understanding, arrangement, instrument, note, warranty, insurance policy, benefit plan or legally binding commitment or undertaking of any nature.

Damages. “Damages” means any and all liabilities, losses, damages, claims, costs and expenses, interest, awards, judgments or penalties (including legal fees and expenses, but in all cases, excluding lost profits, diminution of value, special, exemplary, punitive, incidental or consequential damages, and damages calculated as a multiple of company revenue, profits or similar metrics).

Encumbrance. “Encumbrance” means, other than Permitted Encumbrances, any lien, pledge, hypothecation, charge, mortgage, security interest, encumbrance, equity, trust, equitable interest, claim, preference, right of possession, lease, tenancy, license, encroachment, covenant, infringement, interference, order, proxy, option, right of first refusal, preemptive right, community property interest, legend, defect, impediment, exception, reservation, limitation, impairment, imperfection of title, condition or restriction of any nature (including any restriction on the transfer of any asset, any restriction on the receipt of any income derived from any asset, any restriction on the use of any asset and any restriction on the possession, exercise or transfer of any other attribute of ownership of any asset).

Entity. "Entity" means any corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, cooperative, foundation, society, political party, union, company (including any limited liability company or joint stock company), firm or other enterprise, association, organization or entity.

ERISA. "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

GAAP. "GAAP" means generally accepted accounting principles in the United States.

Governmental Authorization. "Governmental Authorization" means any: (a) permit, license, certificate, franchise, permission, clearance, registration, qualification or authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Body or pursuant to any Legal Requirement; or (b) right under any Contract with any Governmental Body.

Governmental Body. "Governmental Body" means any: (a) nation, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature; (b) federal, state, local, municipal, foreign or other government; or (c) governmental or quasi-governmental authority of any nature (including any governmental division, department, agency, commission, instrumentality, official, organization, unit, body or Entity and any court or other tribunal).

Indemnitees. "Indemnitees" means the following Persons: the Purchaser and the Subsidiary and each of their respective officers, directors, members, employees, agents, heirs, successors and assigns.

Intellectual Property. "Intellectual Property" means algorithms, apparatus, databases, data collections, diagrams, formulae, system designs, hardware (including hardware in native design file format) inventions (whether or not patentable), know-how, logos, marks (including brand names, product names, logos, and slogans), network configurations and architectures, methods and processes (including manufacturing methods, sales methodologies and processes, user operation manuals, training methods and similar methods and processes), proprietary information, protocols, schematics, specifications, software, software code (in any form, including source code and executable or object code), subroutines, techniques, user interfaces, URLs, web sites, works of authorship and other forms of technology (whether or not embodied in any tangible form and including all tangible embodiments of the foregoing, such as instruction manuals, laboratory notebooks, prototypes, samples, studies and summaries).

Intellectual Property Rights. "Intellectual Property Rights" means all rights of the following types, which may exist or be created under the laws of any jurisdiction in the world: (a) rights associated with works of authorship, including exclusive exploitation rights, copyrights and moral rights; (b) trademark and trade name rights and similar rights; (c) trade secret rights; (d) patent and industrial property rights; (e) other proprietary rights in Intellectual Property; and (f) rights in or relating to registrations, renewals, extensions, combinations, divisions, and reissues of, and applications for, any of the rights referred to in clauses "(a)" through "(e)" above.

Knowledge. The parties are deemed to have "Knowledge" of a particular fact or other matter if: (a) in the case of the Seller, if Lon Bell or Timothy Burns is actually aware of such fact or other matter; or (b) in the case of either Purchaser Entity, if George Jones or Glen Haubl is actually aware of such fact or other matter.

Legal Requirement. “Legal Requirement” means any federal, state, local, municipal, foreign or other law, statute, constitution, principle of common law, resolution, ordinance, code, edict, decree, rule, regulation, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Body.

Liability. “Liability” means any debt, obligation, duty or liability of any nature (including any unknown, undisclosed, unmatured, unaccrued, unasserted, contingent, indirect, conditional, implied, vicarious, derivative, joint, several or secondary liability), regardless of whether such debt, obligation, duty or liability would be required to be disclosed on a balance sheet prepared in accordance with GAAP and regardless of whether such debt, obligation, duty or liability is immediately due and payable.

Material Adverse Effect. A violation or other matter will be deemed to have a “Material Adverse Effect” on the Seller or the Purchaser Entities (and a “Material Adverse Effect” will be deemed to have occurred) if such violation or other matter (considered together with all other matters that would constitute exceptions to the representations and warranties set forth in the Agreement but for the presence of “Material Adverse Effect” or other materiality qualifications, or any similar qualifications, in such representations and warranties) would, or would reasonably be expected to, have a material adverse effect on, in the case of the Seller, the PPSA Business or the ability of the Seller to consummate the Transactions on a timely basis, or, in the case of the Purchaser Entities, the Business of the Purchaser Entities or the ability of the Purchaser Entities to consummate the Transactions on a timely basis.

Open Source License. “Open Source License” means (a) any so-called “open source,” “copyleft,” “freeware,” or “general public” license (including the GNU General Public License (GPL), GNU Lesser General Public License (LGPL), the GNU Affero General Public License, Mozilla Public License (MPL), BSD licenses, the Artistic License (e.g., PERL), the Netscape Public License, the Sun Community Source License (SCSL) the Sun Industry Standards License (SISL), QT Free Edition License, IBM Public License, Bitkeeper, and the Apache License); (b) any license that is substantially similar to those listed at <http://www.opensource.org/licenses/>; and (c) any license that (i) requires the licensor to permit reverse-engineering of the licensed technology (such as software) or other technology incorporated into, derived from, or distributed with such licensed technology or (ii) requires the licensed technology or other technology incorporated into, derived from, or distributed with such licensed technology (A) be distributed in source code form, (B) be licensed for the purpose of making modifications or derivative works, (C) be distributed at no charge, or (D) be distributed with certain notices or licenses (e.g., copyright notices or warranty disclaimers).

PPSA Business. Means the Power Conversion Systems Business, which is the division of Ideal Power focused on the design, marketing and sale of electrical power conversion products utilizing a proprietary technology called Power Packing Switching Architecture™, or PPSA™. The PPSA Business does not include the B-Tran division, business or assets.

Permitted Encumbrance. “Permitted Encumbrance” means (a) statutory liens for taxes, assessments and other governmental charges that are not yet due and payable or that are being contested in good faith by appropriate proceedings, or that are otherwise not material; (b) statutory liens to secure obligations to landlords, lessors or renters under leases or rental agreements; (c) deposits or pledges made in connection with, or to secure payment of, workers’ compensation, unemployment insurance or similar programs mandated by applicable laws; (e) statutory liens in favor of carriers, warehousemen, mechanics and materialmen, to secure claims for labor, materials or supplies and other like Encumbrances arising in the ordinary course of business; (f) any Encumbrances that may exist pursuant to any non-exclusive license to Company customers entered into in the ordinary course of business; (g) restrictions on transfer of securities imposed by applicable securities laws; and (h) any Encumbrances satisfied in full and discharged as of the Closing.

Person. “Person” means any individual, Entity or Governmental Body.

Plan. “Plan” means an “employee benefit plan” as defined in Section 3.3 of ERISA, including each employment, salary, bonus, consulting, compensation, deferred compensation, incentive compensation, stock purchase, equity, severance pay, termination pay, hospitalization, medical, insurance, supplemental unemployment benefits, profit-sharing, pension, retirement, welfare, fringe benefit or other employee benefits plan, program or agreement, whether written or unwritten and whether funded or unfunded.

Pre-Closing Period. “Pre-Closing Period” means the period from the date of the Agreement through the earlier of the termination of this Agreement pursuant to Section 6 or the Closing.

Predecessor. “Predecessor” means with respect to any entity, any Entity that has been merged with or into, that has transferred material assets or Liabilities outside the ordinary course of business to or that is otherwise a predecessor to, such entity.

Proceeding. “Proceeding” means any action, suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, inquiry, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any court or other Governmental Body or any arbitrator or arbitration panel.

Proposed Employees. “Proposed Employees” means David Johns, Eric Martina, John Merritt, and Ed Roseberry.

Purchaser Disclosure Schedule. “Purchaser Disclosure Schedule” means the schedule (dated as of the date of the Agreement) delivered to the Seller on behalf of the Purchaser Entities and prepared in accordance with Section 9.15 of the Agreement.

Purchaser IP. “Purchaser IP” means all Intellectual Property Rights embodied in, relating to, or necessary to the Purchaser Entities in the conduct of the Business of the Purchaser Entities.

Registered IP. “Registered IP” means all Intellectual Property Rights that are registered or filed with or by any Governmental Body, including all patents, registered copyrights, registered mask works and registered trademarks and all applications for any of the foregoing.

Representatives. “Representatives” means officers, directors, employees, agents, attorneys, accountants, advisors and other representatives.

Seller Contract. “Seller Contract” means any Contract: (a) to which the Seller is a party; (b) by which the Seller or any of its assets is or may become bound or under which the Seller has, or may become subject to, any obligation; or (c) under which the Seller has or may acquire any right or interest.

Seller Disclosure Schedule. “Seller Disclosure Schedule” means the schedule (dated as of the date of the Agreement) delivered to the Purchaser on behalf of the Seller and prepared in accordance with Section 9.15 of the Agreement.

Seller Employee. “Seller Employee” means any Person who is or was an employee, director, consultant or independent contractor of or to the Seller (or any of its Predecessors) or becomes an employee, director, consultant or independent contractor of or to the Seller at any time during the Pre-Closing Period.

Seller IP. “Seller IP” means all Intellectual Property Rights owned or purported to be owned by Seller and embodied in, relating to, or necessary to develop, make, modify, use, market, distribute, import, export or sell any Seller Product or any unique or specific method of manufacturing or using any Seller Product relating to the PPSA Business.

Seller IP Contract. “Seller IP Contract” means any Contract to which the Seller is or was a party or by which the Seller is or was bound, that contains any assignment or license of, or any covenant not to assert or enforce, any Seller IP.

Seller Plan. “Seller Plan” means each Plan that is or has been sponsored, maintained, contributed to or required to be contributed to by the Seller or any ERISA Affiliate for the benefit of any Proposed Employees or with respect to which the Seller may have any liability.

Seller Product. “Seller Product” means each product designed, developed, manufactured, marketed, sold, delivered, made available, maintained or supported by the Seller in the conduct of the PPSA Business.

Seller Registered IP. “Seller Registered IP” means all Seller IP that is registered or filed with or by any Governmental Body, including all patents, registered copyrights, registered mask works and registered trademarks and all applications for any of the foregoing.

Seller Software. “Seller Software” means any software (whether or not developed or owned by Seller) incorporated into or used directly in the design, development, manufacture, maintenance or support of any Seller Product.

Tax. “Tax” means any tax (including any income tax, franchise tax, service tax, capital gains tax, gross receipts tax, value-added tax, surtax, excise tax, ad valorem tax, transfer tax, stamp tax, sales tax, use tax, property tax, business tax, withholding tax or payroll tax), levy, assessment, tariff, duty (including any customs duty), deficiency or fee, and any related charge or amount (including any fine, addition, penalty or interest), imposed, assessed or collected by or under the authority of any Governmental Body or any liability or obligation to with respect to the foregoing by virtue of any Contract or otherwise.

Tax Return. “Tax Return” means any return (including any information return), report, statement, declaration, estimate, schedule, notice, notification, form, election, certificate or other document or information filed with or submitted to, or required to be filed with or submitted to, any Governmental Body in connection with the determination, assessment, collection or payment of any Tax or in connection with the administration, implementation or enforcement of or compliance with any Legal Requirement relating to any Tax.

Transactional Agreements. “Transactional Agreements” means: (a) this Agreement; (b) the Assumption Agreement; (c) the Bill of Sale; and (d) all other bills of sale, assignments and other agreements delivered or to be delivered in connection with the Transactions.

Transactions. “Transactions” means: (a) the execution and delivery of the respective Transactional Agreements; and (b) all of the transactions contemplated by the respective Transactional Agreements, including, but not limited to: (i) the sale of the Transferred Assets by the Seller to the Purchaser in accordance with the Agreement; (ii) the assumption of the Assumed Liabilities by the Purchaser in accordance with the Agreement and the Assumption Agreement; (iii) the issuance of the Shares; and (iv) the performance by the Seller and the Purchaser of their respective obligations under the Transactional Agreements, and the exercise by the Seller and the Purchaser of their respective rights under the Transactional Agreements.

AWARD FORFEITURE AGREEMENT

THIS AWARD FORFEITURE AGREEMENT (the "*Agreement*") is made and entered into as of April 4, 2019, by and between, Ideal Power Inc., a Delaware corporation (the "*Company*"), and Lon E. Bell (the "*Recipient*").

WHEREAS, on January 2, 2014, the Company granted to Recipient an option to purchase up to 17,042 shares of the Company's common stock (an "*Award*") under the Company's Amended and Restated 2013 Equity Incentive Plan, as amended (the "*Plan*").

WHEREAS, on January 2, 2015, the Company granted to Recipient an option to purchase up to 12,834 shares of the Company's common stock (an "*Award*") under the Plan.

WHEREAS, on January 4, 2016, the Company granted to Recipient an option to purchase up to 12,646 shares of the Company's common stock (an "*Award*") under the Plan.

WHEREAS, on January 3, 2017, the Company granted to Recipient an option to purchase up to 27,875 shares of the Company's common stock (an "*Award*") under the Plan.

WHEREAS, the Company has determined it to be in its best interests and in the best interests of its stockholders to offer certain Company executives and members of the Board of Directors of the Company (the "*Board*") the opportunity to forfeit the aforementioned Awards in order to replenish the Plan's equity pool in exchange for the recommendation of future awards to be granted in 2019 (the "*Voluntary Forfeiture*").

WHEREAS, in connection with the Voluntary Forfeiture, the Company and the Recipient have mutually agreed that the Recipient shall surrender and forfeit the Awards as of the date hereof, as more fully set forth below.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein, the parties hereto, each intending to be legally bound, hereby agree as follows:

1. **Surrender and Forfeiture of Awards.** In exchange for the recommendation of giving Recipient an award in 2019, subject to Board approval, Recipient hereby irrevocably surrenders and forfeits the Awards. Such forfeiture shall be effective automatically and without further action on the part of the Recipient.

2. **Representations and Warranties of Recipient.** Recipient represents and warrants to the Company that:

(a) Recipient is the beneficial owner of the Awards described above, free and clear of any liens, encumbrances, taxes, security interests, equities, claims or demands or any restrictions on transfer or forfeiture;

(b) Recipient has the absolute and unrestricted right, power and capacity to enter into this Agreement and to perform its obligations hereunder; and

(c) this Agreement constitutes the legal, valid and binding obligation of Recipient, enforceable in accordance with its terms.

3. **Tax Consequences.** No party to this Agreement has made any representations regarding the tax consequences of any of the transactions contemplated by this Agreement. Each party to this Agreement has had the opportunity to consult with his or its own tax advisors regarding the consequences of the transactions contemplated by this Agreement.

4. **Governing Law.** This Agreement shall be construed in accordance with, and governed in all aspects by, the internal laws of the State of Delaware (without giving effect to principles of conflicts of laws).

5. **Successors and Assigns.** This Agreement shall be binding upon the Company and its successors and assigns (if any), and Recipient and his or her successors and assigns (if any).

6. **Entire Agreement.** This Agreement contains the entire agreement between the parties hereto as to the subject matter of this Agreement. There are no representations, agreements, arrangements or understandings, oral or written, between the parties relating to the subject matter of this Agreement which are not fully expressed herein. This Agreement may not be changed orally but only by an Agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

7. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. This Agreement may be executed and delivered by facsimile or other means of electronic delivery and upon such delivery the signature will be deemed to have the same effect as if the original signature had been delivered to the other party.

[SIGNATURE PAGE FOLLOWS]

In Witness Whereof, the parties hereto have caused this Award Forfeiture Agreement to be executed and delivered as of the date set forth above.

RECIPIENT

/s/ Lon Bell
Signature

Lon Bell
Print Name

IDEAL POWER INC.

/s/ Tim Burns
Signature

Tim Burns
Print Name

Chief Financial Officer
Print Title

SIGNATURE PAGE TO AWARD FORFEITURE AGREEMENT

AWARD FORFEITURE AGREEMENT

THIS AWARD FORFEITURE AGREEMENT (the "*Agreement*") is made and entered into as of April 4, 2019, by and between, Ideal Power Inc., a Delaware corporation (the "*Company*"), and R. Daniel Brdar (the "*Recipient*").

WHEREAS, on January 8, 2014, the Company granted to Recipient an option to purchase up to 250,000 shares of the Company's common stock (an "*Award*") as an inducement grant not under the Company's Amended and Restated 2013 Equity Incentive Plan, as amended (the "*Plan*").

WHEREAS, on September 16, 2014, the Company granted to Recipient an option to purchase up to 200,000 shares of the Company's common stock (an "*Award*") under the Plan.

WHEREAS, on January 5, 2016, the Company granted to Recipient performance stock units for up to 75,000 shares of the Company's common stock (an "*Award*") under the Plan.

WHEREAS, the Company has determined it to be in its best interests and in the best interests of its stockholders to offer certain Company executives and members of the Board of Directors of the Company (the "*Board*") the opportunity to forfeit the aforementioned Awards in order to replenish the Plan's equity pool in exchange for the recommendation of future awards to be granted in 2019 (the "*Voluntary Forfeiture*").

WHEREAS, in connection with the Voluntary Forfeiture, the Company and the Recipient have mutually agreed that the Recipient shall surrender and forfeit the Awards as of the date hereof, as more fully set forth below.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein, the parties hereto, each intending to be legally bound, hereby agree as follows:

1. **Surrender and Forfeiture of Awards.** In exchange for the recommendation of giving Recipient an award in 2019, subject to Board approval, Recipient hereby irrevocably surrenders and forfeits the Awards. Such forfeiture shall be effective automatically and without further action on the part of the Recipient.

2. **Representations and Warranties of Recipient.** Recipient represents and warrants to the Company that:

- (a) Recipient is the beneficial owner of the Awards described above, free and clear of any liens, encumbrances, taxes, security interests, equities, claims or demands or any restrictions on transfer or forfeiture;
 - (b) Recipient has the absolute and unrestricted right, power and capacity to enter into this Agreement and to perform its obligations hereunder; and
 - (c) this Agreement constitutes the legal, valid and binding obligation of Recipient, enforceable in accordance with its terms.
-

3. **Tax Consequences.** No party to this Agreement has made any representations regarding the tax consequences of any of the transactions contemplated by this Agreement. Each party to this Agreement has had the opportunity to consult with his or its own tax advisors regarding the consequences of the transactions contemplated by this Agreement.

4. **Governing Law.** This Agreement shall be construed in accordance with, and governed in all aspects by, the internal laws of the State of Delaware (without giving effect to principles of conflicts of laws).

5. **Successors and Assigns.** This Agreement shall be binding upon the Company and its successors and assigns (if any), and Recipient and his or her successors and assigns (if any).

6. **Entire Agreement.** This Agreement contains the entire agreement between the parties hereto as to the subject matter of this Agreement. There are no representations, agreements, arrangements or understandings, oral or written, between the parties relating to the subject matter of this Agreement which are not fully expressed herein. This Agreement may not be changed orally but only by an Agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

7. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. This Agreement may be executed and delivered by facsimile or other means of electronic delivery and upon such delivery the signature will be deemed to have the same effect as if the original signature had been delivered to the other party.

[SIGNATURE PAGE FOLLOWS]

In Witness Whereof, the parties hereto have caused this Award Forfeiture Agreement to be executed and delivered as of the date set forth above.

RECIPIENT

/s/ Dan Brdar
Signature

Dan Brdar
Print Name

IDEAL POWER INC.

/s/ Lon Bell
Signature

Lon Bell
Print Name

CEO
Print Title

AWARD FORFEITURE AGREEMENT

THIS AWARD FORFEITURE AGREEMENT (the "*Agreement*") is made and entered into as of April 4, 2019, by and between, Ideal Power Inc., a Delaware corporation (the "*Company*"), and Timothy Burns (the "*Recipient*").

WHEREAS, on November 21, 2013, the Company granted to Recipient an option to purchase up to 30,000 shares of the Company's common stock (an "*Award*") under the Company's Amended and Restated 2013 Equity Incentive Plan, as amended (the "*Plan*").

WHEREAS, on September 16, 2014, the Company granted to Recipient an option to purchase up to 125,000 shares of the Company's common stock (an "*Award*") under the Plan.

WHEREAS, on January 5, 2016, the Company granted to Recipient performance stock units for up to 44,000 shares of the Company's common stock (an "*Award*") under the Plan.

WHEREAS, the Company has determined it to be in its best interests and in the best interests of its stockholders to offer certain Company executives and members of the Board of Directors of the Company (the "*Board*") the opportunity to forfeit the aforementioned Awards in order to replenish the Plan's equity pool in exchange for the recommendation of future awards to be granted in 2019 (the "*Voluntary Forfeiture*").

WHEREAS, in connection with the Voluntary Forfeiture, the Company and the Recipient have mutually agreed that the Recipient shall surrender and forfeit the Awards as of the date hereof, as more fully set forth below.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein, the parties hereto, each intending to be legally bound, hereby agree as follows:

1. **Surrender and Forfeiture of Awards.** In exchange for the recommendation of giving Recipient an award in 2019, subject to Board approval, Recipient hereby irrevocably surrenders and forfeits the Awards. Such forfeiture shall be effective automatically and without further action on the part of the Recipient.

2. **Representations and Warranties of Recipient.** Recipient represents and warrants to the Company that:

- (a) Recipient is the beneficial owner of the Awards described above, free and clear of any liens, encumbrances, taxes, security interests, equities, claims or demands or any restrictions on transfer or forfeiture;
 - (b) Recipient has the absolute and unrestricted right, power and capacity to enter into this Agreement and to perform its obligations hereunder; and
 - (c) this Agreement constitutes the legal, valid and binding obligation of Recipient, enforceable in accordance with its terms.
-

3. **Tax Consequences.** No party to this Agreement has made any representations regarding the tax consequences of any of the transactions contemplated by this Agreement. Each party to this Agreement has had the opportunity to consult with his or its own tax advisors regarding the consequences of the transactions contemplated by this Agreement.

4. **Governing Law.** This Agreement shall be construed in accordance with, and governed in all aspects by, the internal laws of the State of Delaware (without giving effect to principles of conflicts of laws).

5. **Successors and Assigns.** This Agreement shall be binding upon the Company and its successors and assigns (if any), and Recipient and his or her successors and assigns (if any).

6. **Entire Agreement.** This Agreement contains the entire agreement between the parties hereto as to the subject matter of this Agreement. There are no representations, agreements, arrangements or understandings, oral or written, between the parties relating to the subject matter of this Agreement which are not fully expressed herein. This Agreement may not be changed orally but only by an Agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

7. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. This Agreement may be executed and delivered by facsimile or other means of electronic delivery and upon such delivery the signature will be deemed to have the same effect as if the original signature had been delivered to the other party.

[SIGNATURE PAGE FOLLOWS]

In Witness Whereof, the parties hereto have caused this Award Forfeiture Agreement to be executed and delivered as of the date set forth above.

RECIPIENT

/s/ Tim Burns
Signature

Tim Burns
Print Name

IDEAL POWER INC.

/s/ Lon Bell
Signature

Lon Bell
Print Name

CEO
Print Title

AWARD FORFEITURE AGREEMENT

THIS AWARD FORFEITURE AGREEMENT (the "*Agreement*") is made and entered into as of April 4, 2019, by and between, Ideal Power Inc., a Delaware corporation (the "*Company*"), and David Eisenhaure (the "*Recipient*").

WHEREAS, on January 2, 2014, the Company granted to Recipient an option to purchase up to 17,042 shares of the Company's common stock (an "*Award*") under the Company's Amended and Restated 2013 Equity Incentive Plan, as amended (the "*Plan*").

WHEREAS, on January 2, 2015, the Company granted to Recipient an option to purchase up to 12,834 shares of the Company's common stock (an "*Award*") under the Plan.

WHEREAS, on January 4, 2016, the Company granted to Recipient performance stock units for up to 12,646 shares of the Company's common stock (an "*Award*") under the Plan.

WHEREAS, on January 3, 2017, the Company granted to Recipient performance stock units for up to 27,875 shares of the Company's common stock (an "*Award*") under the Plan.

WHEREAS, the Company has determined it to be in its best interests and in the best interests of its stockholders to offer certain Company executives and members of the Board of Directors of the Company (the "*Board*") the opportunity to forfeit the aforementioned Awards in order to replenish the Plan's equity pool in exchange for the recommendation of future awards to be granted in 2019 (the "*Voluntary Forfeiture*").

WHEREAS, in connection with the Voluntary Forfeiture, the Company and the Recipient have mutually agreed that the Recipient shall surrender and forfeit the Awards as of the date hereof, as more fully set forth below.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein, the parties hereto, each intending to be legally bound, hereby agree as follows:

1. **Surrender and Forfeiture of Awards.** In exchange for the recommendation of giving Recipient an award in 2019, subject to Board approval, Recipient hereby irrevocably surrenders and forfeits the Awards. Such forfeiture shall be effective automatically and without further action on the part of the Recipient.

2. **Representations and Warranties of Recipient.** Recipient represents and warrants to the Company that:

(a) Recipient is the beneficial owner of the Awards described above, free and clear of any liens, encumbrances, taxes, security interests, equities, claims or demands or any restrictions on transfer or forfeiture;

(b) Recipient has the absolute and unrestricted right, power and capacity to enter into this Agreement and to perform its obligations hereunder; and

(c) this Agreement constitutes the legal, valid and binding obligation of Recipient, enforceable in accordance with its terms.

3. **Tax Consequences.** No party to this Agreement has made any representations regarding the tax consequences of any of the transactions contemplated by this Agreement. Each party to this Agreement has had the opportunity to consult with his or its own tax advisors regarding the consequences of the transactions contemplated by this Agreement.

4. **Governing Law.** This Agreement shall be construed in accordance with, and governed in all aspects by, the internal laws of the State of Delaware (without giving effect to principles of conflicts of laws).

5. **Successors and Assigns.** This Agreement shall be binding upon the Company and its successors and assigns (if any), and Recipient and his or her successors and assigns (if any).

6. **Entire Agreement.** This Agreement contains the entire agreement between the parties hereto as to the subject matter of this Agreement. There are no representations, agreements, arrangements or understandings, oral or written, between the parties relating to the subject matter of this Agreement which are not fully expressed herein. This Agreement may not be changed orally but only by an Agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

7. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. This Agreement may be executed and delivered by facsimile or other means of electronic delivery and upon such delivery the signature will be deemed to have the same effect as if the original signature had been delivered to the other party.

[SIGNATURE PAGE FOLLOWS]

In Witness Whereof, the parties hereto have caused this Award Forfeiture Agreement to be executed and delivered as of the date set forth above.

RECIPIENT

/s/ David B. Eisenhaure
Signature

David B. Eisenhaure
Print Name

IDEAL POWER INC.

/s/ Lon E. Bell
Signature

Lon E. Bell
Print Name

CEO
Print Title

SIGNATURE PAGE TO AWARD FORFEITURE AGREEMENT

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002**

I, Lon E. Bell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ideal Power Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15-d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2019

/s/ Lon E. Bell

Lon E. Bell

Chief Executive Officer (Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002**

I, Timothy W. Burns, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ideal Power Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15-d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2019

/s/ Timothy W. Burns
Timothy W. Burns
Chief Financial Officer (Principal Financial and
Accounting Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the periodic report of Ideal Power Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2019 as filed with the Securities and Exchange Commission (the "Report"), we, Lon E. Bell, Chief Executive Officer (Principal Executive Officer) and Timothy W. Burns, Chief Financial Officer (Principal Financial and Accounting Officer) of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: May 15, 2019

/s/ Lon E. Bell

Lon E. Bell

Chief Executive Officer (Principal Executive Officer)

/s/ Timothy W. Burns

Timothy W. Burns

Chief Financial Officer (Principal Financial and
Accounting Officer)
