

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): January 8, 2013

IDEAL POWER INC.

(Exact name of registrant as specified in Charter)

Delaware
**(State or other jurisdiction of
incorporation or organization)**

001-36216
(Commission File No.)

14-1999058
(IRS Employee Identification No.)

5004 Bee Creek Road, Suite 600
Spicewood, Texas 78669
(Address of Principal Executive Offices)

512-264-1542
(Issuer Telephone number)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions (see General Instruction A.2 below).

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b)).
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 5.02 DEPARTURE OF DIRECTORS OR CERTAIN OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF CERTAIN OFFICERS; COMPENSATORY ARRANGEMENTS OF CERTAIN OFFICERS

On December 20, 2013 R. Daniel Brdar accepted an offer from Ideal Power Inc. (the “Company”) for the position of Chief Executive Officer. Mr. Brdar will also act as the Chairman of the Board of Directors. Mr. Brdar’s employment begins on January 8, 2014 (the “Effective Date”), the date on which he will also become a director and Chairman of the Board of Directors. Mr. Brdar has not been appointed to any committee of the Board of Directors, and is not currently expected to be appointed to a committee. Paul Bundschuh, the Company’s former Chief Executive Officer, has been appointed as President and Chief Commercial Officer effective January 8, 2014.

From March 2011 to May 2013, Mr. Brdar, age 53, was Chief Operating Officer of Petra Solar Inc. Prior to his employment with Petra Solar Inc., Mr. Brdar was Chief Executive Officer of FuelCell Energy, Inc., a publicly traded company, from January 2006 to February 2011, President from August 2005 to February 2011 and Chairman of the Board of Directors from January 2007 until April 7, 2011. Prior to his employment with FuelCell Energy, Inc., which began in 2000, Mr. Brdar held management positions at General Electric Power Systems from 1997 to 2000 where he focused on new product introduction programs and was product manager for its gas turbine technology. Mr. Brdar was Associate Director, Office of Power Systems Product Management at the U.S. Department of Energy where he held a variety of positions from 1988 to 1997 including directing the research, development and demonstration of advanced power systems including gas turbines, gasification systems and fuel cells. Mr. Brdar received a B.S. in Engineering from the University of Pittsburgh in 1981. Among other qualifications, Mr. Brdar has executive leadership experience, including management positions at General Electric and his service as associate director within the U.S. Department of Energy. Mr. Brdar has extensive experience in research and development and manufacturing industries.

There is no family relationship between Mr. Brdar and any of the Company’s officers and directors. Other than the employment transaction described herein, Mr. Brdar has not entered into any transaction, and there is no currently proposed transaction, in which the Company is to be a participant and Mr. Brdar will have a direct or indirect material interest.

Pursuant to the terms of an Employment Agreement entered into on the Effective Date, the term of Mr. Brdar’s employment will be three years. Before the expiration of the second year, the Compensation Committee of the Company’s Board of Directors (the “Compensation Committee”) will review his performance and, assuming that his performance is satisfactory, the term of his employment will be extended for an additional year. During the third year and each subsequent year of his employment, the Compensation Committee will review Mr. Brdar’s performance and, assuming it is satisfactory, extend his employment for an additional year.

As compensation for his services, Mr. Brdar will receive an annual salary of \$300,000 per year. Each year, Mr. Brdar and the Compensation Committee will meet to discuss performance objectives and targets for him, personally, and for the Company for the year (the “Performance Goals”). If the Performance Goals are satisfactorily achieved during the period or periods designated, as determined by the Compensation Committee, Mr. Brdar will be eligible to receive a target performance bonus in the amount of 60% of his annual salary. For the first year of his employment, he will receive a bonus that is no less than 25% of his annual salary.

The Company has issued a non-qualified stock option to Mr. Brdar (the “Inducement Option”) to purchase 250,000 shares of the Company’s common stock at a per share exercise price equal to the closing price of the common stock on the Effective Date. The right to purchase the shares subject to the Inducement Option will vest in equal increments over a period of four years, beginning on the first anniversary of the Effective Date and continuing thereafter on each subsequent anniversary date. The Inducement Option will have a term of 10 years and will not be subject to the terms of the Company’s 2013 Equity Incentive Plan. Beginning with the 2015 calendar year and continuing through the 2018 calendar year, Mr. Brdar will also receive, for each year in which the Performance Goals are met, an additional option to purchase 50,000 shares of the Company’s common stock (the “Target Option”). The per share exercise price of each Target Option will be equal to the closing price of the common stock on the first business day of the calendar year. The right to purchase the shares subject to each Target Option will vest in equal increments over a period of four years, beginning on the 31st day of December in the year in which the Performance Goals are met. The Target Option will have a term of 10 years and will be subject to the terms of the Company’s 2013 Equity Incentive Plan.

If Mr. Brdar's services are terminated at the election of the Company he will be entitled to receive (i) his accrued but unpaid annual salary and the value of unused paid time off through the effective date of the termination; (ii) his accrued but unpaid bonus, if any; (iii) business expenses incurred prior to the effective date of termination; and (iv) severance (the "Severance Payment") consisting of one year of his annual salary, less legal deductions. The Company may elect in its sole discretion whether to pay the Severance Payment in one lump sum or on regular pay days for the one year period following termination of Mr. Brdar's employment. Mr. Brdar will be entitled to continue to participate in employee benefit plans, at the Company's sole expense, for a period of one year following the termination of his employment.

If Mr. Brdar's services are terminated as a result of a change in control, he will be entitled to receive (i) his accrued but unpaid annual salary and the value of unused paid time off through the effective date of the termination; (ii) his accrued but unpaid bonus, if any; (iii) business expenses incurred prior to the effective date of termination; and (iv) an amount equal to his annual salary for one year. In addition, any equity award that was scheduled to vest following the termination of his employment will vest immediately.

Mr. Brdar will be entitled to receive the same benefits and opportunities to participate in any of the Company's employee benefit plans which may now or hereafter be in effect on a general basis for executive officers or employees. During his employment, the Company will provide, at the Company's sole expense, health insurance benefits for Mr. Brdar, his spouse and his children under the same policy or policies generally available to other executive officers of the Company. Additional benefits, such as life insurance coverage, may be provided to him, if approved by the Compensation Committee.

The discussion above is only a brief overview of the terms and conditions included in the Employment Agreement and the Inducement Option and is qualified in its entirety by the Employment Agreement and the Inducement Option, which are attached as exhibits 10.1 and 10.2 to this Current Report.

Effective January 8, 2014, Paul Bundschuh resigned from the Company's board of directors. Mr. Bundschuh's resignation was not a result of any disagreement relating to the Company's operations, policies or practices. Also effective January 8, 2014, William C. Alexander, the Company's Chief Technology Officer, was appointed to the Company's board of directors. Mr. Alexander has not been appointed to any committee of the board of directors and is not currently expected to be appointed to a committee. Mr. Alexander's appointment was not a result of any arrangement or understanding between him and any other persons pursuant to which he was selected as a director. Information regarding transactions between the Company and Mr. Alexander that require reporting pursuant to Item 404(a) of Regulation S-K has been reported in the registration statement on Form S-1, as amended, originally filed by the Company with the Securities and Exchange Commission on August 6, 2013 and declared effective on November 21, 2013. The information is incorporated herein by reference.

ITEM 7.01 REGULATION FD DISCLOSURE

On January 8, 2014, the Company issued a press release announcing a conference call that will take place on January 13, 2014. A copy of the press release is attached to this Current Report on Form 8-K as exhibit 99.1 and is incorporated herein by this reference.

ITEM 8.01 OTHER EVENTS

On January 8, 2014 the Company issued a press release relating to Mr. Brdar's appointment as the Company's Chief Executive Officer and Chairman of the Board of Directors. A copy of the press release is attached to this Current Report on Form 8-K as exhibit 99.2.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

Exhibit 10.1	Employment Agreement between Ideal Power Inc. and R. Daniel Brdar
Exhibit 10.2	Ideal Power Inc. Non-Qualified Stock Option Award
Exhibit 99.1	Press release issued January 8, 2014
Exhibit 99.2	Press release issued January 8, 2014

SIGNATURE

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

Dated: January 8, 2014

IDEAL POWER INC.

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

EXHIBIT INDEX

Exhibit No.	Description
Exhibit 10.1	Employment Agreement between Ideal Power Inc. and R. Daniel Brdar
Exhibit 10.2	Ideal Power Inc. Non-Qualified Stock Option Award
Exhibit 99.1	Press release issued January 8, 2014
Exhibit 99.2	Press release issued January 8, 2014

EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** ("Agreement"), which is dated January 8, 2014 (the "Effective Date"), is made by and between Ideal Power Inc., a Delaware corporation, located at 5004 Bee Creek Road, Suite 600, Spicewood, Texas, 78669 and hereinafter referred to as "Company", and R. Daniel Brdar, whose address is 109 Lake Ridge Road, Southbury, Connecticut 06488, hereinafter referred to as "Executive." The purpose of this Agreement is to confirm the terms of the employment relationship between Company and Executive.

RECITALS

WHEREAS, Company wishes to retain the services of Executive, and Executive wishes to render services to Company, as its Chief Executive Officer and, until otherwise removed in accordance with Article IV, Section 4 of Company's bylaws, the Chairman of the Board of Directors (for which position no additional compensation will be paid);

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

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

AGREEMENT**1. TERM.**

Company hereby employs Executive as Company's Chief Executive Officer pursuant to the terms of this Agreement and Executive hereby accepts employment with Company pursuant to the terms of this Agreement. This Agreement is effective on January 8, 2014, and will continue until December 31, 2016 (the "Initial Term"). Before the expiration of the second year of the Initial Term, the Compensation Committee will review Executive's performance and, if Executive's performance is satisfactory, the term of Executive's employment will be extended for an additional year (the "Extension"). During the third year of the Initial Term and each one year Extension thereafter, the Compensation Committee will review Executive's performance and, if it is satisfactory, continue Executive's employment for an additional one year Extension. In this Agreement the word "Term" shall, depending on the context used, refer to the Initial Term or to any subsequent Extension. Irrespective of the foregoing, this Agreement may be terminated pursuant to Section 11 or Section 12 below.

2. GENERAL DUTIES.

Executive shall devote his entire productive time, ability, and attention to Company's business during Executive's employment. Executive shall report to Company's Board of Directors (the "Board") and agrees to keep the Board fully informed with regard to critical issues affecting the value and reputation of Company. Furthermore, in his capacity as Chief Executive Officer, Executive shall be primarily responsible for the exercise of the powers and the discharge of the duties of Company that are not reserved to the Board, and shall have authority and control over all personnel of Company, shall be responsible for managing the overall operations of Company and shall act as the main point of communication between the Board and Company's operations. Executive shall do and perform all services, acts, or things necessary or advisable to discharge his duties under this Agreement, and such other duties as are commonly performed by an employee of his rank in a publicly traded corporation or which may, from time to time, be prescribed by Company through the Board. Executive agrees to cooperate with and work to the best of his ability with Company's management team, which includes the Board and the officers and other employees, to continually improve Company's reputation in its industry for quality products and performance.

For a limited time, which shall be determined by the Board, Executive will act as the Chairman of the Board without additional compensation. Executive acknowledges that he may be removed as Chairman of the Board in accordance with Article IV, Section 4 of Company's bylaws. Executive further acknowledges that any removal from the office of Chairman of the Board will not constitute a breach of this Agreement and will not entitle Executive to severance or any other payment under this Agreement.

3. NONSOLICITATION AND PROPRIETARY PROPERTY AND CONFIDENTIAL INFORMATION PROVISIONS.

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

4. COMPLIANCE WITH SECURITIES LAWS.

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

5. COMPENSATION.

(a) **Annual Salary.** Company shall pay to Executive an annual base salary in the amount of \$300,000. The salary paid during Executive's employment shall be referred to in this Agreement as the "Annual Salary". The Annual Salary shall be subject to any tax withholdings and/or employee deductions that are applicable. The Annual Salary shall be paid to Executive in equal installments in accordance with the periodic payroll practices of the Company for its employees. The Annual Salary will be subject to review and adjustment at the discretion of the Board no less frequently than annually.

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

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

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

6. EQUITY COMPENSATION.

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

7. REIMBURSEMENT OF EXPENSES/PAYMENT OF RELOCATION EXPENSES.

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

(b) **Moving and Temporary Living Allowance.** Company shall provide to Executive a moving and temporary living allowance of \$40,000.

8. PAID TIME OFF.

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

9. INDEMNIFICATION OF LOSSES.

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

10. PERSONAL CONDUCT.

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

11. TERMINATION FOR CAUSE.

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

- (a) Breach by Executive of any material provision of this Agreement;
- (b) Violation by Executive of any statutory or common law duty of loyalty to Company; or
- (c) A material violation by Executive of Company's employment policies; or
- (d) Commission of such acts of dishonesty, gross negligence, or willful misconduct as would prevent the effective performance of Executive's duties or which result in material harm to Company or its business.

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

12. TERMINATION WITHOUT CAUSE.

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

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

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

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

(e) **Termination Due to a Change in Control.** Executive's employment may be terminated upon a Change in Control. For purposes of this Agreement, the term "Change in Control" shall mean the sale or disposition by Company to an unrelated third party of substantially all of its business or assets, or the sale of the capital stock of Company in connection with the sale or transfer of a Controlling Interest in Company to an unrelated third party, or the merger or consolidation of Company with another corporation as part of a sale or transfer of a Controlling Interest in Company to an unrelated third party. For purposes of this definition, the term "Controlling Interest" means the sale or transfer of Company's securities representing greater than 50% of the voting power. It will be presumed that a termination is a termination under this subsection (e) rather than a termination under subsection (d) (Election by Company) if Executive's employment is terminated during the period that begins when negotiations for the Change in Control begin and ends on the six month anniversary of the closing of the Change in Control transaction and such termination is not a termination for cause pursuant to Section 11 or a termination resulting from Executive's death, disability or election pursuant to subsections (a), (b) or (c) of this Section 12.

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

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

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

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

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

13. MISCELLANEOUS.

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

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

(c) **Interpretation.**

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

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

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

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

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

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

(d) **Enforcement.**

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

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

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

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

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

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

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

IN WITNESS WHEREOF, the parties have executed this Agreement.

Company:

IDEAL POWER INC.

By: /s/ Lon E. Bell

Its: Chairman
Compensation Committee

Executive:

/s/ R. Daniel Brdar
R. Daniel Brdar



**IDEAL POWER INC.
NON-QUALIFIED STOCK OPTION AWARD AGREEMENT**

January 8, 2014

R. Daniel Brdar
109 Lake Ridge Road
Southbury, Connecticut 06488

Dear Dan:

We are pleased to notify you (sometimes referred to as the "Optionee") that, as a material inducement to your employment, the Compensation Committee of the Board of Directors of Ideal Power Inc. (the "Company") has granted to you an option (the "Option") to purchase shares of the Company's common stock, \$0.001 par value (the "Common Stock"), pursuant to and in accordance with this Non-Qualified Stock Option Award Agreement, as supplemented by Exhibit A, (the "Award Agreement"), as follows:

Grant Date:	January 8, 2014
Exercise Price:	[Closing price of one share of the Company's common stock on January 8, 2014.]
Number of Option Shares:	250,000 shares of common stock, par value \$0.001
Expiration Date:	January 8, 2024
Type of Option:	Non-Qualified Option
Vesting Schedule:	The right to purchase the shares will grant in equal increments of 62,500 shares over a period of 4 years, beginning on January 8, 2015 and continuing thereafter on January 8, 2016, 2017, and 2018.

You acknowledge and agree that the Option has been granted pursuant to, and is controlled by, the Award Agreement.

Very truly yours,

IDEAL POWER INC.

By: /s/ Lon E. Bell

Lon E. Bell, Chairman of the Compensation Committee

Acknowledged and Agreed To:

/s/ R. Daniel Brdar

R. Daniel Brdar

EXHIBIT A
TO
IDEAL POWER INC.
NON-QUALIFIED STOCK OPTION AWARD AGREEMENT

1. **General.** This Option shall be treated as a nonqualified stock option. The Option is granted as an employment inducement award pursuant to Rule 5635 of the Rules of The NASDAQ Stock Market, as indicated in the attached Non-Qualified Stock Option Award Agreement which, together with this supplement, is referred to herein as the "Award Agreement". All capitalized terms set forth in this supplement that are not otherwise defined shall have the meanings ascribed to them under the Award Agreement. The term of the Option shall be for a period of 10 years from the Date of Grant, or such shorter period as prescribed herein. The Option shall be exercisable in equal increments over a period of 4 years, beginning on the first anniversary of the date of the Optionee's employment and continuing thereafter on each subsequent anniversary date of the Optionee's employment, subject to the Optionee providing continued services to the Company as the Chief Executive Officer through such date or as otherwise provided herein. The Optionee shall have none of the rights of a stockholder with respect to any of the shares of Common Stock subject to the Option until such shares shall be issued upon the exercise of the Option. Nothing herein contained shall confer on the Optionee any right to continue in the employ of the Company or any subsidiary thereof or interfere in any way with the right of the Company or any subsidiary thereof to terminate the employment or service of the Optionee at any time.

2. **Transferability.** The Option shall not be transferable otherwise than by will or the laws of descent and distribution, and the Option shall be exercisable, during the lifetime of the Optionee, only by the Optionee. Without limiting the generality of the foregoing, the Option may not be assigned, transferred (except as aforesaid), pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Option contrary to the provisions hereof, and the levy of any execution, attachment, or similar process upon the Option shall be null and void and without effect.

3. **Termination of Employment and Service.** The effect on the Option of the Optionee's termination of employment and service shall be as follows:

(i) if the Optionee dies while an employee of the Company, the Optionee's estate, or any person who acquires the Option by bequest or inheritance, may exercise the Option to the extent that the Optionee was entitled to do so within the period beginning on the Optionee's date of death and ending one year thereafter, *provided, however*, that if the Optionee's death occurs prior to January 8, 2018, the Optionee's estate, or any person who acquires the Option by bequest or inheritance, will also be entitled to exercise this Option for an additional number of shares of the Company's Common Stock, which number shall be computed by multiplying (i) the number of days from January 9th of the year of the Optionee's date of death through the date of the Optionee's death by (ii) 171.232 *but provided, further*, that no fractional shares shall be issued as a result of this proration;

(ii) if the Optionee's employment by the Company is terminated for Cause, as defined below, the Option shall expire forthwith upon the Optionee's termination and may not be exercised thereafter;

(iii) If the Optionee's employment by the Company is terminated as a result of a Change in Control, as defined below, the Optionee may thereafter exercise the Option within the period ending one year after the Optionee's termination date, but only to the extent the Option was exercisable on the Optionee's termination date. It will be presumed that a termination results from a Change in Control if the Optionee's employment is terminated during the period that begins when negotiations for the Change in Control begin and ends on the six month anniversary of the closing of the Change in Control transaction and such termination is not a termination for Cause or a termination resulting from the Optionee's death, disability or any other reason.

(iv) if the Optionee's employment by the Company terminates for any reason other than death, a Change in Control, or for Cause, the Optionee (or if the Optionee dies after the Optionee's termination date, the Optionee's estate or any person who acquires the Option by bequest or inheritance) may thereafter exercise the Option within the period ending 3 months after the Optionee's termination date, but only to the extent the Option was exercisable on the Optionee's termination date.

For purposes of this Award Agreement, "Cause" shall mean that the Company reasonably concludes that the Optionee has committed fraud, theft, embezzlement, misappropriation of the Company's funds or other property, or any felony. "Cause" may also include any of the following:

- (a) a violation by the Optionee of any statutory or common law duty of loyalty to the Company; or
- (b) a material violation by the Optionee of the Company's employment policies;
- (c) commission of such acts of dishonesty, gross negligence, or willful misconduct as would prevent the effective performance of the Optionee's duties or which result in material harm to the Company or its business; or
- (d) any other event which may be defined as "Cause" in any employment or services agreement entered into between the Company and the Optionee.

4. **Adjustments.** If all or any portion of the Option is exercised subsequent to any stock dividend, stock split, recapitalization, combination or exchange of shares, reorganization (including, but not limited to, merger or consolidation), liquidation or other event occurring after the date hereof, as a result of which any shares or other securities of the Company or any other entity (including, but not limited to, any subsidiary of the Company) shall be issued in respect of the outstanding shares of Common Stock, or shares of Common Stock shall be changed into the same or a different number of shares or other securities of the same or any other class or classes, the person or persons so exercising the Option shall receive, for the aggregate price paid upon such exercise, the class and aggregate number of shares or other securities which, if shares of Common Stock (as authorized at the date hereof) had been purchased on the date hereof for the same aggregate price (on the basis of the price per share) and had not been disposed of, such person or persons would be holding at the time of such exercise as a result of such purchase, any and all such stock dividends, stock splits, recapitalizations, combinations or exchanges of shares, reorganizations, liquidations or other events. In the event of any corporate reorganization, separation or division (including, but not limited to, split-up, split off, spin-off or sale of assets) as a result of which any cash or shares or other securities of any entity other than the Company (including, but not limited to, any subsidiary of the Company), shall be distributed in respect of the outstanding shares of Common Stock, a committee of the Board shall make such adjustments in the terms of the Option (including, but not limited to, the number of shares covered and the purchase price of such shares) as it may deem appropriate to provide equitably for the Optionee's interest in the Option. Upon any adjustment as aforesaid, the minimum number of full shares that may be purchased upon any exercise of the Option as specified in the Award Agreement shall be adjusted proportionately. No fractional shares shall be issued upon any exercise of the Option, and the aggregate price paid shall be appropriately reduced on account of any fractional share not issued. In the event of a Change in Control, the Option may be assumed or an equivalent award may be substituted by the acquiror. In the event that the Option is not so assumed or substituted therefor in a Change in Control, the Option may be terminated in exchange for a cash payment equal to (i) the excess (if any) of the value per share of Common Stock provided to stockholders of the Company generally in connection with the Change in Control (or, if none, the fair market value of a share of Common Stock on the date of the Change in Control or, if not a trading day, on the last trading day preceding the date of the Change in Control) over the exercise price of the Option multiplied by (ii) the number of shares of Common Stock subject to the Option.

5. **Change in Control.** "Change in Control" shall be defined as the sale or disposition by the Company to an unrelated third party of substantially all of its business or assets, or the sale of the capital stock of the Company in connection with the sale or transfer of a Controlling Interest in the Company to an unrelated third party, or the merger or consolidation of the Company with another corporation as part of a sale or transfer of a Controlling Interest in the Company to an unrelated third party. For purposes of this definition, the term "Controlling Interest" means the sale or transfer of the Company's securities representing at least 50.1% of the voting power.

6. **Manner of Exercise.** Subject to the terms and conditions contained in the Award Agreement, the Option may be exercised by giving written notice to the Secretary of the Company at the location of its principal office at the time of exercise, which is currently located at 5004 Bee Creek Road, Suite 600, Spicewood, Texas 78669. Such notice shall state the election to exercise the Option and the number of shares in respect of which it is being exercised, shall be signed by the person or persons so exercising the Option and shall be accompanied by instructions to the Secretary to exercise, in whole or in part, along with payment of the full purchase price of said shares by cash, including a personal check made payable to the Company, and by payment to the Company of any withholding tax.

Provided the Option Shares are registered on an effective registration statement, a reoffer prospectus is filed with the Securities and Exchange Commission and the transaction complies with the Company's policies, the Rules of The NASDAQ Stock Market and any applicable state and federal securities laws, the Optionee may also exercise this Option as follows:

(i) through a "same day sale" commitment from the Optionee and a broker-dealer that is a member of the Financial Industry Regulatory Authority (a "FINRA Dealer") whereby the Optionee irrevocably elects to exercise the Option and to sell a portion of the shares of Common Stock so purchased to pay for the exercise price, and whereby the FINRA Dealer irrevocably commits upon receipt of such shares of Common Stock to forward the exercise price directly to the Company; or

(ii) through a "margin" commitment from the Optionee and a FINRA Dealer whereby the Optionee irrevocably elects to exercise the Option and to pledge the shares of Common Stock so purchased to the FINRA Dealer in a margin account as security for a loan from the FINRA Dealer in the amount of the exercise price, and whereby the FINRA Dealer irrevocably commits upon receipt of such shares of Common Stock to forward the exercise price directly to the Company.

Shares which otherwise would be delivered to the Optionee may be delivered, at the election of the Optionee, to the Company in payment of Federal, state and/or local withholding taxes due in connection with an exercise. A certificate or certificates representing said shares shall be delivered as soon as practicable after the notice shall be received by the Company. The certificate or certificates for the shares as to which the Option shall have been so exercised shall be registered in the name of the person or persons so exercising the Option and shall be delivered as aforesaid to or upon the written order of the person or persons exercising the Option. In the event the Option shall be exercised, pursuant to paragraph 2 hereof, by any person or persons other than the Optionee, such notice shall be accompanied by appropriate proof of the right of such person or the persons to exercise the Option. The date of exercise of the Option shall be the date on which the aforesaid written notice, properly executed and accompanied as aforesaid, is received by the Secretary. The payment due to the Optionee upon exercise of the Option will be settled solely in Common Stock. All shares that shall be purchased upon the exercise of the Option as provided herein shall be fully paid and non-assessable.

7. **Entire Agreement.** This Award Agreement constitutes the entire understanding of the parties with respect to the Option. The terms of this Award Agreement may not be altered, modified or amended except by a written instrument signed by the relevant parties.

8. **Choice of Law.** The terms and conditions contained herein and in the Award Agreement shall be governed by and interpreted pursuant to the laws of the State of Delaware, without giving effect to the principles of conflict of laws

**Ideal Power to Host Investor Conference Call on January 13, 2014*****Will introduce new CEO and discuss market opportunities***

AUSTIN, Texas – January 8, 2014 – Ideal Power Inc. (NASDAQ: IPWR), a developer of a disruptive technology in the power conversion industry, today announced that it will host a conference call at 2:00 pm ET on Monday, January 13, 2014 to introduce Ideal Power's new CEO and discuss market opportunities for its proprietary PPSA technology.

CEO Dan Brdar and President Paul Bundschuh will host the call. Mr. Brdar joined Ideal Power as CEO and Chairman on January 8, 2014.

To access the call, please use the following information:

Date:	Monday, January 13, 2014
Time:	2:00 pm ET
US dial-in:	1-877-941-1427
International:	1-480-629-9664
Passcode:	4659460
Webcast:	http://public.viavid.com/index.php?id=107354

Slides accompanying the presentation will be available on the investor relations section of the Company's website at www.IdealPower.com prior to the start of the conference call and webcast.

A replay of the call will be available approximately 24 hours after the end of the live event. A playback of the call will be available until 11:59 p.m. ET on January 15, 2014. To listen, call 1-877-870-5176 within the United States or 1-858-384-5517 when calling internationally. Please use the replay pin number 4659460. The webcast replay will be available on the Company's website until April 13, 2014.

About Ideal Power Inc.

Ideal Power Inc. (NASDAQ: IPWR) has developed a novel, patented power conversion technology called Power Packet Switching Architecture™ (PPSA). PPSA improves the size, cost, efficiency, flexibility and reliability of electronic power converters. PPSA can scale across several large and growing markets, including solar photovoltaic generation, electrified vehicle charging, and commercial grid storage. Ideal Power also has a licensing-based, capital-efficient business model that can enable it to address these markets simultaneously. Ideal Power has won multiple grants for its PPSA technology, including a \$2.5 million grant from the Department of Energy's Advanced Research Projects Agency – Energy program, and market-leading customers are incorporating PPSA as a key component of their systems. For more information on Ideal Power, visit www.IdealPower.com.

Safe Harbor Statement

All statements in this release that are not based on historical fact are "forward looking statements". While management has based any forward looking statements included in this release on its current expectations, the information on which such expectations were based may change. These forward looking statements rely on a number of assumptions concerning future events and are subject to a number of risks, uncertainties and other factors, many of which are outside of our control, that could cause actual results to materially differ from such statements. Such risks, uncertainties, and other factors include, but are not limited to, whether the patents for our technology provide adequate protection and whether we can be successful in maintaining, enforcing and defending our patents, whether demand for our products, which we believe are disruptive, will develop and whether we can compete successfully with other manufacturers and suppliers of energy conversion products, both now and in the future, as new products are developed and marketed. Furthermore, we operate in a highly competitive and rapidly changing environment where new and unanticipated risks may arise. Accordingly, investors should not place any reliance on forward-looking statements as a prediction of actual results. We disclaim any intention to, and undertake no obligation to, update or revise forward-looking statements.

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Ideal Power Appoints Global Energy Executive, R. Daniel Brdar, CEO and Chairman of the Board

Paul Bundschuh Assumes Role of President and Chief Commercial Officer

AUSTIN, Texas – January 8, 2014 – Ideal Power Inc. (NASDAQ: IPWR), a developer of a disruptive technology in the power conversion industry, today announced that R. Daniel Brdar has been appointed as the Company's Chief Executive Officer and Chairman of the Board of Directors, effective January 8, 2014. Paul Bundschuh will assume the role of President and Chief Commercial Officer.

"We are delighted that Dan has accepted the position of Chairman and CEO. He brings a deep understanding of the power generation and power electronics markets and an impressive track record of building world-class, cross-functional teams, developing innovative products, expanding into global markets, and driving meaningful growth in early-stage companies," commented Mr. Bundschuh. "We continue to make progress in positioning and commercializing our disruptive Power Packet Switching Architecture™ for the power converter markets. Dan will be instrumental in leading us in our next stage of growth and in helping us attain a competitive position in the fast-growing renewable energy, grid storage and other green technology markets both in the U.S. and internationally."

Mr. Brdar has over 25 years of experience in the power systems and energy industries and has held a variety of leadership positions during his career. From 2006 through 2011, he was President and CEO of FuelCell Energy Inc., a NASDAQ-listed company with a market cap of over \$250 million. During his tenure, the company's revenues increased 235%, to \$100 million, manufacturing production increased by over 200% and over \$100 million was raised from institutional and strategic investors. Prior to joining Ideal Power Inc., Mr. Brdar served as the Chief Operating Officer of Petra Solar, a privately held, venture funded solar and smart grid company, where he held full P&L responsibility and led a cross-functional management team across several international markets. From 1997 to 2000, Mr. Brdar held management positions, including Gas Turbine Product Manager, for GE's Power Systems Division, a world leader in power generation systems and products. Additionally, Mr. Brdar has extensive research and development experience at the U.S. Department of Energy through various roles at the National Energy Technology Laboratory in Morgantown, WV and Pittsburgh, PA. Mr. Brdar has a BS in Engineering from the University of Pittsburgh.

"I am thrilled to have the opportunity to lead Ideal Power into its next exciting phase," said Mr. Brdar. "I believe that Ideal Power's power conversion architecture is one of the most innovative and disruptive technologies in the market today and will be a competitive presence in several important emerging markets such as power converters for renewable energy applications, including commercial grid storage. I look forward to working with Ideal Power's executive team in driving growth for the company and the entire power electronics ecosystem."

Ideal Power's Board of Directors unanimously approved the appointment of R. Daniel Brdar as CEO and Chairman.

Inducement Award

In accordance with Section 5635(c)(4) of the rules of the NASDAQ Stock Market and in connection with his appointment, Ideal Power will make a stock option grant to Mr. Brdar pursuant to a stand-alone award agreement outside of the Company's 2013 Equity Incentive Plan as an inducement material to Mr. Brdar entering into employment with Ideal Power. The inducement grant was approved by the compensation committee of Ideal Power's Board of Directors, which is comprised solely of independent directors. Mr. Brdar's inducement grant consists of a stock option to purchase up to 250,000 shares of Ideal Power's common stock, with a per share exercise price equal to the closing price of the Company's common stock on January 8, 2014, the date that his employment will begin. Mr. Brdar's option vests and becomes exercisable in four equal annual installments beginning on the one-year anniversary of the date of grant, subject to his continuous service through each vesting date. The option has a term of 10 years from the date of grant.

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