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

FORM 8-K

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

Date of Report (Date of earliest event reported): (June 14, 2012)

FLUX POWER HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Nevada	**000-25909**	**86-0931332**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

2240 Auto Park Way, Escondido, California	**92029**
(Address of Principal Executive Offices)	(Zip Code)

877-505-3589
(Registrant's telephone number, including area code)

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))

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This report contains forward-looking statements. The forward-looking statements are contained principally in the sections entitled "Description of Business," "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. These risks and uncertainties include, but are not limited to, the factors described in the section captioned "Risk Factors" below. In some cases, you can identify forward-looking statements by terms such as "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "would," and similar expressions intended to identify forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. These forward-looking statements include, among other things, statements relating to:

- our anticipated growth strategies and our ability to manage the expansion of our business operations effectively;
- our ability to maintain or increase our market share in the competitive markets in which we do business;
- our ability to keep up with rapidly changing technologies and evolving industry standards, including our ability to achieve technological advances;
- our dependence on the growth in demand for our products;
- our ability to diversify our product offerings and capture new market opportunities;
- our ability to source our needs for skilled labor, machinery, parts, and raw materials economically; and
- the loss of key members of our senior management.

Also, forward-looking statements represent our estimates and assumptions only as of the date of this report. You should read this report and the documents that we reference and file as exhibits to this report completely and with the understanding that our actual future results may be materially different from what we expect. Except as required by law, we assume no obligation to update any forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available in the future.

Use of Certain Defined Terms

Except where the context otherwise requires and for the purposes of this report only:

- the "Company," "FPH," "we," "us," and "our" refer to the combined business of Flux Power Holdings, Inc., formerly Lone Pine Holdings, Inc., a Nevada corporation and its subsidiary, Flux Power, Inc. ("Flux Power"), a California corporation;
- "Exchange Act" refers the Securities Exchange Act of 1934, as amended;
- "SEC" refers to the Securities and Exchange Commission; and
- "Securities Act" refers to the Securities Act of 1933, as amended.

Item 1.01 Entry Into A Definitive Agreement.

Amendment No. 1 to the Securities Exchange Agreement

On June 13, 2012, we entered into a certain Amendment No. 1 to the Securities Exchange Agreement ("Amendment") by and among Flux Power Holdings, Inc., formerly Lone Pine Holdings, Inc., a Nevada corporation (the "Company"), Flux Power, Inc., a California corporation ("Flux Power") and its shareholders, Mr. Chris Anthony, Esenjay Investments LLC, and Mr. James Gevarges (collectively the "Flux Shareholders"), pursuant to which the parties amended Section 2.3 of that certain Securities Exchange Agreement dated as of May 18, 2012 by and among the Company, Flux Power and the Flux Shareholders, to change the closing date to June 14, 2012 and amend the reference to the closing conditions

Advisory Agreement

On June 14, 2012, we entered into an Advisory Agreement ("Advisory Agreement") with Baytree Capital Associates, LLP ("Baytree Capital") pursuant to which Baytree Capital agreed to provide us with business and consulting services for 24 months in exchange for 100,000 restricted shares of our newly issued common stock at the commencement of each six month period in return for its services, which shares will have piggy-back registration rights, and a warrant to purchase 1,837,777 restricted shares of our common stock for a period of 5 years at an exercise price of $.41 per share.

Indemnification Agreement

On June 14, 2012, in connection with the appointment of Mr. Chris Anthony as our director, Chief Executive Officer and President, and Mr. Steve Jackson as our Chief Financial Officer, and Mr. Craig Miller as our Secretary, we executed a standard form of indemnification agreement ("Indemnification Agreement") with each of them (the "Indemnitee").

Pursuant to and subject to the terms, conditions and limitations set forth in the Indemnification Agreement, we agreed to indemnify each Indemnitee, against any and all expenses incurred in connection with the Indemnitee's service as our officer, director and or agent, or is or was serving at our request as a director, officer, employee, agent or advisor of another corporation, partnership, joint venture, trust, limited liability company, or other entity or enterprise but only if the Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to our best interest, and in the case of a criminal proceeding, had no reasonable cause to believe that his conduct was unlawful. In addition, the indemnification provided in the indemnification agreement is applicable whether or not negligence or gross negligence of the Indemnitee is alleged or proven. Additionally, the Indemnification Agreement establishes processes and procedures for indemnification claims, advancement of expenses and costs and contribution obligations.

The foregoing description of the terms of the Amendment, Advisory Agreement and the Indemnification Agreement, is not complete and is qualified in its entirety by reference to the full text of the respective agreements filed as Exhibit 2.2, Exhibit 10.11 and Exhibit 10. 12 to this report, and incorporated herein by reference thereto.

Item 2.01 Completion of Acquisition or Disposition of Assets

On June 14, 2012, we completed the acquisition of Flux Power, Inc., a California corporation (the "Reverse Acquisition") pursuant to that certain Securities Exchange Agreement dated May 18, 2012 ("Exchange Agreement") by and among Flux Power, Inc., a California corporation (the "Flux Power") and its shareholders, Mr. Chris Anthony, Esenjay Investments, LLC, and Mr. James Gevarges (collectively the "Flux Shareholders"). In connection with the Reverse Acquisition, we purchased 100% of the issued and outstanding shares of common stock of Flux Power from the Flux Shareholders in exchange for 37,714,514 newly issued shares our common stock ("Exchange Shares") based on an exchange ratio of 2.9547039 ("Share Exchange Ratio"). As a result of the Reverse Acquisition, the Flux Shareholders collectively own approximately 91% of the issued and outstanding shares of our common stock, and Flux Power became our wholly-owned operating subsidiary.

Upon the closing of the Reverse Acquisition (the "Closing"), Mr. Gianluca Cicogna Mozzoni, our Chief Executive Officer, President, Chief Financial Officer, Treasurer, Secretary and sole director, submitted a resignation letter pursuant to which he resigned from all offices that he held effective immediately; and from his position as our director that will become effective on the tenth day following the mailing by us of an information statement to our stockholders that complies with the requirements of Section 14(f) of the Exchange Act. In addition, our Board of Directors on June 14, 2012, increased the size of our Board of Directors to three directors and appointed Mr. Chris Anthony (Chairman) to fill the vacancy created by the increase in board size, effective as of the date of the Closing of the reverse acquisition. In addition, Messrs. Michael Johnson and James Gevarges were appointed to fill the vacancies created upon the effective resignation of Mr. Mozzoni and the increase in the size of the board, with such appointments and resignation to be effective in compliance with Section 14(f) of the Exchange Act.

In connection with the Reverse Acquisition, (a) we adopted amended and restated Bylaws, (b) changed our name to "Flux Power Holdings, Inc." (c) we have assumed the Flux Power 2010 Option Plan ("Plan") and all of the stock options of Flux Power outstanding as of the closing of the Reverse Acquisition, (d) each of the Flux Shareholders agreed not to offer, sell, assign, transfer, pledge, contract to sell, or otherwise dispose of any shares of Exchange Shares for a period of 18 months from the Closing except during the period after the first anniversary of the Closing and a period of 6 months thereafter, in such an amount which constitutes less than 3% in the aggregate of such Flux Shareholder's beneficial ownership of our common stock per month, and (e) we agreed to use our best efforts to conduct a private placement of our securities in a private placement to accredited investors to purchase up to 8 Units, at a price of $500,000 per Unit, with each Unit consisting of 1,207,185 shares of our common stock and 241,437 5 year warrants to purchase one share of our common stock at an exercise price of $0.41 per share (the "Private Placement"), of which Baytree Capital, its designees or assignees, has committed to investing at least $1,000,000 in the Private Placement. The securities offered and sold in the Private Placement will not be or have not been registered under the Securities Act of 1933, as amended ("Securities Act"), and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act.

The acquisition was accounted for as a recapitalization effected by a share exchange, wherein Flux Power is considered the acquirer for accounting and financial reporting purposes. The assets and liabilities of the acquired entity have been brought forward at their book value and no goodwill has been recognized.

Form 10 Disclosure

As disclosed elsewhere in this report, on June 14, 2012, we acquired Flux Power in a reverse acquisition transaction. Item 2.01(f) of Form 8-K states that if the registrant was a shell company, as we were immediately before the reverse acquisition transaction disclosed under Item 2.01, then the registrant must disclose the information that would be required if the registrant were filing a general form registration of securities on Form 10.

Accordingly, we are providing information that would be included in a Form 10 had we been required to file such form. Please note that the information provided below relates to the combined entity after the acquisition of Flux Power, except that information relating to periods prior to the date of the Exchange Agreement only relate to Flux Power unless otherwise specifically noted.

OVERVIEW OF FLUX POWER, INC., OUR WHOLLY-OWNED SUBSIDIARY

Flux Power, Inc., a California corporation, was founded in 2009 to design, develop and sell rechargeable advanced energy storage systems. We have developed an innovative high power battery cell management systems ("BMS") and have structured our business around this core technology. Our proprietary BMS provides three critical functions to our battery systems:

- ***Cell Balancing***: This is performed by adjusting the capacity of each cell in a storage system according to temperature, voltage, and internal impedance metrics. This cell balancing management assures longevity of the overall system.

- ***Monitoring***: This is performed by way of a physical connection to individual cells for monitoring voltage and performing calculations from basic metrics to determine remaining capacity and internal impedance. This monitoring assures accurate measurements to best manage the system and assure longevity.

- ***Error reporting***: This is performed by analyzing data from system monitoring and making decisions on whether the system is operating out of normal specifications. This error reporting is crucial to system management as it ensures ancillary devices are not damaging the storage system and will give the operator an opportunity to take corrective action to maintain long overall system life.

Using our proprietary battery management system technology, we are able to offer completely integrated energy storage solutions or custom modular standalone systems to our clients. In addition, we have also developed a suite of complementary technologies and products that accompany and enhance the abilities of our core BMS products to meet the needs of the growing advanced energy storage market.

We sold our first product in the second quarter of 2010 and have since delivered over 14 mega watt-hours of advanced energy storage to clients such as Crown Equipment Corp., Damascus Corp., Columbia Parcar Corp., Wheego Electric Cars Inc., Epic Electric Vehicles, and TALHO. We also sell our Advanced Energy Storage products through distributors such as Dukes Garage, Small Car Performance, Electric Motor Sports, MCelectric, Jungle Motors and EV America.

HISTORY OF FLUX POWER HOLDINGS, INC.

Flux Power Holdings, Inc., formerly Lone Pine Holdings, Inc. ("FPH"), through its former wholly owned subsidiary Integrated Forest Products Pty Ltd ("Integrated"), previously operated a saw mill in Australia which cut pine timber into building products to supply the commercial and residential industry along the eastern coast of Australia. In July 2007, Integrated's wholly owned subsidiary in Australia was put into receivership and has formally discontinued its operations. In connection with the receivership, the receiver formed a new Australian wholly owned subsidiary, Australian Forest Industries, Ltd., and exchanged all of the shares of Integrated for Australian Forest Industries, Ltd. shares. On October 15, 2008, our Board of Directors approved the transfer of all the outstanding shares of Australian Forest Industries, Ltd., its operating subsidiary that had been placed in receivership, to the principal shareholders and directors, personally. Subsequent to the spin out, we became a non-operating shell company engaged in the business of seeking a suitable candidate for acquisition or merger.

In connection with the Reverse Acquisition, we changed our name from “Lone Pine Holdings, Inc.” to “Flux Power Holdings, Inc.” The name change was effective under Nevada corporate law on May 23, 2012 pursuant to Articles of Merger that was filed with the Nevada Secretary of State. Pursuant to such Articles of Merger, we merged with our wholly-owned subsidiary, Flux Power Holdings, Inc. In accordance with Section 92A.180 of the Nevada Revised Statutes, shareholder approval of the merger/name change was not required. The Articles of Merger provided that, upon the effective date of the merger effective, our Articles of Incorporation would be amended as of such date to change our name to "Flux Power Holdings, Inc."

REVERSE ACQUISITION OF FLUX POWER

On June 14, 2012, we completed the acquisition of Flux Power, Inc., a California corporation (the “Reverse Acquisition”) pursuant to that certain Securities Exchange Agreement dated May 18, 2012 (“Exchange Agreement”) by and among Flux Power, Inc., a California corporation (the “Flux Power”) and its shareholders, Mr. Chris Anthony, Esenjay Investments, LLC, and Mr. James Gevarges (collectively the “Flux Shareholders”). In connection with the Reverse Acquisition, we purchased 100% of the issued and outstanding shares of common stock of Flux Power from the Flux Shareholders in exchange for 37,714,514 newly issued shares our common stock (“Exchange Shares”) based on an exchange ratio of 2.9547039 (“Share Exchange Ratio”). As a result of the Reverse Acquisition, the Flux Shareholders collectively own approximately 91% of the issued and outstanding shares of our common stock , and Flux Power is our wholly-owned operating subsidiary.

Upon the closing of the Reverse Acquisition (the “Closing”), Mr. Gianluca Cicogna Mozzoni, our Chief Executive Officer, President, Chief Financial Officer, Treasurer, Secretary and a director, submitted a resignation letter pursuant to which he resigned from all offices that he held effective immediately; and from his position as our director that will become effective on the tenth day following the mailing by us of an information statement to our stockholders that complies with the requirements of Section 14(f) of the Exchange Act. In addition, our Board of Directors on June 14, 2012, increased the size of our Board of Directors to three directors and appointed Mr. Chris Anthony (Chairman) to fill the vacancy created by the increase in board size, effective as of the date of the Closing of the reverse acquisition. In addition, Messrs. Michael Johnson and James Gevarges were appointed to fill the vacancies created upon the effective resignation of Mr. Mozzoni and the increase in the size of the board, with such appointments and resignation to be effective in compliance with Section 14(f) of the Exchange Act.

In connection with the Reverse Acquisition, (a) we adopted amended and restated Bylaws, (b) changed our name to “Flux Power Holdings, Inc.” (c) we have assumed the Flux Power 2010 Option Plan (“Plan”) and all of the stock options of Flux Power outstanding as of the closing of the Reverse Acquisition, (d) each of the Flux Shareholders agreed not to offer, sell, assign, transfer, pledge, contract to sell, or otherwise dispose of any shares of Exchange Shares or securities convertible into or exercisable or exchangeable into our common stock for a period of 18 months from the Closing except during the period after the first anniversary of the Closing and a period of 6 months thereafter, in such an amount which constitutes less than 3% in the aggregate of such Flux Shareholder’s beneficial ownership of our common stock per month, and (e) we will use our best efforts to conduct a private placement of our securities in an unregistered offering to accredited investors to purchase up to 8 Units, at a price of $500,000 per Unit, with each Unit consisting of 1,207,185 shares of our common stock and 241,437 5 year warrants to purchase one share of our common stock at an exercise price of $0.41 per share (the “Private Placement”), of which Baytree Capital, its designees or assignees, has committed to investing at least $1,000,000 in the Private Placement, and with the anticipation that the closing of the Private Placement will occur in the amount of at least $3,000,000 on or before June 15, 2012, with any remaining unsold portions of the Private Placement to close on or before June 30, 2012. The securities offered and sold in the Private Placement will not be or have not been registered under the Securities Act of 1933, as amended (“Securities Act”), and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act.

The acquisition was accounted for as a recapitalization effected by a share exchange, wherein Flux Power is considered the acquirer for accounting and financial reporting purposes. The assets and liabilities of the acquired entity have been brought forward at their book value and no goodwill has been recognized.

OUR CORPORATE STRUCTURE

We were organized by the filing of articles of incorporation with the Nevada Secretary of State on September 21, 1998 under the name Oleramma, Inc. The articles of incorporation authorized the issuance of 105,000,000 shares, consisting of 100,000,000 shares of common stock, par value $0.001 per share, and 5,000,000 shares of preferred stock, par value $0.001 per share.

On April 28, 1999, we changed our name to BuckTV.Com, Inc. on the basis that we would market consumer products through an interactive website. We again changed our name in November 2002 to Multi-Tech International, Corp. to pursue another venture.

On September 1, 2004, we entered into a share exchange agreement with Timbermans Group Pty Ltd, an Australian corporation and its wholly-owned subsidiary, Integrated Forest Products Pty Ltd, an Australian corporation. Pursuant to the share exchange agreement, we:

- completed a 200-1 reverse stock split of our outstanding shares of common stock,
- increased our authorized number of shares of common stock from 100,000,000 to 300,000,000 shares,
- changed our name from Multi-Tech International, Inc. to Australian Forest Industries,
- appointed five new directors to our Board of Directors, and
- we issued 257,000,000 shares of our common stock to Timbermans pursuant to the terms of the share exchange agreement.

As a result, upon completion of the share exchange, Integrated became our wholly-owned subsidiary.

On July 31, 2007, PricewaterhouseCoopers Australia was appointed receiver and manager of both Integrated and Timbermans. On the same date, Deloitte was appointed liquidator of Timbermans. Romanis Cant was appointed liquidator of Integrated on October 18, 2007.

Business operations of Integrated were continued until November 30, 2007, when all the assets of Integrated were offered for sale as a going concern. No offers capable of acceptance by the receiver were submitted. As a result, the receiver entered into contracts to sell the land, plant and equipment of Integrated as individual assets.

Timbermans owned two major assets, a rural property and shares of our common stock. The rural property was sold by auction on March 14, 2008. Timbermans entered into a contract to sell its land and buildings for $9,556,357 and all of its manufacturing equipment for $964,403.

On July 31, 2007, both Timbermans and Integrated were put into administration, the Australian equivalent of receivership, and PricewaterhouseCoopers Australia was appointed each of their receiver and manager. In connection with the administration, the receiver formed a new Australian wholly-owned subsidiary, Australian Forest Industries, Ltd., and exchanged all of the shares of Integrated for Australian Forest Industries, Ltd. shares. On October 15, 2008, the Board of Directors of Australian Forest Industries approved the transfer of all the outstanding shares of Australian Forest Industries, Ltd. to the principal shareholders and directors, who were also the shareholders of Timbermans. As a result, the loan to Timbermans was removed from our books and there is currently no principal or interest due from us to Timbermans or any other related party.

Since early 2010, we have been looking for a merger candidate. Effective January 29, 2010, we:

- amended our articles of incorporation to change our name from "Australian Forest Industries" to "Lone Pine Holdings, Inc." Our management believes that the name change will disassociate us with our former business of operating a saw mill in Australia.

- amended our articles of incorporation to decrease the number of authorized shares of capital stock from 305,000,000 to 150,000,000 shares. Prior to the amendment, the articles of incorporation authorized 300,000,000 shares of common stock and, after the amendment, the articles of incorporation authorize 145,000,000 shares of common stock. The articles of incorporation prior to the amendment and after the amendment both authorize 5,000,000 shares of preferred stock.

- enacted a reverse stock split so that for every 100 shares of our common stock outstanding on the record date, shareholders received one share of common stock. Any fractional share of our common stock that would have existed as a result of the reverse stock split was rounded up to a whole share. Every 100 shares of common stock issued and outstanding immediately prior to the record date were reclassified as, and changed into, one share of common stock. Coupled with the decrease in our authorized share capital, the reverse stock split increased the number of authorized and unissued shares of common stock from 14.1% of our authorized shares prior to the amendment to 98.2% after the amendment.

In connection with the Reverse Acquisition, on May 23, 2012, we effected a merger with our wholly-owned subsidiary pursuant to which we changed our name from "Lone Pine Holdings, Inc." to "Flux Power Holdings, Inc." As a result of the Reverse Acquisition, all of our business operations are conducted through our wholly-owned subsidiary, Flux Power, Inc., a California corporation.

Flux Power was conceived in 2008 to develop technologies for the advanced energy storage market. We were incorporated in the second quarter of fiscal year 2010 and began shipping prototype product in the second quarter of 2010 while continuing to develop our intellectual property portfolio. In 2011 Wheego obtained a Federal Motor Vehicle Safety Standards validation, which included our products and then we started shipping ancillary products to enhance our overall product line.

Our principal executive office is located at 2240 Autopark Way, Escondido, CA 92029. The telephone number at our principal executive office is (877)-505-3589 (FLUX).

DESCRIPTION OF BUSINESS OF FLUX POWER, OUR WHOLLY-OWNED SUBSIDIARY

Our Business

Flux Power, Inc. ("Flux Power"), a California corporation and our wholly-owned subsidiary, is in the business of energy storage and battery management. Flux Power was incorporated in October 2009 to develop technologies for the advanced energy storage market and began shipping prototype product in the second quarter of 2010 while continuing to develop our intellectual property portfolio. In 2011, we began shipping Federal Motor Vehicle Safety Standards validated products and then started shipping ancillary products to enhance our overall product line.

Industry Background for the Energy Storage Market

The energy storage market has grown over recent years from one mostly reliant on lead acid technologies created in the 1800s to one leveraging advanced chemistries and the corresponding ability to store more energy in less space. Back-up power has increasingly grown to depend on telematics to accurately gauge system health. Electric vehicles have adopted lighter weight energy storage to increase range and payload abilities and grid management applications have sought to increase the cycle life of their systems to assure better returns on their investments over the long term. We believe that all of these needs will cause the advanced energy storage market to grow exponentially over the next 5 to 10 years.

Electric Vehicles

Electric vehicles are displacing traditional combustion vehicles for utility and passenger vehicle needs at an ever-growing rate as electric vehicle technology becomes more advanced and costs come down. Utility vehicles like lift trucks and service vehicles are a natural fit for electric power as they are often operated in confined or congested spaces where excess emissions from combustion vehicles is difficult to manage. Moreover, lowering these combustion motor emissions is a goal of many Federal and state agencies, which has also spurred adoption of electric technologies in this space. This adoption is further assisted by increased environmental consciousness on the part of consumers, which has increased sales of both hybrid electric and all electric vehicles. With the decreased costs per mile of electric vehicles and greatly reduced emissions we believe that this market segment will see fast growth.

Grid Management Solutions

Grid management ranges from simple back-up power to devices that assure the performance and reliability of electric transmission and distribution grids. In simple back-up power systems, the longevity of the system is crucial to maintaining up times and decreasing maintenance costs. Typical lead acid battery back-up power systems need cell replacement every two years, whereas advanced energy storage systems can last as long as ten years. Advanced energy storage has seen gains in storage for peak-shaving to lower electricity costs and in shifting load demands in solar and wind power applications. Grid managements systems in transmission networks at every level need frequency regulation to adjust for minute-to-minute frequency fluctuations in the grid due to demand and supply changes. Buffering with advanced energy storage systems provide services that are more cost effective and efficient versus running power plants at sub-optimal operating levels to meet demand. This practice also frees up power plant capacity normally reserved for frequency regulation and standby to produce more electricity and correlated revenues.

Battery Types

The most common battery technologies currently available to address the electric vehicle and grid management markets include the following:

Lead Acid Batteries. Lead acid is one of the most developed battery technologies as it has been in use since the 1800s. It is relatively easy to manufacture and is an inexpensive and ubiquitous energy storage medium. Automobile manufacturers use lead acid for starter batteries and lead acid has been used widely in electric vehicle and grid management solutions. Unfortunately, lead-acid batteries weigh more per unit of stored energy and have less power output per unit mass versus advanced energy storage system technologies and thus are not well suited for advanced applications such as grid management devices and electric vehicles. In addition, lead can be hazardous to the environment and there are efforts in many countries to phase this legacy technology out over time.

Nickel Batteries*:* Nickel batteries, NiCd (nickel cadmium) or NiMH (nickel metal hydride) are durable and inexpensive technologies with relatively high power. Unfortunately, cadmium is not a safe material and exposure can result in health hazard to humans and damage to the environment. An alternative to the toxic NiCd battery is NiMH, which has greater energy versus lead-acid batteries and is more suitable to a wider range of applications. These NiMH were used in early electric vehicles and some other bulk storage applications. Unfortunately, these chemistries are not as energy dense as advanced lithium batteries and thus are now being leveraged out of the advanced energy storage system market by more energy dense chemistries.

Legacy Lithium Chemistries*:* Lithium batteries are more energy dense versus lead-acid, NiCd or NiMH batteries and are more volumetrically and weight efficient. Introduced in the 1990s, lithium batteries made their way into portable electronics devices like laptop computers and cell phones. Unfortunately, early lithium cobalt was prone to heat issues when arranged in large groups and if a battery cell were compromised a fire or explosion could result. This attribute made early lithium batteries unsuitable for large grid management devices and electric vehicles. The cobalt in these early cells was also a more expensive metal versus the compounds used in modern lithium batteries.

Advanced Energy Storage Lithium Batteries*:* The current generation of advanced energy storage lithium batteries was developed in the late 1990s. These new chemistries improve upon energy density, volumetrics and weight metrics. There have also been great enhancements to the safety of these modern lithium batteries and heat and catastrophic failure issues do not plague advanced energy storage systems today. There has also been a significant increase in modern lithium batteries' cycle life. This makes todays' advanced energy storage systems the most conducive to electric vehicle and grid management use.

Other Technologies*:* Ultra capacitors and fuel cells have been proposed as potential replacements to lithium batteries. Ultra capacitors deliver high power and have an extended cycle life but suffer from poor energy density. This makes them suitable for small burst power needs but not for grid storage and electric vehicle devices. Fuel cells generate energy converting a fuel, typically hydrogen to energy. Fuel cell systems offer good energy density but are poor performers in terms of power and cycle life. Fuel cell systems are suitable for devices with small power needs and short life spans but are generally not suitable for use in electric vehicles and grid management devices.

Current Advanced Energy Storage Application Needs

There are a number of features required of advanced energy storage applications today, such as:

Target application power needs*:* An advanced energy storage system must be able to deliver the electrical power required. Electrical power, measured in watts, is the rate at which electrical energy is delivered. Electric vehicles, in particular, need enough power to assure smooth acceleration through a systems discharge curve and grid management systems need enough power to meet load demands.

Duration of charge*:* An advanced energy storage system must be able to provide a certain total amount of electrical energy. Total electrical energy is measured in watt hours and is the product of power and time. Advanced energy storage systems with greater energy can perform for a longer duration when compared to legacy technologies. The total electrical energy of an advanced energy storage system determines an electric vehicle's range per charge and a grid management device's total power.

High power needs*:* The energy that an advanced energy storage system can provide in total depends on the power requirements of the device in which it is installed. When an advanced energy storage system delivers higher power, the available energy of the advanced energy storage system is less than if it was delivering lower power. Advanced energy storage systems are better suited to deliver high power versus legacy lead acid. For example, the higher power required to push a vehicle like an electrically propelled boat through the water would be detrimental to legacy power technologies because their lack of ability to operate as efficiently in high power applications. Advanced energy storage systems are able to supply a high power required without detriment to the energy storage system.

Safe Operation*:* For almost all electric vehicle and grid management solutions the safety of an advanced energy storage system is of upmost importance. Legacy lead acid batteries tend to get hot with heavy operation and the toxic nature of these legacy chemistries can be troublesome in the event of a cell breach. Advanced energy storage systems focus on chemistries that do not violently react with oxygen so a cell breach is less likely to result in an explosion or fire.

Extended Life*:* The cycle life of an advanced energy storage system is the total number of times the system can be charged and discharged while still performing to specification in the device installed. Legacy lead acid technologies often do not perform to specification past a few hundred cycles in electric vehicle or grid management devices. In comparison, an advanced energy storage system can last five to ten times as long in the same device.

Volumetrics and weight*:* The weight and size of advanced energy storage systems are of crucial importance to both electric vehicle and grid management devices. In electric vehicles, where packaging space is precious, a lightweight system can greatly enhance range. In grid management devices that seek to extend current back-up power time benefit from better volumetrics and devices that shift load or peak-shave for improved average energy costs benefit from small advanced energy storage systems that keep connections between cells at a minimum.

Lowest Cost*:* Advanced energy storage systems provide power dense solutions with extended cycle life which, together, equate to very cost conscious solutions for most applications in the electric vehicle and grid management market segments. We believe that, in our products, advanced energy storage systems can cost much less than legacy lead acid technologies over the course of device operation.

Our Products and Services

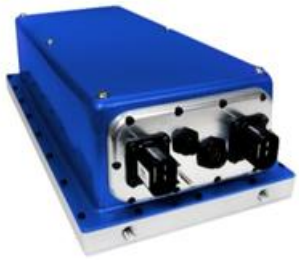
We seek to gain market share in the advanced energy storage segment with our system technologies that extend life, add much needed safety mechanisms, and communication and cycle life memory tools. We are focused on cell and system management tools. From our modular 12v energy storage solutions to stackable charging, we provide the building blocks to create custom systems designed for a diverse set of applications. Whether it is vehicle or grid storage systems, we provide capable systems that meet cost and performance targets and in many cases outperform traditional lead acid technologies on both metrics. Through our Battery Management System, we have enhanced battery systems overall to provide safer, more reliable and extended life rechargeable energy storage systems for applications including motive, marine, industrial, military, stationary, and grid management markets. We believe that the benefits of our advanced BMS and cell technologies, and our worldwide intellectual property portfolio along with our experienced and seasoned management team and staff will allow us to become a global leader in advanced energy storage.

Based on our experience, we believe that, compared to our competitors, our expertise in the large format energy storage market segment is paving the way for lower cost and higher performance solutions.

Battery Management System (BMS). Our proprietary Battery Management System (BMS) product provides three critical functions for battery systems: cell balancing, monitoring parameters and reporting errors to the system. Our BMS monitors parameters and reports errors to other devices, which can then determine the best action to take to prevent failure. Another BMS function is system cell balancing. The BMS will analyze each battery cell in the system during charge and discharge to determine which cells to balance to prevent overcharging and allow the other batteries to catching up and equalize capacity throughout the system.

Battery Modules. We supply high-power, energy-dense advanced energy storage modules for the electrical vehicles, industrial, governmental and grid storage applications. Our primary product consists of the Flux Power 12 V lithium module but we offer varying chemistries and configurations based on the applications. Our battery modules are designed for our BMS.

Diagnostic. Our Handheld Diagnostic Units (HDU) is a handheld instrument that displays critical system information allowing the user to access necessary information and monitor overall system health. The HDU is also capable of programming system parameters, features and offsets. The HDU can be useful in the field for system programming or troubleshooting as well as day-to-day monitoring.



***Chargers*.** Our smart charging solutions are designed to interface with our battery management system. Our smart chargers consist of both air-cooled and liquid-cooled chargers. These modular chargers can be stacked from 3KW – 300KW.

Technology

Our cell management and communication tools dramatically extend battery system life and improve system performance by managing individual cells in a system, communicating individual cell conditions to ancillary devices, and communicating individual cell conditions to other devices which either require or supply power:

- Managing individual cells within a system to maximize
  - Life Cycles
  - Discharge Rate
  - Depth of Discharge Per Cycle

- Allowing Cells to Communicate their State of Health to
  - Ensure Proper Charging
  - Protect the Cells from Over Discharge
  - Adjust System Parameters During Varying Temperature

- Enabling other system components to adjust their functions to
  - Protect Drive Components from Damage
  - Tie Properly to Grid Power Systems
  - Optimize Charge Efficiency

Marketing and Sales

We currently sell products direct or through one of several retail distributors in North America. Our direct customers are mostly large companies while our distributors primarily distribute to smaller retail customers.

During the nine month period ended March 31, 2012, the Company had four major customers that combined represented 87% or $2,616,000 of the Company's total revenues. During the nine month period ended March 31, 2011 the Company had two major customers that accounted for 37% or $216,000 of the Company's total revenues. For the year ended June 30, 2011, one customer accounted for 19% of total revenues, or $187,000. For the eight month period ended June 30, 2010, the Company had four customers that combined accounted for 79% of total revenues, or $164,000.

Production process

Except for some of the charger components, we design all of our own products in-house and outsource manufacturing and assembly when possible. We have established strategic partner relationships with contract manufacturers and continue to leverage their engineering and production resources.

In-House Product Assembly:

BMS units, Chargers and CAN Current Sensors: Units are outsourced and programmed and tested at our facility before shipping.

12v Modules: We receive completed 12v module cases and lids. Cells are packed in the module cases, connected to BMS, and secured in place. Lids with BMS installed are programmed and calibrated. Each full unit is sealed and tested before shipping.

Hand Held Diagnostic Units: We receive cases and build these HDUs in small batches. HDUs are programmed and tested before shipping.

Strategic Relationship with LHV Power: LHV Power is one of our early business supporters. LHV's CEO, James Gevarges, sits on our Board of Directors and is one of our major shareholders. LHV has an advanced engineering team that has produced products for Hewlett Packard, Dell, Black and Decker, Train, and Carrier. LHV has several manufacturing facilities in China and Taiwan. Currently our BMS units, chargers and CAN Current Sensor Builds are outsourced to LHV Power where they are built to industry standards. In addition, LHV assists us with manufacturing assessments of our other products. Our relationship with LHV gives us an enhanced ability to produce validated volume manufacturing designs and the ability to scale quickly to meet our customers' volume and cost targets.

Volume sales will enable cost reductions by:

Manufacturability Optimization: We are currently building products to be as robust and full-featured as possible to meet prototype and small quantity needs that are not cost-sensitive. With investment in design, these premium components hopefully can be value-engineered with the goal to continue to offer full-featured devices at less than 50% of the cost.

Low Cost Version Designs*:* We will have a growing number of clients that do not need full-featured devices to make their products perform well. With working capital, we believe that we can design low cost options for customers which can be marketed at a deeper discount to our current full-featured products.

Advanced Manufacturing Capabilities: We currently leverage our relationship with LHV Power for manufacturing resources. We intend to seek out other advanced manufacturing relationships to further enhance our abilities.

Suppliers

For the nine month period ended March, 31, 2012, and 2011, one vendor that accounted for 53% and 79%, respectively, of our total purchases. For the year ended June 30, 2011, and for the eight month period ended June 30, 2010, one vendor accounted for 67% and 70%, respectively, of total purchases.

Research and Development

Research and development expenses for the nine months ended March 31, 2012 and 2011 were approximately $400,000 and $316,000, respectively. Such expenses consist primarily of materials, supplies, salaries and personnel related expenses, consulting costs and other expenses. For the years ended June 30, 2011, and for the eight month period ended June 30, 2010, we incurred $382,064 and $197,478, respectively, on research and development.

For the year ended June 30, 2011, we also completed grant work worth $52,606 with the California Center for Sustainable Energy, Aerovironment, the University of California at Berkeley, and San Diego Gas and Electric on repurposing advanced energy storage systems from electric vehicles to household energy storage. We will continue to seek out grant work that is compelling and aligns with our growth efforts.

We currently perform our research and development at our facility in Escondido, California. We seek to develop innovative new and improved products for cell and system management along with associated communication, display, current sensing and charging tools.

Cell and System Management Tools: We will continue to innovate with lower cost, less power consuming and more capable devices. Some of these devices will be specialized for certain market segments.

Communication: We will continue to innovate tools for remote and local communication with our energy storage and ancillary components. These devices and software components will be applicable in both motive and stationary storage markets.

Display: We will continue to innovate new and more user friendly tools to accurately and quickly display information on our energy storage metrics.

Current Sensing: We will continue to innovate with more accurate and detailed current data capability with our sensing modules. These devices will become ever more important to an industry that depends on accurate state of charge calculations to make decisions on power use and creation.

Charging: Together with our suppliers, we will continue to innovate with new charging solutions for both AC voltage for electric vehicles and DC to DC power conversion for grid, solar, wind, and back-up power solutions.

Competition

Our competitors are major domestic and international companies such as LG Chem, Matsushita Industrial Co., Ltd. (Panasonic), Sony, Toshiba and SAFT, A123 Systems, Valence, Dow - Kokam, Thundersky. Winston Battery, Altair Nanotechnologies, and Ener1. A123 Systems and Ener1 have received significant financial support from private investors, public offerings and Federal, state, and local grants, subsidies, and incentives and have heavily invested in manufacturing capacity for their chosen markets. Our competitors, in general, have more funding and bigger sales, marketing and research efforts than we do.

We believe that we have several technological and business advantages over our competitors, which will lead to our success in the advanced energy storage market. Our concentration on cell and system management tools has allowed us to compete with a much lower capitalization structure. Further, our flexibility in cell sourcing allows us to provide complete storage systems at much lower cost versus our current competition.

Our pricing advantages over industry comparable are illustrated below:

Manufacturer	Chemistry	Current Price	Target Price
Ener1 (HEV)	Li-polymer	$660 per kWh	N/A
Valence Technologies (VLNC)	Li-phosphate	$1,000 per kWh	$500 per kWh
Altair Nanotechnologies (ALTI)	Li-titanate	$1,000 per kWh	N/A
A123 Systems (A123)	Li-phosphate	$1,228 per kWh	N/A
2008 DOE SEGIS-ES Estimates (PV Solar battery packs)	Various	$1,333 per kWh	$780 per kWh
2009 NEDO Survey Results (Average of Japanese Producers)	Various	$2,018 per kWh	$1,000 per kWh (next year)
Manufacturer	**Chemistry**	**Current Price**	**Target Price**
Flux Power	LiPO4	<$400 per kWh	N/A

Source: www.seekingalfa.com

Growth Strategy

We currently sell into the motive, marine, industrial, and stationary markets, some of which are replacing their lead acid solution with our products and are positioned for aggressive growth and volume. We will seek to soon move into the military and grid management markets segments. We plan to accomplish this through an aggressive sales effort and by seeding products with customers who require our technologies but who are slow to move on integration. Considering the size of the grid management market segment, we believe we can grow considerably over the next two years.

Our marketing and sales strategy is to actively pursue the following market segments:

Electric Vehicles*:* Our products' cost advantage, easy integration, automotive quality design, and Federal Motor Vehicle Safety Standards ("FMVSS") compliance make the Electric Vehicles Segment a desirable target. After small volume manufacturers, we will push into larger manufacturers.

Military and Municipal*:* Our products' longevity, easy integration and telematics make it a fit for energy storage applications for both the military and municipal markets. These markets have longer integration timelines but will become a healthy addition to our revenue mix over the next two years.

Grid Management Solutions*:* Our products' telematics, modularity, longevity and low cost solutions fit with smart grid management solutions, peak shaving devices, bulk storage, back-up power, and frequency modulation devices at every level of grid management. These devices have the longest integration timelines, but have the potential to become our largest revenue component over time.

Intellectual Property

Our success depends, at least in part, on our ability to protect our core technology and intellectual property. To accomplish this, we rely on a combination of patents pending, patent applications, trade secrets, including know-how, employee and third party nondisclosure agreements, copyright laws, trademarks, intellectual property licenses and other contractual rights to establish and protect our proprietary rights in our technology. As of March 31, 2012, we filed patent applications in the United States, EU & China including:

Patents

Title	Status
Battery Management Unit	Patent Pending
Power Control Module for Battery Pack Using a Thermistor	Patent Pending
System and Method for Pulsing the Bleed Off Resistor within a Battery Management System	Patent Pending
Battery (Design)	Patent Pending
Power Control Module	Patent Pending
Battery Display	Patent Pending
Battery Management System	Patent Pending

We are actively perfecting patent applications relating to determining battery life and remaining battery life cycles. Patent applications relating to these inventions will soon be filed with the U.S. Patent & Trademark Office. For certain applications represented above, foreign filings are in process in key markets like the European Union and China. In addition, we have a number of trademark applications and registrations protecting the Flux Power name and logo. These include Flux, Flux Power, and the Flux Power logo.

In addition, we intend to continue to file additional patent applications with respect to our technology and to seek protection of our intellectual property internationally in a broad range of areas. We do not know whether any of our pending patent applications will result in the issuance of patents or whether the examination process will require us to narrow our claims. Even if granted, there can be no assurance that these pending patent applications will provide us with protection.

Competitive Strengths

We believe that we have advantages over our competitors as follows:

- ***Field Tested, Consumer Validated Technology*** . We have delivered over 14MWh of product to customers since the fourth quarter of 2010. FMVSS certified in a production vehicle. Automotive and Industrial quality products.
- ***Experienced team***. 80 years of high tech and transportation industry experience.
- ***Strong growth potential***. Market size significantly increasing over next 4 years.
- ***Comprehensive IP Portfolio***. Protecting key aspects of system and components.
- ***More Capital Efficient Revenue Model***. Focused on advanced cell management to improve overall economics rather than cell chemistry.

Government Regulations

Product Safety Regulations. Our products are subject to product safety regulations by Federal, state, and local organizations. Accordingly, we may be required, or may voluntarily determine to obtain approval of our products from one or more of the organizations engaged in regulating product safety. These approvals could require significant time and resources from our technical staff and, if redesign were necessary, could result in a delay in the introduction of our products in various markets and applications.

Environmental Regulations. Federal, state, and local regulations impose significant environmental requirements on the manufacture, storage, transportation, and disposal of various components of advanced energy storage systems. Although we believe that our operations are in material compliance with current applicable environmental regulations, there can be no assurance that changes in such laws and regulations will not impose costly compliance requirements on us or otherwise subject us to future liabilities. Moreover, Federal, state, and local governments may enact additional regulations relating to the manufacture, storage, transportation, and disposal of components of advanced energy storage systems. Compliance with such additional regulations could require us to devote significant time and resources and could adversely affect demand for our products. There can be no assurance that additional or modified regulations relating to the manufacture, storage, transportation, and disposal of components of advanced energy systems will not be imposed.

Occupational Safety and Health Regulations. The California Division of Occupational Safety and Health ("Cal/OSHA") and other regulatory agencies have jurisdiction over the operations of our Escondido, California facility. Because of the risks generally associated with the assembly of advanced energy storage systems we expect rigorous enforcement of applicable health and safety regulations. Frequent audits by or changes, in the regulations issued by Cal/OSHA, or other regulatory agencies with jurisdiction over our operations, may cause unforeseen delays and require significant time and resources from our technical staff.

Employees

As of March 31, 2012, we employed 15 employees. None of our employees are currently represented by a trade union. We consider our relations with our employees to be good.

Property

Our headquarters are located in 15,400 square feet of leased office, engineering, and development space in Escondido, California. This lease commenced on June 16, 2010 and expires on June 30, 2012. The annual base rent under the lease, payable on a monthly basis, is approximately $12,950. The lease also provides for an option to renew for a term of one year.

Legal Proceedings

We are not currently involved in any legal proceedings.

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below, together with all of the other information included in this report, before making an investment decision. If any of the following risks actually occur, our business, financial condition or results of operations could suffer. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment. You should read the section entitled "Special Note Regarding Forward Looking Statements" above for a discussion of what types of statements are forward-looking statements, as well as the significance of such statements in the context of this report.

Risk Factors Relating to Our Business

Flux Power has incurred Net Losses since our inception.

Flux Power has incurred net losses since our inception. For the nine month period ended March 31, 2012, year ended June 30, 2011 and eight months ended June 30, 2010, Flux Power has incurred net losses of approximately ($1,139,000), ($1,313,000), and ($630,000), respectively. No assurance can be given that we will achieve profitability in the future.

Flux Power had negative working capital.

As of March 31, 2012, and June 30, 2011, Flux Power had a negative working capital of approximately $278,000 and $1,140,000, meaning Flux Power's current liabilities exceeds its current assets. This negative working capital may limit our growth since the majority of our net income, if any, will be used to pay accounts payable and existing debts. No assurance can be given that we will be able to pay our liabilities when they become due.

Our ability to obtain additional financing may be limited, which could delay or prevent the completion of one or more of our strategies.

Flux Power has, to date, financed its working capital and capital expenditure needs primarily from investments and credit lines. Flux Power expects its working capital needs and its capital expenditure needs to increase in the future as it continues to expand and enhance its production facilities, increase its design, research and development capabilities and as Flux Power continue to implement its other strategies. Our ability to raise additional capital will depend on the financial success of Flux Power's current business and the successful implementation of Flux Power's key strategic initiatives, as well as financial, economic and market conditions and other factors, some of which are beyond our control. We may not be successful in raising any required capital on reasonable terms and at required times, or at all. Further, equity financings may have a further dilutive effect on our stockholders. If we require additional debt financing, the lenders may require us to agree on restrictive covenants that could limit our flexibility in conducting future business activities, and the debt service payments may be a significant drain on our free capital allocated for research and other activities. If we are unsuccessful in raising additional capital or if new capital funding costs are higher than our prior capital funding costs, our business operations and our development programs may be materially and adversely impacted, with similar effects on our results of operations and financial condition.

Flux Power's limited operating history makes evaluating its business and future prospects difficult and may increase the risk of your investment.

Flux Power was formed during the 2010 fiscal year. You must consider the risks and difficulties Flux Power faces as an early stage company with limited operating history. If Flux Power does not successfully address these risks, its business, prospects, operating results and financial condition will be materially and adversely harmed. Flux Power began delivering its first battery product and battery management system (BMS) in the second quarter of 2010, and as of December 2011, Flux Power has have 46 customers, almost all of which are in the Electric Vehicle, Emergency Back-Up Power Supply, or Solar Storage market segments. Flux Power's revenues for the nine month periods ended March 31, 2012 and 2011 were $3,008,000 and $583,000, respectively. Flux Power's revenues for the year ended June 30, 2011, and for the eight month period ended June 30, 2010, were approximately $984,000 and $207,000, respectively. Flux Power has a very limited operating history on which investors can base an evaluation of its business, operating results and prospects.

To date, substantially all of Flux Power's revenues derive principally from sales of its battery products and BMS for use in electric vehicles. However, Flux Power intends to extend the application of its battery products and BMS for industrial energy storage, government applications, and hobby and specialty applications. Flux Power is currently testing its battery products and BMS for other applications but Flux Power has not yet sold any of its products for use in other than electric vehicles. There are no assurances that Flux Power will be able to successfully extend the application of our battery products and BMS outside of the electrical vehicle industry.

Our business depends in large part on the growth in demand for electric vehicles.

Many of our battery products and BMS are used to power electric vehicles in the commercial and industrial spaces. Therefore, the demand for our rechargeable batteries and systems is substantially tied to the market demand for electric vehicles. A growth in the demand for electric vehicles will be essential to the expansion of our business. Our results of operations may be adversely affected by decreases in the general level of economic activity. Decreases in consumer spending that may result from the current global economic downturn may weaken demand for items that use our battery products and BMS. A decrease in the demand for electric vehicles would likely have a material adverse effect on our results of operations. We are unable to predict the duration and severity of the current disruption in financial markets and the global adverse economic conditions and the effect such events might have on our business.

Our success depends on the success of manufacturers of the end applications that use our battery products and BMS.

Because our products are designed to be used in other products such as electric vehicles, our success depends on whether end application manufacturers will incorporate our battery products and BMS in their products. Although we strive to produce high quality battery products and BMS, there is no guarantee that end application manufacturers will accept our products. Our failure to gain acceptance of our products from these manufacturers could result in a material adverse effect on our results of operations.

Additionally, even if a manufacturer decides to use our batteries, the manufacturer may not be able to market and sell its products successfully. The manufacturer's inability to market and sell its products successfully could materially and adversely affect our business and prospects because this manufacturer may not order new products from us. Therefore, our business, financial condition, results of operations and future success would be materially and adversely affected.

Lithium-ion battery modules have been observed to catch fire or vent smoke and flame, and such events have raised concerns over the use of high-power batteries in electric vehicles.

We sell and supply high-power lithium based battery modules for the electrical vehicles and we intend to supply these lithium modules for industrial, governmental and grid storage applications. Historically, lithium-ion batteries in laptops and cellphones have been reported to catch fire or vent smoke and flames, and more recently, news have been reported that several electric vehicles that use high-power lithium-ion batteries have caught fire which trigger investigation as to the cause of the fires. As such, any adverse publicity and issues as to the use of high-power batteries in automotive applications will affect our business and prospects since we sell and supply high-power lithium based battery modules for electric vehicle application. In addition, any failure of our battery modules may cause damage to the vehicle or lead to personal injury or death and may subject us to lawsuits. We may have to recall our battery modules, which would be time consuming and expensive.

Current economic conditions may adversely affect consumer spending and the overall general health of our retail customers, which, in turn, may adversely affect our financial condition, results of operations and cash resources.

Uncertainty about the current and future global economic conditions may cause our customers to defer purchases or cancel purchase orders for our products in response to tighter credit, decreased cash availability and weakened consumer confidence. Our financial success is sensitive to changes in general economic conditions, both globally and nationally. Recessionary economic cycles, higher interest borrowing rates, higher fuel and other energy costs, inflation, increases in commodity prices, higher levels of unemployment, higher consumer debt levels, higher tax rates and other changes in tax laws or other economic factors that may affect consumer spending or buying habits could continue to adversely affect the demand for our products. In addition, a number of our customers may be impacted by the significant decrease in available credit that has resulted from the current financial crisis. If credit pressures or other financial difficulties result in insolvency for our customers it could adversely impact our financial results. There can be no assurances that government and consumer responses to the disruptions in the financial markets will restore consumer confidence.

We are dependent on a limited number of suppliers for our battery cells, and the inability of these suppliers to continue to deliver, or their refusal to deliver, our battery cells at prices and volumes acceptable to us would have a material adverse effect on our business, prospects and operating results.

Our battery cells, which are an integral part of our battery products and systems, are currently sourced from three manufacturers, two located in China and one located in the United States. While we obtain components for our products and systems from multiple sources whenever possible, we have spent a great deal of time in developing and testing our battery cells that we receive from these three manufacturers. We refer to these battery cell suppliers as our limited source suppliers. To date we have no qualified alternative sources for our battery cells and we generally do not maintain long-term agreements with our limited source suppliers. While we believe that we will be able to establish alternate supply relationships for our battery cells, we may be unable to do so in the short term or at all at prices, quality or costs that are favorable to us.

Changes in business conditions, wars, governmental changes and other factors beyond our control or which we do not presently anticipate, could also affect our suppliers' ability to deliver components to us on a timely basis. Furthermore, if we experience significant increased demand, or need to replace our existing suppliers, there can be no assurance that additional supplies of component parts will be available when required on terms that are favorable to us, at all, or that any supplier would allocate sufficient supplies to us in order to meet our requirements or fill our orders in a timely manner. In the past, we have replaced certain suppliers because of their failure to provide components that met our quality control standards. The loss of any limited source supplier or the disruption in the supply of components from these suppliers could lead to delays in the deliveries of our battery products and systems to our customers, which could hurt our relationships with our customers and also materially adversely affect our business, prospects and operating results.

Increases in costs, disruption of supply or shortage of raw materials, in particular lithium-iron phosphate cells, could harm our business.

We may experience increases in the costs or a sustained interruption in the supply or shortage of raw materials. Any such an increase or supply interruption could materially negatively impact our business, prospects, financial condition and operating results. For instance, we are exposed to multiple risks relating to price fluctuations for lithium-iron phosphate cells. These risks include:

- the inability or unwillingness of current battery manufacturers to supply the number of lithium-iron phosphate cells required to support our sales as demand for such rechargeable battery cells increases;
- disruption in the supply of cells due to quality issues or recalls by the battery cell manufacturers; and
- an increase in the cost of raw materials, such as iron and phosphate, used in lithium-iron phosphate cells.

We may be unable to successfully execute our long-term growth strategy or maintain our current revenue levels.

Although we exhibited significant growth from our inception to the present day, we can provide no assurance that our revenues will continue to grow. Our ability to maintain our revenue levels or to grow in the future depends upon, among other things, the continued success of our efforts to maintain our brand image and bring new products to market and our ability to expand within our current distribution channels.

Our success is highly dependent on continually developing new and advanced products, technologies, and processes and failure to do so may cause us to lose our competitiveness in the battery industry and may cause our profits to decline.

To remain competitive in the battery industry, it is important to continually develop new and advanced products, technologies, and processes. There is no assurance that competitors' new products, technologies, and processes will not render our existing products obsolete or non-competitive. Alternately, changes in legislative, regulatory or industry requirements or in competitive technologies may render certain of our products obsolete or less attractive. Our competitiveness in the renewable battery market therefore relies upon our ability to enhance our current products, introduce new products, and develop and implement new technologies and processes. Our battery system predominately uses lithium-iron phosphate cells. If our competitors develop alternative products with more enhanced features than our battery system, our financial condition and results of operations would be materially and adversely affected.

The research and development of new products and technologies is costly and time consuming, and there are no assurances that our research and development of new products will be either successful or completed within anticipated timeframes, if at all. Our failure to technologically evolve and/or develop new or enhanced products may cause us to lose competitiveness in the battery market. In addition, in order to compete effectively in the renewable battery industry, we must be able to launch new products to meet our customers' demands in a timely manner. However, we cannot provide assurance that we will be able to install and certify any equipment needed to produce new products in a timely manner, or that the transitioning of our manufacturing facility and resources to full production under any new product programs will not impact production rates or other operational efficiency measures at our manufacturing facility. In addition, new product introductions and applications are risky, and may suffer from a lack of market acceptance, delays in related product development and failure of new products to operate properly. Any failure by us to successfully launch new products, or a failure by our customers to accept such products, could adversely affect our results.

Flux Power has historically depended on a limited number of customers for a significant portion of its revenues and this dependence is likely to continue.

Flux Power has historically depended on a limited number of customers for a significant portion of its revenues. During the nine month period ended March 31, 2012, Flux Power had four major customers that combined represented 87% or $2,616,000 of its total revenues. During the nine month period ended March 31, 2011 Flux Power had two major customers that accounted for 37% or $216,000 of its total revenues. For the year ended June 30, 2011, one customer accounted for 19% of total revenues, or $187,000. For the eight month period ended June 30, 2010, Flux Power had four customers that combined accounted for 79% of total revenues, or $164,000.

We anticipate that a limited number of customers will continue to contribute to a significant portion of our revenues in the future. Maintaining the relationships with these significant customers is vital to the expansion and success of our business as the loss of a major customer could expose us to risk of substantial losses. Our revenues could decline and our results of operations could be materially adversely affected if one or more of these significant customers stops or reduces its purchasing of our products, or if we fail to expand our customer base for our products.

The market for our products and services is very competitive and, if we cannot effectively compete, our business will be harmed.

The market for our products and services is very competitive and subject to rapid technological change. Many of our competitors are larger and have significantly greater assets, name recognition and financial, personnel and other resources than we have. As a result, our competitors may be in a stronger position to respond quickly to potential acquisitions and other market opportunities, new or emerging technologies and changes in customer requirements. We cannot assure you that we will be able to maintain or increase our market share against the emergence of these or other sources of competition. Failure to maintain and enhance our competitive position could materially adversely affect our business and prospects.

Our business may be adversely affected by the global economic downturn, in addition to the continuing uncertainties in the financial markets.

The global economy is currently in a pronounced economic downturn. Global financial markets are continuing to experience disruptions, including severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates, and uncertainty about economic stability. Given these uncertainties, there is no assurance that there will not be further deterioration in the global economy, the global financial markets and consumer confidence. If economic conditions deteriorate further, our business and results of operations could be materially and adversely affected.

Additionally, the automobile industry in particular was severely impacted by the poor economic conditions and several vehicle manufacturing companies, including General Motors and Chrysler, were forced to file for bankruptcy. Sales of new automobiles generally have dropped during this global economic downturn. Sales of consumer products such as electric vehicles have slowed along with this downturn. Our future results of operations may experience substantial fluctuations from period to period as a consequence of these factors, and such conditions and other factors affecting consumer spending may affect the timing of orders. Thus, any economic downturns generally would have a material adverse effect on our business, cash flows, financial condition and results of operations.

Warranty claims, product liability claims and product recalls could harm our business, results of operations and financial condition.

Our business inherently exposes us to potential warranty and product liability claims, in the event that our products fail to perform as expected or such failure of our products results, or is alleged to result, in bodily injury or property damage (or both). Such claims may arise despite our quality controls, proper testing and instruction for use of our products, either due to a defect during manufacturing or due to the individual's improper use of the product. In addition, if any of our designed products are, or are alleged, to be defective, then we may be required to participate in a recall of them.

Although we have product liability insurance for our products, this may be inadequate to cover all potential product liability claims. In addition, while we often seek to limit our product liability in our contracts, such limits may not be enforceable or may be subject to exceptions. Any product recall or lawsuit seeking significant monetary damages either in excess of our coverage, or outside of our coverage, may have a material adverse effect on our business and financial condition. We may not be able to secure additional product liability insurance coverage on acceptable terms or at reasonable costs when needed. If we were to experience a large insured loss, it might exceed our coverage limits, or our insurance carriers could decline to further cover us or raise our insurance rates to unacceptable levels, any of which could impair our financial position and results of operations. A successful product liability claim against us could require us to pay a substantial monetary award. We cannot be assured that such claims will not be made in the future.

We may need to defend ourselves against patent or trademark infringement claims, which may be time-consuming and would cause us to incur substantial costs.

Companies, organizations or individuals, including our competitors, may hold or obtain patents, trademarks or other proprietary rights that would prevent, limit or interfere with our ability to make, use, develop or sell our battery products and BMS, which could make it more difficult for us to operate our business. Companies holding patents or other intellectual property rights relating to battery packs or electronic power management systems may bring suits alleging infringement of such rights or otherwise asserting their rights and seeking licenses. In addition, if we are determined to have infringed upon a third party's intellectual property rights, we may be required to do one or more of the following:

- cease selling, incorporating or using products that incorporate the challenged intellectual property;
- pay substantial damages;
- obtain a license from the holder of the infringed intellectual property right, which license may not be available on reasonable terms or at all; or
- redesign our battery management systems.

In the event of a successful claim of infringement against us and our failure or inability to obtain a license to the infringed technology, our business, prospects, operating results and financial condition could be materially adversely affected. In addition, any litigation or claims, whether or not valid, could result in substantial costs and diversion of resources and management attention.

We may license patents and other intellectual property from third parties, and we may face claims that our use of this in-licensed technology infringes the rights of others. In that case, we may seek indemnification from our licensors under our license contracts with them. However, our rights to indemnification may be unavailable or insufficient to cover our costs and losses, depending on our use of the technology, whether we choose to retain control over conduct of the litigation, and other factors.

Our business will be adversely affected if we are unable to protect our intellectual property rights from unauthorized use or infringement by third parties.

Any failure to protect our proprietary rights adequately could result in our competitors offering similar products, potentially resulting in the loss of some of our competitive advantage and a decrease in our revenue, which would adversely affect our business, prospects, financial condition and operating results. Our success depends, at least in part, on our ability to protect our core technology and intellectual property. To accomplish this, we rely on a combination of patents, patent applications, trade secrets, including know-how, employee and third party nondisclosure agreements, copyright laws, trademarks, intellectual property licenses and other contractual rights to establish and protect our proprietary rights in our technology.

The protection provided by the patent laws is and will be important to our future opportunities. However, such patents and agreements and various other measures we take to protect our intellectual property from use by others may not be effective for various reasons, including the following:

- our pending patent applications may not result in the issuance of patents;
- our patents, if issued, may not be broad enough to protect our proprietary rights;
- the patents we have been granted may be challenged, invalidated or circumvented because of the pre-existence of similar patented or unpatented intellectual property rights or for other reasons;
- the costs associated with enforcing patents, confidentiality and invention agreements or other intellectual property rights may make aggressive enforcement impracticable; and
- current and future competitors may independently develop similar technology and/or duplicate our systems in a way that circumvents our patents.

Our patent applications may not result in issued patents, which may have a material adverse effect on our ability to prevent others from commercially exploiting products similar to ours.

Our patent applications may not result in issued patents, which may have a material adverse effect on our ability to prevent others from commercially exploiting products similar to ours.

We cannot be certain that we are the first creator of inventions covered by pending patent applications or the first to file patent applications on these inventions, nor can we be certain that our pending patent applications will result in issued patents or that any of our issued patents will afford protection against a competitor. In addition, patent applications that we intend to file in foreign countries are subject to laws, rules and procedures that differ from those of the United States, and thus we cannot be certain that foreign patent applications related to issued United States patents will be issued. Furthermore, if these patent applications issue, some foreign countries provide significantly less effective patent enforcement than in the United States.

The status of patents involves complex legal and factual questions and the breadth of claims allowed is uncertain. As a result, we cannot be certain that the patent applications that we file will result in patents being issued, or that our patents and any patents that may be issued to us in the near future will afford protection against competitors with similar technology. In addition, patents issued to us may be infringed upon or designed around by others and others may obtain patents that we need to license or design around, either of which would increase costs and may adversely affect our business, prospects, financial condition and operating results.

We rely on trade secret protections through confidentiality agreements with our employees, customers and other parties; the breach of such agreements could adversely affect our business and results of operations.

We rely on trade secrets, which we seek to protect, in part, through confidentiality and non-disclosure agreements with our employees, customers and other parties. There can be no assurance that these agreements will not be breached, that we would have adequate remedies for any such breach or that our trade secrets will not otherwise become known to or independently developed by competitors. To the extent that consultants, key employees or other third parties apply technological information independently developed by them or by others to our proposed projects, disputes may arise as to the proprietary rights to such information that may not be resolved in our favor. We may be involved from time to time in litigation to determine the enforceability, scope and validity of our proprietary rights. Any such litigation could result in substantial cost and diversion of effort by our management and technical personnel.

Our production capacity might not be able to meet with growing market demand or changing market conditions.

We cannot give assurance that our production capacity will be able to meet our obligations and the growing market demand for our products in the future. Furthermore, we may not be able to expand our production capacity in response to the changing market conditions. If we fail to meet demand from our customers, we may lose our market share.

Our business depends substantially on the continuing efforts of our executive officers, and our business may be severely disrupted if we lose their services.

We believe that our success is largely dependent up on the continued service of the members of our management team, who are critical to establishing our corporate strategies and focus, and ensuring our continued growth. In particular, our Chairman and Chief Executive Officer, Chris Anthony, is crucial to our success. Our continued success will depend on our ability to attract and retain a qualified and competent management team in order to manage our existing operations and support our expansion plans. Although we are not aware of any change, if any of our executive officers are unable or unwilling to continue in their present positions, we may not be able to replace them readily, if at all. Therefore, our business may be severely disrupted, and we may incur additional expenses to recruit and retain new officers. In addition, if any of our executives joins a competitor or forms a competing company, we may lose some of our customers.

Our management team has limited experience in public company matters, which could impair our ability to comply with legal and regulatory requirements.

Our management team has only limited public company management experience or responsibilities, which could impair our ability to comply with legal and regulatory requirements such as the Sarbanes-Oxley Act of 2002 and applicable federal securities laws including filing required reports and other information required on a timely basis. There can be no assurance that our management team will be able to implement and affect programs and policies in an effective and timely manner that adequately respond to increased legal, regulatory compliance and reporting requirements imposed by such laws and regulations. Our failure to comply with such laws and regulations could lead to the imposition of fines and penalties and further result in the deterioration of our business.

Compliance with changing regulations concerning corporate governance and public disclosure may result in additional expenses.

There have been changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), new regulations promulgated by the SEC and rules promulgated by the national securities exchanges. These new or changed laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. As a result, our efforts to comply with evolving laws, regulations and standards are likely to continue to result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. Members of our Board of Directors and our Chief Executive Officer and Chief Financial Officer could face an increased risk of personal liability in connection with the performance of their duties. As a result, we may have difficulty attracting and retaining qualified directors and executive officers, which could harm our business. If the actions we take in our efforts to comply with new or changed laws, regulations and standards differ from the actions intended by regulatory or governing bodies, we could be subject to liability under applicable laws or our reputation may be harmed.

In addition, Sarbanes-Oxley specifically requires, among other things, that we maintain effective internal controls for financial reporting and disclosure of controls and procedures. In particular, we must perform system and process evaluation and testing of our internal controls over financial reporting to allow management to report on the effectiveness of our internal controls over financial reporting, as required by Section 404 of Sarbanes-Oxley. Our testing, or the subsequent testing by our independent registered public accounting firm, when required, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses. Our compliance with Section 404 will require that we incur substantial accounting expense and expend significant management efforts. We currently do not have an internal audit group, and we will need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge. Moreover, if we are not able to comply with the requirements of Section 404 in a timely manner, or if we or our independent registered public accounting firm identifies deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources.

We may be required to obtain the approval of various government agencies to market our products.

Our products are subject to product safety regulations by Federal, state, and local organizations. Accordingly, we may be required, or may voluntarily determine to, obtain approval of our products from one or more of the organizations engaged in regulating product safety. These approvals could require significant time and resources from our technical staff, and, if redesign were necessary, could result in a delay in the introduction of our products in various markets and applications. There can be no assurance that we will obtain any or all of the approvals that may be required to market our products.

We may face significant costs relating to environmental regulations.

Federal, state, and local regulations impose significant environmental requirements on the manufacture, storage, transportation, and disposal of various components of advanced energy storage systems. Although we believe that our operations are in material compliance with current applicable environmental regulations, there can be no assurance that changes in such laws and regulations will not impose costly compliance requirements on us or otherwise subject us to future liabilities. Moreover, Federal, state, and local governments may enact additional regulations relating to the manufacture, storage, transportation, and disposal of components of advanced energy storage systems. Compliance with such additional regulations could require us to devote significant time and resources and could adversely affect demand for our products. There can be no assurance that additional or modified regulations relating to the manufacture, storage, transportation, and disposal of components of advanced energy systems will not be imposed.

We may face significant costs relating to Occupational Safety and Health Regulations

The California Division of Occupational Safety and Health ("Cal/OSHA") and other regulatory agencies have jurisdiction over the operations of our Escondido, California facility. Because of the risks generally associated with the assembly of advanced energy storage systems, we expect rigorous enforcement of applicable health and safety regulations. Frequent audits by or changes in the regulations issued by Cal/OSHA, or other regulatory agencies with jurisdiction over our operations, may cause unforeseen delays and require significant time and resources from our technical staff.

Risks Related to Our Common Stock and Market

The market price of our common stock can become volatile, leading to the possibility of its value being depressed at a time when you may want to sell your holdings.

The market price of our common stock can become volatile. Numerous factors, many of which are beyond our control, may cause the market price of our common stock to fluctuate significantly. These factors include:

- our earnings releases, actual or anticipated changes in our earnings, fluctuations in our operating results or our failure to meet the expectations of financial market analysts and investors;
- changes in financial estimates by us or by any securities analysts who might cover our stock;
- speculation about our business in the press or the investment community;
- significant developments relating to our relationships with our customers or suppliers;
- stock market price and volume fluctuations of other publicly traded companies and, in particular, those that are in our industry;

- limited “public float” in the hands of a small number of persons whose sales or lack of sales could result in positive or negative pricing pressure on the market price for our common stock;
- customer demand for our products;
- investor perceptions of our industry in general and our Company in particular;
- the operating and stock performance of comparable companies;
- general economic conditions and trends;
- announcements by us or our competitors of new products, significant acquisitions, strategic partnerships or divestitures;
- changes in accounting standards, policies, guidance, interpretation or principles;
- loss of external funding sources;
- sales of our common stock, including sales by our directors, officers or significant stockholders; and
- additions or departures of key personnel.

The ownership of our stock is highly concentrated in our management.

As of June 14, 2012, our present directors and executive officers, and their respective affiliates beneficially owned approximately 92% of our outstanding common stock, including underlying options that were exercisable or which would become exercisable within 60 days. As a result of their ownership, our directors and executive officers and their respective affiliates collectively are able to significantly influence all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. This concentration of ownership may also have the effect of delaying or preventing a change in control.

We do not intend to pay dividends on shares of our common stock for the foreseeable future.

We have never declared or paid any cash dividends on shares of our common stock. We intend to retain any future earnings to fund the operation and expansion of our business and, therefore, we do not anticipate paying cash dividends on shares of our common stock in the foreseeable future.

Our common stock is illiquid and this low trading volume may adversely affect the price of our common stock.

Our common stock currently is quoted on the OTCQB under the symbol “FLUX.” However, with very little trading history, a trading market that does not represent an “established trading market,” a limited current public float, volatility in the bid and asked prices and the fact that our common stock is very thinly traded, you could lose all or a substantial portion of your funds if you make an investment in us. In addition, potential dilutive effects of future sales of shares of common stock by us and our shareholders, and subsequent sale of common stock by the holders of warrants and options, could have an adverse effect on the price of our securities, which could hinder our ability to raise additional capital to fully implement our business, operating and development plans.

Penny stock regulations affect our stock price, which may make it more difficult for investors to sell their stock.

Broker-dealer practices in connection with transactions in "penny stocks" are regulated by certain penny stock rules adopted by the SEC. Penny stocks generally are equity securities with a price per share of less than $5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ Stock Market, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the risks in the penny stock market. The broker-dealer must also provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules generally require that prior to a transaction in a penny stock the broker-dealer make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that becomes subject to the penny stock rules. our securities are subject to the penny stock rules, and investors may find it more difficult to sell their securities.

Preferred Stock may be issued under our Articles of Incorporation.

Our Articles of Incorporation authorize the issuance of up to 5,000,000 shares of preferred stock. The preferred stock may be issued in one or more series, the terms of which may be determined at the time of issuance. These terms may include voting rights including the right to vote as a series on particular matters, preferences as to dividends and liquidation, conversion rights, redemption rights and sinking fund provisions. The issuance of any preferred stock could diminish the rights of holders of our common stock, and therefore could reduce the value of such common stock.

We were a "shell company" and are subject to additional restrictions under Rule 144 on resales of our Restricted Securities.

The following is a quotation from subparagraph (i)(B)(2) of Rule 144: "Notwithstanding paragraph (i)(1), if the issuer of the securities previously had been an issuer described in paragraph (i)(1)(i) but has ceased to be an issuer described in paragraph (i)(1)(i); is subject to the reporting requirements of section 13 or 15(d) of the Exchange Act; has filed all reports and other materials required to be filed by section 13 or 15(d) of the Exchange Act, as applicable, during the preceding 12 months (or for such shorter period that the issue was required to file such reports and materials), other than Form 8-K reports (§249.308 of this chapter); and has filed current "Form 10 information" with the Commission reflecting its status as an entity that is no longer an issuer described in paragraph (i)(1)(i), then those securities may be sold subject to the requirements of this section after one year has elapsed from the date that the issuer filed "Form 10 information" with the Commission." As a "shell company" immediately prior to the Reverse Acquisition, we will be subject to additional restrictions under Rule 144 which provides that no sales of our restricted securities could be sold until we have complied with subparagraph (i)(B)(2) of Rule 144.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements and the related notes and other financial information appearing elsewhere in this report. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Readers are also urged to carefully review and consider the various disclosures made by us which attempt to advise interested parties of the factors which affect our business, including without limitation, the disclosures made under "Risk Factors."

The following discussion and analysis relates to the results of Flux Power, our wholly-owned subsidiary, only and should be read in conjunction with the financial statements and the related notes thereto and other financial information contained elsewhere in this Form 8-K. Please see our unaudited pro forma combined financial information of FPH and its subsidiaries filed as Exhibit 99.1. For a discussion and analysis related to the results of FPH, please see our Form 10-K for the fiscal year ended December 31, 2011 filed with the SEC on March 23, 2012, and Form 10-Q for the quarter ended March 31, 2012 filed with the SEC on May 11, 2012.

Overview

Flux Power was founded in 2009 to design, develop and sell rechargeable advanced energy storage systems. We have developed an innovative high power battery cell management system ("BMS") and have structured our business around this core technology. Our proprietary BMS provides three critical functions to our battery systems:

- *Cell Balancing*: This is performed by continuously adjusting the capacity of each cell in a storage system according to temperature, voltage, and internal impedance metrics. This management assures longevity of the overall system.

- *Monitoring*: This is performed through temperature probes, a physical connection to individual cells for voltage and calculations from basic metrics to determine remaining capacity and internal impedance. This monitoring assures accurate measurements to best manage the system and assure longevity.

- *Error reporting*: This is performed by analyzing data from system monitoring and making decision on whether the system is operating out of normal specifications. This error reporting is crucial to system management as it ensures ancillary devices are not damaging your storage system and will give the operator an opportunity to take corrective action to maintain long overall system life.

Using our proprietary battery management technology, we are able to offer completely integrated energy storage solutions or custom modular standalone systems to our clients. In addition, we have also developed a suite of complementary technologies and products that accompany and enhance the abilities of our BMS to meet the needs of the growing advanced energy storage market.

We sold our first validated product in the second quarter of 2010 and have since delivered over 14 mega watt-hours ofAdvanced Energy Storage to clients such as Crown Equipment Corp., Damascus Corp., Columbia Parcar Corp., Wheego Electric Cars Inc., Epic Electric Vehicles, and TALHO. This places us amongst the top tier of Advanced Energy Storage providers in North America. We also sell our Advanced Energy Storage products through distributors such as Dukes Garage, Small Car Performance, Electric Motor Sports, MCelectric, Jungle Motors and EV America.

Recent Developments and Events

New Agreements

NACCO Prototype Agreement. On February 6, 2012, Flux entered into a Prototype Agreement with NACCO Materials Handling Group, Inc. to develop and provide three (3) prototype battery packs for NACCO's lift trucks.

GTA Terms & Conditions. On September 21, 2011, Flux and GreenTech Automotive, Inc. (GTA) entered into terms and conditions for future purchase orders. All sales from Flux to GTA that include Flux's product for production of GTA's electronic vehicle shall be governed under this agreement.

Notes Payable

In October 2011, the Company entered into a new revolving promissory note agreement (Secondary Operating Capital) with a stockholder for $1,000,000. The revolving promissory note bears interest at 8%, is due September 30, 2013, as amended, and is secured by substantially all of the assets of the Company. As of March 31, 2012 the balance outstanding was $500,000.

In March 2012, the Company entered into an additional note payable agreement with the same stockholder for $250,000. The note matures in March 2014 and bears interest at 8% per annum.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. The Company has used significant estimates in its determination of the reserve for inventory, sales returns, and warranty claims. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

We believe the following accounting policies and estimates are most critical to aid in understanding and evaluating our reported financial results.

Inventories and prepaid inventory

Inventories consist primarily of battery management systems and the related subcomponents, and are stated at the lower of cost (first-in, first-out) or market. Prepaid inventory represents deposits made by us for inventory purchases. We evaluate inventories to determine if write-downs are necessary due to obsolescence or if the inventory levels are in excess of anticipated demand at market value based on consideration of historical sales and product development plans.

Revenue recognition

We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred, price is fixed or determinable and collectability of the selling price is reasonably assured. Delivery occurs when risk of loss is passed to the customer, as specified by the terms of the applicable customer agreements.

When implied right of return exists, the Company recognizes revenue on the sell through-method. Under this method, revenue is not recognized upon delivery of the inventory components. Instead, the Company records deferred revenue upon delivery and recognizes revenue when the inventory components are sold through to the end user.

We evaluate our exposure to sales returns and warranty issues based on historical information.

Results of Operations

Nine Month Period Ended March 31, 2012 compared to the Nine Month Period Ended March 31, 2011

	For the nine month periods ended	
	31-Mar-12	**31-Mar-11**
	in thousands	
Revenues	$3,008	$583
Cost of sales	2,431	473
Gross Profit	577	110
Selling, general, and administrative	1,271	774
Research and development	400	316
Total Operating Expenses	1,671	1,090
Interest expense	45	25
Net Loss	($1,139)	($1,005)

Revenues

Revenues for the nine months ended March 31, 2012, increased approximately $2,425,000, or 416%, compared to the nine months ended March 31, 2011. This increase is the result of an increase in new customers and volume increases on existing customer orders.

Cost of Revenues

Cost of revenues for the nine months ended March 31, 2012, increased approximately $1,958,000, or 414%, compared to the nine months ended March 31, 2011. This increase is the result of an increase in sales volume for new customers and sales volume increases on existing customer orders.

Gross Profit

Gross profit for the nine months ended March 31, 2012, increased by approximately $467,000, or 425%, compared to the nine months ended March 31, 2011. Gross profit as a percentage of revenue for the nine months ended March 31, 2012, increased slightly by 0.3% compared to the nine months ended March 31, 2011.

Selling, and General and Administrative Expenses

Sales and general and administrative expenses for the nine months ended March 31, 2012 and 2011 were approximately $1,271,000 and $774,000, respectively. Such expenses consist primarily of salaries and personnel related expenses, occupancy expenses, sales travel, consulting costs and other expenses. The increase of approximately $497,000 was due to an increase in salaries related to increase in employee headcount and for other professional fees, some of which were incurred for reverse merger preparation.

Research and Development Expense

Research and development expenses for the nine months ended March 31, 2012 and 2011 were approximately $400,000 and $316,000, respectively. Such expenses consist primarily of materials, supplies, salaries and personnel related expenses, consulting costs and other expenses. The increase of approximately $84,000 was due to an increase in personnel costs and benefits, and an increase in material and supplies consumption related to new and ongoing research programs.

Interest Expense

Interest expense for the nine months ended March 31, 2012 and 2011 was approximately $45,000 and $25,000, respectively. The interest expense relates to our outstanding notes payable to one of our major shareholders, of which balances increased throughout 2012. Certain of the notes were converted into shares of our common stock during December 2011.

For the year ended June 30, 2011 and the eight month period ended June 30, 2010

	For the year ended June 30, 2011	For the eight months ended June 30, 2010
Revenues	$ 984,000	$ 207,000
Cost of sales	846,000	228,000
Gross Profit	138,000	(21,000)
Selling, general, and administrative	1,027,000	412,000
Research and development	382,000	197,000
Total Operating Expenses	1,409,000	609,000
Interest expense	42,000	-
Net Loss	$ (1,313,000)	$ (630,000)

We began our operations in October of 2009. Accordingly, our first period of operations is for only eight months and may not be an appropriate comparative value had we been in operations for an entire year.

Revenues

Revenues for the year ended June 30, 2011, increased approximately $777,000, or 375%, compared to the eight month period ended June 30, 2010. This large increase in sales was attributable to the increase in customers and the full operating period in fiscal year 2011.

Cost of Revenues

Cost of revenues for the year ended June 30, 2011, increased approximately $618,000 or 271% compared to the eight month period ended June 30, 2010. This large increase in cost of revenues was attributable to the increase in customers and the full operating period in fiscal year 2011.

Gross Profit

Gross profit for the year ended June 30, 2011, increased by approximately $159,000 or 757%, compared to the eight month period ended June 30, 2010. Gross profit as a percentage of revenue for the year ended June 30, 2011, increased to 14% compared to (10%) in the eight month period ended June 30, 2010. Sales traction during the year ended June 30, 2011 allowed us to perform more efficiently on managing product cost and we were able to negotiate customer agreements at normalized margins.

Selling, and General and Administrative Expenses

Sales and general and administrative expenses for the year ended June 30, 2011 and the eight month period ended June 30, 2010 were approximately $1,027,000 and approximately $412,000, respectively. Such expenses consist primarily of salaries and personnel related expenses, stock-based compensation expense, sales travel, consulting costs and other expenses. The increase of approximately $615,000 was due to an increase in personnel and consulting costs that were required to manage our business as it grew.

Research and Development Expense

Research and development expenses for the year ended June 30, 2011 and the eight month period ended June 30, 2010 were approximately $382,000 and approximately $197,000, respectively. Such expenses consist primarily of materials, supplies, salaries and personnel related expenses, stock-based compensation expense, consulting costs and other expenses. The increase of approximately $185,000 was due to an increase in personnel costs and benefits, and an increase in material and supplies consumption.

Interest Expense

Interest expense for the year ended June 30, 2011 and eight month period ended June 30, 2010 was approximately $42,000 and $0, respectively. The interest expense relates to our outstanding notes payable to one of our major shareholders. As discussed above, certain of the notes payable were converted into shares of our common stock during December 2011.

Liquidity and Capital Resources

For the nine month periods ended March 31, 2012 and 2011

As of March 31, 2012, we had a cash balance of approximately $141,000, negative working capital of approximately $278,000, and an accumulated deficit of approximately $3,082,000.

Cash Flows from Operating Activities

Our operating activities resulted in net cash used in operations of approximately $941,000 for the nine months ended March 31, 2012, compared to net cash used in operations of approximately $458,000 for the nine months ended March 31, 2011.

The net cash used in operating activities for the nine month period ended March 31, 2012 reflects a net loss of approximately $1,139,000 offset by depreciation and amortization of approximately $23,000 and stock-based compensation of approximately $22,000. Changes in operating assets and liabilities included a decrease in accounts receivable of approximately $2,000, a decrease in inventories of approximately $313,000, an increase in prepaid inventory of approximately $932,000, an increase in accrued expenses of approximately $165,000, an increase in customer deposits of approximately $841,000, an increase in customer deposits from related party of approximately $629,000, a decrease in deferred revenue of approximately $1,173,000, an increase in accounts payable of approximately $293,000 and other minor factors.

The net cash used in operating activities for the nine month period ended March 31, 2011 reflects a net loss of approximately $1,005,000 offset by depreciation and amortization of approximately $16,000 and stock-based compensation of approximately $58,000. Changes in operating assets and liabilities included an increase in inventories of approximately $1,703,000, a decrease in prepaid inventory of approximately $482,000, an increase in accounts payable of approximately $41,000, a decrease in customer deposits of approximately $508,000, an increase in customer deposits from related party of approximately $58,000, an increase in deferred revenue of approximately $2,098,000, and other minor factors.

Cash Flows from Investing Activities

The net cash used in investing activities for the nine month periods ended March 31, 2012 and 2011 consist primarily of purchases of equipment.

Cash Flows from Financing Activities

Net cash provided by financing activities for the nine months ended March 31, 2012 and the nine months ended March 31, 2011 was $900,000 and $680,000, respectively.

During nine months ended March 31, 2012, we received $900,000 from the issuance of notes payable to a shareholder. During the nine months ended March 31, 2011, we received $680,000 from the issuance of notes payable to a shareholder.

For the year ended June 30, 2011 and the eight month period ended June 30, 2010

As of June 30, 2011, we had a cash balance of approximately $240,000, negative working capital of approximately $1,140,000 and an accumulated deficit of approximately $1,943,000.

Cash Flows from Operating Activities

Our operating activities resulted in net cash used in operations of approximately $743,000 for the year ended June 30, 2011 compared to net cash used in operations of approximately $433,000 for the eight months ended June 30, 2010.

The net cash used in operating activities for the year ended June 30, 2011 reflects a net loss of approximately $1,313,000 offset by depreciation and amortization of approximately $23,000 and stock-based compensation of approximately $58,000. Changes in operating assets and liabilities included an increase in accounts receivable of approximately $41,000, an increase in inventories of approximately $1,697,000, a decrease in prepaid inventory of approximately $550,000, an increase in accrued expenses of approximately $30,000, a decrease in customer deposits of approximately $347,000, an increase in customer deposits from related party of approximately $208,000, an increase in deferred revenue of approximately $1,802,000, and other minor factors.

The net cash used in operating activities for the eight months ended June 30, 2010 reflects a net loss of approximately $630,000 offset by loss on disposal of leasehold improvements of approximately $20,000, depreciation and amortization of approximately $14,000, and stock-based compensation of approximately $68,000. Changes in operating assets and liabilities included an increase in inventories of approximately $117,000, an increase in prepaid inventory of approximately $484,000, an increase in other current assets of approximately $39,000, an increase is customer deposits of approximately $556,000, an increase in customer deposits from related party of approximately $159,000 and other minor factors.

Cash Flows from Investing Activities

The net cash used in investing activities for the year ended June 30, 2011 and the eight months ended June 30, 2010 consist primarily of purchases of equipment.

Cash Flows from Financing Activities

Net cash provided by financing activities for the year ended June 30, 2011 and the eight months ended June 30, 2011 was approximately $930,000 and $560,000, respectively.

During the year ended June 30, 2011, we received $930,000 from the issuance of notes payable to a shareholder, and we received $400 from the collection of a note receivable from a shareholder. During the eight month period ended June 30, 2010, we received $460,000 from the issuance of 4,000,000 shares of our common stock, and we received $100,000 from the issuance of a note payable to a shareholder.

Future Liquidity Needs

We have evaluated our expected cash requirements over the next twelve months, which includes, but is not limited to, investments in additional sales and marketing and product development resources, capital expenditures, and working capital requirements.

We expect to require additional financing in the future. The timing of our need for additional capital will depend in part on our future operating performance in terms of revenue growth and the level of operating expenses maintained.

One of our shareholders has agreed to support our capital requirements through loan agreements. In October 2011, we entered into a revolving promissory note agreement with this shareholder for $1,000,000. The revolving promissory note bears interest at 8%, is due September 30, 2013, as amended, and is secured by substantially all of our assets. As of June 14, 2012, $400,000 is available under this revolving promissory note. We believe our cash, accounts receivables, and the $1,000,000 commitment from Baytree Capital, its designees or assignees, and our revolving promissory note are adequate to satisfy our working capital needs and sustain our ongoing operations for at least the next twelve months.

However, there is no guarantee we will be able to obtain additional funds in the future or that funds will be available on terms acceptable to us. If such funds are not available, management will be required to curtail its investments in additional sales and marketing and product development resources, and capital expenditures, which may have an adverse effect on our future cash flows and results of operations, and our ability to fund operations.

To the extent that we raise additional funds by issuing equity or debt securities, our shareholders may experience additional significant dilution and such financing may involve restrictive covenants. To the extent that we raise additional funds through collaboration and licensing arrangements, it may be necessary to relinquish some rights to our technologies or our product candidates, or grant licenses on terms that may not be favorable to us. Such actions may have a material adverse effect on our business.

Additionally, recent global market and economic conditions have been unprecedented and challenging with tighter credit conditions and recession in most major economies. As a result of these market conditions, the cost and availability of credit has been and may continue to be adversely affected by illiquid credit markets and wider credit spreads. Concern about the stability of the markets generally and the strength of counterparties specifically has led many lenders and institutional investors to reduce, and in some cases, cease to provide credit to businesses and consumers. These factors have led to a decrease in spending by businesses and consumers alike, and a corresponding decrease in global infrastructure spending. Continued turbulence in the U.S. and international markets and economies and prolonged declines in business and consumer spending may adversely affect our liquidity and financial condition, including our ability to access the capital markets to meet liquidity needs.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Recent Accounting Pronouncements

Refer to Note 3, "Summary of Significant Accounting Polices," in the accompanying notes to the financial statements for a discussion of recent accounting pronouncements.

DIRECTORS AND EXECUTIVE OFFICERS

Identification of Directors, Executive Officers and Significant Employees

The following table and text set forth the names and ages of Flux Power's directors, executive officers and significant employees as of the date of this report. Flux Power's Board of Directors is comprised of only one class. All of the directors will serve until the next annual meeting of stockholders and until their successors are elected and qualified, or until their earlier death, retirement, resignation or removal. There are no family relationships among any of the directors and executive officers.

Name	Age	Position
Chris Anthony	35	Chairman and Chief Executive Officer
Steve Jackson[1]	48	Chief Financial Officer and Chief Operating Officer
Michael Johnson	60	Director
James Gevarges	46	Director

[1]Steve Jackson has signed an employee agreement to be the Chief Financial Officer and the Chief Operating Officer as of January 2, 2012. In connection with Mr. Jackson's services to our Company, on January 25, 2012, Mr. Jackson was granted options to purchase 300,000 shares of common stock, none of which are vested.

There are no arrangements or understandings between our directors and executive officers and any other person pursuant to which any director or officer was or is to be selected as a director or officer.

Business Experience

Chris Anthony, Chief Executive Officer, and Director. Mr. Anthony has been Chairman and Chief Executive Officer of Flux Power since it was incorporated. Since November 2010, Mr. Anthony has also served as an R&D Advisor to Epic Boats, LLC, which he founded in 2002 and where he served as Chief Executive Officer until October 2010. From 2005 to 2009 Mr. Anthony served as the Chief Operating Officer of Aptera Motors, Inc. ("Aptera Motors") and was a Director of that company from 2005 to 2010. Mr. Anthony is an expert in energy storage, electric propulsion systems, and advanced composite manufacturing processes. He has significant experience building advanced products in the marine and commuter vehicle industries. Mr. Anthony has a Bachelor's of Science degree in finance from the Cameron School of Business.

Steve Jackson, Chief Financial Officer and Chief Operating Officer. Mr. Jackson has been providing services to Flux Power since November 2011 and joined the Company as a full time employee in January 2012. Prior to joining Flux Power, Mr. Jackson served as the Chief Financial Officer and Chief Operating Officer for Verdezyne Inc, an alternative energy bio-fuel company from 2008 to 2011. Mr. Jackson is a Certified Public Accountant and has more than 20 years finance and operations experience, including 7 years at SAIC where he held several significant financial management positions, and 3 years at PriceWaterhouse LLP. He received his Bachelor of Business Administration degree in Accounting from the University of Texas at Austin and a Master of Science degree in Accountancy from San Diego State University.

Michael Johnson, Director. Mr. Johnson has been a director of Flux Power since it was incorporated. Mr. Johnson has been a director and the Chief Executive Officer of Esenjay Petroleum Corporation in Corpus Christi, Texas since 2002. He is an industry expert in the natural gas exploration industry and brings a wealth of management and successful company building experience to the board. Mr. Johnson currently serves on the Board of Directors at Aptera Motors. Mr. Johnson received a BS degree in mechanical engineering from the University of Southwestern Louisiana in 1971.

James Gevarges, Director. Mr. Gevarges has been a director of Flux Power since it was incorporated. Mr. Gevarges is the Chief Executive Officer, and a Director of Current Ways, Inc., a company he founded in 2010. Since 1991 James has also been a Director and the Chief Executive Officer of LHV Power Corporation (formerly known as HiTek Power, Corp) located in Santee, California. Mr. Gevarges is a power supply industry expert and brings an enormous amount of manufacturing and successful company management experience to the Company. Mr. Gevarges has a Bachelor's of Science degree in electrical engineering from Louisiana State University.

Involvement in Certain Legal Proceedings

To the best of our knowledge, during the past ten years, none of our directors or executive officers were involved in any of the following: (1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (2) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses); (3) being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; and (4) being found by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or the Commodities Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.

Audit Committee

We have not adopted an audit committee charter. Our Board of Directors will serve the function of the audit committee. The Board of Directors intends to establish an audit committee in the future.

Compensation Committee and Governance and Nomination Committee

We have not adopted a compensation committee and governance committee charters. The Board of Directors currently serves these functions. The Board of Directors will consider establishing a compensation committee and governance committee in the future.

Code of Conduct and Ethics

We have not adopted a Code of Conduct for our CEO and Senior Executive Officers.

Indemnification Agreements

On June 14, 2012, in connection with the appointment of Mr. Chris Anthony as a director, Chief Executive Officer and President, and Mr. Steve Jackson as our Chief Financial Officer, and Mr. Craig Miller as our Secretary, we executed a standard form of indemnification agreement ("Indemnification Agreement") with each of them (each, an "Indemnitee").

Pursuant to and subject to the terms, conditions and limitations set forth in the Indemnification Agreement, we agreed to indemnify each Indemnitee, against any and all expenses incurred in connection with the Indemnitee's service as our officer, director and or agent, or is or was serving at our request as a director, officer, employee, agent or advisor of another corporation, partnership, joint venture, trust, limited liability company, or other entity or enterprise but only if the Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to our best interest, and in the case of a criminal proceeding, had no reasonable cause to believe that his conduct was unlawful. In addition, the indemnification provided in the indemnification agreement is applicable whether or not negligence or gross negligence of the Indemnitee is alleged or proven. Additionally, the Indemnification Agreement establishes processes and procedures for indemnification claims, advancement of expenses and costs and contribution obligations.

We intend to enter into such Indemnification Agreements with Messrs. Johnson and Mr. Gevarges upon the effectiveness of their respective appointment as our directors.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth the information, on an accrual basis, with respect to the compensation of Flux Power's principal executive officers for the fiscal year ended June 30, 2011 and for the eight months ended June 30, 2010. No other employee made over $100,000 for the year ended June 30, 2011.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)	Non- Qualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
Chris Anthony Chairman and CEO	2011	$ 60,000							$ 60,000
	2010	$ 60,000	-	-	-	-	-	-	$ 60,000
Joseph Gottlieb (2) Chief Technology Officer	2011	$ 172,918			26,500(2)			75,000(2)	$ 274,418
	2010	$ 150,000	-	-	-	-	-	-	$ 150,000
Jason Touhy(3) Chief Operations Officer	2011	$			10,000(3)			69,000(3)	$ 79,000
	2010	$ 97,500	-	-	-	-	-		$ 97,500

(1) Reflects the grant date fair value of the awards calculated in accordance with FASB ASC Topic 718 – Stock Compensation.
(2) Mr. Gottlieb resigned as Chief Technology Officer on July 31, 2011 and was paid a severance of $75,000. On December 3, 2010 Mr. Gottlieb was granted fully vested options to purchase 265,000 shares of our common stock at $0.13 per share. The options expire on January 27, 2013. The fair value of the option award is $26,500.
(3) Mr. Touhy resigned as Chief Operations Officer on December 31, 2010 and was paid a severance of $69,000. On December 2, 2010, Mr. Touhy was granted options to purchase 100,000 shares of our common stock at $0.13 per share. All of the options became exercisable on December 3, 2010. The options expired on February 29, 2012. The fair value of the option award is $10,000.

Benefit Plans

Flux Power does not have any profit sharing plan or similar plans for the benefit of our officers, directors or employees. However, we may establish such plan in the future.

Stock Option Plan

Flux Power has adopted a 2010 Stock Option Plan ("Option Plan") that reserves 2,000,000 shares of our common stock for issuance upon exercise of options. As of June 30, 2011, the number of shares of common stock outstanding under the Option Plan was 710,000 and as of the Effective Date of the Reverse Acquisition, the number of shares of common stock outstanding under the Option Plan was 1,535,500. As part of the Reverse Acquisition, we adopted the Option Plan and all 1,535,500 stock options of Flux Power outstanding as of the Effective Date, whether or not exercised and whether or not vested, will be substituted by us with 4,536,948 new options based on a ratio of 2.9547039 ("Share Exchange Ratio") in a manner that complies with Sections 424(a) and 409A of the Internal Revenue Code. The new options substituted by us shall continue to have, and be subject to, the substantially the same terms and conditions as before, but will be convertible into shares of our common stock, as adjusted given effect to the Share Exchange Ratio.

Outstanding Equity Awards

The following table sets forth certain information concerning Flux Power's unexercised options, stock that has not vested, and equity incentive plan awards outstanding as of June 30, 2011 for the named executive officers below:

	Option Awards(1)					Stock Awards			
Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Joseph Gottlieb(2)	265,000	0	0	$ $0.13	1/27/2013	–	–	–	–
Jason Touhy(3)	100,000[5]	0	0	$0.13	2/29/2012	-	-	-	-

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(1) The options have not been adjusted based on the Share Exchange Ratio.
(2) Mr. Gottlieb resigned on July 31, 2011.
(3) Mr. Touhy resigned on December 31, 2010 and his options were forfeited on February 29, 2012.

Compensation of Non-Executive Directors

As of June 30, 2011, no equity awards were issued to any non-executive directors by Flux Power.

Aggregated Option/SAR exercised and Fiscal year-end Option/SAR value table

Neither the executive officers of Flux Power nor the other individuals listed in the tables above, exercised options or SARs during the last fiscal year.

Long-term incentive plans

No Long Term Incentive awards were granted by Flux Power in the last fiscal year.

Employment contracts and termination of employment and change-in-control arrangements

Flux Power has entered into an employment agreement, as amended, with its Chief Executive Officer, Chris Anthony. Pursuant to the terms of his employment agreement, Mr. Anthony is an "at-will" employee. Mr. Anthony is paid an annual salary of $168,000. Further, Mr. Anthony is entitled to a $10,000 end of fiscal year bonus for every $10,000,000 in sales with at least a 10% gross margin and a 20% salary bonus for every $20,000,000 in sales with at least a 10% gross margin.

Flux Power has entered into an employment agreement with our Chief Financial Officer and Chief Operating Officer Steve Jackson. Pursuant to the terms of his employment agreement, Mr. Jackson is an "at-will" employee. Mr. Jackson is currently paid an annual salary of $142,000. Moreover, after reaching the booking/sales milestones listed below, Mr. Jackson will be entitled to quarterly compensation adjustments, both up and down, based on the previous quarter's sales as follows:

Quarterly Sales Milestones	Annualized Compensation
$3,000,000	$164,500
$5,000,000	$188,000
$10,000,000	$211,500
$15,000,000	$235,000

Employment contracts and termination of employment and change-in-control arrangements

Flux Power has entered into an employment agreement with Chris Anthony that states that in the event Mr. Anthony is terminated for any reason other than criminal activity, Flux Power agrees to provide Mr. Anthony with a severance payout equal to six (6) months of employment.

Flux Power has entered into an employment agreement with Steve Jackson that states that in the event Mr. Jackson is terminated after the Probation Period for any reason other than for cause, Flux Power agrees to provide Mr. Jackson with a severance payout equal to six (6) months of employment.

The only officer or employee who has contractual rights triggered by a change in control of the company is Mr. Jackson. Mr. Jackson's stock option agreement states that in the event of a change in control, after the effective date of the agreement, any and all unvested stock options held by Mr. Jackson shall become 100% vested and exercisable.

Compensation Committee Interlocks and Insider Participation

We have not established a Compensation Committee and our Board of Directors will serve this function.

Director Independence

We currently do not have any independent directors as the term "independent" is defined by the rules of the Nasdaq Stock Market.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

As used in this section, the term beneficial ownership with respect to a security is defined by Rule 13d-3 under the Securities Exchange Act of 1934, as amended, as consisting of sole or shared voting power (including the power to vote or direct the vote) and/or sole or shared investment power (including the power to dispose of or direct the disposition of) with respect to the security through any contract, arrangement, understanding, relationship or otherwise, subject to community property laws where applicable. As of June 14, 2012 (post Reverse Acquisition), we had a total of 41,258,185 shares of common stock outstanding.

The following table sets forth, as of June 14, 2012 (post Reverse Acquisition): (a) the names and addresses of each beneficial owner of more than five percent of our common stock known to us, the number of shares of common stock beneficially owned by each such person, and the percent of our common stock so owned; and (b) the names and addresses of each director and executive officer, the number of shares our common stock beneficially owned, and the percentage of our common stock so owned, by each such person, and by all of our directors and executive officers as a group. Unless otherwise indicated, the business address of each of our directors and executive officers is c/o Flux Power, Inc., 2240 Auto Park Way, Escondido, California 92029. Each person has sole voting and investment power with respect to the shares of our common stock, except as otherwise indicated. Beneficial ownership consists of a direct interest in the shares of common stock, except as otherwise indicated.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership[1]	Percentage of Ownership
Directors and Named Executive Officers		
Chris Anthony, Director and Executive Officer	11,929,697[2]	28.8%
Steve Jackson, Chief Financial Officer	-	-
Gianluca Cicogna Mozzoni, Director[5]	-	-
Michael Johnson[5]	20,097,171[3]	48.6%
James Gevarges[5]	6,204,878[4]	15.0%
All Officers & Directors as a Group (4 people)	38,231,746	92.4%
5% Beneficial Owners		
Baytree Capital Associates, LLC [6] 40 Wall Street, 58th Floor New York, New York 1000	4,122,777[5]	9.5%

(1) As used in this section, the term beneficial ownership with respect to a security is defined by Rule 13d-3 under the Securities Exchange Act of 1934, as amended, as consisting of sole or shared voting power (including the power to vote or direct the vote) and/or sole or shared investment power (including the power to dispose of or direct the disposition of) with respect to the security through any contract, arrangement, understanding, relationship or otherwise, subject to community property laws where applicable. Accordingly, shares of common stock which an individual or group has a right to acquire within 60 days pursuant to the exercise of options or warrants are deemed to be outstanding for the purpose of computing the percentage ownership of such individual or group, but are not deemed to be beneficially owned and outstanding for the purpose of computing the percentage ownership of any other person shown in the table.

(2) Includes 110,881 stock options, all of which are vested. The options have been adjusted given effect to the Share Exchange Ratio.

(3) Includes shares held by Esenjay Investments, LLC, a Texas limited liability company of which Mr. Johnson is the sole director and beneficial owner. Includes 110,881 stock options, all of which are vested. The options have been adjusted given effect to the Share Exchange Ratio.

(4) Includes 110,881 stock options, all of which are vested. The options have been adjusted given effect to the Share Exchange Ratio.

(5) Upon the closing of the Reverse Acquisition, Mr. Gianluca Cicogna Mozzoni submitted a resignation letter pursuant to which he resigned from all offices that he held effective immediately; and from his position as our director that will become effective on the tenth day following the mailing by us of an information statement to our stockholders that complies with the requirements of Section 14(f) of the Exchange Act. In addition, Messrs. Michael Johnson and James Gevarges were appointed to our Board, effective upon compliance with Section 14(f) of the Exchange Act.

(6) Includes 1,837,777 shares of common stock underlying warrants for a term of 5 years and at an exercise price of $0.41 per share of common stock for financial advisory services.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Transactions with Related Persons

In connection with the Reverse Acquisition, Mr. Anthony, our President, Chief Executive Officer, and director, Mr. Gevarges, our director, and Esenjay Investments, LLC, an entity which our director, Michael Johnson, is a director, severally agreed not to offer, sell, assign, transfer, pledge, contract to sell, or otherwise dispose of any shares of our common stock or securities convertible into or exercisable or exchangeable into our common stock beneficially owned by such shareholder, for a period of eighteen (18) months from the closing date of the Reverse Acquisition, except during the period after the first anniversary of the closing date and a period of six (6) months thereafter, in such an amount which constitutes less than three percent (3%) in the aggregate of such shareholder's beneficial ownership of our common stock per month.

On June 14, 2012, we entered into an Advisory Agreement with Baytree Capital Associates, LLP, our affiliate which owns 2,285,000 shares of our common stock ("Baytree Capital") pursuant to which Baytree Capital will provide us with business and consulting services for 24 months in exchange for 100,000 restricted shares of our newly issued common stock at the commencement of each six month period in return for its services, which shares will have piggy-back registration rights, and a warrant to purchase 1,837,777 restricted shares of our common stock for a period of 5 years at an exercise price of $.41 per share.

On May 25, 2010, Flux Power entered into a $400,000 Revolving Promissory Note for Inventory Funding (the "Inventory Funding Note") with our shareholder Esenjay Investments, LLC ("Esenjay"), which matured in May 2012. Esenjay is owned by Mr. Michael Johnson who sits on Flux Power's Board of Directors. The Inventory Funding Note bore interest 8% per annum and provides for advances to be used for inventory purchases. In August 2011, Flux Power amended the Inventory Funding Note so that it may be converted into Flux Power's shares of common stock at a conversion price to be determined at our next round of financing. The Inventory Funding Note is secured by Flux Power's general assets.

On May 25, 2010, Flux Power entered into a $1,000,000 Revolving Promissory Note for Operating Capital (the "Operating Capital Note") with Esenjay. The Operating Capital Note matures as of the closing of our next round of financing but no later than May 30, 2012. The Operating Capital Note bore interest at 8% and provides for advances for operating expenses. In August 2011, Flux Power amended the Operating Capital Note so that it may be converted into Flux Power's shares of common stock at a conversion price to be determined at its next round of financing. The Operating Capital Note is secured by Flux Power's general assets.

On September 27, 2011, Flux Power entered into a $150,000 Bridge Loan Promissory Note (the "Bridge Note") with Esenjay. The Bridge Note matured on May 30, 2012. The Bridge Note does not bear interest and provides that the principal amount may be converted into Flux Power's shares of common stock at a conversion price to be determined at its next round of financing. On November 15, 2011, Flux Power amended the Bridge Note to include a stated annual interest rate of 8%.

On December 15, 2011, Esenjay agreed to convert the Inventory Funding Note, Operating Capital Note and the Bridge Note and the accrued interest in the aggregate amount of $1,264,228 for 1,264,228 shares of Flux Power's common stock. Accordingly, the Inventory Funding Note, Operating Capital Note and the Bridge Note are no longer outstanding.

On October 1, 2011, Flux Power entered into a $1,000,000 Secondary Revolving Promissory Note for Operating Capital (the "Secondary Operating Capital Note") with Esenjay. The Secondary Operating Capital Note matures on September 30, 2013. The Secondary Operating Capital Note bears interest at 8% and provides for advances for operating expenses. As of March 31, 2012, Flux Power has drawn down $500,000 on the Secondary Revolving Promissory Note and $500,000 is available. As of June 14, 2012, Flux Power has drawn down $600,000 on the Secondary Revolving Promissory Note and $400,000 is available.

Om March 7, 2012, Flux Power entered into a $250,000 Bridge Loan ("Secondary Bridge Note") with Esenjay. The Secondary Bridge Note matures on March 7, 2014. The Secondary Bridge Note bears interest at 8%.

During 2009, the Flux Power entered into a cancelable Term Sheet agreement (the "Term Sheet Agreement") with a company owned by one of its major shareholders. Pursuant to the Term Sheet Agreement, Flux Power was appointed as a distributor of this company's battery charging products allowing Flux Power to sell the products either separately or as part of an energy storage solution. Additionally, Flux Power was required to develop software to enable communication between the parties' respective products which entitles Flux Power to royalties for any such units sold by the related entity. During the term of the Term Sheet Agreement Flux Power may purchase the products at the then current price list for distributors. Further, under the terms of the Term Sheet Agreement, if the company sells its products to a different distributor Flux Power is entitled to a distribution fee equal to 20% of the company's gross profits on such sale. This distribution fee and royalties are capped at a total of $200,000. The products defined in the term sheet were assigned to a different company that is owned by the same major shareholder, on September 1, 2010. The Term Sheet Agreement expired pursuant to its terms on April 1, 2011. During the nine month periods ended March 31, 2012 and 2011, Flux Power purchased approximately $52,000 and $35,000 of prototype products that are not subject to the distribution fee or royalties pursuant to the Term Sheet Agreement. During 2010, Flux Power entered into a cancelable Manufacturing Implementation Agreement (the "Manufacturing Agreement") with the same company. Pursuant to the terms of the Manufacturing Agreement, this company has been granted a right of first refusal to manufacture Flux Power's battery management system. The Manufacturing Agreement expires on August 1, 2014. During the nine month periods ended March 31, 2012 and 2011, Flux Power paid approximately $258,000 and $130,000, respectively, to this company pursuant to the Manufacturing Agreement.

On July 1, 2011, Flux Power entered into a Sublease Agreement with Epic Boats, LLC ("Epic Boats"). Chris Anthony, our Chief Executive Officer is also an R&D advisor to, and 35% owner of, Epic Boats. Pursuant to the Terms of the Sublease Agreement, Epic Boats has subleased approximately 7,200 square feet of Flux Power's office space for a monthly payment of $6,640. The Sublease Agreement was terminated January 1, 2012. During the nine month periods ended March 31, 2012 and 2011, Epic Boats reimbursed $53,000 and $7,000, respectively, to Flux Power under this Sublease Agreement.

On October 21, 2009, Flux Power entered into an agreement with Epic Boats, LLC where Epic Boats assigned and transferred to Flux Power the entire right, title, and interest into products, technology, intellectual property, inventions and all improvements thereof, as defined in the table below. As of this date, Flux Power began selling products to Epic under Flux Power's standard terms and conditions and has continued to sell products to Epic Boats as a customer. During the nine month periods ended March 31, 2012 and 2011, Flux Power sold approximately $335,000 and $149,000, respectively, of product to Epic Boats. The customer deposits balance received from Epic Boats at March 31, 2012 and June 30, 2011, is approximately $996,000 and $367,000, respectively. There were no receivables outstanding from Epic Boats as of March 31, 2012. As of June 30, 2011, receivables of $29,000 were outstanding from Epic Boats.

During the nine month periods ended March 31, 2012 and 2011, the Company sold approximately $1,000 and $29,000, respectively, of product to a company owned by another one of the Company's major shareholders who is the Company's former Chief Technology Officer. There were no receivables outstanding from this customer as of March 31, 2012 and June 30, 2011. As of March 31, 2012 this shareholder sold his shares and was no longer a shareholder of the Company.

Promoters and Certain Control Persons

The Reverse Acquisition resulted in a change of control by issuance of our securities to the following entities and individuals:

- ***Chris Anthony***. Mr. Anthony, our Chairman, Chief Executive Officer, and President, is one of our major shareholders which beneficially owns approximately 29% of our common stock on the completion of the share exchange.

- ***Esenjay Investments, LLC.*** Esenjay Investment, LLC is one of our major shareholders which beneficially owns approximately 49% of our common stock on the completion of the share exchange. Mr. Michael Johnson, our director, is the director and shareholder of this entity.

- ***James Gevarges***. Mr. Gevarges, our director, is one of our major shareholders who beneficially owns approximately 15% of our common stock on the completion of the share exchange.

In connection with the Reverse Acquisition, Messrs. Anthony and Gevarges and Esenjay Investments LLC each agreed not to offer, sell, assign, transfer, pledge, contract to sell, or otherwise dispose of any shares of our common stock or securities convertible into or exercisable or exchangeable into our common stock beneficially owned by such shareholder, for a period of eighteen (18) months from the closing date of the Reverse Acquisition, except during the period after the first anniversary of the closing date and a period of six (6) months thereafter, in such an amount which constitutes less than three percent (3%) in the aggregate of such shareholder's beneficial ownership of our common stock per month.

Director Independence

We currently do not have any independent directors as the term "independent" is defined by the rules of the Nasdaq Stock Market.

MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

Our common stock started quotation on the OTCQB under the stock symbol "LNPI." On June 11, 2012, our symbol was changed to "FLUX." The following table sets forth the range of the closing bid prices for our common stock for the period January 1, 2010 through March 31, 2012, for each of the quarters ended on the date set forth below. Such prices represent inter-dealer quotations, do not represent actual transactions, and do not include retail mark-ups, mark-downs or commissions. Such prices were determined from information provided by a majority of the market makers for our common stock.

2012	High Close	Low Close
Quarter ended March 31, 2012	$ 0.29	$0.29
2011		
Quarter ended December 31, 2011	$ 0.29	$ $0.29
Quarter ended September 30, 2011	$ 0.29	$ $0.29
Quarter ended June 30, 2011	$ 0.29	$ $0.29
Quarter ended March 31, 2011	$ 0.29	$ $0.29
2010		
Quarter ended December 31, 2010	$ 0.25	$ 0.25
Quarter ended September 30, 2010	$ 0.25	$ 0.25
Quarter ended June 30, 2010	$ 0.25	$ 0.25
Quarter ended March 31, 2010	$ 0.25	$ 0.25

Shareholders

The approximate number of record holders of our common stock as of May 29, 2012 was 1,314.

Dividend Policy

We presently do not expect to declare or pay such dividends in the foreseeable future and expect to reinvest all undistributed earnings to expand our operations, which the management believes would be of the most benefit to our shareholders. The declaration of dividends, if any, will be subject to the discretion of our Board of Directors, which may consider such factors as our results of operations, financial condition, capital needs and acquisition strategy, among others.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides aggregate information as of June 30, 2011 with respect to all compensation plans (including individual compensation arrangements) under which equity securities are authorized for issuance.

Plan Category	A Number of securities to be issued upon exercise of outstanding options, and warrants	B Weighted-average exercise price of outstanding options, and warrants	C Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column A)
Equity compensation plans approved by security holders(1)	710,000	$ 0.13	0
Equity compensation plans not approved by security holders	0	$ 0	0
Total	710,000	$ 0.13	0

(1) The options have not been adjusted based on the Share Exchange Ratio. In addition, as part of the Reverse Acquisition, we have adopted a Stock Option Plan ("Option Plan") in accordance with Sections 424(a) and 409A of the Internal Revenue Code. However, we will not be able to grant additional options under the Option Plan.

DESCRIPTION OF SECURITIES

Common Stock

We are authorized to issue up to 145,000,000 shares of common stock, par value $0.001 per share. Each outstanding share of common stock entitles the holder thereof to one vote per share on all matters. Our bylaws provide that any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors.

The holders of shares of our common stock are entitled to dividends out of funds legally available when and as declared by our Board of Directors. Our Board of Directors has never declared a dividend and does not anticipate declaring a dividend in the foreseeable future. Should we decide in the future to pay dividends, as a holding company, our ability to do so and meet other obligations depends upon the receipt of dividends or other payments from our operating subsidiary and other holdings and investments. In the event of our liquidation, dissolution or winding up, holders of our common stock are entitled to receive, ratably, the net assets available to stockholders after payment of all creditors.

All of the issued and outstanding shares of our common stock are duly authorized, validly issued, fully paid and non-assessable. To the extent that additional shares of our common stock are issued, the relative interests of existing stockholders will be diluted.

Preferred Stock

We may issue up to 5,000,000 shares of preferred stock, par value of $0.001 in one or more classes or series within a class pursuant to our Articles of Incorporation. There are currently no shares of preferred stock issued and outstanding.

Anti-takeover Effects of Our Articles of Incorporation and By-laws

Our Articles of Incorporation and bylaws contain certain provisions that may have anti-takeover effects, making it more difficult for or preventing a third party from acquiring control of the Company or changing its Board of Directors and management. According to our bylaws and Articles of Incorporation, neither the holders of the Company's common stock nor the holders of the Company's preferred stock have cumulative voting rights in the election of our directors. The combination of the present ownership by a few stockholders of a significant portion of the Company's issued and outstanding common stock and lack of cumulative voting makes it more difficult for other stockholders to replace the Company's Board of Directors or for a third party to obtain control of the Company by replacing its Board of Directors.

Anti-takeover Effects of Nevada Law

Business Combinations

The "business combination" provisions of Sections 78.411 to 78.444, inclusive, of the Nevada Revised Statutes, or NRS, prohibit a Nevada corporation with at least 200 stockholders from engaging in various "combination" transactions with any interested stockholder: for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the transaction is approved by the Board of Directors prior to the date the interested stockholder obtained such status; or after the expiration of the three-year period, unless:

- the transaction is approved by the Board of Directors or a majority of the voting power held by disinterested stockholders, or
- if the consideration to be paid by the interested stockholder is at least equal to the highest of: (a) the highest price per share paid by the interested stockholder within the three years immediately preceding the date of the announcement of the combination or in the transaction in which it became an interested stockholder, whichever is higher, (b) the market value per share of common stock on the date of announcement of the combination and the date the interested stockholder acquired the shares, whichever is higher, or (c) for holders of preferred stock, the highest liquidation value of the preferred stock, if it is higher.

A "combination" is defined to include mergers or consolidations or any sale, lease exchange, mortgage, pledge, transfer or other disposition, in one transaction or a series of transactions, with an "interested stockholder" having: (a) an aggregate market value equal to 5% or more of the aggregate market value of the assets of the corporation, (b) an aggregate market value equal to 5% or more of the aggregate market value of all outstanding shares of the corporation, or (c) 10% or more of the earning power or net income of the corporation.

In general, an "interested stockholder" is a person who, together with affiliates and associates, owns (or within three years, did own) 10% or more of a corporation's voting stock. The statute could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire our company even though such a transaction may offer our stockholders the opportunity to sell their stock at a price above the prevailing market price.

Our Articles of Incorporation state that we have elected not to be governed by the "business combination" provisions, therefore such provisions currently do not apply to us.

Control Share Acquisitions

The "control share" provisions of Sections 78.378 to 78.3793, inclusive, of the NRS, which apply only to Nevada corporations with at least 200 stockholders, including at least 100 stockholders of record who are Nevada residents, and which conduct business directly or indirectly in Nevada, prohibit an acquirer, under certain circumstances, from voting its shares of a target corporation's stock after crossing certain ownership threshold percentages, unless the acquirer obtains approval of the target corporation's disinterested stockholders. The statute specifies three thresholds: one-fifth or more but less than one-third, one-third but less than a majority, and a majority or more, of the outstanding voting power. Once an acquirer crosses one of the above thresholds, those shares in an offer or acquisition and acquired within 90 days thereof become "control shares" and such control shares are deprived of the right to vote until disinterested stockholders restore the right. These provisions also provide that if control shares are accorded full voting rights and the acquiring person has acquired a majority or more of all voting power, all other stockholders who do not vote in favor of authorizing voting rights to the control shares are entitled to demand payment for the fair value of their shares in accordance with statutory procedures established for dissenters' rights.

Our Articles of Incorporation state that we have elected not to be governed by the "control share" provisions, therefore, they currently do not apply to us.

Transfer Agent and Registrar

Our independent stock transfer agent is Interwest Transfer Company, Inc. located at 1981 Murray Holladay Road, Suite 100 and telephone number (801) 272-9294.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Nevada Law

Section 78.138 of the NRS provides that a director or officer will not be individually liable unless it is proven that (i) the director's or officer's acts or omissions constituted a breach of his or her fiduciary duties, and (ii) such breach involved intentional misconduct, fraud or a knowing violation of the law.

Section 78.7502 of NRS permits a company to indemnify its directors and officers against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with a threatened, pending or completed action, suit or proceeding if the officer or director (i) is not liable pursuant to NRS 78.138 or (ii) acted in good faith and in a manner the officer or director reasonably believed to be in or not opposed to the best interests of the corporation and, if a criminal action or proceeding, had no reasonable cause to believe the conduct of the officer or director was unlawful.

Section 78.751 of NRS permits a Nevada company to indemnify its officers and directors against expenses incurred by them in defending a civil or criminal action, suit or proceeding as they are incurred and in advance of final disposition thereof, upon receipt of an undertaking by or on behalf of the officer or director to repay the amount if it is ultimately determined by a court of competent jurisdiction that such officer or director is not entitled to be indemnified by the company. Section 78.751 of NRS further permits the company to grant its directors and officers additional rights of indemnification under its Articles of Incorporation or bylaws or otherwise.

Section 78.752 of NRS provides that a Nevada company may purchase and maintain insurance or make other financial arrangements on behalf of any person who is or was a director, officer, employee or agent of the company, or is or was serving at the request of the company as a director, officer, employee or agent of another company, partnership, joint venture, trust or other enterprise, for any liability asserted against him and liability and expenses incurred by him in his capacity as a director, officer, employee or agent, or arising out of his status as such, whether or not the company has the authority to indemnify him against such liability and expenses.

Charter Provisions and Other Arrangements of the Registrant

Our Articles of Incorporation provide that no director or officer of the Company will be personally liable to the Company or any of its stockholders for damages for breach of fiduciary duty as a director or officer; provided, however, that the foregoing provision shall not eliminate or limit the liability of a director or officer (i) for acts or omissions which involve intentional misconduct, fraud or knowing violation of law, or (ii) the payment of dividends in violation of Section 78.300 of NRS. In addition, our bylaws implement the indemnification and insurance provisions permitted by Chapter 78 of the NRS by providing that:

The Company shall indemnify its directors to the fullest extent permitted by the NRS and may, if and to the extent authorized by the Board of Directors, so indemnify its officers and any other person whom it has the power to indemnify against liability, reasonable expense or other matter whatsoever.
The Company may at the discretion of the Board of Directors purchase and maintain insurance on behalf of any person who holds or who has held any position identified in the paragraph above against any and all liability incurred by such person in any such position or arising out of his status as such.

Insofar as indemnification by us for liabilities arising under the Securities Act of 1933 may be permitted to our directors, officers or persons controlling the company pursuant to provisions of our Articles of Incorporation and bylaws, or otherwise, we have been advised that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In the event that a claim for indemnification by such director, officer or controlling person of us in the successful defense of any action, suit or proceeding is asserted by such director, officer or controlling person in connection with the securities being offered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

At the present time, there is no pending litigation or proceeding involving a director, officer, employee or other agent of ours in which indemnification would be required or permitted. We are not aware of any threatened litigation or proceeding, which may result in a claim for such indemnification.

Indemnification Agreements

On June 14, 2012, in connection with the appointment of Mr. Chris Anthony as our director, Chief Executive Officer and President, and Mr. Steve Jackson as our Chief Financial Officer, and Mr. Craig Miller as our Secretary, we executed a standard form of indemnification agreement ("Indemnification Agreement") with each of them (the "Indemnitee").

Pursuant to and subject to the terms, conditions and limitations set forth in the Indemnification Agreement, we agreed to indemnify each Indemnitee, against any and all expenses incurred in connection with the Indemnitee's service as our officer, director and or agent, or is or was serving at our request as a director, officer, employee, agent or advisor of another corporation, partnership, joint venture, trust, limited liability company, or other entity or enterprise but only if the Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to our best interest, and in the case of a criminal proceeding, had no reasonable cause to believe that his conduct was unlawful. In addition, the indemnification provided in the indemnification agreement is applicable whether or not negligence or gross negligence of the Indemnitee is alleged or proven. Additionally, the Indemnification Agreement establishes processes and procedures for indemnification claims, advancement of expenses and costs and contribution obligations.

We intend to enter into such Indemnification Agreements with Messrs. Johnson and Mr. Gevarges upon the effectiveness of their respective appointment as our directors.

Item 4.01 Change in Registrant's Certifying Accountant

(a) ***Previous Independent Registered Public Accounting Firm***

On June 14, 2012, we dismissed Friedman LLP ("Friedman") as our independent registered public accounting firm.

Friedman's report on our consolidated balance sheets as of December 31, 2011 and 2010, and the related consolidated statements of operations and comprehensive income, stockholders' equity (deficit) and cash flows for the years then ended, did not contain an adverse opinion, or disclaimer of opinion, nor were they qualified or modified as to any uncertainty, audit scope or accounting principles, other than as to the substantial doubt of the Company's ability to continue as a going concern.

The decision to change our independent registered public accounting firm was made and approved by our Board of Directors on June 14, 2012. We do not have a separate audit committee.

During our most recent fiscal years ended December 31, 2011 and 2010, there have been no disagreements with Friedman on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement, if not resolved to the satisfaction of Friedman would have caused it to make reference to the subject matter of the disagreement(s) in connection with its report.

During our most recent fiscal years ended December 31, 2011 and 2010, Friedman did not advise us on any matter set forth in Item 304(a)(1)(v)(A) through (D) of Regulation S-K.

We have provided our former independent accountant, Friedman with a copy of the disclosures expressed herein and we have requested that Friedman furnish us with a letter addressed to the Securities and Exchange Commission stating whether or not it agrees with such statements. Friedman's response is attached as Exhibit 16.1.

(b) ***New Independent Registered Public Accounting Firm.***

On June 14, 2012, we engaged Mayer Hoffman McCann P.C. ("MHM") to serve as our independent registered public accounting firm. During our two most recent fiscal years ended June 30, 2011, and through its appointment on June 14, 2012, we did not consult with MHM regarding (i) the application of accounting principles to a specific transaction, either completed or contemplated, or the type of audit opinion that might be rendered on our financial statements, and no written report or oral advice was provided to us that was an important factor to be considered by us in reaching a decision as to an accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement (as that term is defined in Item 304(a)(1)(iv) of Regulation S-K) or a reportable event (as that term is defined in Item 304(a)(1)(v) of Regulation S-K).

Item 5.01 Changes in Control of Registrant

Reference is made to the disclosure set forth under Item 2.01 of this report, which disclosure is incorporated herein by reference.

Pursuant to the Exchange Agreement, as amended, we acquired 100% of the issued and outstanding capital stock of Flux Power in exchange for 37,714,514 shares of our common stock, which constitutes approximately 91% of our issued and outstanding common stock after the consummation of the Reverse Acquisition. As a result of the Reverse Acquisition, we have assumed the business and operations of Flux Power.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

Upon the closing of the reverse acquisition, Mr. Gianluca Cicogna Mozzoni, our Chief Executive Officer, President, Chief Financial Officer, Treasurer, Secretary and a director, submitted a resignation letter pursuant to which he resigned from all offices that he held effective immediately; and from his position as our director that will become effective on the tenth day following the mailing by us of an information statement to our stockholders that complies with the requirements of Section 14(f) of the Exchange Act. In addition, our Board of Directors on June 14, 2012, increased the size of our Board of Directors to three directors and appointed Mr. Chris Anthony (Chairman) to fill the vacancy created by the increase in board size, effective as of the date of the Closing of the reverse acquisition. In addition, Messrs. Michael Johnson and James Gevarges were appointed to fill the vacancies created upon the effective resignation of Mr. Mozzoni and the increase in the size of the board, with such appointments and resignation to be effective in compliance with Section 14(f) of the Exchange Act.

In addition, our Board of Directors appointed Mr. Anthony to serve as our chairman, Chief Executive Officer and President, and Steve Jackson as our Chief Financial Officer and Chief Operating Officer, effective immediately at the close of the Reverse Acquisition.

For certain biographical and other information regarding the newly appointed officers and directors, see the disclosure under Item 2.01 of this report, which disclosure is incorporated herein by reference.

Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year

Change in Fiscal Year

In connection with the Share Exchange with Flux Power, our Board of Directors, on June 14, 2012, approved a change of our fiscal year end to June 30, the fiscal year end of our operating company Flux Power. Starting with the periodic report for the quarter in which the Reverse Acquisition was completed, we will file annual and quarterly reports based on a June 30 fiscal year. Such financial statements will depict the operating results of the Company and the acquisition of Flux Power. In reliance on Section III F of the SEC's Division of Corporate Finance: Frequently Requested Accounting and Financial Reporting Interpretations and Guidance dated March 31, 2001, we do not intend to file a transition report but include in this Form 8-K audited financial statements of Flux Power for the year ended June 30, 2011.

Item 5.06 Change in Shell Company Status

Prior to the closing of the reverse acquisition, FPH, formerly Lone Pine, was a "shell company" as defined in Rule 12b-2 of the Exchange Act. As described in Item 2.01 above, which is incorporated by reference into this Item 5.06, FPH ceased being a shell company upon completion of the Reverse Acquisition on June 14, 2012.

Item 8.01 Other Events.

The information relating to the Private Placement under Item 2.01 is being provided pursuant to Rule 135c under the Securities Act.

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Business Acquired

Filed herewith are:

- Audited financial statements of Flux Power, Inc. as of and for the fiscal years ended June 30, 2011 and 2010 (the 2010 fiscal year covered a period of eight months).
- Unaudited condensed financial statements of Flux Power, Inc. as of March 31, 2012 and for the nine months ended March 31, 2012 and 2011.

(b) Pro Forma Financial Information

Filed herewith is unaudited pro forma combined financial information of FPH and its subsidiaries.

(d) Exhibits

Exhibit No.	Description
2.1	Securities Exchange Agreement dated May 18, 2012(1)
2.2	Amendment No. 1 to the Securities Exchange Agreement dated June 13, 2012*
3.1	Articles of Incorporation(2)
3.2	Certificate of Merger filed with the State of Nevada on May 23, 2012*
3.3	Certificate of Correction to Articles of Incorporation filed with the State of Nevada on June 14, 2012*
3.4	Amended and Restated Bylaws of Flux Power Holdings, Inc. (3)
10.1	Esenjay Secondary Revolving Promissory Note for Operating Capital dated October 1, 2011*
10.2	Esenjay Bridge Loan Promissory Note dated March 7, 2012*
10.3	Amended and Restated Terms of Employment with Chris Anthony with an effective date of January 1, 2010*
10.4	Terms of Employment with Steve Jackson dated January 12, 2012*
10.5	Flux Power, Inc. 2010 Stock Plan*
10.6	Flux Power, Inc. 2010 Stock Plan: Form of Stock Option Agreement*
10.7	LHV Power Corporation Term Sheet dated June 19, 2009*
10.8	LHV Manufacturing Implementation Agreement dated August 1, 2009*
10.9	GreenTech Automotive, Inc. Purchase Order Terms and Conditions*(4)
10.10	NACCO Materials Handling Group, Inc. Prototype Agreement dated February 6, 2012*(4)
10.11	Baytree Capital Advisory Agreement dated June 14, 2012*
10.12	Form of Indemnification Agreement*
16.1	Letter from Friedman LLP re: change in certifying accountant dated June 18, 2012*
21.1	Subsidiaries*
99.1	Audited financial statement of Flux Power, Inc. as of and for the fiscal years ended June 30, 2011 and 2010 (the 2010 fiscal year covered a period of eight months).
99.2	Unaudited condensed financial statements of Flux Power, Inc. as of March 31, 2012 and for the nine months ended March 31, 2012 and 2011
99.3	Unaudited Pro Forma Combined Financial Information of Flux Power Holdings, Inc. and its subsidiaries

* Filed herewith.
(1) Incorporated by reference to Form 8-K filed with the SEC on May 24, 2012
(2) Incorporated by reference to Form 10SB12G filed with the SEC on April 29, 1999.
(3) Incorporated by reference to Form 8-K filed with the SEC on May 31, 2012
(4) Application has been made to the SEC to seek confidential treatment of certain portions of Exhibits 10.9 and 10.10 under Rule 24b-2 of the Securities Exchange Act of 1934, as amended. Omitted material for which confidential treatment has been requested has been filed separately with the SEC.

SIGNATURE

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

Flux Power Holdings, Inc.,
A Nevada Corporation

Dated: June 18, 2012

/s/ Chris Anthony
Chris Anthony, President

Amendment No. 1 to the Securities Exchange Agreement

This Amendment No. 1 to the Securities Exchange Agreement ("Amendment") is entered into on June 14, 2012 by and among Flux Power Holdings, Inc., formerly Lone Pine Holdings, Inc., a Nevada corporation (the "Corporation"), Flux Power, Inc., a California corporation ("Flux Power") and its shareholders, Mr. Christopher Anthony, Esenjay Investments LLC, and Mr. James Gevarges (collectively the "Flux Shareholders"), pursuant to which the parties hereby agree to amend Section 2.3 of that certain Securities Exchange Agreement dated as of May 18, 2012 by and among the Corporation, Flux Power and the Flux Shareholders, to read in its entirety as follows:

"2.3 Closing. The closing (the "Closing" or the "Closing Date") of the transactions contemplated by this Agreement shall occur on June 14, 2012 upon the exchange of the Company Shares and the purchase of the Common Stock as described in Section 2.1 herein. Such Closing shall take place at a mutually agreeable time and place, and be conditioned upon all of the conditions of set forth in Articles 7 and 8 being met."

(Signature Page Follows)

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the day and year first above written.

FLUX POWER HOLDINGS, INC.

By: /s/ Gianluca Cicogna Mozzoni
Gianluca Cicogna Mozzoni,
President and Chief Executive Officer

FLUX POWER INC.

By: /s/ Chris Anthony
Chris Anthony,
President and Chief Executive Officer

COMPANY SHAREHOLDERS

/s/ Chris Anthony
Chris Anthony
4,000,000 Company Shares owned

Esenjay Investments, LLC,
a Texas limited liability company

/s/ Michael Johnson
Michael Johnson, Manager
6,764,228 Company Shares owned

/s/ James Gevarges
James Gevarges
2,000,000 Company Shares owned

STATE OF NEVADA

ROSS MILLER
Secretary of State

SCOTT W. ANDERSON
Deputy Secretary
for Commercial Recordings

OFFICE OF THE
SECRETARY OF STATE

Commercial Recordings Division
202 N. Carson Street
Carson City, NV 89701-4069
Telephone (775) 684-5708
Fax (775) 684-7138

ROCHELLE SYSUM
EASTBIZ.COM INC

Job:C20120523-2133
May 24, 2012

Special Handling Instructions:
MI EMAILED 05/24/12 NEH

Charges

Description	Document Number	Filing Date/Time	Qty	Price	Amount
Merge In	20120364047-29	5/23/2012 12:41:43 PM	1	$350.00	$350.00
24 Hour Expedite	20120364047-29	5/23/2012 12:41:43 PM	1	$125.00	$125.00
Merge Out	20120364047-29	5/23/2012 12:41:43 PM	1	$0.00	$0.00
Total					$475.00

Payments

Type	Description	Amount
Credit	82684S|12052442061706	$475.00
Total		$475.00

Credit Balance: $0.00

Job Contents:
File Stamped Copy(s): 1

ROCHELLE SYSUM
EASTBIZ.COM INC

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ROSS MILLER
Secretary of State
204 North Carson Street, Suite 1
Carson City, Nevada 89701-4520
(775) 684-5708
Website: www.nvsos.gov

Filed in the office of	Document Number
Ross Miller Secretary of State State of Nevada	20120364047-29
	Filing Date and Time 05/23/2012 12:41 PM
	Entity Number C22155-1998

Articles of Merger
(PURSUANT TO NRS 92A.200)
Page 1

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Articles of Merger
(Pursuant to NRS Chapter 92A)

1) Name and jurisdiction of organization of each constituent entity (NRS 92A.200):

☐ **If there are more than four merging entities, check box and attach an 8 1/2" x 11" blank sheet containing the required information for each additional entity from article one.**

Flux Power Holdings, Inc.
Name of **merging** entity

Nevada — Jurisdiction
Corporation — Entity type *

Name of **merging** entity

Jurisdiction
Corporation — Entity type *

Name of **merging** entity

Jurisdiction
Entity type *

Name of **merging** entity

Jurisdiction
Entity type *

and,

Lone Pine Holdings, Inc.
Name of **surviving** entity

Nevada — Jurisdiction
corporation — Entity type *

* Corporation, non-profit corporation, limited partnership, limited-liability company or business trust.

Filing Fee: $350.00

This form must be accompanied by appropriate fees.

ROSS MILLER
Secretary of State
204 North Carson Street, Suite 1
Carson City, Nevada 89701-4520
(775) 684-5708
Website: www.nvsos.gov

Articles of Merger

(PURSUANT TO NRS 92A.200)

Page 2

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2) **Forwarding address where copies of process may be sent by the Secretary of State of Nevada (If a foreign entity is the survivor in the merger - NRS 92A.190):**

Attn:

c/o:

3) **Choose one:**

☐ **The undersigned declares that a plan of merger has been adopted by each constituent entity (NRS 92A.200).**

☒ **The undersigned declares that a plan of merger has been adopted by the parent domestic entity (NRS 92A.180).**

4) **Owner's approval (NRS 92A.200) (options a, b or c must be used, as applicable, for each entity):**

☐ **If there are more than four merging entities, check box and attach an 8 1/2" x 11" blank sheet containing the required information for each additional entity from the appropriate section of article four.**

(a) Owner's approval was not required from

Flux Power Holdings, Inc.
Name of **merging** entity, if applicable

Name of **merging** entity, if applicable

Name of **merging** entity, if applicable

Name of **merging** entity, if applicable

and, or;

Lone Pine Holdings, Inc.
Name of **surviving** entity, if applicable

This form must be accompanied by appropriate fees.

ROSS MILLER
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Articles of Merger

(PURSUANT TO NRS 92A.200)

Page 3

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(b) The plan was approved by the required consent of the owners of *:

Name of **merging** entity, if applicable

Name of **merging** entity, if applicable

Name of **merging** entity, if applicable

Name of **merging** entity, if applicable

and, or;

Name of **surviving** entity, if applicable

* Unless otherwise provided in the certificate of trust or governing instrument of a business trust, a merger must be approved by all the trustees and beneficial owners of each business trust that is a constituent entity in the merger.

This form must be accompanied by appropriate fees.

ROSS MILLER
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Articles of Merger

(PURSUANT TO NRS 92A.200)

Page 4

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(c) Approval of plan of merger for Nevada non-profit corporation (NRS 92A.160):

The plan of merger has been approved by the directors of the corporation and by each public officer or other person whose approval of the plan of merger is required by the articles of incorporation of the domestic corporation.

Name of **merging** entity, if applicable

Name of **merging** entity, if applicable

Name of **merging** entity, if applicable

Name of **merging** entity, if applicable

and, or;

Name of **surviving** entity, if applicable

This form must be accompanied by appropriate fees.

ROSS MILLER
Secretary of State
204 North Carson Street, Suite 1
Carson City, Nevada 89701-4520
(775) 684-5708
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Articles of Merger

(PURSUANT TO NRS 92A.200)

Page 5

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5) Amendments, if any, to the articles or certificate of the surviving entity. Provide article numbers, if available. (NRS 92A.200)*:

Article I: Change name from Lone Pine Holdings, Inc. to Flux Power Holdings, Inc.

6) Location of Plan of Merger (check a or b):

☐ (a) The entire plan of merger is attached;

or,

☒ (b) The entire plan of merger is on file at the registered office of the surviving corporation, limited-liability company or business trust, or at the records office address if a limited partnership, or other place of business of the surviving entity (NRS 92A.200).

7) Effective date and time of filing: (optional) (must not be later than 90 days after the certificate is filed)

Date: **Time:**

* Amended and restated articles may be attached as an exhibit or integrated into the articles of merger. Please entitle them "Restated" or "Amended and Restated," accordingly. The form to accompany restated articles prescribed by the secretary of state must accompany the amended and/or restated articles. Pursuant to NRS 92A.180 (merger of subsidiary into parent - Nevada parent owning 90% or more of subsidiary), the articles of merger may not contain amendments to the constituent documents of the surviving entity except that the name of the surviving entity may be changed.

This form must be accompanied by appropriate fees.

ROSS MILLER
Secretary of State
204 North Carson Street, Suite 1
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Articles of Merger

(PURSUANT TO NRS 92A.200)

Page 6

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8) Signatures - Must be signed by: An officer of each Nevada corporation; All general partners of each Nevada limited partnership; All general partners of each Nevada limited-liability limited partnership; A manager of each Nevada limited-liability company with managers or one member if there are no managers; A trustee of each Nevada business trust (NRS 92A.230)*

☐ If there are more than four merging entities, check box and attach an 8 1/2" x 11" blank sheet containing the required information for each additional entity from article eight.

Flux Power Holdings, Inc.
Name of **merging** entity

X C. A. Cicogna. | President | 5-23-2012
Signature | Title | Date

Name of **merging** entity

X | President
Signature | Title | Date

Name of **merging** entity

X
Signature | Title | Date

Name of **merging** entity

X
Signature | Title | Date

and,

Lone Pine Holdings, Inc.
Name of **surviving** entity

X C. A. Cicogna. | President | 5-23-2012
Signature | Title | Date

* The articles of merger must be signed by each foreign constituent entity in the manner provided by the law governing it (NRS 92A.230). Additional signature blocks may be added to this page or as an attachment, as needed.

IMPORTANT: Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected.

This form must be accompanied by appropriate fees.

ROSS MILLER
Secretary of State
204 North Carson Street, Suite 1
Carson City, Nevada 89701-4520
(775) 684-5708
Website: www.nvsos.gov


090401

Filed in the office of	Document Number
Ross Miller Secretary of State State of Nevada	20120417566-34
	Filing Date and Time 06/14/2012 8:49 AM
	Entity Number C22155-1998

Certificate of Correction

(PURSUANT TO NRS CHAPTERS 78, 78A, 80, 81, 82, 84, 86, 87, 87A, 88, 88A, 89 AND 92A)

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Certificate of Correction

(Pursuant to NRS Chapters 78, 78A, 80, 81, 82, 84, 86, 87, 87A, 88, 88A, 89 and 92A)

1. The name of the entity for which correction is being made:

Flux Power Holdings, Inc.

2. Description of the original document for which correction is being made:

Articles of Incorporation

3. Filing date of the original document for which correction is being made: September 21, 1998

4. Description of the inaccuracy or defect:

Article VII omitted the word "not" when discussing whether shareholders have preemptive rights.

5. Correction of the inaccuracy or defect:

Article VII shall read in its entirety:

"The holders of the Common Stock shall not have preemptive rights as to the stock then and thereafter authorized to be issued, including Treasury Stock."

6. Signature:

X G. L. Cicogna

Authorized Signature

Gianluca Cicogna Mozzoni
Title *

May 4, 2012
Date

* If entity is a corporation, it must be signed by an officer if stock has been issued, OR an incorporator or director if stock has not been issued; a limited-liability company, by a manager or managing members; a limited partnership or limited-liability limited partnership, by a general partner; a limited-liability partnership, by a managing partner; a business trust, by a trustee.

IMPORTANT: Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected.

This form must be accompanied by appropriate fees.

Nevada Secretary of State Correction
Revised: 3-26-09

Secondary Revolving Promissory Note for Operating Capital

Date:	October 1, 2011
Borrower:	Flux Power, Inc.
Borrower's Address:	2240 Auto Park Way Escondido, CA 92029
Lender:	Esenjay Investments, LLC
Place for Payment:	500 N. Water, Suite 1100S Corpus Christi, TX 78471
Principal Amount:	$1,000,000.00
Annual Interest Rate:	Eight percent (8%)
Primary Use of Funds:	To be used as bridge capital for operating expenses.
Maturity Date:	Upon receipt of new capital from the next round of financing but not later thanMay 30, 2012

Annual Interest Rate on Matured, Unpaid Amounts:

18% or the highest rate allowed by law, whichever is less

Terms of Payment (principal and interest):

The Principal Amount may be prepaid in whole or in part at any time, or from time to time, without notice, penalty, or premium. The Principal Amount and all accrued interest shall be due and payable on the Maturity Date. Partial prepayments of principal shall be applied to installments of principal in reverse order of maturity.

Security for Payment: This note is secured by the general assets of Flux Power Inc.

Notwithstanding any provision herein to the contrary, it is expressly understood that this note is a revolving note, and Payee may in his discretion, but shall not be obligated to, advance funds pursuant to this note from time to time until 90 days from the Maturity Date, after which no advances shall be made under this note. A notation made by Payee in his records regarding this note hereunder shall reflect each advance and each payment of principal. The aggregate unpaid amount of advances reflected by the notation shall be deemed rebuttably presumptive evidence of the principal amount owing under this note, which amount the undersigned unconditionally promises to pay to the order of Payee under the terms hereof. The minimum amount of any advance shall be $50,000.00. The advances and repayments of principal under this note are not limited to $1,000,000.00 of principal, but to $1,000,000.00 of principal at any one time outstanding.

Borrower promises to pay to the order of Lender the Principal Amount plus interest at the Annual Interest Rate. This note is payable at the Place for Payment and according to the Terms of Payment. All unpaid amounts are due by the Maturity Date. After maturity, Borrower promises to pay any unpaid principal balance plus interest at the Annual Interest Rate on Matured, Unpaid Amounts.

If Borrower defaults in the payment of this note or in the performance of any obligation in any instrument securing or collateral to this note, or if Lender in good faith deems himself insecure, Lender may declare the unpaid principal balance and earned interest on the note immediately due. Borrower and each surety, endorser, and guarantor waive all demand for payment, presentation for payment, notice of intention to accelerate maturity, notice of acceleration of maturity, protest, and notice of protest, to the extent permitted by law.

Borrower also promises to pay reasonable attorney's fees and court and other costs if this note is placed in the hands of an attorney to collect or enforce the note. These expenses will bear interest from the date of advance at the Annual Interest Rate on Matured, Unpaid Amounts. Borrower will pay Lender these expenses and interest on demand at the Place for Payment. These expenses and interest will become part of the note and will be secured by any security for payment.

Interest on the debt evidenced by this note will not exceed the maximum rate or amount of nonusurious interest that may be contracted for, taken, reserved, charged, or received under law. Any interest in excess of that maximum amount will be credited on the Principal Amount or, if the Principal Amount has been paid, refunded. On any acceleration or required or permitted prepayment, any excess interest will be canceled automatically as of the acceleration or prepayment or, if the excess interest has already been paid, credited on the Principal Amount or, if the Principal Amount has been paid, refunded. This provision overrides any conflicting provisions in this note and all other instruments concerning the debt.

Each Borrower is jointly and severally responsible for all obligations represented by this note.

When the context requires, singular nouns and pronouns include the plural.

Esenjay Investments, LLC

By: /s/Michael E. Johnson

Name: Michael Johnson

Title:

Flux Power, Inc.

By: /s/Chris Anthony

Chris Anthony

CEO and President

Agreement to Amend Revolving Note to Extend Maturity Date
Between
Flux Power Inc. and Esenjay Investments

This Amendment ("Amendment") for the Secondary Revolving Promissory Note for Operating Capital Loan ("Secondary Note") by and between Flux Power Inc., ("Flux", "Borrower" and/or "Corporation") with a principal address of 2240 Auto Pkwy Escondido CA 92029 and Esenjay Investments LLC, ("Purchaser") with a principal address in Corpus Christi, TX and shall be effective on October 19, 2011 (the "Amendment Effective Date").

Whereas, the parties desire by this Amendment to amend the Secondary Note. All references to articles and sections and use of defined terms herein shall have the same meanings and effect as stated in the Secondary Note unless otherwise stated in this Amendment.

AGREEMENT. The Parties agree to the following:

1. Amendment to Secondary Note. To amend the Secondary Note to extend the maturity date of the note from May 30, 2012 to September 30, 2013 and remove the stipulation of repayment upon next round of financing. The language below will replace the maturity date language in the Secondary Note in its entirety:

   "**Maturity Date:** September 30, 2013"

IN WITNESS HEREOF, the parties hereto have executed this Amendment as of the Effective Date written above.

Esenjay Investments LLC		**Flux Power Inc.**	
Signature:	/s/Howard Williams	Signature:	/s/Chris Anthony
	Howard Williams, Treasurer		Chris Anthony, CEO
Date:	10/20/2011	Date:	10/19/2011

ATTACHMENT B

Bridge Loan

BRIDGE LOAN
PROMISSORY NOTE

FOR VALUE RECEIVED, the undersigned, Flux Power, Inc., a California corporation ("Maker"), promises to pay to the order of Esenjay Investments, LLC, or any successor holder ("Holder") of this note ("Note"), at Holder's office, or such other place as Holder may designate the principal amount of Two Hundred and Fifty Thousand Dollars ($250,000) ("Funds").

1. *Interest*. Holder has transferred as good faith or intends to transfer as soon as practical Funds to Maker. Maker hereby agrees that the Funds will accrue interest at an annual rate of eight (8) percent.

2. *Payments*. All outstanding principal and interest shall be payable on March 7, 2014 (the "Maturity Date").

3. *Prepayment*. Maker may pay all or any part of the principal owing on this Note at any time or times prior to maturity without payment of any premium or penalty.

4. *Default*. If Maker defaults in payment of this Note or in the performance of any obligation in any instrument securing or collateral to this Note, Holder may declare the unpaid principal balance and earned interest on the Note immediately due. Maker and each surety, endorser, and guarantor waive all demand for payment, presentation for payment, notice of intention to accelerate maturity, notice of acceleration of maturity, protest, and notice of protest, to the extent permitted by law.

Maker also promises to pay reasonable attorney's fees and court and other costs if this note is placed in the hands of an attorney to collect or enforce the Note. These expenses will bear interest from the date of advance at the annual interest rate on matured, unpaid amounts. These payments and interest will become part of the Note and will be secured by any security for payment.

5. *Collection Costs*. Upon the occurrence of any default, Maker agrees to pay Holder, upon demand, any and all costs, expenses and fees, including without limitation, reasonable attorneys' fees incurred before or after suit is commenced in order to enforce payment hereof, and in the event suit is brought to enforce payment hereof, that such costs, expenses and fees shall be determined by a court proceeding without a jury.

6. *Waiver*. Maker hereby acknowledges and agrees that the failure by Holder to insist upon Maker's strict performance of this Note or the failure by Holder to exercise its remedies hereunder shall not be deemed a waiver of such default, and shall not be a waiver by Holder of any of Holder's rights or remedies hereunder or at law or in equity.

7. *Transfer*. This Note is not transferable by the Holder without the express written permission of Maker which shall not be unreasonably withheld.

8. *Governing Law.* All amounts payable hereunder are payable in lawful money of the United States of America. This Note shall be governed by and construed in accordance with the laws of the State of California, without regard to its conflicts of laws principles.

9. *Representations and Warranties of Maker.* Maker hereby represents and warrants to Holder as follows:

(a) Maker has full power, authority and capacity to issue this Note and to perform and comply with all covenants and obligations contained herein.

(b) This Note has been duly executed and delivered by Maker and constitutes the legal, valid and binding obligations of Maker, enforceable against Maker in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally.

IN WITNESS WHEREOF, this Note has been duly executed to be effective as of the 7th day of March, 2012.

Holder:
ESENJAY INVESTMENTS, LLC
500 N. Water, Suite 1100S
Corpus Christi, TX 78471

/s/Michael E. Johnson
Name: Michael Johnson, Member

Maker:
FLUX POWER, INC.
2240 Auto Park Way
Escondido, CA 92029

/s/Chris Anthony
Name: Chris Anthony, CEO

* * * * * *

AMENDED AND RESTATED OF TERMS OF EMPLOYMENT

This Amended and Restated of Terms of Employment (the "Agreement") is made effective on this 1st day of January, 2010 (the "Effective Date") by and among Flux Power, Inc, a California based Corporation (the "Company") located at 2755 Dos Aarons Way Suite #A Vista, CA 92081 and Chris Anthony ("Employee and/or I"), with a home address of 13209 Avenida Grande, San Diego, CA 92129.

As a condition of employment with Company, Employee and Company agree to the following Terms of Employment:

1. EMPLOYMENT, DUTIES AND ACCEPTANCE

A. Appointment. Company hereby employs Employee as the President and CEO to render exclusive and full-time services in an executive capacity to Company and to the subsidiaries of Company and to devote Employee's best efforts to the affairs of the Company and to perform such duties as President and CEO except as provided in Section 6 below.

B. Acceptance. Employee hereby accepts such employment and agrees to render such services. Employee agrees to render such services at Company's offices, but Employee will travel on temporary trips to such other place or places as may be required from time to time to perform the duties hereunder.

2. COMPENSATION

A. Salary. As compensation for all services to be rendered pursuant to this Agreement to or at the request of Company, Company agrees to compensate Employee a salary at the rate of one hundred sixty eight thousand dollars ($168,000) per annum.

B. Bonus.

i. Company agrees to pay Employee ten thousand dollars ($10,000) each for every ten million dollars ($10,000,000) in Net Revenue Company receives within a fiscal year to be calculated based on audited financials and paid within one quarter following the close of the fiscal year. For the purpose of this Agreement Net Revenue shall mean gross total revenue minus returns and any other negative revenue.

ii. Company further agrees that for every twenty million dollars ($20,000.000.00) in Net Revenue with at least a ten percent 10% Gross Margin for a fiscal year that is achieved, a fiscal yearend bonus ("Bonus") of twenty percent 20% of the Employee salary will be paid to Employee. For the purpose of this Agreement the definition of Gross Margin is Company's total sales revenue minus the cost of goods sold, divided by the total sales revenue, expressed as a percentage.

iii. At no time shall Company be forced to increase Company debt to pay any Bonus ("Self Financing").

3. EMPLOYMENT AT WILL

Employee agrees that unless specifically stated in writing and signed by an authorized officer of the Company, subject to controlling law, any employment granted to Employee is at will and for an indefinite term, and that such employment may be terminated at any time (subject to such requirements as to notice as may be applicable) either by Employee or by the Company for any or no reason whatsoever, and Employee hereby waive and disclaim any express or implied covenants to the contrary. In accepting employment by Company, Employee agrees not to rely on any statements or representations, whether orally or in writing, by any officers, employees or agents of Company concerning the duration or term of employment, grounds and procedures for discharge or termination of employment, or any other terms and conditions of employment except those specifically stated in writing and signed by an authorized officer of Company. Employee further agrees and understands that the provisions of any employee handbooks, personnel manuals and any and all other written statements of or regarding personnel policies, practices or procedures that are or may be issued by Company or any official or department thereof from time to time do not and shall not constitute a contract of employment and create no vested rights; that any such provisions may be changed, revised, modified, suspended, cancelled, or eliminated by Company at an time without notice; and that they constitute guidelines only and may be disregarded either in individual or Company wide situations when in the sole opinion and judgment of Company circumstances so require.

4. CONFIDENTIAL INFORMATION

A. Company Information. Employee agrees at all times during the term of employment and thereafter, to hold in strictest confidence, and not to use, except for the benefit of Company, or to disclose to any person, firm or corporation without written authorization of Company, the Confidential Information of Company. Employee understands that "Confidential Information" means any Company proprietary information, technical data, trade secrets or know-how, including, but not limited to research, product plans, products, services, customer lists and customers (including, but not limited to customers of the Company on whom Employee call or with whom Employee became acquainted during the term of my employment), software, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware configuration information, marketing, financial or other business information disclosed to me by Company either directly or indirectly in writing, orally or by drawings or observation of parts or equipment. Company acknowledges that Confidential Information does not include any of the foregoing items that have become publicly known and made generally available through no wrongful act of Employee or of others who were under confidentiality obligations as to the item or items involved.

B. Former Employer Information. Employee agrees not to improperly use or disclose any patent, copyright, proprietary information or trade secrets of any former or concurrent employer or other person or entity and will not bring onto the premises of the Company any unpublished document or proprietary information belonging to any such employer, person or entity unless consented to in writing by such employer, person, or entity.

C. Third Party Information. Employee agrees and recognizes that Company has received and in the future will receive from third parties their confidential or proprietary information (such as, but not limited to, software programs provided by license) subject to a duty on Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. Employee agrees to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person, firm or corporation or to use it except as necessary in carrying out my work for Company consistent with Company's agreement with such third party. I agree to comply with Company's policies and procedures, as applicable from time to time, with respect to such information.

5. INVENTIONS

A. Inventions Retained. I agree not to use, incorporate or disclose any proprietary information or inventions which belong to me and relate to the Company's proposed business, products or research and development and which are not assigned to the Company hereunder and belong to me prior to executing this agreement.

B. Assignment of Inventions. I hereby assign and transfer to the Company all my rights, title and interest in and to all improvements, discoveries, designs, inventions, trade secrets, improvement works, documents and other data (whether or not copyrightable or patentable), made, conceived or first reduced to practice by me, (the "Innovations") whether solely or jointly with others, during my period of employment with the Company which relate to the actual work I have performed or may perform for the Company. This Assignment Agreement does not require me to assign to the Company any Invention for which no equipment, supplies, facility, or trade secret information of Company was used and that was developed entirely on my own time, and does not relate to the business of Company or to Company's actual or demonstrably anticipated research or development, or does not result from any work performed by my for Company.

C. Maintenance of Records. I agree to assist Company, or its designee, at Company's expense, in every proper way to secure the Company's rights in the Inventions and any copyrights, patents, or other intellectual property rights relating thereto in any all countries, including the disclosure to Company of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments and all other instruments which Company shall deem necessary in order to apply for and obtain such rights and in order to assign and convey to Company, its successors, assigns, and nominees the sole and exclusive rights, title and interest in and to such Inventions, and any copyrights, patents, mask work rights or other intellectual property rights relating thereto. I agree that the obligation to execute or cause to be executed, when it is in my power to do so, and such instrument or papers shall continue after the termination of my employment. If Company is unable to secure my signature due to mental or physical incapacity or if I am otherwise unavailable or unable to sign or to apply for or pursue any application for any United States or foreign patents or for copyright registrations covering Inventions or original works of authorship assigned to the Company as above, then I hereby irrevocably designate and appoint Company and its duly authorized officers and agents as my agent and attorney in fact, to act for and in my behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent or copyright registrations thereon with the same legal force and effect as if executed by me.

6. CONFLICTING EMPLOYMENT

I agree that, during the term of my employment with Company, I will not engage in any other employment, occupation, consulting or other business activity directly related to the business in which the Company is now involved or becomes involved during the term of my employment, nor will I engage in any other activities that conflict with my obligations to Company unless prior authorization is provided by the Company which shall not be unduly authorized.

7. RETURNING COMPANY DOCUMENT

I agree that, at the time I leave the employ of Company, I will deliver to Company (and will not keep in possession, recreate or deliver to anyone else) any and all devices, records, data, notes, reports, proposals, lists, correspondence, specifications drawings, blueprints, sketches, materials, equipment, other documents or property, or reproductions of any aforementioned items developed by me pursuant to employment with Company or otherwise belonging to Company, its successors or assigns. Upon termination of my employment for any reason, I agree to sign and deliver the "Termination Certification".

8. NOTIFICATION OF NEW EMPLOYER

Upon termination of my employment for any reason, I hereby grant consent to notification by the Company to any subsequent employer about rights and obligations under the Agreement.

9. SOLICITATION OF EMPLOYEES

I agree that for a period of twelve (12) months immediately following the termination of my employment with Company for any reason, whether with or without cause, I shall not either directly or indirectly solicit, induce, recruit or encourage any of Company's employees to leave their employment, or take away such employees, or attempt to solicit, induce, recruit, encourage or take away employees of Company, either for me or for any other person or entity.

10. OTHER POLICIES

I agree to comply with all Company policies, rules and procedures that are generally applicable to Company employees.

11. EQUITABLE RELIEF

I agree that it would be impossible or inadequate to measure and calculate Company's damages from any breach of the covenants set forth in Sections 2, 3, 4, 5, and 7 herein. Accordingly, I agree that upon breech of any of such Sections, Company will have available, in addition to any other right or remedy available, the right to obtain an injunction from a court of competent jurisdiction restraining such breach or threatened breach and to specific performance of any such provision of this Agreement. I further agree that no bond or other surety shall be required in order to obtain such relief and I hereby consent to the issuance of such injunction and to any order of specific performance.

12. ARBITRATION

Except for equitable relief pursuant to Section 9 above, any dispute between the parties arising out of the Agreement shall be resolved through arbitration by a single arbitrator acting under the auspices and rules and regulations of the American Arbitration Association, located in San Diego, California, and in such event the decision of the arbitrator shall be binding upon the parties and enforceable in a court of competent jurisdiction. The parties agree to negotiate any dispute arising out of the Agreement in good faith.

13. SEVERANCE

In the event the Employee is terminated for any reason other than criminal activity, Company agrees to provide employee with a severance payout equal to six (6) months of employment.

14. GENERAL PROVISIONS

A. Governing Law; Consent to Personal Jurisdiction This Agreement will be governed by the laws of the State of California, and I hereby expressly consent to the personal jurisdiction of the state and federal courts located therein for any lawsuit filed there by the Company arising from or relating to my employment.

B. Entire Agreement. This Agreement, including all Attachments hereto, constitutes the parties' entire agreement with respect to its subject matter, and supersedes and replaces all prior or contemporaneous understandings or agreements, written or oral, regarding such subject matter.

C. Severability. If one or more of the clauses in this Agreement are deemed unenforceable, then the remaining clauses will continue in full force and effect. In the event a provision contained in any Restrictive Covenant shall be declared by a court of competent jurisdiction to be illegal or unenforceable in whole or in part, then the offending provision automatically shall be deemed modified to conform to the minimum requirements of law. The provision as modified, together with all other provisions hereof, shall be given full force and effect.

D. Successors and Assigns. This Agreement will be binding upon my heirs, executors, administrators and other legal representatives and will be for the benefit of the Company, its successors, and its assigns.

E. Company. The term "Company" shall include any subsidiaries, affiliates, predecessors, or successors of the Company.

15. INDEPENDENT REPRESENTATION
Each party warrants and represents that (i) this Agreement has been prepared by the Company's legal counsel, (ii) he/she has been advised to obtain the advise of personal or independent counsel in the analysis of this Agreement, and (iii) that he/she has read this Agreement with care and believes that he/she is fully aware of and understands the contents hereof and their legal effect.

16. SURVIVAL OF COVENANTS AND PROVISIONS
The terms and obligations of Sections 4, 5 and 9 of this Agreement shall survive the termination of Employee's employment with the Company or any subsidiary of the Company, and shall survive the termination of this Agreement.

IN WITNESS WHEREOF, the parties as of the day and year first above written have executed this Agreement.

Flux Power Inc	Chris Anthony
By: /s/Craig Miller Officer's signature:	By: /s/Chris Anthony Employee's Signature
Craig Miller, Secretary Officer's Name & Title: (Please Print)	
05/24/2012 Date:	05/24/2012 Date:

TERMS OF EMPLOYMENT

This Employment Agreement (the "Agreement") is made effective on this 12th day of January, 2012 (the "Effective Date") by and among Flux Power, Inc, a California based Corporation (the “Company”) located at 2240 Auto Park Way, Escondido, CA 92029 and Steve Jackson (“Employee and/or I”), with a home address of 5105 Benton Place San Diego, CA 92116.

As a condition of employment with Company, Employee and Company agree to the following Terms of Employment:

1. EMPLOYMENT, DUTIES AND ACCEPTANCE

A. Appointment. Company hereby employs Employee as the Chief Financial Officer (“CFO”) and Chief Operation Officer (“COO”) whom shall report to the CEO and Board of Directors and render exclusive and full-time services in an executive capacity to Company and to any subsidiary of Company and to devote Employee’s best efforts to the affairs of the Company and to perform such duties as respectively defined below.

CFO— Responsible for the financial management of the Company including but not limited to managing financial risks, financial planning, record keeping and reporting.

COO—Responsible for the daily operation of the Company including but not limited to the proper management of resources, oversee the making and distribution of products and services to customers, implement process and systems to support company goals and manage conduct.

B. Acceptance. Employee hereby accepts such employment and agrees to render such services. Employee agrees to render such services at Company's offices, but Employee will travel on temporary trips to such other place or places as may be required from time to time to perform the duties hereunder.

2. COMPENSATION

A. As compensation for all services to be rendered pursuant to this Agreement to or at the request of Company, Company agrees to compensate Employee a salary at the rate of one hundred forty two thousand dollars ($142,000) per annum (“Salary”). Additionally, salary shall be adjusted and granted in the event:

I. The Company achieves booking/Sales milestones as described in the table below within a fiscal quarter, Salary will be directly tied and adjusted up and down accordingly as follows:

Quarterly Sales Milestones	Compensation
$ 3M	$ 164,500
$ 5M	$ 188,000
$ 10M	$ 211,500
$ 15M	$ 235,000

a. Sales are defined as gross revenue less returns, and bad debt allowance (“Sales”).
b. The Salary for the Employee shall always be calculated based on the Company’s Sales in the previous quarter. The following is provided as an example of the Employee’s Salary based on the table above and as used in practice: if the Company Quarterly Sales Milestone of $5M is achieved in the first quarter the Salary for employee for the forgoing second quarter shall be based on $188,000 salary annually. In the event the Company Quarterly Sales Milestone of $3M is achieved in the second quarter of the same year the Salary for the Employee for the forgoing third quarter shall be based on $164,500 salary annually.
c.

B. ADDITIONAL COMPENSATION

Additional compensation may include, but is not limited to, equity compensation, vacation time, medical coverage, and bonus structure, as attached hereto as Exhibit A.

3. EMPLOYMENT AT WILL

Employee agrees that unless specifically stated in writing and signed by an authorized officer of the Company, subject to controlling law, any employment granted to Employee is at will and for an indefinite term, and that such employment may be terminated at any time (subject to such requirements as to notice as may be applicable) either by Employee or by the Company for any or no reason whatsoever, and Employee hereby waive and disclaim any express or implied covenants to the contrary. In accepting employment by Company, Employee agrees not to rely on any statements or representations, whether orally or in writing, by any officers, employees or agents of Company concerning the duration or term of employment, grounds and procedures for discharge or termination of employment, or any other terms and conditions of employment except those specifically stated in writing and signed by an authorized officer of Company. Employee further agrees and understands that the provisions of any employee handbooks, personnel manuals and any and all other written statements of or regarding personnel policies, practices or procedures that are or may be issued by Company or any official or department thereof from time to time do not and shall not constitute a contract of employment and create no vested rights; that any such provisions may be changed, revised, modified, suspended, cancelled, or eliminated by Company at an time without notice; and that they constitute guidelines only and may be disregarded either in individual or Company wide situations when in the sole opinion and judgment of Company circumstances so require.

4. PROBATION PERIOD

An Employee's first ninety (90) days of employment are on a trial basis and are considered a continuation of the employment selection process. The ninety (90) day probationary period (“Probation Period”) provides the Company an opportunity to observe and evaluate the capacity of the Employee, which includes the Employee’s ability to satisfactorily perform the essential functions of his or her job; and to observe and evaluate the employee’s work habits and conduct, including attendance and the Employee’s relationship with coworkers and superiors. During this probationary period, the Company may terminate employment immediately, with or without cause and with or without notice. This 90 day probationary period is not a term of employment and is not intended, nor does it, impact the at will nature of the relationship between the Company and the Employee.

5. CONFIDENTIAL INFORMATION

A. Company Information. Employee agrees at all times during the term of employment and thereafter, to hold in strictest confidence, and not to use, except for the benefit of Company, or to disclose to any person, firm or corporation without written authorization of Company, the Confidential Information of Company. Employee understands that "Confidential Information" means any Company proprietary information, technical data, trade secrets or know-how, including, but not limited to research, product plans, products, services, customer lists and customers (including, but not limited to customers of the Company on whom Employee call or with whom Employee became acquainted during the term of my employment), software, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware configuration information, marketing, financial or other business information disclosed to me by Company either directly or indirectly in writing, orally or by drawings or observation of parts or equipment. Company acknowledges that Confidential Information does not include any of the foregoing items that have become publicly known and made generally available through no wrongful act of Employee or of others who were under confidentiality obligations as to the item or items involved.

B. Former Employer Information. Employee agrees not to improperly use or disclose any patent, copyright, proprietary information or trade secrets of any former or concurrent employer or other person or entity and will not bring onto the premises of the Company any unpublished document or proprietary information belonging to any such employer, person or entity unless consented to in writing by such employer, person, or entity.

C. Third Party Information. Employee agrees and recognizes that Company has received and in the future will receive from third parties their confidential or proprietary information (such as, but not limited to, software programs provided by license) subject to a duty on Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. Employee agrees to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person, firm or corporation or to use it except as necessary in carrying out my work for Company consistent with Company's agreement with such third party. I agree to comply with Company's policies and procedures, as applicable from time to time, with respect to such information.

6. INVENTIONS

A. Inventions Retained. I agree not to use, incorporate or disclose any proprietary information or inventions which belong to me and relate to the Company's proposed business, products or research and development and which are not assigned to the Company hereunder and belong to me prior to executing this agreement.

B. Assignment of Inventions. I hereby assign and transfer to the Company all my rights, title and interest in and to all improvements, discoveries, designs, inventions, trade secrets, improvement works, documents and other data (whether or not copyrightable or patentable), made, conceived or first reduced to practice by me, (the "Innovations") whether solely or jointly with others, during my period of employment with the Company which relate to the actual work I have performed or may perform for the Company. This Assignment Agreement does not require me to assign to the Company any Invention for which no equipment, supplies, facility, or trade secret information of Company was used and that was developed entirely on my own time, and does not relate to the business of Company or to Company's actual or demonstrably anticipated research or development, or does not result from any work performed by my for Company.

C. Maintenance of Records. I agree to assist Company, or its designee, at Company's expense, in every proper way to secure the Company's rights in the Inventions and any copyrights, patents, or other intellectual property rights relating thereto in any all countries, including the disclosure to Company of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments and all other instruments which Company shall deem necessary in order to apply for and obtain such rights and in order to assign and convey to Company, its successors, assigns, and nominees the sole and exclusive rights, title and interest in and to such Inventions, and any copyrights, patents, mask work rights or other intellectual property rights relating thereto. I agree that the obligation to execute or cause to be executed, when it is in my power to do so, and such instrument or papers shall continue after the termination of my employment. If Company is unable to secure my signature due to mental or physical incapacity or if I am otherwise unavailable or unable to sign or to apply for or pursue any application for any United States or foreign patents or for copyright registrations covering Inventions or original works of authorship assigned to the Company as above, then I hereby irrevocably designate and appoint Company and its duly authorized officers and agents as my agent and attorney in fact, to act for and in my behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent or copyright registrations thereon with the same legal force and effect as if executed by me.

7. CONFLICTING EMPLOYMENT

I agree that, during the term of my employment with Company, I will not engage in any other employment, occupation, consulting or other business activity directly related to the business in which the Company is now involved or becomes involved during the term of my employment, nor will I engage in any other activities that conflict with my obligations to Company. At no time shall I develop an/or cause others to develop technologies that directly relate to and/or compete with Flux's products

8. RETURNING COMPANY DOCUMENT

I agree that, at the time I leave the employ of Company, I will deliver to Company (and will not keep in possession, recreate or deliver to anyone else) any and all devices, records, data, notes, reports, proposals, lists, correspondence, specifications drawings, blueprints, sketches, materials, equipment, other documents or property, or reproductions of any aforementioned items developed by me pursuant to employment with Company or otherwise belonging to Company, its successors or assigns.

9. NOTIFICATION OF NEW EMPLOYER

Upon termination of my employment for any reason, I hereby grant consent to notification by the Company to any subsequent employer about rights and obligations under the Agreement.

10. SOLICITATION OF EMPLOYEES

I agree that for a period of twelve (12) months immediately following the termination of my employment with Company for any reason, whether with or without cause, I shall not either directly or indirectly solicit, induce, recruit or encourage any of Company's employees to leave their employment, or take away such employees, or attempt to solicit, induce, recruit, encourage or take away employees of Company, either for me or for any other person or entity.

11. OTHER POLICIES

I agree to comply with all Company policies, rules and procedures that are generally applicable to Company employees.

12. EQUITABLE RELIEF

I agree that it would be impossible or inadequate to measure and calculate Company's damages from any breach of the covenants set forth in Sections 4, 5, and 7 herein. Accordingly, I agree that upon breech of any of such Sections, Company will have available, in addition to any other right or remedy available, the right to obtain an injunction from a court of competent jurisdiction restraining such breach or threatened breach and to specific performance of any such provision of this Agreement. I further agree that no bond or other surety shall be required in order to obtain such relief and I hereby consent to the issuance of such injunction and to any order of specific performance.

13. ARBITRATION

Except for equitable relief pursuant to Section 9 above, any dispute between the parties arising out of the Agreement shall be resolved through arbitration by a single arbitrator acting under the auspices and rules and regulations of the American Arbitration Association, located in San Diego, California, and in such event the decision of the arbitrator shall be binding upon the parties and enforceable in a court of competent jurisdiction. The parties agree to negotiate any dispute arising out of the Agreement in good faith.

14. SEVERANCE

In the event the Employee is terminated after the Probation Period for any reason other than for cause, Company agrees to provide employee with a severance payout equal to six (6) months of employment.

15. GENERAL PROVISIONS

A. Governing Law; Consent to Personal Jurisdiction This Agreement will be governed by the laws of the State of California, and I hereby expressly consent to the personal jurisdiction of the state and federal courts located therein for any lawsuit filed there by the Company arising from or relating to my employment.

B. Entire Agreement. This Terms of Employment sets forth the entire agreement and understanding between the Company and me relating to the subject matter herein and merges, all prior discussions between us. No modification of or amendment to this Terms of Employment, nor any waiver of any rights, will be effective unless in writing signed by the party to be charged. Any subsequent change or changes in my duties, salary or compensation will not affect the validity or scope of the Terms of Employment.

C. Severability. If one or more of the clauses in this Agreement are deemed unenforceable, then the remaining clauses will continue in full force and effect. In the event a provision contained in any Restrictive Covenant shall be declared by a court of competent jurisdiction to be illegal or unenforceable in whole or in part, then the offending provision automatically shall be deemed modified to conform to the minimum requirements of law. The provision as modified, together with all other provisions hereof, shall be given full force and effect.

D. Successors and Assigns. This Agreement will be binding upon my heirs, executors, administrators and other legal representatives and will be for the benefit of the Company, its successors, and its assigns.

E. Company. The term "Company" shall include any subsidiaries, affiliates, predecessors, or successors of the Company.

16. INDEPENDENT REPRESENTATION

Each party warrants and represents that (i) this Agreement has been prepared by the Company's legal counsel, (ii) he/she has been advised to obtain the advise of personal or independent counsel in the analysis of this Agreement, and (iii) that he/she has read this Agreement with care and believes that he/she is fully aware of and understands the contents hereof and their legal effect.

17. SURVIVAL OF COVENANTS AND PROVISIONS

The terms and obligations of Sections 4, 5 and 9 of this Agreement shall survive the termination of Employee's employment with the Company or any subsidiary of the Company, and shall survive the termination of this Agreement.

IN WITNESS WHEREOF, the parties as of the day and year first above written have executed this Agreement.

Flux Power Inc	Chris Anthony
By: /s/Chris Anthony Officer's signature:	By: /s/Steve Jackson Employee's Signature
Chris Anthony, President & CEO Officer's Name & Title: (Please Print)	Steve Jackson
01/12/2012 Date:	01/12/2012 Date:

EXHIBIT A

ADDITIONAL COMPENSATION

Equity Compensation: It will be recommended to the Company's board of directors that you participate in the Company Incentive Stock Option program ("ISO") at the first meeting of the Company's board of directors following your start date and that the Company grant you an option to purchase 300,000 shares of the Company's Common Stock at a price per share equal to the fair market value per share of the Common Stock on the date of grant. Additionally, in the event the Company achieves bookings/sales in the amount of $40 million by year end 2012 and subject to board approval, Company will grant you an option to purchase an additional 50,000 shares of the Company's Common Stock at a price per share equal to the fair market value per share of the Common Stock on the date of grant. Both grants shall vest at a rate of 25% for every 12 months of continued employment with the Company and no shares shall vest before such date.

These option grants shall be subject to the terms and conditions of the Company's Stock Option Plan and Stock Option Agreement, including vesting requirements. No right to any stock is earned or accrued until such time that vesting occurs, nor does the grant confer any right to continue vesting or employment.

Medical Insurance: Health and dental insurance (100% company paid) for employee and spouse only (effective the first of the month after a 30 day waiting period). Family coverage can be purchased by employee.

Vacation Time: Personal time off bank of 15 days in your first year, after one year service your bank will increase to 20 days.

Bonus Structure: To be determined as departmental goals are instituted and job descriptions are further defined.

FLUX POWER, INC.

2010 STOCK PLAN

Adopted on December 3, 2010

TABLE OF CONTENTS

FLUX POWER, INC. 2010 STOCK PLAN

SECTION 1. ESTABLISHMENT AND PURPOSE.

The purpose of the Plan is to offer selected persons an opportunity to acquire a proprietary interest in the success of the Company, or to increase such interest, by acquiring Shares of the Company's Stock. The Plan provides both for the direct award or sale of Shares and for the grant of Options to purchase Shares. Options granted under the Plan may include Nonstatutory Options as well as ISOs intended to qualify under Section 422 of the Code.

Capitalized terms are defined in Section 12.

SECTION 2. ADMINISTRATION.

(a) Committees of the Board of Directors. The Plan may be administered by one or more Committees. Each Committee shall consist of one or more members of the Board of Directors who have been appointed by the Board of Directors. Each Committee shall have such authority and be responsible for such functions as the Board of Directors has assigned to it. If no Committee has been appointed, the entire Board of Directors shall administer the Plan. Any reference to the Board of Directors in the Plan shall be construed as a reference to the Committee (if any) to whom the Board of Directors has assigned a particular function.

(b) Authority of the Board of Directors. Subject to the provisions of the Plan, the Board of Directors shall have full authority and discretion to take any actions it deems necessary or advisable for the administration of the Plan. All decisions, interpretations and other actions of the Board of Directors shall be final and binding on all Purchasers, all Optionees and all persons deriving their rights from a Purchaser or Optionee.

SECTION 3. ELIGIBILITY.

(a) General Rule. Only Employees, Outside Directors and Consultants shall be eligible for the grant of Nonstatutory Options or the direct award or sale of Shares. Only Employees shall be eligible for the grant of ISOs.

(b) Ten-Percent Stockholders. A person who owns more than 10% of the total combined voting power of all classes of outstanding stock of the Company, its Parent or any of its Subsidiaries shall not be eligible for the grant of an ISO unless (i) the Exercise Price is at least 110% of the Fair Market Value of a Share on the Date of Grant and (ii) such ISO by its terms is not exercisable after the expiration of five years from the Date of Grant. For purposes of this Subsection (b), in determining stock ownership, the attribution rules of Section 424(d) of the Code shall be applied.

SECTION 4. STOCK SUBJECT TO PLAN.

(a) Basic Limitation. Not more than 2,000,000 Shares may be issued under the Plan, subject to Subsection (b) below and Section 8(a)[1]. All of these Shares may be issued upon the exercise of ISOs. The number of Shares that are subject to Options or other rights outstanding at any time under the Plan shall not exceed the number of Shares that then remain available for issuance under the Plan. The Company, during the term of the Plan, shall at all times reserve and keep available sufficient Shares to satisfy the requirements of the Plan. Shares offered under the Plan may be authorized but unissued Shares or treasury Shares.

(b) Additional Shares. In the event that Shares previously issued under the Plan are reacquired by the Company, such Shares shall be added to the number of Shares then available for issuance under the Plan. In the event that Shares that otherwise would have been issuable under the Plan are withheld by the Company in payment of the Purchase Price, Exercise Price or withholding taxes, such Shares shall remain available for issuance under the Plan. In the event that an outstanding Option or other right for any reason expires or is canceled, the Shares allocable to the unexercised portion of such Option or other right shall be added to the number of Shares then available for issuance under the Plan.

SECTION 5. TERMS AND CONDITIONS OF AWARDS OR SALES.

(a) Stock Grant or Purchase Agreement. Each award of Shares under the Plan shall be evidenced by a Stock Grant Agreement between the Grantee and the Company. Each sale of Shares under the Plan (other than upon exercise of an Option) shall be evidenced by a Stock Purchase Agreement between the Purchaser and the Company. Such award or sale shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions which are not inconsistent with the Plan and which the Board of Directors deems appropriate for inclusion in a Stock Grant Agreement or Stock Purchase Agreement. The provisions of the various Stock Grant Agreements and Stock Purchase Agreements entered into under the Plan need not be identical.

(b) Duration of Offers and Nontransferability of Rights. Any right to purchase Shares under the Plan (other than an Option) shall automatically expire if not exercised by the Purchaser within 30 days after the grant of such right was communicated to the Purchaser by the Company. Such right shall not be transferable and shall be exercisable only by the Purchaser to whom such right was granted.

(c) Purchase Price. The Board of Directors shall determine the Purchase Price of Shares to be offered under the Plan at its sole discretion. The Purchase Price shall be payable in a form described in Section 7.

(d) Withholding Taxes. As a condition to the award, purchase, vesting or transfer of Shares, the Grantee or Purchaser shall make such arrangements as the Board of Directors may require for the satisfaction of any federal, state, local or foreign withholding tax obligations that may arise in connection with such event.

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[1] Please refer to Exhibit A for a schedule of the initial share reserve and any subsequent increases in the reserve.

(e) Transfer Restrictions and Forfeiture Conditions. Any Shares awarded or sold under the Plan shall be subject to such special forfeiture conditions, rights of repurchase, rights of first refusal and other transfer restrictions as the Board of Directors may determine. Such restrictions shall be set forth in the applicable Stock Grant Agreement or Stock Purchase Agreement and shall apply in addition to any restrictions that may apply to holders of Shares generally.

SECTION 6. TERMS AND CONDITIONS OF OPTIONS.

(a) Stock Option Agreement. Each grant of an Option under the Plan shall be evidenced by a Stock Option Agreement between the Optionee and the Company. The Option shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions which are not inconsistent with the Plan and which the Board of Directors deems appropriate for inclusion in a Stock Option Agreement. The provisions of the various Stock Option Agreements entered into under the Plan need not be identical.

(b) Number of Shares. Each Stock Option Agreement shall specify the number of Shares that are subject to the Option and shall provide for the adjustment of such number in accordance with Section 8. The Stock Option Agreement shall also specify whether the Option is an ISO or a Nonstatutory Option.

(c) Exercise Price. Each Stock Option Agreement shall specify the Exercise Price. The Exercise Price of an Option shall not be less than 100% of the Fair Market Value of a Share on the Date of Grant, and in the case of an ISO a higher percentage may be required by Section 3(b). Subject to the preceding sentence, the Exercise Price shall be determined by the Board of Directors at its sole discretion. The Exercise Price shall be payable in a form described in Section 7. This Subsection (c) shall not apply to an Option granted pursuant to an assumption of, or substitution for, another option in a manner that complies with Section 424(a) of the Code (whether or not the Option is an ISO).

(d) Exercisability. Each Stock Option Agreement shall specify the date when all or any installment of the Option is to become exercisable. No Option shall be exercisable unless the Optionee (i) has delivered an executed copy of the Stock Option Agreement to the Company or (ii) otherwise agrees to be bound by the terms of the Stock Option Agreement. The Board of Directors shall determine the exercisability provisions of the Stock Option Agreement at its sole discretion. All of an Optionee's Options shall become exercisable in full if Section 8(b)(iv) applies.

(e) Basic Term. The Stock Option Agreement shall specify the term of the Option. The term shall not exceed 10 years from the Date of Grant, and in the case of an ISO a shorter term may be required by Section 3(b). Subject to the preceding sentence, the Board of Directors at its sole discretion shall determine when an Option is to expire.

(f) Termination of Service (Except by Death). If an Optionee's Service terminates for any reason other than the Optionee's death, then the Optionee's Options shall expire on the earliest of the following dates:

(i) The expiration date determined pursuant to Subsection (e) above;

(ii) The date three months after the termination of the Optionee's Service for any reason other than Disability, or such earlier or later date as the Board of Directors may determine (but in no event earlier than 30 days after the termination of the Optionee's Service); or

(iii) The date six months after the termination of the Optionee's Service by reason of Disability, or such later date as the Board of Directors may determine.

The Optionee may exercise all or part of the Optionee's Options at any time before the expiration of such Options under the preceding sentence, but only to the extent that such Options had become exercisable before the Optionee's Service terminated (or became exercisable as a result of the termination) and the underlying Shares had vested before the Optionee's Service terminated (or vested as a result of the termination). The balance of such Options shall lapse when the Optionee's Service terminates. In the event that the Optionee dies after the termination of the Optionee's Service but before the expiration of the Optionee's Options, all or part of such Options may be exercised (prior to expiration) by the executors or administrators of the Optionee's estate or by any person who has acquired such Options directly from the Optionee by beneficiary designation, bequest or inheritance, but only to the extent that such Options had become exercisable before the Optionee's Service terminated (or became exercisable as a result of the termination) and the underlying Shares had vested before the Optionee's Service terminated (or vested as a result of the termination).

(g) Leaves of Absence. For purposes of Subsection (f) above, Service shall be deemed to continue while the Optionee is on a bona fide leave of absence, if such leave was approved by the Company in writing and if continued crediting of Service for this purpose is expressly required by the terms of such leave or by applicable law (as determined by the Company).

(h) Death of Optionee. If an Optionee dies while the Optionee is in Service, then the Optionee's Options shall expire on the earlier of the following dates:

(i) The expiration date determined pursuant to Subsection (e) above; or

(ii) The date 12 months after the Optionee's death, or such earlier or later date as the Board of Directors may determine (but in no event earlier than six months after the Optionee's death).

All or part of the Optionee's Options may be exercised at any time before the expiration of such Options under the preceding sentence by the executors or administrators of the Optionee's estate or by any person who has acquired such Options directly from the Optionee by beneficiary designation, bequest or inheritance, but only to the extent that such Options had become exercisable before the Optionee's death (or became exercisable as a result of the death) and the underlying Shares had vested before the Optionee's death (or vested as a result of the Optionee's death). The balance of such Options shall lapse when the Optionee dies.

(i) Post-Exercise Restrictions on Transfer of Shares. Any Shares issued upon exercise of an Option shall be subject to such special forfeiture conditions, rights of repurchase, rights of first refusal and other transfer restrictions as the Board of Directors may determine. Such restrictions shall be set forth in the applicable Stock Option Agreement and shall apply in addition to any restrictions that may apply to holders of Shares generally.

(j) Pre-Exercise Restrictions on Transfer of Options or Shares. An Option shall be transferable by the Optionee only by (i) a beneficiary designation, (ii) a will or (iii) the laws of descent and distribution, except as provided in the next sentence. If the applicable Stock Option Agreement so provides, a Nonstatutory Option shall also be transferable by gift or domestic relations order to a Family Member of the Optionee. An ISO may be exercised during the lifetime of the Optionee only by the Optionee or by the Optionee's guardian or legal representative. In addition, an Option shall comply with all conditions of Rule 12h-1(f)(1) under the Exchange Act until the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act. Such conditions include, without limitation, the transferability restrictions set forth in Rule 12h-1(f)(1)(iv) and (v) under the Exchange Act, which shall apply to an Option and, prior to exercise, to the Shares to be issued upon exercise of such Option during the period commencing on the Date of Grant and ending on the earlier of (i) the date when the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act or (ii) the date when the Company makes a determination that it will cease to rely on the exemption afforded by Rule 12h-1(f)(1) under the Exchange Act. During such period, an Option and, prior to exercise, the Shares to be issued upon exercise of such Option shall be restricted as to any pledge, hypothecation or other transfer by the Optionee, including any short position, any "put equivalent position" (as defined in Rule 16a-1(h) under the Exchange Act) or any "call equivalent position" (as defined in Rule 16a-1(b) under the Exchange Act).

(k) Withholding Taxes. As a condition to the grant or exercise of an Option, the Optionee shall make such arrangements as the Board of Directors may require for the satisfaction of any federal, state, local or foreign withholding tax obligations that may arise in connection with such grant or exercise. The Optionee shall also make such arrangements as the Board of Directors may require for the satisfaction of any federal, state, local or foreign withholding tax obligations that may arise in connection with the vesting or transfer of Shares acquired by exercising an Option or any similar event.

(l) No Rights as a Stockholder. An Optionee, or a transferee of an Optionee, shall have no rights as a stockholder with respect to any Shares covered by the Optionee's Option until such person becomes entitled to receive such Shares by filing a notice of exercise and paying the Exercise Price pursuant to the terms of such Option.

(m) Modification, Extension and Assumption of Options. Within the limitations of the Plan, the Board of Directors may modify, extend or assume outstanding Options or may accept the cancellation of outstanding Options (whether granted by the Company or another issuer) in return for the grant of new Options for the same or a different number of Shares and at the same or a different Exercise Price. The foregoing notwithstanding, no modification of an Option shall, without the consent of the Optionee, impair the Optionee's rights or increase the Optionee's obligations under such Option.

(n) Company's Right to Cancel Certain Options. Any other provision of the Plan or a Stock Option Agreement notwithstanding, the Company shall have the right at any time to cancel an Option that was not granted in compliance with Rule 701 under the Securities Act. Prior to canceling such Option, the Company shall give the Optionee not less than 30 days' notice in writing. If the Company elects to cancel such Option, it shall deliver to the Optionee consideration with an aggregate Fair Market Value equal to the excess of (i) the Fair Market Value of the Shares subject to such Option as of the time of the cancellation over (ii) the Exercise Price of such Option. The consideration may be delivered in the form of cash or cash equivalents, in the form of Shares, or a combination of both. If the consideration would be a negative amount, such Option may be cancelled without the delivery of any consideration.

SECTION 7. PAYMENT FOR SHARES.

(a) General Rule. The entire Purchase Price or Exercise Price of Shares issued under the Plan shall be payable in cash or cash equivalents at the time when such Shares are purchased, except as otherwise provided in this Section 7.

(b) Services Rendered. At the discretion of the Board of Directors, Shares may be awarded under the Plan in consideration of services rendered to the Company, a Parent or a Subsidiary prior to the award.

(c) Promissory Note. At the discretion of the Board of Directors, all or a portion of the Purchase Price or Exercise Price (as the case may be) of Shares issued under the Plan may be paid with a full-recourse promissory note. The Shares shall be pledged as security for payment of the principal amount of the promissory note and interest thereon. The interest rate payable under the terms of the promissory note shall not be less than the minimum rate (if any) required to avoid the imputation of additional interest under the Code. Subject to the foregoing, the Board of Directors (at its sole discretion) shall specify the term, interest rate, amortization requirements (if any) and other provisions of such note.

(d) Surrender of Stock. At the discretion of the Board of Directors, all or any part of the Exercise Price may be paid by surrendering, or attesting to the ownership of, Shares that are already owned by the Optionee. Such Shares shall be surrendered to the Company in good form for transfer and shall be valued at their Fair Market Value as of the date when the Option is exercised.

(e) Exercise/Sale. To the extent that a Stock Option Agreement so provides, and if Stock is publicly traded, all or part of the Exercise Price and any withholding taxes may be paid by the delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker approved by the Company to sell Shares and to deliver all or part of the sales proceeds to the Company.

(f) Other Forms of Payment. To the extent that a Stock Purchase Agreement or Stock Option Agreement so provides, the Purchase Price or Exercise Price of Shares issued under the Plan may be paid in any other form permitted by the California Corporations Code.

SECTION 8. ADJUSTMENT OF SHARES.

(a) General. In the event of a subdivision of the outstanding Stock, a declaration of a dividend payable in Shares, a combination or consolidation of the outstanding Stock into a lesser number of Shares, a reclassification, or any other increase or decrease in the number of issued shares of Stock effected without receipt of consideration by the Company, proportionate adjustments shall automatically be made in each of (i) the number of Shares available for future grants under Section 4, (ii) the number of Shares covered by each outstanding Option and (iii) the Exercise Price under each outstanding Option. In the event of a declaration of an extraordinary dividend payable in a form other than Shares in an amount that has a material effect on the Fair Market Value of the Stock, a recapitalization, a spin-off, or a similar occurrence, the Board of Directors at its sole discretion may make appropriate adjustments in one or more of (i) the number of Shares available for future grants under Section 4, (ii) the number of Shares covered by each outstanding Option or (iii) the Exercise Price under each outstanding Option; provided, however, that the Board of Directors shall in any event make such adjustments as may be required by Section 25102(o) of the California Corporations Code.

(b) Corporate Transactions. In the event that the Company is a party to a merger or consolidation or in the event of a sale of all or substantially all of the Company's stock or assets, outstanding Options and Shares acquired under the Plan shall be subject to the definitive transaction agreement, which need not treat all outstanding Options in an identical manner. Such agreement, without the Optionees' consent, may dispose of Options that are not vested as of the effective date of such transaction in any manner permitted by applicable law, including (without limitation) the cancellation of such Options without the payment of any consideration. Such agreement, without the Optionees' consent, shall provide for one or more of the following with respect to Options that are vested as of the effective date of such transaction:

(i) The continuation of such outstanding Options by the Company (if the Company is the surviving corporation).

(ii) The assumption of such outstanding Options by the surviving corporation or its parent in a manner that complies with Section 424(a) of the Code (whether or not such Options are ISOs).

(iii) The substitution by the surviving corporation or its parent of new options for such outstanding Options in a manner that complies with Section 424(a) of the Code (whether or not such Options are ISOs).

(iv) The cancellation of such Options and a payment to the Optionees equal to the excess of (A) the Fair Market Value of the Shares subject to such Options as of the effective date of such transaction over (B) their Exercise Price. Such payment shall be made in the form of cash, cash equivalents, or securities of the surviving corporation or its parent with a Fair Market Value equal to the required amount.

(v) The cancellation of such Options without the payment of any consideration. Any exercise of such Options prior to the closing date of such transaction may be contingent on the closing of such transaction.

(c) Reservation of Rights. Except as provided in this Section 8, a Grantee, Purchaser or Optionee shall have no rights by reason of (i) any subdivision or consolidation of shares of stock of any class, (ii) the payment of any dividend or (iii) any other increase or decrease in the number of shares of stock of any class. Any issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or Exercise Price of Shares subject to an Option. The grant of an Option pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, to merge or consolidate or to dissolve, liquidate, sell or transfer all or any part of its business or assets.

SECTION 9. PRE-EXERCISE INFORMATION REQUIREMENT.

(a) Application of Requirement. This Section 9 shall apply only during a period that (i) commences when the Company begins to rely on the exemption described in Rule 12h-1(f)(1) under the Exchange Act, as determined by the Company in its sole discretion, and (ii) ends on the earlier of (A) the date when the Company ceases to rely on such exemption, as determined by the Company in its sole discretion, or (B) the date when the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act. In addition, this Section 9 shall in no event apply to an Optionee after he or she has fully exercised all of his or her Options.

(b) Scope of Requirement. The Company shall provide to each Optionee the information described in Rule 701(e)(3), (4) and (5) under the Securities Act. Such information shall be provided at six-month intervals, and the financial statements included in such information shall not be more than 180 days old. The foregoing notwithstanding, the Company shall not be required to provide such information unless the Optionee has agreed in writing, on a form prescribed by the Company, to keep such information confidential.

SECTION 10. MISCELLANEOUS PROVISIONS.

(a) Securities Law Requirements. Shares shall not be issued under the Plan unless the issuance and delivery of such Shares comply with (or are exempt from) all applicable requirements of law, including (without limitation) the Securities Act, the rules and regulations promulgated thereunder, state securities laws and regulations, and the regulations of any stock exchange or other securities market on which the Company's securities may then be traded. The Company shall not be liable for a failure to issue Shares that is attributable to such requirements.

(b) No Retention Rights. Nothing in the Plan or in any right or Option granted under the Plan shall confer upon the Grantee, Purchaser or Optionee any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Parent or Subsidiary employing or retaining the Grantee, Purchaser or Optionee) or of the Grantee, Purchaser or Optionee, which rights are hereby expressly reserved by each, to terminate his or her Service at any time and for any reason, with or without cause.

(c) Treatment as Compensation. Any compensation that an individual earns or is deemed to earn under this Plan shall not be considered a part of his or her compensation for purposes of calculating contributions, accruals or benefits under any other plan or program that is maintained or funded by the Company, a Parent or a Subsidiary.

(d) Governing Law. The Plan and all awards, sales and grants under the Plan shall be governed by, and construed in accordance with, the laws of the State of California, as such laws are applied to contracts entered into and performed in such State.

SECTION 11. DURATION AND AMENDMENTS.

(a) Term of the Plan. The Plan, as set forth herein, shall become effective on the date of its adoption by the Board of Directors, subject to the approval of the Company's stockholders. If the stockholders fail to approve the Plan within 12 months after its adoption by the Board of Directors, then any grants, exercises or sales that have already occurred under the Plan shall be rescinded and no additional grants, exercises or sales shall thereafter be made under the Plan. The Plan shall terminate automatically 10 years after the later of (i) the date when the Board of Directors adopted the Plan or (ii) the date when the Board of Directors approved the most recent increase in the number of Shares reserved under Section 4 that was also approved by the Company's stockholders. The Plan may be terminated on any earlier date pursuant to Subsection (b) below.

(b) Right to Amend or Terminate the Plan. The Board of Directors may amend, suspend or terminate the Plan at any time and for any reason; provided, however, that any amendment of the Plan shall be subject to the approval of the Company's stockholders if it (i) increases the number of Shares available for issuance under the Plan (except as provided in Section 8) or (ii) materially changes the class of persons who are eligible for the grant of ISOs. Stockholder approval shall not be required for any other amendment of the Plan. If the stockholders fail to approve an increase in the number of Shares reserved under Section 4 within 12 months after its adoption by the Board of Directors, then any grants, exercises or sales that have already occurred in reliance on such increase shall be rescinded and no additional grants, exercises or sales shall thereafter be made in reliance on such increase.

(c) Effect of Amendment or Termination. No Shares shall be issued or sold under the Plan after the termination thereof, except upon exercise of an Option (or any other right to purchase Shares) granted under the Plan prior to such termination. The termination of the Plan, or any amendment thereof, shall not affect any Share previously issued or any Option previously granted under the Plan.

SECTION 12. DEFINITIONS.

(a) "**Board of Directors**" shall mean the Board of Directors of the Company, as constituted from time to time.

(b) "**Code**" shall mean the Internal Revenue Code of 1986, as amended.

(c) "**Committee**" shall mean a committee of the Board of Directors, as described in Section 2(a).

(d) "**Company**" shall mean Flux Power, Inc., a California corporation.

(e) "**Consultant**" shall mean a person who performs bona fide services for the Company, a Parent or a Subsidiary as a consultant or advisor, excluding Employees and Outside Directors.

(f) "**Date of Grant**" shall mean the date of grant specified in the applicable Stock Option Agreement, which date shall be the later of (i) the date on which the Board of Directors resolved to grant the Option or (ii) the first day of the Optionee's Service.

(g) "**Disability**" shall mean that the Optionee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment.

(h) "**Employee**" shall mean any individual who is a common-law employee of the Company, a Parent or a Subsidiary.

(i) "**Exchange Act**" shall mean the Securities Exchange Act of 1934, as amended.

(j) "**Exercise Price**" shall mean the amount for which one Share may be purchased upon exercise of an Option, as specified by the Board of Directors in the applicable Stock Option Agreement.

(k) "**Fair Market Value**" shall mean the fair market value of a Share, as determined by the Board of Directors in good faith. Such determination shall be conclusive and binding on all persons.

(l) "**Family Member**" shall mean (i) any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, (ii) any person sharing the Optionee's household (other than a tenant or employee), (iii) a trust in which persons described in Clause (i) or (ii) have more than 50% of the beneficial interest, (iv) a foundation in which persons described in Clause (i) or (ii) or the Optionee control the management of assets and (v) any other entity in which persons described in Clause (i) or (ii) or the Optionee own more than 50% of the voting interests.

(m) "**Grantee**" shall mean a person to whom the Board of Directors has awarded Shares under the Plan.

(n) "**ISO**" shall mean an employee incentive stock option described in Section 422(b) of the Code.

(o) "**Nonstatutory Option**" shall mean a stock option not described in Sections 422(b) or 423(b) of the Code.

(p) "**Option**" shall mean an ISO or Nonstatutory Option granted under the Plan and entitling the holder to purchase Shares.

(q) "**Optionee**" shall mean a person who holds an Option.

(r) "**Outside Director**" shall mean a member of the Board of Directors who is not an Employee.

(s) "**Parent**" shall mean any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the adoption of the Plan shall be considered a Parent commencing as of such date.

(t) "**Plan**" shall mean this Flux Power, Inc. 2010 Stock Plan.

(u) "**Purchase Price**" shall mean the consideration for which one Share may be acquired under the Plan (other than upon exercise of an Option), as specified by the Board of Directors.

(v) "**Purchaser**" shall mean a person to whom the Board of Directors has offered the right to purchase Shares under the Plan (other than upon exercise of an Option).

(w) "**Securities Act**" shall mean the Securities Act of 1933, as amended.

(x) "**Service**" shall mean service as an Employee, Outside Director or Consultant.

(y) "**Share**" shall mean one share of Stock, as adjusted in accordance with Section 8 (if applicable).

(z) "**Stock**" shall mean the Common Stock of the Company.

(aa) "**Stock Grant Agreement**" shall mean the agreement between the Company and a Grantee who is awarded Shares under the Plan that contains the terms, conditions and restrictions pertaining to the award of such Shares.

(bb) "**Stock Option Agreement**" shall mean the agreement between the Company and an Optionee that contains the terms, conditions and restrictions pertaining to the Optionee's Option.

(cc) "**Stock Purchase Agreement**" shall mean the agreement between the Company and a Purchaser who purchases Shares under the Plan that contains the terms, conditions and restrictions pertaining to the purchase of such Shares.

(dd) "**Subsidiary**" shall mean any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

Exhibit A

Schedule of Shares Reserved for Issuance under the Plan

Date of Board Approval	Date of Stockholder Approval	Number of Shares Added	Cumulative Number of Shares
December 3, 2010	December ___, 2010	Not Applicable	2,000,000

FLUX POWER, INC. 2010 STOCK PLAN

NOTICE OF STOCK OPTION GRANT

The Optionee has been granted the following option to purchase shares of the Common Stock of Flux Power, Inc.:

Name of Optionee:	«Name»
Total Number of Shares:	«TotalShares»
Type of Option:	«ISO» Incentive Stock Option (ISO) «NSO» Nonstatutory Stock Option (NSO)
Exercise Price per Share:	$«PricePerShare»
Date of Grant:	«DateGrant»
Date Exercisable:	This option may be exercised with respect to the first 25% of the Shares subject to this option when the Optionee completes 12 months of continuous Service after the Vesting Commencement Date set forth below. This option may be exercised with respect to 1/36th of the remaining 75% of the Shares subject to this option when the Optionee completes each month of continuous Service thereafter.
Vesting Commencement Date:	«Fraction»
Expiration Date:	«ExpDate». This option expires earlier if the Optionee's Service terminates earlier, as provided in Section 6 of the Stock Option Agreement.

By signing below, the Optionee and the Company agree that this option is granted under, and governed by the terms and conditions of, the 2010 Stock Plan and the Stock Option Agreement. Both of these documents are attached to, and made a part of, this Notice of Stock Option Grant. **Section 13 of the Stock Option Agreement includes important acknowledgements of the Optionee**.

Optionee:

_____

Flux Power, Inc.

By: _____
Name: _____
Title: _____

THE OPTION GRANTED PURSUANT TO THIS AGREEMENT AND THE SHARES ISSUABLE UPON THE EXERCISE THEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED.

FLUX POWER, INC. 2010 STOCK PLAN:
STOCK OPTION AGREEMENT

SECTION 1. GRANT OF OPTION.

(a) **Option**. On the terms and conditions set forth in the Notice of Stock Option Grant and this Agreement, the Company grants to the Optionee on the Date of Grant the option to purchase at the Exercise Price the number of Shares set forth in the Notice of Stock Option Grant. The Exercise Price is agreed to be at least 100% of the Fair Market Value per Share on the Date of Grant (110% of Fair Market Value if this option is designated as an ISO in the Notice of Stock Option Grant and Section 3(b) of the Plan applies). This option is intended to be an ISO or an NSO, as provided in the Notice of Stock Option Grant.

(b) **$100,000 Limitation**. Even if this option is designated as an ISO in the Notice of Stock Option Grant, it shall be deemed to be an NSO to the extent (and only to the extent) required by the $100,000 annual limitation under Section 422(d) of the Code.

(c) **Stock Plan and Defined Terms**. This option is granted pursuant to the Plan, a copy of which the Optionee acknowledges having received. The provisions of the Plan are incorporated into this Agreement by this reference. Capitalized terms are defined in Section 14 of this Agreement.

SECTION 2. RIGHT TO EXERCISE.

(a) **Exercisability**. Subject to Subsection (b) below and the other conditions set forth in this Agreement, all or part of this option may be exercised prior to its expiration at the time or times set forth in the Notice of Stock Option Grant.

(b) **Stockholder Approval**. Any other provision of this Agreement notwithstanding, no portion of this option shall be exercisable at any time prior to the approval of the Plan by the Company's stockholders.

SECTION 3. NO TRANSFER OR ASSIGNMENT OF OPTION.

Except as otherwise provided in this Agreement, this option and the rights and privileges conferred hereby shall not be sold, pledged or otherwise transferred (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment, levy or similar process.

SECTION 4. EXERCISE PROCEDURES.

(a) **Notice of Exercise**. The Optionee or the Optionee's representative may exercise this option by giving written notice to the Company pursuant to Section 12(c). The notice shall specify the election to exercise this option, the number of Shares for which it is being exercised and the form of payment. The person exercising this option shall sign the notice. In the event that this option is being exercised by the representative of the Optionee, the notice shall be accompanied by proof (satisfactory to the Company) of the representative's right to exercise this option. The Optionee or the Optionee's representative shall deliver to the Company, at the time of giving the notice, payment in a form permissible under Section 5 for the full amount of the Purchase Price.

(b) **Issuance of Shares**. After receiving a proper notice of exercise, the Company shall cause to be issued one or more certificates evidencing the Shares for which this option has been exercised. Such Shares shall be registered (i) in the name of the person exercising this option, (ii) in the names of such person and his or her spouse as community property or as joint tenants with the right of survivorship or (iii) with the Company's consent, in the name of a revocable trust. The Company shall cause such certificates to be delivered to or upon the order of the person exercising this option.

(c) **Withholding Taxes**. In the event that the Company determines that it is required to withhold any tax as a result of the exercise of this option, the Optionee, as a condition to the exercise of this option, shall make arrangements satisfactory to the Company to enable it to satisfy all withholding requirements. The Optionee shall also make arrangements satisfactory to the Company to enable it to satisfy any withholding requirements that may arise in connection with the disposition of Shares purchased by exercising this option.

SECTION 5. PAYMENT FOR STOCK.

(a) **Cash**. All or part of the Purchase Price may be paid in cash or cash equivalents.

(b) **Surrender of Stock**. At the discretion of the Board of Directors, all or any part of the Purchase Price may be paid by surrendering, or attesting to the ownership of, Shares that are already owned by the Optionee. Such Shares shall be surrendered to the Company in good form for transfer and shall be valued at their Fair Market Value as of the date when this option is exercised.

(c) **Exercise/Sale**. All or part of the Purchase Price and any withholding taxes may be paid by the delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker approved by the Company to sell Shares and to deliver all or part of the sales proceeds to the Company. However, payment pursuant to this Subsection (c) shall be permitted only if (i) Stock then is publicly traded and (ii) such payment does not violate applicable law.

SECTION 6. TERM AND EXPIRATION.

(a) **Basic Term**. This option shall in any event expire on the expiration date set forth in the Notice of Stock Option Grant, which date is 10 years after the Date of Grant (five years after the Date of Grant if this option is designated as an ISO in the Notice of Stock Option Grant and Section 3(b) of the Plan applies).

(b) **Termination of Service (Except by Death)**. If the Optionee's Service terminates for any reason other than death, then this option shall expire on the earliest of the following occasions:

(i) The expiration date determined pursuant to Subsection (a) above; or

(ii) The date 12 months after the termination of the Optionee's Service.

The Optionee may exercise all or part of this option at any time before its expiration under the preceding sentence, but only to the extent that this option had become exercisable before the Optionee's Service terminated. When the Optionee's Service terminates, this option shall expire immediately with respect to the number of Shares for which this option is not yet exercisable. In the event that the Optionee dies after termination of Service but before the expiration of this option, all or part of this option may be exercised (prior to expiration) by the executors or administrators of the Optionee's estate or by any person who has acquired this option directly from the Optionee by beneficiary designation, bequest or inheritance, but only to the extent that this option had become exercisable before the Optionee's Service terminated.

(c) **Death of the Optionee**. If the Optionee dies while in Service, then this option shall expire on the earlier of the following dates:

(i) The expiration date determined pursuant to Subsection (a) above; or

(ii) The date 12 months after the Optionee's death.

All or part of this option may be exercised at any time before its expiration under the preceding sentence by the executors or administrators of the Optionee's estate or by any person who has acquired this option directly from the Optionee by beneficiary designation, bequest or inheritance, but only to the extent that this option had become exercisable before the Optionee's death. When the Optionee dies, this option shall expire immediately with respect to the number of Shares for which this option is not yet exercisable.

(d) **Part-Time Employment and Leaves of Absence**. If the Optionee commences working on a part-time basis, then the Company may adjust the vesting schedule set forth in the Notice of Stock Option Grant in accordance with the Company's part-time work policy or the terms of an agreement between the Optionee and the Company pertaining to his or her part-time schedule. If the Optionee goes on a leave of absence, then the Company may adjust the vesting schedule set forth in the Notice of Stock Option Grant in accordance with the Company's leave of absence policy or the terms of such leave. Except as provided in the preceding sentence, Service shall be deemed to continue for any purpose under this Agreement while the Optionee is on a *bona fide* leave of absence, if (i) such leave was approved by the Company in writing and (ii) continued crediting of Service for such purpose is expressly required by the terms of such leave or by applicable law (as determined by the Company). Service shall be deemed to terminate when such leave ends, unless the Optionee immediately returns to active work.

(e) **Notice Concerning ISO Treatment**. Even if this option is designated as an ISO in the Notice of Stock Option Grant, it ceases to qualify for favorable tax treatment as an ISO to the extent that it is exercised:

(i) More than three months after the date when the Optionee ceases to be an Employee for any reason other than death or permanent and total disability (as defined in Section 22(e)(3) of the Code);

(ii) More than 12 months after the date when the Optionee ceases to be an Employee by reason of permanent and total disability (as defined in Section 22(e)(3) of the Code); or

(iii) More than three months after the date when the Optionee has been on a leave of absence for 90 days, unless the Optionee's reemployment rights following such leave were guaranteed by statute or by contract.

SECTION 7. RIGHT OF FIRST REFUSAL.

(a) **Right of First Refusal**. In the event that the Optionee proposes to sell, pledge or otherwise transfer to a third party any Shares acquired under this Agreement, or any interest in such Shares, the Company shall have the Right of First Refusal with respect to all (and not less than all) of such Shares. If the Optionee desires to transfer Shares acquired under this Agreement, the Optionee shall give a written Transfer Notice to the Company describing fully the proposed transfer, including the number of Shares proposed to be transferred, the proposed transfer price, the name and address of the proposed Transferee and proof satisfactory to the Company that the proposed sale or transfer will not violate any applicable federal, State or foreign securities laws. The Transfer Notice shall be signed both by the Optionee and by the proposed Transferee and must constitute a binding commitment of both parties to the transfer of the Shares. The Company shall have the right to purchase all, and not less than all, of the Shares on the terms of the proposal described in the Transfer Notice (subject, however, to any change in such terms permitted under Subsection (b) below) by delivery of a notice of exercise of the Right of First Refusal within 30 days after the date when the Transfer Notice was received by the Company.

(b) **Transfer of Shares**. If the Company fails to exercise its Right of First Refusal within 30 days after the date when it received the Transfer Notice, the Optionee may, not later than 90 days following receipt of the Transfer Notice by the Company, conclude a transfer of the Shares subject to the Transfer Notice on the terms and conditions described in the Transfer Notice, provided that any such sale is made in compliance with applicable federal, State and foreign securities laws and not in violation of any other contractual restrictions to which the Optionee is bound. Any proposed transfer on terms and conditions different from those described in the Transfer Notice, as well as any subsequent proposed transfer by the Optionee, shall again be subject to the Right of First Refusal and shall require compliance with the procedure described in Subsection (a) above. If the Company exercises its Right of First Refusal, the parties shall consummate the sale of the Shares on the terms set forth in the Transfer Notice within 60 days after the date when the Company received the Transfer Notice (or within such longer period as may have been specified in the Transfer Notice); provided, however, that in the event the Transfer Notice provided that payment for the Shares was to be made in a form other than cash or cash equivalents paid at the time of transfer, the Company shall have the option of paying for the Shares with cash or cash equivalents equal to the present value of the consideration described in the Transfer Notice.

(c) **Additional or Exchanged Securities and Property**. In the event of a merger or consolidation of the Company with or into another entity, any other corporate reorganization, a stock split, the declaration of a stock dividend, the declaration of an extraordinary dividend payable in a form other than stock, a spin-off, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company's outstanding securities, any securities or other property (including cash or cash equivalents) that are by reason of such transaction exchanged for, or distributed with respect to, any Shares subject to this Section 7 shall immediately be subject to the Right of First Refusal. Appropriate adjustments to reflect the exchange or distribution of such securities or property shall be made to the number and/or class of the Shares subject to this Section 7.

(d) **Termination of Right of First Refusal**. Any other provision of this Section 7 notwithstanding, in the event that the Stock is readily tradable on an established securities market when the Optionee desires to transfer Shares, the Company shall have no Right of First Refusal, and the Optionee shall have no obligation to comply with the procedures prescribed by Subsections (a) and (b) above.

(e) **Permitted Transfers**. This Section 7 shall not apply to (i) a transfer by beneficiary designation, will or intestate succession or (ii) a transfer to one or more members of the Optionee's Immediate Family or to a trust established by the Optionee for the benefit of the Optionee and/or one or more members of the Optionee's Immediate Family, provided in either case that the Transferee agrees in writing on a form prescribed by the Company to be bound by all provisions of this Agreement. If the Optionee transfers any Shares acquired under this Agreement, either under this Subsection (e) or after the Company has failed to exercise the Right of First Refusal, then this Agreement shall apply to the Transferee to the same extent as to the Optionee.

(f) **Termination of Rights as Stockholder**. If the Company makes available, at the time and place and in the amount and form provided in this Agreement, the consideration for the Shares to be purchased in accordance with this Section 7, then after such time the person from whom such Shares are to be purchased shall no longer have any rights as a holder of such Shares (other than the right to receive payment of such consideration in accordance with this Agreement). Such Shares shall be deemed to have been purchased in accordance with the applicable provisions hereof, whether or not the certificate(s) therefor have been delivered as required by this Agreement.

(g) **Assignment of Right of First Refusal**. The Board of Directors may freely assign the Company's Right of First Refusal, in whole or in part. Any person who accepts an assignment of the Right of First Refusal from the Company shall assume all of the Company's rights and obligations under this Section 7.

SECTION 8. LEGALITY OF INITIAL ISSUANCE.

No Shares shall be issued upon the exercise of this option unless and until the Company has determined that:

(a) It and the Optionee have taken any actions required to register the Shares under the Securities Act or to perfect an exemption from the registration requirements thereof;

(b) Any applicable listing requirement of any stock exchange or other securities market on which Stock is listed has been satisfied; and

(c) Any other applicable provision of federal, State or foreign law has been satisfied.

SECTION 9. NO REGISTRATION RIGHTS.

The Company may, but shall not be obligated to, register or qualify the sale of Shares under the Securities Act or any other applicable law. The Company shall not be obligated to take any affirmative action in order to cause the sale of Shares under this Agreement to comply with any law.

SECTION 10. RESTRICTIONS ON TRANSFER OF SHARES.

(a) **Securities Law Restrictions**. Regardless of whether the offering and sale of Shares under the Plan have been registered under the Securities Act or have been registered or qualified under the securities laws of any State, the Company at its discretion may impose restrictions upon the sale, pledge or other transfer of such Shares (including the placement of appropriate legends on stock certificates or the imposition of stop-transfer instructions) if, in the judgment of the Company, such restrictions are necessary or desirable in order to achieve compliance with the Securities Act, the securities laws of any State or any other law.

(b) **Market Stand-Off**. In connection with any underwritten public offering by the Company of its equity securities pursuant to an effective registration statement filed under the Securities Act, including the Company's initial public offering, the Optionee or a Transferee shall not directly or indirectly sell, make any short sale of, loan, hypothecate, pledge, offer, grant or sell any option or other contract for the purchase of, purchase any option or other contract for the sale of, or otherwise dispose of or transfer, or agree to engage in any of the foregoing transactions with respect to, any Shares acquired under this Agreement without the prior written consent of the Company or its managing underwriter. Such restriction (the "Market Stand-Off") shall be in effect for such period of time following the date of the final prospectus for the offering as may be requested by the Company or such underwriter. In no event, however, shall such period exceed 180 days plus such additional period as may reasonably be requested by the Company or such underwriter to accommodate regulatory restrictions on (i) the publication or other distribution of research reports or (ii) analyst recommendations and opinions, including (without limitation) the restrictions set forth in Rule 2711(f)(4) of the National Association of Securities Dealers and Rule 472(f)(4) of the New York Stock Exchange, as amended, or any similar successor rules. The Market Stand-Off shall in any event terminate two years after the date of the Company's initial public offering. In the event of the declaration of a stock dividend, a spin-off, a stock split, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company's outstanding securities without receipt of consideration, any new, substituted or additional securities which are by reason of such transaction distributed with respect to any Shares subject to the Market Stand-Off, or into which such Shares thereby become convertible, shall immediately be subject to the Market Stand-Off. In order to enforce the Market Stand-Off, the Company may impose stop-transfer instructions with respect to the Shares acquired under this Agreement until the end of the applicable stand-off period. The Company's underwriters shall be beneficiaries of the agreement set forth in this Subsection (b). This Subsection (b) shall not apply to Shares registered in the public offering under the Securities Act.

(c) **Investment Intent at Grant**. The Optionee represents and agrees that the Shares to be acquired upon exercising this option will be acquired for investment, and not with a view to the sale or distribution thereof.

(d) **Investment Intent at Exercise**. In the event that the sale of Shares under the Plan is not registered under the Securities Act but an exemption is available that requires an investment representation or other representation, the Optionee shall represent and agree at the time of exercise that the Shares being acquired upon exercising this option are being acquired for investment, and not with a view to the sale or distribution thereof, and shall make such other representations as are deemed necessary or appropriate by the Company and its counsel.

(e) **Legends**. All certificates evidencing Shares purchased under this Agreement shall bear the following legend:

> "THE SHARES REPRESENTED HEREBY MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, ENCUMBERED OR IN ANY MANNER DISPOSED OF, EXCEPT IN COMPLIANCE WITH THE TERMS OF A WRITTEN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER OF THE SHARES (OR THE PREDECESSOR IN INTEREST TO THE SHARES). SUCH AGREEMENT GRANTS TO THE COMPANY CERTAIN RIGHTS OF FIRST REFUSAL UPON AN ATTEMPTED TRANSFER OF THE SHARES. THE SECRETARY OF THE COMPANY WILL UPON WRITTEN REQUEST FURNISH A COPY OF SUCH AGREEMENT TO THE HOLDER HEREOF WITHOUT CHARGE."

All certificates evidencing Shares purchased under this Agreement in an unregistered transaction shall bear the following legend (and such other restrictive legends as are required or deemed advisable under the provisions of any applicable law):

"THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED."

(f) **Removal of Legends**. If, in the opinion of the Company and its counsel, any legend placed on a stock certificate representing Shares sold under this Agreement is no longer required, the holder of such certificate shall be entitled to exchange such certificate for a certificate representing the same number of Shares but without such legend.

(g) **Administration**. Any determination by the Company and its counsel in connection with any of the matters set forth in this Section 10 shall be conclusive and binding on the Optionee and all other persons.

SECTION 11. ADJUSTMENT OF SHARES.

In the event of any transaction described in Section 8(a) of the Plan, the terms of this option (including, without limitation, the number and kind of Shares subject to this option and the Exercise Price) shall be adjusted as set forth in Section 8(a) of the Plan. In the event that the Company is a party to a merger or consolidation or in the event of a sale of all or substantially all of the Company's stock or assets or if the Company is subject to any other transaction described in Section 8(b) of the Plan, this option shall be subject to the definitive transaction agreement, as provided in Section 8(b) of the Plan.

SECTION 12. MISCELLANEOUS PROVISIONS.

(a) **Rights as a Stockholder**. Neither the Optionee nor the Optionee's representative shall have any rights as a stockholder with respect to any Shares subject to this option until the Optionee or the Optionee's representative becomes entitled to receive such Shares by filing a notice of exercise and paying the Purchase Price pursuant to Sections 4 and 5.

(b) **No Retention Rights**. Nothing in this option or in the Plan shall confer upon the Optionee any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Parent or Subsidiary employing or retaining the Optionee) or of the Optionee, which rights are hereby expressly reserved by each, to terminate his or her Service at any time and for any reason, with or without cause.

(c) **Notice**. Any notice required by the terms of this Agreement shall be given in writing. It shall be deemed effective upon (i) personal delivery, (ii) deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid or (iii) deposit with Federal Express Corporation, with shipping charges prepaid. Notice shall be addressed to the Company at its principal executive office and to the Optionee at the address that he or she most recently provided to the Company in accordance with this Subsection (c).

(d) **Modifications and Waivers**. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Optionee and by an authorized officer of the Company (other than the Optionee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(d) **Entire Agreement**. The Notice of Stock Option Grant, this Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) that relate to the subject matter hereof.

(e) **Choice of Law**. This Agreement shall be governed by, and construed in accordance with, the laws of the State of California, as such laws are applied to contracts entered into and performed in such State.

SECTION 13. ACKNOWLEDGEMENTS OF THE OPTIONEE.

(a) **Tax Consequences**. The Optionee agrees that the Company does not have a duty to design or administer the Plan or its other compensation programs in a manner that minimizes the Optionee's tax liabilities. The Optionee shall not make any claim against the Company or its Board of Directors, officers or employees related to tax liabilities arising from this option or the Optionee's other compensation. In particular, the Optionee acknowledges that this option is exempt from Section 409A of the Code only if the Exercise Price is at least equal to the Fair Market Value per Share on the Date of Grant. Since Shares are not traded on an established securities market, the determination of their Fair Market Value is made by the Board of Directors or by an independent valuation firm retained by the Company. The Optionee acknowledges that there is no guarantee in either case that the Internal Revenue Service will agree with the valuation, and the Optionee shall not make any claim against the Company or its Board of Directors, officers or employees in the event that the Internal Revenue Service asserts that the valuation was too low.

(b) **Electronic Delivery of Documents**. The Optionee agrees that the Company may deliver by email all documents relating to the Company, the Plan or this option (including, without limitation, a copy of the Plan) and all other documents that the Company is required to deliver to its security holders (including, without limitation, disclosures that may be required by the Securities and Exchange Commission). The Optionee also agrees that the Company may deliver these documents by posting them on a website maintained by the Company or by a third party under contract with the Company. If the Company posts these documents on a website, it shall notify the Optionee by email of their availability. The Optionee acknowledges that he or she may incur costs in connection with electronic delivery, including the cost of accessing the internet and printing fees, and that an interruption of internet access may interfere with his or her ability to access the documents. This consent shall remain in effect until this option expires or until the Optionee gives the Company written notice that it should deliver paper documents.

(c) **No Notice of Expiration Date**. The Optionee agrees that the Company and its officers, employees, attorneys and agents do not have any obligation to notify him or her prior to the expiration of this option pursuant to Section 6, regardless of whether this option will expire at the end of its full term or on an earlier date related to the termination of the Optionee's Service. The Optionee further agrees that he or she has the sole responsibility for monitoring the expiration of this option and for exercising this option, if at all, before it expires. This Subsection (c) shall supersede any contrary representation that may have been made, orally or in writing, by the Company or by an officer, employee, attorney or agent of the Company.

SECTION 14. DEFINITIONS.

(a) "**Agreement**" shall mean this Stock Option Agreement.

(b) "**Board of Directors**" shall mean the Board of Directors of the Company, as constituted from time to time or, if a Committee has been appointed, such Committee.

(c) "**Code**" shall mean the Internal Revenue Code of 1986, as amended.

(d) "**Committee**" shall mean a committee of the Board of Directors, as described in Section 2 of the Plan.

(e) "**Company**" shall mean Flux Power, Inc., a California corporation.

(f) "**Consultant**" shall mean a person who performs bona fide services for the Company, a Parent or a Subsidiary as a consultant or advisor, excluding Employees and Outside Directors.

(g) "**Date of Grant**" shall mean the date of grant specified in the Notice of Stock Option Grant, which date shall be the later of (i) the date on which the Board of Directors resolved to grant this option or (ii) the first day of the Optionee's Service.

(h) "**Disability**" shall mean that the Optionee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment.

(i) "**Employee**" shall mean any individual who is a common-law employee of the Company, a Parent or a Subsidiary.

(j) "**Exercise Price**" shall mean the amount for which one Share may be purchased upon exercise of this option, as specified in the Notice of Stock Option Grant.

(k) "**Fair Market Value**" shall mean the fair market value of a Share, as determined by the Board of Directors in good faith. Such determination shall be conclusive and binding on all persons.

(l) "**Immediate Family**" shall mean any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law and shall include adoptive relationships.

(m) "**ISO**" shall mean an employee incentive stock option described in Section 422(b) of the Code.

(n) "**Notice of Stock Option Grant**" shall mean the document so entitled to which this Agreement is attached.

(o) "**NSO**" shall mean a stock option not described in Sections 422(b) or 423(b) of the Code.

(p) "**Optionee**" shall mean the person named in the Notice of Stock Option Grant.

(q) "**Outside Director**" shall mean a member of the Board of Directors who is not an Employee.

(r) "**Parent**" shall mean any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(s) "**Plan**" shall mean the Flux Power, Inc. 2010 Stock Plan, as in effect on the Date of Grant.

(t) "**Purchase Price**" shall mean the Exercise Price multiplied by the number of Shares with respect to which this option is being exercised.

(u) "**Right of First Refusal**" shall mean the Company's right of first refusal described in Section 7.

(v) "**Securities Act**" shall mean the Securities Act of 1933, as amended.

(w) "**Service**" shall mean service as an Employee, Outside Director or Consultant.

(x) "**Share**" shall mean one share of Stock, as adjusted in accordance with Section 8 of the Plan (if applicable).

(y) "**Stock**" shall mean the Common Stock of the Company.

(z) "**Subsidiary**" shall mean any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(aa) "**Transferee**" shall mean any person to whom the Optionee has directly or indirectly transferred any Share acquired under this Agreement.

(bb) "**Transfer Notice**" shall mean the notice of a proposed transfer of Shares described in Section 7.

LHV Power Corporation

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Flux Propulsion

Term Sheet

RECITALS

WHEREAS, LHV develops, manufactures and sells battery chargers for the electric vehicle market.

WHEREAS, Flux develops, manufactures and sells a complete electric vehicle drive system for the electric vehicle market.

WHEREAS, Flux desires to sell LHV's battery chargers either with Flux's electric vehicle drive system or separately.

WHEREAS, LHV wishes to grant to Flux the right to sell LHV's battery chargers.

DEFINITIONS

- "OEM" shall mean a party that is licensed to only distribute LHV's battery charger together with its own product.
- "Distributor" shall mean a party that has been given a license by LHV to distribute LHV's Products under their own name or under the LHV defined brand together with its own products or separately.
- "Confidential Information" means information which if disclosed (i) in tangible form, is clearly marked as "confidential" or "proprietary" at the time of disclosure, or (ii) in intangible form (such as orally or visually), the disclosing party identifies as "confidential" or "proprietary" at the time of disclosure. Notwithstanding the foregoing marking requirements, the parties agree that each respective party's customer lists and customer data are considered Confidential Information.
- "Customer Support" means the Support Services to be provided by Flux to the user of LHV Products described herein.

- "Statement of Work" or ("SOW") means the development plan, including deliverables and associated milestones and development schedule, as mutually agreed and as set forth and attached hereto.

- "LHV Product(s)" means LHV's battery charger.

TERMS

Flux Appointment.

- LHV hereby appoints Flux as a Distributor of LHV's Products and grants flux a license to distribute the LHV product as a Distributor.

- In the event LHV sells or distributes LHV Products to another Distributor LHV shall pay Flux a fee of which will equal twenty percent (20%) of the LHV's gross profits sold to the other Distributor {the "Distribution Fee"}. Distribution Fee shall not apply to sales to an OEM and/or sales to Flux. Distribution Fee shall also be subject to the Maximum Royalty defined below.

- Parties agree that the electric vehicle market is a new market and will work together to identify and further define distributors, retailers and OEM's.

Statement of Work

- In consideration for LHV granting Flux a Distributor license Flux agrees to perform the work under the attached Statement of Work.

- Statement of Work will include designing a microprocessor control board and developing the associated software together named {the "MCB"} that enables the LHV Product to intuitively charge batters.

- Statement of Work will also include any updates for error corrections in the design and code, upgrades with additional functionality as requested by LHV in the design and code, and Customer Support.

- LHV agrees to pay Flux a twenty dollar ($20) fee {"Royalty Fee"} per MCB that only LHV sells subject to the terms defined herein. The Royalty Fee does not apply to for sales made to Flux.

Maximum Royalties

- LHV and Flux agrees that LHV's obligation to pay the Distribution Fee and the Royalty Fee terminate once the total payments made of the Distribution Fee and the Royalty Fee equal two hundred thousand dollars ($200,000) in total the {"Maximum Royalty"}. By nature this royalty provision shall survive and will remain effect post termination or expiration of the Agreement. Once the Maximum Royalty has been reached, Flux is no longer required to provide any support for the MCB and both parties agree to negotiate a new support fee upon LHV's request.

- LHV may during the term of this Agreement request that Flux accept fee adjustments for the Royalty Fee and the Distribution Fee in conjunction with significant customer bids.

Flux Obligations:

- Flux accepts the appointment as a Distributor of LHV Products and agrees to use best efforts to maximize distribution of the LHV Products.

- Flux agrees to submit purchase orders at a quantity of no less than 25 and maintain an inventory of LHV Products of sufficient quantity, at LHV's Distribution pricing, to enable Flux to fully discharge all of its responsibilities under this Agreement.

- Flux, its officers and agents agree to refrain from promoting, selling, or offering for sale, either directly or indirectly any goods or articles that compete with the LHV's Product without offering LHV's prior right of first refusal to provide like product and price.

Marketing Plans & Reports:

- Each calendar quarter, Flux shall furnish LHV a point of sales and operation report as it relates to LHV Product.

- Parties agree to use reasonable efforts to cooperatively market and advertize LHV Product.

No Agency:

- Flux is an independent purchaser and seller of LHV Products and shall represent itself only as an "Authorized Distributor" of the LHV Products.

Payment:

- All orders placed to LHV by Flux shall be at the price as set forth on LHV's then current LHV's Distributor Price List for the LHV Products, and freight and transportation costs for the LHV Products shall be the responsibility of Flux.

- Unless otherwise agreed to by LHV, all payments shall be made within thirty (30) days as of the delivery of the LHV's invoice, except that in the event Flux fails to pay LHV as provided herein, LHV may, in its sole discretion, require Flux to issue a standby irrevocable letter of credit in favor of LHV or LHV's designated subsidiary prior to the fulfillment or delivery of any further orders.

- Flux agrees to pay all taxes, duties, deposits, tariffs, and bonds of any kind imposed upon LHV, Flux, or upon the LHV Products by any government or taxing authority relating to the sale of LHV Products by Flux.

Orders:

- Upon LHV Product availability, Flux agrees to place a purchase order.
- All purchase orders must be in writing and are subject to acceptance by LHV and LHV will issue a proforma invoice acknowledging the purchase order.
- On the first day of the term, and every thirty (30) days thereafter (the "Forecast Period") throughout the term, Flux shall deliver to LHV a written forecast of its needs for the LHV Products during the twelve month period immediately following.
- LHV may, from time to time, advise Flux that Flux may not sell to certain customers (the "Disapproved Customers") for any or no reason whatsoever, including the Disapproved Customer's infringement of LHV's intellectual property rights. Flux agrees not to take orders from Disapproved Customers.
- LHV Products shall be shipped to Flux pursuant to the instructions issued by Flux within a reasonable period of time after acceptance by LHV of any order
- LHV will use its reasonable best efforts to fill Flux's orders promptly upon acceptance by LHV.
- Flux shall not return the LHV Products without prior written authorization and instructions from LHV, nor shall LHV accept returned LHV Products except in accordance with such authorization and instructions.

Goodwill:

- All use of the trademarks and all goodwill and benefits arising from such use shall inure to the sole and exclusive benefit of the Trademark Owner. Neither party shall not do anything that, could in any way damage, injure or impair the validity and subsistence of the other parties' trademarks.
- Both parties agree to recognize that the Confidential Information constitutes valuable trade secrets of the discloser and is the exclusive property of discloser. Consequently, the recipient agrees to use the Confidential Information only in connection with the purpose contemplated under this Agreement and, during its term and extending for a period of two (2) years thereafter, recipient specifically agrees not to use, communicate, disclose, reverse engineer, publish or make available to any person or entity discloser's Confidential Information.

Intellectual Property:

- LHV shall retain all rights title and interests to the LHV Product and any work performed in a Statement of Work and Intellectual Property created while working together including but not limited to perfecting the Intellectual Property and nothing herein shall be construed as a license or an assignment of rights those rights in any way.

Term & Effective Date:

- This Agreement shall take effect as of March 25, 2009 and expire on April 1, 2010 unless sooner terminated as provided herein (the "Initial Term"), which will be automatically extended to an additional year, if neither party has given a notice not less than ninety (90) days before the Initial Term (the "Further Term").

- Notwithstanding anything to the contrary in this Agreement, either party may terminate this Agreement at any time during the Initial Term or any Further Term without cause with ninety (90) days prior written notice. Any order accepted by LHV prior to the date of receipt of a notice of termination shall be shipped according to the announced shipping date.

Entire Agreement: This Agreement expresses fully the understanding between the parties and all prior agreements, representations, understandings, appointments or licenses, oral or written, are hereby expressly canceled. This Agreement may be modified only in writing signed by both Flux and LHV. The date of the execution by LHV shall be deemed to be the date of the Agreement and the Agreement shall not be effective until its execution by LHV and the Flux.
IN WITNESS WHEREOF the parties have caused this Amendment to be signed by their duly authorized representatives.

LHV Power Corporation		Flux Propulsion	
Signature:	/s/Craig Miller	Signature:	/s/Jason Touhy
Name:	Craig Miller	Name:	Jason Tough
Title:	VP, Director of Legal Affairs	Title:	COO
Date:	June 19, 2009	Date:	June 19, 2009

Attachment A
Statement of Work
Battery Charger

SCOPE:
This document is a Statement of Work for the design and development of the microprocessor module portion of the 3kW battery charger system known as the LBC-3K45P from LHV Power Corp. The statements following "GENERAL:" below contain the working requirements for the entire charger device of which the microprocessor module is part; individual signals and operational modes are described therein. The immediately following statements reflect the physical and operational specifics for the microprocessor module itself.

Microprocessor Module (MM) Design Details:
The MM contains a power regulating circuit which takes +12V from the isolated housekeeping power supply output that is common with the DC/DC output circuits. This +12V will be stepped down by means of a three terminal regulator and support components that will provide +5V for the operation of the microprocessor and associated support circuits, including digital and analog communication interfaces to the DC/DC controller, and to the CAN bus I/O system.

The microprocessor itself will be an appropriate device with appropriate supporting hardware to handle the I/O and computational requirements of the battery charger system's DC/DC control board, including receiving two channels of 3 by 8 multiplexed single ended digital signals and one channel of 3 by 8 multiplexed differential analog signals, and transmitting one singled ended digital signal and one channel of 3 by 8 multiplexed differential analog signals.

The MM will contain hardware and software systems to support, through a properly isolated hardware interface, two simultaneously connected external CAN bus devices, and provide proper data operation to and from devices such as the Battery Management System (BMS), the vehicle Powertrain Control Module (PCM), and other such external devices.

The MM will contain hardware and software appropriate to the task of properly updating the internal software, so that the software enabled operational characteristics of the battery charger can be repaired, revised, or updated from time to time. The physical interface to this updating system may be via the CAN bus and/or a communication interface agreed upon by both parties.

The MM will contain hardware and software appropriate to receive and send information from and to an "SAE J1772" accessory communications connector, so that communications can be made to an off board AC or DC charging pedestal. The actual hardware and software requirements are TBD, pending finalization by SAE of the exact standards to be implemented. It is desired that at least three digital ports be assigned and reserved on the MM board for this purpose.

The MM will contain hardware and software appropriate to properly control the normal mode(s) and faulted mode(s) of operation of the battery charger system. It will properly communicate with other vehicular devices and provide those external devices with normal and customary data and information as to the status of the battery charger's operation as described in the functional description following this SOW.

The MM will contain hardware and software appropriate to control several battery charger systems connected in parallel; with the primary charger serving as “master”, and additional attached battery chargers (through the CAN bus interface) will serve as “slave(s)”, thus providing for a multiplication of battery charging power. Thus each battery charger produced must have an internally assigned address number coded in software, so that the master charger can be established by means of interrogation by each and all CAN bus connected battery chargers, and a determination made of which charger will be declared master, and which charger(s) will be declared slave(s). An example might be that all chargers connected to a common CAN bus find that three chargers exist connected, and that the one with the lowest address number is declared the master, and the other two are thus declared slave 1 and slave 2. Operational characteristics of master and slave connected chargers will be identical, so that all parallel output (or series output) connected chargers produce similar outputs, unless the BMS system directs otherwise.

As a note, the series connection of battery chargers will be limited to two in number by design. The number of parallel connected battery chargers can be twenty or more. Combinations of parallel connected sets of two seriesed output battery chargers are possible for higher power and higher voltage battery systems.

The MM will have Real Time Clock (RTC) capabilities so that a user controlled time of day use function for the battery charger can be implemented.

The MM will have hardware and software appropriate to operate an onboard multicolor LED, which will be used to indicate charging operation and status and/or fault modes to an observer of the charger(s) in service. The exact details of the multicolor LED will be on a forthcoming revision of this document.

The MM will be designed to fit upon a Printed Circuit Board (PCB) of dimensions of approximately 2” x 5”. Details of the exact size, component height limitations, mounting holes, connector details and locations, etc. will be forthcoming on a subsequent revision of this document. The layout of the MM PCB will be done in such manner as to guarantee 1000V of isolation to the supporting metal tray and mounting system; further details of the requirements for this will be forthcoming on a future revision of this document (it is expected that reinforcing insulation sheets such as Mylar sheet will be required and provided for outside the scope of this SOW to meet this requirement).

LHV Power Corporation		Flux Propulsion	
Signature:	/s/Craig Miller	Signature:	/s/Jason Touhy
Name:	Craig Miller	Name:	Jason Tough
Title:	VP, Director of Legal Affairs	Title:	COO
Date:	June 19, 2009	Date:	June 19, 2009

MANUFACTURING IMPLEMENTATION AGREEMENT

This DEVELOPMENT AGREEMENT (hereinafter referred to as this "**Agreement**") is entered into this 1st day of August, 2009 (hereinafter referred to as "**Effective Date**"), by and between LHV Power Corporation (hereinafter referred to as "LHV"), a California corporation having its principal place of business at 10221 Buena Vista Santee, CA 92071, and Flux Power Inc., a California corporation with offices at 2240 Auto Pkwy Escondido CA 92029 (hereinafter referred to as "Flux").

RECITAL

WHEREAS, Flux Power In is engaged in the development and selling of battery management products and technology;

WHEREAS, LHV is engaged in the manufacturing of electronic components and solutions for its customers;

1. DEFINITIONS

1.1. "LHV" means LHV Power Corporation and those subsidiaries and affiliates in which it owns, controls, or does business with directly or indirectly or any parent company or affiliates that owns or controls, directly or indirectly, at least fifty percent (50%) of the capital stock of LHV entitled to vote in the election of directors.

1.2. "Flux" means Flux Incorporated and those subsidiaries and affiliates in which it owns or controls, directly or indirectly, at least fifty percent (50%) of the capital stock entitled to vote in the election of directors, or which are controlled by or under common control with Flux Incorporated, or any parent company or affiliates that owns or controls, directly or indirectly, at least fifty percent (50%) of the capital stock of Flux entitled to vote in the election of directors.

1.3. "Independent Contractor" means a party who is not an employee and who provides services to a party hereunder, subject to the terms of a written agreement that provides restrictions on the disclosure and use of confidential information.

1.4. "Flux Products" means any products Flux requests LHV to manufacture and as they relate to Flux's battery management solutions.

1.5. "Intellectual Property" shall mean any idea, design, concept, technique, processes, invention, model, device, report, computer program, tooling, schematic and other diagram, instruction material, know-how, discovery or improvement, whether or not copyrightable, patentable or registerable, and all intellectual property rights, including patent, copyright, trade secret and trademark rights, generally or in any of the foregoing.

2. PURPOSE OF AGREEMENT

2.1 Purpose. To formally establish the manufacturing relationship where LHV uses its resources and capabilities in manufacturing to manufacture Flux's Product as requested by Flux under the terms hereunder.

3. FLUX RESPONSIBILITIES

3.1. Best Efforts. Flux shall provide its commercial best efforts, consistent with prudent business practice, and shall devote such time and resources as may be reasonably necessary to enable LHV to manufacture Flux Products.

3.2. Resources. Flux shall provide all necessary resources devoted to assist LHV in manufacturing Flux products.

3.3. Labor. Flux shall provide qualified technicians, engineers, and other key personnel to aid in the development and integration of the manufacturing process and tools for Flux Products.

3.4. Technical Knowledge and Expertise. Flux shall provide its technical know-how and expertise of manufacturing processes and knowledge, including hardware, software, and tooling to enable manufacture of Flux Products.

4. LHV RESPONSIBILITIES

4.1. Best Efforts. LHV shall provide its commercial best efforts, consistent with prudent business practice, and shall devote such time and resources as may be reasonably necessary to enable the manufacturing of Flux Products.

4.2. Resources. LHV shall provide all necessary resources devoted to manufacturing and producing Flux Products.

4.3. Labor. LHV shall provide qualified technicians, engineers, and other key personnel or 3rd party manufacturing resources to manufacture and produce the Flux Products.

4.4. Technical Knowledge and Expertise. LHV shall provide its technical know-how and expertise of electronic component manufacturing, including hardware topology to assist Flux in producing and manufacturing the Flux Products.

5. MANUFACTURING DEVELOPMENT MILESTONES AND DELIVERABLES

5.1. Manufacturing Rights:
It is the intent for LHV or a party managed by LHV to be the manufacture of Flux's battery management system. Therefore Flux grants LHV a right of first refusal on manufacturing the battery management system.

5.2. Delivery: LHV and Flux shall deliver associated design document, hardware and software to the other party as manufacturing development is required.
5.3. Monthly Progress Reports: LHV shall submit monthly progress reports on the last day of each month to ensure constant communication and forward progress in manufacturing of the Flux Products.

6. SPECIALIZED TOOLING

6.1. Tooling. Flux shall pay for any specialized tooling costs required to build the Flux Products. Flux shall use best efforts to assist LHV with the tooling process. Flux shall own all intellectual property and real property rights in the tooling as it relates to any Flux Product.

6.2. Transfer. Flux shall not sell, move or transfer any tooling procured or manufacturing to third party or another location without Flux's written consent.

7. INTELLECTUAL PROPERTY RIGHTS

7.1. Rights. Any Intellectual Property arising out of work related to or based on any Flux Product ("**Flux Intellectual Property**") will be exclusively and solely owned by Flux, and Flux shall be entitled to use and fully exploit such Flux Intellectual Property rights freely.

7.2. Perfecting Rights. LHV will assist Flux in any reasonable manner to obtain for its own benefit copyrights or patents in any and all countries that relate to the Flux Product, and LHV will execute when requested copyright or patent applications and assignments to Flux that relates to Flux Product or persons designated by it, and any other lawful documents deemed necessary by Flux to carry out the purposes of this Agreement, and LHV will further assist Flux in every way to enforce any copyrights or patents obtained including, without limitation, testifying in any suit or proceeding involving any of the copyrights or patents or executing any documents deemed necessary by Flux at Flux's expense.

8. CONFIDENTIALITY

8.1. Disclosure. During the term of this Agreement, either party (the "**receiving party**") may receive or have access to technical information, as well as information about product plans, strategies, promotions, customers and related non-technical business information of the other party (the "**disclosing party**") which the disclosing party considers to be confidential ("**Confidential Information**"). Notwithstanding any provision to the contrary, all non-public information provided to either party orally or through inspection in the course of the development are deemed Confidential Information.

8.2. Use. Confidential Information may be used and disclosed by the receiving party only with respect to performance of its rights and obligations under this Agreement between Flux and LHV, and only by those employees and Independent Contractors of the receiving party who have a need to know such information for the Agreement Purposes. Except as permitted herein, the receiving party shall not disclose the Confidential Information of the disclosing party to a third party and the receiving party shall protect the Confidential Information of the disclosing party by using the same degree of care (but no less than a reasonable degree of care) to prevent the unauthorized use, dissemination or publication of such Confidential Information, as the receiving party uses to protect its own confidential information of like nature. The receiving party's obligation under this Section 9 shall be for a period of five (5) years after the date of disclosure.

8.3. Disclosure Purpose. The receiving party may disclose the Confidential Information of the disclosing party to the extent provided by the disclosing party's prior written approval or to the extent required to accomplish duties outlined herein or a receiving party is compelled by applicable law to disclose the disclosing party's Confidential Information, the receiving party may disclose such Confidential Information provided that the receiving party provides prior notice to the disclosing party makes commercially reasonable efforts to receive confidential treatment for such Confidential Information.

9. LIMITATION OF LIABILITIES

IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR ANY SPECIAL, EXEMPLARY, INCIDENTAL OR CONSEQUENTIAL DAMAGES, INCLUDING, BUT NOT LIMITED TO, LOSS OF USE, LOST PROFITS, LOST REVENUES, LOSS OF DATA OR REPLACEMENT COSTS, WHETHER ARISING OUT OF CONTRACT, TORT, STRICT LIABILITY OR OTHERWISE, RESULTING OR RELATED TO THIS AGREEMENT (WHETHER OR NOT SUCH PARTY KNEW OR SHOULD HAVE KNOWN OF THE POSSIBILITY OF ANY SUCH DAMAGES). THIS PARAGRAPH WILL APPLY NOTWITHSTANDING ANY OTHER PROVISIONS OF THIS AGREEMENT OR THE FAILURE OF ANY REMEDY OF ITS ESSENTIAL PURPOSE.

10. TERM

10.1. This Agreement is effective as of the Effective Date and, except as provided otherwise, shall expire five (5) years thereafter unless earlier termination is invoked as provided herein. Prior to the expiration of such period, the parties may extend the term of this Agreement by a mutually signed amendment.

10.2. Either party may, upon written notice to the other party, terminate this Agreement, at its sole discretion, with 180 days of such written notice.

10.3. Either party may terminate this Agreement by written notice to the other party if any material provision of this Agreement is breached by the other party and such breach is not cured within thirty (30) days after receipt of written notice of such breach.

10.4. Upon termination or expiration of this Agreement for any reason, (1) Flux must return to LHV all LHV Confidential Information in Flux's possession at the time of such termination or expiration and (2) LHV must return to Flux all Confidential Information of Flux in its possession at the time of such termination or expiration. Each party will deliver to the other an officer's certificate certifying such return.

11. LEGAL COMPLIANCE

Each party agrees to comply, and do all things necessary for the other party to comply, with all applicable Federal, State and local laws, regulations and ordinances, including but not limited to the laws applicable in the countries of the United States of America, Taiwan (Republic of China), and the People's Republic of China, insofar as they relate to the activities to be performed under this Agreement. United States Government regulations require certain assurances concerning technical data and commodities exported from the United States. In order for either party to maintain a normal flow of technical data to the other party under these regulations, each party assures the other that it and any of its agents or employees will not re-export to, provide to or discuss with others any Confidential Information, specifications, drawings, data or any product of such data contrary to United States Government Export regulations or re-export to any country specified as a prohibited destination in the Regulations of the United States Department of Commerce relating to the export of Technical Data, without first obtaining U.S. Government approval, by application through the other party. Upon request, a party will advise the other party of the countries then specified as prohibited destinations.

LHV will conduct all business in accordance with applicable laws regarding health and safety. Flux shall have full responsibility for all notices, approvals and requirements with respect to the sale and distribution of the products and compliance with applicable health and safety, import, export and other applicable laws.

12. WARRANTY

12.1. LHV warrants that if the Flux Product manufactured by LHV proves to be defective in material or workmanship as it directly relates to manufacturing or does not conform to Flux's specification provided to LHV within two (2) years from the date of delivery to Flux ("Warranty Period"), LHV will, at their sole option, either replace the defective LHV Product or component thereof, or provide without charge the labor and parts necessary to remedy any such defect. Under no circumstances shall LHV's cumulative liability under this warranty exceed one and a half time the price paid by Flux for the Flux Product.

12.2. Each party warrants that it has full power to enter into and perform this Agreement, and the person signing this Agreement on each party's behalf has been duly authorized and empowered to enter in this Agreement. Each party further acknowledges that it has read this Agreement, understands it and agrees to be bound by it. Each party acknowledges that it has not been induced to enter into such agreement by any representations or statements, oral or written, not expressly contained herein or expressly incorporated by reference.

12.3. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, NEITHER PARTY MAKES ANY OTHER WARRANTIES OR REPRESENTATIONS, EITHER EXPRESS OR IMPLIED, REGARDING THE INDEMNIFIED ITEMS, INCLUDING WITHOUT LIMITATION AS TO THEIR MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE.

13. FORCE MAJEURE

Failure or omission by either party in the performance of any obligation under this Agreement shall not be deemed a breach of this Agreement nor create any liability if the same shall rise from any cause or causes, beyond the control of the parties, such as Acts of God, war, or situations similar to war.

14. GENERAL PROVISION

14.1. Notices. All notices to be given under this Agreement must be in writing addressed to the receiving party's designated recipient specified in the signature box below. Notices are validly given upon the earlier of confirmed receipt by the receiving party or three (3) days or seven (7) days for international notices after dispatch by courier or certified mail, postage prepaid, properly addressed to the receiving party. Notices may also be delivered by telefax and will be validly given upon oral or written confirmation of receipt. Either party may change its address for purposes of notice by giving notice to the other party in accordance with these provisions.

14.2. Exhibits. Each Exhibit attached to this Agreement is deemed a part of this Agreement and incorporated herein wherever reference to it is made.

14.3. Independent Contractors. The relationship of the parties established under this Agreement is that of independent contractors and neither party is a partner, employee, agent or joint venturer of or with the other.

14.4. No Grant of License by Flux. Nothing in this Agreement shall be construed as granting by implication, estoppel or otherwise, any license of or rights in any trade secrets, know-how, or patents of Flux.

14.5. Assignment. Neither this Agreement nor any right, license, privilege or obligation provided herein may be assigned, transferred or shared by either party without the other party's prior written consent.

14.6. No Waiver. The waiver of any term, condition, or provision of this Agreement must be in writing and signed by an authorized representative of the waiving party. Any such waiver will not be construed as a waiver of any other term, condition, or provision except as provided in writing, nor as a waiver of any subsequent breach of the same term, condition, or provision.

14.7. Reference To Days. All references in this Agreement to "days" will, unless otherwise specified herein, mean calendar days.

14.8. Headings. The Section headings used in this Agreement are for convenience of reference only. They will not limit or extend the meaning of any provision of this Agreement, and will not be relevant in interpreting any provision of this Agreement.

14.9. No Publication. Neither party may publicize or disclose to any third party, without the written consent of the other party, the terms of this Agreement. Without limiting the generality of the foregoing sentence, no press releases may be made without the mutual written consent of each party.

14.10. Severability. If any provision in this Agreement is held invalid or unenforceable by a body of competent jurisdiction, such provision will be construed, limited or, if necessary, severed to the extent necessary to eliminate such invalidity or unenforceability. The parties agree to negotiate in good faith a valid, enforceable substitute provision that most nearly affects the parties' original intent in entering into this Agreement or to provide an equitable adjustment in the event no such provision can be added. The other provisions of this Agreement will remain in full force and effect.

14.11. Entire Agreement. This Agreement comprises the entire understanding between the parties with respect to its subject matters and supersedes any previous communications, representations, or agreements, whether oral or written. For purposes of construction, this Agreement will be deemed to have been drafted by both parties. No modification of this Agreement will be binding on either party unless in writing and signed by an authorized representative of each party.

14.12. Governing Law. This Agreement will be governed in all respects by the laws of California, United States without reference to any choice of laws provisions.

LHV Power Corporation		FLUX	
By:	/s/James Gevarges	By:	/s/Chris Anthony
Name:	James Gevarges	Name:	Chris Anthony
Title:	CEO	Title:	CEO
Date:	06/07/2011	Date:	

[***] Represents material information which has been redacted and filed separately with the Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

PURCHASE ORDER - TERMS AND CONDITIONS

1. CONTRACT.

(a) Each purchase order and purchase order revision (the "Order") issued by GreenTech Automotive, Inc. ("Buyer") is an offer to the Vendor named on the previous page ("Vendor" and together the "Parties") for the purchase of goods and/or services offered by Vendor, and includes and is governed by the express terms contained on the face of this Order, these Purchase Order - Terms and Conditions, the terms contained in any addendum or supplement to this Order issued by Buyer and accepted by Vendor and any Release provided pursuant to Section 1(b) below (collectively, the "Terms"). Written acceptance of this Order by Vendor solely constitutes an acceptance by Buyer for the goods and products offered by Vendor subject to this Order (the "Goods") or of the services offered by Vendor subject to Vendor's quote and this Order (the "Services"). Any acceptance of this Order is limited to and conditional upon Vendor's acceptance of the Terms. Any proposal for additional or different terms or any attempt by Vendor or Buyer to vary any of the Terms, whether in Vendor's or Buyer's quotation form, acknowledgement form, invoice, correspondence or otherwise, shall be deemed material and is hereby objected to and rejected, but any such proposal or attempted variance shall not operate as a rejection of this Order if Vendor accepts Buyer's offer by commencement of work, shipment of the Goods or performance of the Services, or by other means acceptable to Buyer, in which case this Order shall be deemed accepted by Vendor without any additional or different terms or variations whatsoever. This Order does constitute an acceptance of any prior offer or proposal by Vendor, and any reference in this Order to any such prior offer or proposal (including any quotation issued by Vendor whether or not such quotation purports to contain Vendor's terms of sale, if any) is solely to incorporate the description or specifications of the Goods and/or Services contained in such offer or proposal, but only to the extent that such description or specifications are not directly in conflict with the description and specifications contained in this Order. If this Order is found to be an acceptance of any prior offer or proposal by Vendor, such acceptance shall be limited to the Terms. Any additional or different terms in such prior offer or proposal shall be deemed material and are hereby objected to and rejected by Buyer. Buyer may cancel all or any part of this Order at any time prior to acceptance by Vendor.

(b) If an Order is placed by blanket purchase order, such blanket purchase order (a "Blanket Purchaser Order") shall: (i) state on its face that it is a Blanket Purchase Order, (ii) identify an amount of time for fulfillment of the Blanket Purchase Order (the "Timeframe"), (iii) identify the quantity or quantities of Goods or Services that Buyer may purchase during such Timeframe (the "Blanket Quantity"), and (iv) identify the price(s) for such Blanket Quantity. Such Blanket Purchase Order may also give a specific delivery date for all or a portion of the Blanket Quantity. From time to time, the Buyer shall provide the Vendor a written notice (each, a "Release") stating, (i) an amount of the Blanket Quantity to be delivered to Buyer, and (ii) the delivery location of such portion of the Blanket Quantity. In addition to the other termination rights afforded the Buyer under this Purchase Order – Terms and Conditions, Buyer shall have the right to terminate all or a portion of the Blanket Purchase Order pursuant to Section 16(a) and shall only be liable for the amounts set forth in Section 16(d).

(c) This Order contains the entire agreement between Buyer and Vendor and, except as otherwise expressly stated in this Order, supersedes all prior agreements, orders, quotations, proposals and other communications relating to the subject matter hereof, and there are no other understandings or agreements, verbal or otherwise, in relation hereto that exist between Buyer and Vendor. Notwithstanding the foregoing, any non-disclosure, noncompetition, non-solicitation or other similar restrictions in any prior agreements shall not be affected by the Terms or this Order.

(d) In the event of any conflict or inconsistency between the express terms contained on the face of this Order and these Purchase Order - Terms and Conditions, the express terms on the face of this Order shall govern.

2. QUALITY ASSURANCE. At the time of delivery, all articles, materials and work furnished, as applicable, shall be of good quality and free from any defects, and shall at all times be subject to inspection by Buyer and any applicable governmental authority or regulatory body (collectively, "Regulator"); but neither Buyer's nor Regulator's inspection, nor failure to inspect, shall relieve Vendor of any obligation hereunder. If in Buyer's or Regulator's opinion, any article, material or work fails to conform to specifications or is otherwise defective, Buyers sole recourse shall be through Vendor's Warranty. No acceptance or payment by Buyer shall constitute a waiver of the foregoing; and nothing herein shall exclude or limit any warranties provided by law.

3. CUSTOMER REQUIREMENTS.
(a) Vendor acknowledges that the Goods and/or Services under this Order may be sold, or incorporated into products or services that may be sold or leased, by Buyer as or to an original equipment manufacturer of motor vehicles, whether directly or indirectly, to an upper tier supplier or any other third party customer (collectively, the "Customer"). Vendor is not responsible for such changed warranty to the Customer unless such is explicit in the Order and Buyer provides copy of specific terms or obligations. Vendor shall take reasonable steps to comply with such requirements and do all other things as Buyer deems necessary or desirable and within Vendor's control without additional expense to Vendor, to enable Buyer to meet Buyer's obligations under the terms and conditions of the Customer Warranty and any contract, purchase order or other document related thereto (the "Customer Terms"), including: delivery, packaging and labeling requirements; warranties and warranty periods; intellectual property rights and indemnification; confidentiality; access to facilities and records; ensuring the Goods when sold to the Customer comply with any specification set forth; and replacement and service parts; provided however that Vendor acknowledges that the Goods shall be sold or leased by the Buyer to customers in the European Union so shall comply with any legal requirements relating thereto.

(b) Subject to Buyer's and Vendor's acceptance of Customer Terms as set forth in Section 3(a), if there is any conflict or inconsistency between the provisions of the Customer Terms and any provision of this Order, Buyer shall have the right to have the provisions of the Customer Terms prevail to the extent necessary or desirable to resolve such conflict or inconsistency as long as Vendor has agreed and at Buyer's expense.

(c) If the Customer directed, recommended or requested that Vendor be the source from whom Buyer is to obtain the Goods and/or Services and Customer and Vendor have a formal agreement relating to the Order: [***]

4. TAXES. Unless otherwise provided herein or by law, Vendor shall pay all sales, use, excise, port fees and other taxes, charges, and contributions now or hereafter imposed on, or with respect to, or measured by the articles, materials or work furnished or the compensation paid to, persons employed in connection with performance hereunder; and Vendor shall release, indemnify, defend and hold Buyer harmless against any liability and expense by reason of Vendor's failure to pay same.

5. DELIVERY DELAYS, SHIPPING AND DUTIES/TAXES.
(a) Other than by reason of an excusable delay (as defined in Section 5(b)), if after accepting this Order pursuant to Section 1 Vendor fails or refuses to proceed with this Order or fails to deliver the Goods and/or perform the Services within the delivery date(s) and time(s) specified in this Order or any applicable Release (in any such case, a "delay"), Buyer may, without liability to Vendor and without limiting or affecting Buyer's other rights or remedies available hereunder or at law: (i) cancel the then remaining balance of this Order; or (ii) direct expedited shipment and/or incur premium freight or special transportation costs, and Vendor shall pay, upon demand, all excess costs incurred thereby, including additional handling charges and other expenses (whether related or not) resulting therefrom; provided that if such costs exceed 30% of the Order (the "Threshold Costs"), Vendor shall only be liable for the Threshold Costs and the reasonable expenses that exceed 30%. Vendor shall not be responsible for any other direct, consequential and incidental damages incurred by Buyer as a result of a delay, other than by reason of an excusable delay, including the cost of any line shutdown(s) and the cost of obtaining the Goods and/or Services from alternate sources. Buyer's actions in obtaining substitute or replacement Goods and/or Services shall not limit Buyer's rights and remedies available hereunder or at law.

(b) As used in this Order, the term "excusable delay" means at any time Buyer requests to shorten a delivery date quoted by Vendor and any delay in making or accepting deliveries or performance which results without fault or negligence on the part of the party involved and which is due to causes or events beyond its reasonable control, such as acts of God, or of a public enemy that causes materials or component supply delays, any preference, , priority or allocation order issued by government or any other acts of government, fires, floods, epidemics, quarantine restrictions, freight embargoes, unusually severe weather, explosions, riots, war (whether declared or not), terrorism, acts of the other party and delays of a subcontractor or supplier due to such causes. As used in this Order, the term "excusable delay" shall not, however, mean or include any delay arising from or as a result of: (i) Vendor's financial difficulties; (ii) a change in cost or availability of materials or components based on market conditions or supplier actions affecting Vendor or any of its subcontractors or suppliers.

(c) An excusable delay shall not constitute a default hereunder, provided that if Buyer or Vendor is subject to one or more excusable delays that persist for more than thirty (30) days in the aggregate, Buyer or Vendor may cancel the then remaining balance of this Order, without liability to Vendor and without limiting or affecting Buyer's other rights or remedies available hereunder or at law.

(d) Vendor, shall use reasonable efforts to mitigate any adverse effects or costs to Buyer due to any actual or potential delay, including: (i) the implementation of a production and/or performance contingency plan; and (ii) upon Buyer's express written authorization and Order that has been accepted by Vendor, increasing Vendor's inventory of finished Goods to a level sufficient to sustain deliveries during such delay.

(e) Whenever any actual or reasonably certain or significant potential delay threatens to delay deliveries or Vendor's performance under this Order, Vendor shall immediately give written notice thereof to Buyer. Such notice shall include all relevant information with respect to such delay, including the anticipated duration and impact of such delay if known.

(f) Buyer may delay acceptance of delivery of the Goods and/or performance of the Services and such delay does not affect or delay payment, by reason of an excusable delay, in which case Vendor shall hold the Goods and/or delay performance of the Services, at Buyer's direction, until the cause of the excusable delay has been removed.

(g) If, under the express terms of this Order, Buyer grants Vendor exclusive or "single source" rights to supply the Goods and/or Services to Buyer, such rights shall not restrict Buyer's right to procure substitute or replacement Goods and/or Services for the duration of any delay (whether or not by reason of an excusable delay) and for a reasonable period thereafter, without liability to Vendor.

(h) Unless otherwise expressly stated in this Order, Vendor shall not charge Buyer for shipment preparation, labeling, packing, boxing, crating or shipping. Vendor shall promptly notify Buyer in writing if Vendor is unable to deliver and/or perform in the quantities and on the delivery dates and times agreed upon by Vendor and Buyer. Goods delivered in excess of the quantities or in advance of delivery dates or times so specified shall be at Vendor's risk and may be returned to Vendor by Buyer, and all transportation charges both to and from the original destination shall be paid by Vendor. Unless otherwise expressly stated in this Order, prices include customs duties and expenses, tariffs and all federal, provincial, state and local taxes (including all export taxes, import taxes, excise taxes, sales taxes and value added or similar "turnover" taxes) applicable to the manufacture, sale or provision of the Goods and/or Services as they are delivered to Buyer.

6. PAYMENT.
(a) Except as otherwise expressly stated in this Order which shall match the Vendor's quote, and subject to Section 3(c) and Section 7, Buyer shall pay net invoices (subject to applicable withholding taxes, if any) by the later of: (i) [***] days after the end of the month during which the Goods were delivered and/or Services performed, as the case may be; or (ii) [***] days after the invoice date. In the event of late payment by Buyer, Vendor shall be entitled to any lien or retention of title against the Goods and/or Services or to claim any set-off against amounts due or which may become due to Vendor from Buyer or its subsidiaries or affiliates. In order to be payable, invoices must be correct and complete, with appropriate supporting documentation and other information reasonably required by Buyer.

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7. DEDUCTION, SET-OFF, RECOUPMENT.
(a) In addition to any right of deduction, set-off or recoupment provided by law, all amounts due or to become due to Vendor from Buyer (including any applicable value added or similar "turnover" tax payable, if any) shall be considered net of indebtedness or obligations of Vendor to Buyer, and upon agreement by Vendor, Buyer may deduct, set-off or recoup any such indebtedness or obligations from and against any amounts due or to become due to Vendor from Buyer (including any applicable value added or similar turnover taxes payable, if any) and however and whenever arising. Buyer may do so without notice to Vendor.

(b) In the event of any insolvency or financial distress of Vendor or for any other reason(s) giving rise to Vendor's inability (or, in Buyer's opinion, potential inability) to perform its obligations under this Order, if Buyer retains legal counsel, accountants or other third party advisors to provide services related to Buyer's business relationship with Vendor, Buyer shall have the right to fully recover its out of pocket fees and costs related to such legal, accounting or other third party services, and to specifically deduct, set-off or recoup such fees and costs from amounts due or to become due to Vendor from Buyer.

(c) In the event of any insolvency or financial distress of Buyer or for any other reason(s) giving rise to Buyer's inability (or, in Vendor's opinion, potential inability) to perform its obligations under this Order, if Buyer retains legal counsel, accountants or other third party advisors to provide services related to Vendor's business relationship with Buyer, Vendor shall have the right to fully recover its out of pocket fees and costs related to such legal, accounting or other third party services, and to specifically deduct, set-off or recoup such fees and costs from amounts due or to become due to Buyer from Vendor.

(d) For purposes of this Agreement, the terms "Buyer" and "Vendor" shall mean and include each of Buyer and Vendor, respectively, and its subsidiaries and affiliates.

8. CHANGES.
(a) Buyer reserves the right upon Vendor's pre-approval to make changes, or to require Vendor to make changes, to the drawings, specifications and other provisions of this Order, as well as any subcontractors or suppliers used or intended to be used by Vendor. If any such change results in an increase or a decrease in the cost of, or the time required for, manufacturing or delivering the Goods and/or performing the Services, an equitable adjustment may be made in the price or delivery schedule, or both, and this Order shall, subject to the agreement of Buyer and Vendor, be modified in writing accordingly. No claim under this Section 8 shall be asserted by Vendor after ninty (90) days following the notification of the change by Buyer.

(b) Vendor shall not, without Buyer's prior written authorization, make any changes to specifications, designs, drawings, materials, part numbers (or other types of identification), processes, procedures or the location of the facilities used by Vendor for the performance of its obligations under this Order.

9. PRICE WARRANTIES AND COMPETITIVENESS.
[***]

(d) For a period of six months after each Order, Buyer shall provide Vendor with the right to first quote any potential Orders that relate to the goods and services provided by Vendor. Such right shall extend for a period of (5) days from the date Vendor receives request to quote from Buyer.

10. WARRANTIES REGARDING GOODS AND SERVICES.
(a) Vendor's sole Warranty ("Warranty") is outlined in Exhibit A.

(b) The Vendor's Warranty and Warranty period are available to, and for the benefit of, Buyer, its subsidiaries and affiliates, their respective successors and assigns, the Customer and users of the Goods and/or Services but only Buyer may submit a claim under such Warranty.

11. MATERIALS, EQUIPMENT, TOOLS AND FACILITIES.
(a) Unless otherwise expressly stated in this Order, Vendor shall, at its own expense, supply and, as applicable, maintain in good condition and repair and replace when necessary or reasonably required, all materials, equipment, tools, jigs, dies, gauges, fixtures, moulds, patterns, drawings, specifications, samples, supplies and facilities that are under control of or are owned by Vendor and that are required to perform this Order.

(b) Notwithstanding any other provision in this Order, Parties expressly acknowledges and agrees that: all materials, parts, components, assemblies, equipment, tools, jigs, dies, gauges, fixtures, moulds, patterns, drawings, specifications, samples, supplies and facilities, including any replacements thereof, any materials affixed or attached thereto and any special tooling manufactured, produced or provided by Vendor for the performance of its obligations under this Order are and shall remain the property of Vendor (collectively, "Tooling"). Parties further agree: (i) all materials, parts, components, assemblies, equipment, tools, jigs, dies, gauges, fixtures, moulds, patterns, drawings, specifications, samples, supplies and facilities, including any replacements thereof, any materials affixed or attached thereto and any special tooling manufactured, paid for (excluding any Tooling the cost of which is fully or substantially amortized in the price of the Goods and/or Services), produced or provided and paid for by Buyer for the performance of its obligations under this Order are and shall remain the property of Buyer (collectively, "Specialized Tooling") or collectively, the ("Buyer's Property"), shall be held by Vendor on a bailment basis and remain the property of, with both title and the right of possession in, Buyer and without limiting or affecting any other rights or remedies available hereunder. Vendor shall assign to Buyer all contract rights or claims in which Vendor has an interest with respect to the Buyer's Property and, upon request by Buyer and in the event no payment is due and payable by Buyer beyond any applicable grace period, shall execute bills of sale, financing statements or other documents reasonably requested by Buyer to evidence Buyer's ownership of the Buyer's Property. In addition to any other right or remedy with respect to the Buyer's Property given to Buyer by statute or rule of law, Vendor acknowledges that this Order only to the extent the Order contains Specialized Tolling paid for by Buyer creates or provides for a "security interest" and/or a "purchase-money security interest" (within the meaning of applicable personal property security legislation) in favor of Buyer in the Buyer's Property which may be registered or otherwise protected by Buyer at any time in Buyer's sole discretion. The Buyer's Property, while in the custody or control of Vendor or its subcontractors, suppliers or agents, shall be held at Vendor's risk, shall be kept insured by Vendor, at Vendor's expense, against loss or damage in an amount equal to the replacement cost thereof, and shall be subject to removal on Buyer's written request. Vendor shall promptly notify Buyer of the location of the Buyer's Property, if any is located at any place other than Vendor's cell supplier of or Vendor's premises. Unless otherwise expressly stated in this Order, Vendor shall maintain accounting and property control records for the Buyer's Property in accordance with sound industrial practices. Vendor shall, at Vendor's expense, maintain the Buyer's Property in good condition and repair throughout the useful life thereof (as determined by Buyer in accordance with sound industrial practices), and shall replace any of the Buyer's Property if, as and when necessary or reasonably required. Buyer does not provide any warranties with respect to the Buyer's Property. Upon completion or termination of this Order, Vendor shall retain on a bailment basis for Buyer, as aforesaid, all Buyer's Property in the custody or control of Vendor, at Vendor's expense, until disposition directions are received from Buyer. Upon receipt of Buyer's demand or disposition directions, Vendor shall, at Vendor's expense, properly prepare the Buyer's Property for shipment and shall deliver it to such location(s) as may be specified by Buyer. The Buyer's Property shall be in no less than the same condition as originally received by Vendor, normal use and reasonable wear and tear excepted. If Buyer or Vendor defaults under this Order, Vendor shall, upon Buyer's demand, immediately deliver the Buyer's Property to Buyer and, if Buyer so requests, grant Buyer reasonable access to Vendor's premises (including, as applicable, the premises of Vendor's subcontractors, suppliers and agents) for the purpose of removing the Buyer's Property. To the extent not prohibited by law, as long as Buyer does not owe any payables to Vendor that are past the any applicable grace period, Vendor waives any lien or similar right which Vendor may have with respect to the Buyer's Property. Buyer shall be responsible for personal property taxes, if any, assessed against the Buyer's Property while in the custody or control of Vendor or its subcontractors, suppliers or agents.

(c) All Buyer's Property referenced in Section 11(b)(i) to be manufactured, produced or provided by Vendor in conjunction with this Order must be in strict accordance with the specifications set forth in this Order or as otherwise specified by Buyer to Vendor.

(d) Vendor shall use the Buyer's Property referenced in Section 11(b)(i) solely for the purpose of performing its obligations under this Order unless Buyer gives its written consent to use Buyer's Property for another purpose.

(e) All Buyer's Property shall be tagged, marked or otherwise clearly identified by Vendor as the property of Buyer (or as Buyer may otherwise direct).

(f) This Section 11 shall not apply to any Tooling purchased under a purchase order unless such purchase order specifically states that it is governed by these terms and conditions.

12. INTELLECTUAL PROPERTY.

(a) Vendor shall indemnify and hold Buyer, its subsidiaries and affiliates, their respective successors, assigns, representatives, employees and agents, the Customer and users of products or services incorporating the Goods and/or Services, harmless from and against all liabilities, demands, claims, losses, costs, damages and expenses of any nature or kind (including court costs, legal and other professional fees, and other costs associated with any indemnified party's administrative time, labor and materials) arising from or relating to the infringement or alleged infringement of any patent, trademark, service mark, copyright, industrial design, mask work, trade secret or other intellectual property right for or on account of the manufacture, sale or use of the Goods and/or Services, or of the products or services incorporating the Goods and/or Services. Buyer shall indemnify and hold Vendor, its subsidiaries and affiliates, their respective successors, assigns, representatives, employees and agents, the Customer and users of products or services harmless from and against all liabilities, demands, claims, losses, costs, damages and expenses of any nature or kind (including court costs, legal and other professional fees, and other costs associated with any indemnified party's administrative time, labor and materials) arising from or relating to the infringement or alleged infringement of any patent, trademark, service mark, copyright, industrial design, mask work, trade secret or other intellectual property right for or on account of the manufacture, sale or use is based on a claim that Buyer's combination of the Goods and/or Services with other goods, services (including without limitation Buyer's products). Buyer shall notify Vendor of any suit filed against Buyer or other indemnified parties herein, on account of any such infringement or alleged infringement as stated above and in the event infringement is solely relating to the Goods' and/or Services alone, shall give Vendor control of the defense of such suit, insofar as Buyer has the authority to do so, and reasonable information and assistance in connection therewith, all at Vendor's expense. Buyer and other indemnified parties herein shall have the right to be represented by their own legal counsel and actively participate in any such suit, and the reasonable costs of such representation shall be paid by Vendor on demand. If a claim of infringement or alleged infringement based solely on the Goods and/or Services results or is reasonably anticipated to result in an injunction or other legal order preventing Vendor from supplying or Buyer from using the Goods and/or Services for their intended purpose, Vendor shall, at its expense, (i) secure a valid license or other applicable rights to permit such continued supply or use, (ii) modify (with the prior approval of Buyer and, if applicable the Customer) the Goods and/or Services so that they become non-infringing, so long as the modifications do not significantly alter or affect the form, fit, function, operation or performance of the Goods and/or Services, or (iii) replace (with the prior consent of Buyer and, if applicable, the Customer) the Goods and/or Services with non-infringing, but substantially equivalent goods and/or services.

(b) Solely with respect to the use, installation, sale, lease or servicing of the Goods that have been paid in accordance with an Order by Buyer, Vendor hereby grants to Buyer, its subsidiaries and affiliates, and their respective successors and assigns (including any of their authorized distributors or dealers), and Buyer hereby accepts, a non-exclusive, irrevocable, royalty-free (such royalty deemed included in the price of the Goods and Services), worldwide license, including the right to sublicense to others in connection with providing the Goods and/or Services to Buyer or the Customer, under: (i) patents, industrial designs, technical information, know how, processes of manufacture, trade secrets and other intellectual property, owned or controlled by Vendor or its subsidiaries and affiliates, and relating to the Goods and/or Services under this Order or their installing, servicing, use, sell, lease and import the Goods and/or Services under this Order, and (ii) any works of authorship fixed in any tangible medium of expression (including drawings, prints, manuals and specifications) furnished by Vendor in the course of Vendor's activities under this Order, (all items in clauses (i) and (ii) above, collectively, "Vendor's Intellectual Property", and such license in respect thereof, the "License"). In the event Buyer wishes to obtain the supply of the Goods and/or Services from a third party Buyer may request and upon written agreement by Vendor, Buyer may obtain a royalty bearing License. Nothing herein shall grant Buyer or subsequent assigns the license or right to create derivative works.

(c) To the extent that Vendor creates or develops any inventions, discoveries or improvements in the performance of Vendor's obligations under this Order which are paid for by Buyer and specified as development work in an Order, Vendor shall: (i) assign to Buyer each such invention, discovery or improvement (whether or not patentable) that is conceived or first reduced to practice by Vendor, or by any person employed by or working under the direction of Vendor, in the performance of Vendor's obligations under this Order; and (ii) promptly disclose in an acceptable form to Buyer all such inventions, discoveries or improvements and cause Vendor's employees to sign any papers necessary to enable Buyer to obtain title to and to file applications for patents throughout the world. To the extent that any works of authorship (including, without limitation, software and computer programs) are created or developed in the performance of Vendor's obligations under this Order which are paid for by Buyer and specified as development work in an Order, such works shall be considered "works made for hire", and to the extent that such works do not qualify as "works made for hire", Vendor hereby assigns to Buyer all right, title, and interest in all copyrights and moral rights therein.

(d) Vendor shall not manufacture or provide, or offer to manufacture or provide, any goods or services that are significantly based upon Buyer's intellectual property and/or the drawings or specifications in respect of the Buyer's goods and services, or any derivatives thereof, whether for its own purposes (other than to satisfy its obligations under this Order), for the Customer or any other third parties, without Buyer's prior written consent. The foregoing restriction shall not apply in respect of "standard", "off-the-shelf" or "catalogue" goods or services that have been routinely manufactured or provided by Vendor and developed by Vendor, in each case, prior to this Order and independently of Vendor's relationship with Buyer.

(e) Buyer shall not manufacture or provide, or offer to manufacture or provide, any goods or services that are based solely upon Vendor's intellectual property and/or the drawings or specifications in respect of the Goods and/or Services, or any derivatives thereof, whether for its own purposes (other than to satisfy its obligations) for the Customer or any other third parties, without Vendor's prior written consent.

13. CONFIDENTIALITY AND NON-DISCLOSURE.

(a) Parties shall, and shall cause each subcontractor to, consider and treat all Information (as defined in Section 13(b)) as confidential, shall safeguard such Information in an appropriate and reasonable manner (but being at least the same as that used by either party alone to protect its own information of the same or a similar nature and relative importance), and shall not disclose any Information to any other person (including a competitor of Parties or a person, who with knowledge of the Information, could damage either Parties; competitive position), or use any Information against the interests of the Parties or for any purpose except as required by this Order, without the other party's prior written consent; provided however that Buyer may disclose Vendor's confidential information to a lender or third party that is contemplated financing, making a loan, making an equity investment or entering into a joint venture or other arrangement for the purchase or sale of the Goods or Buyer's products provided such party enters into a confidentiality agreement prior to such disclosure. Each party retains all rights with respect to their Information, and neither Party shall acquire, nor attempt to obtain (whether by filing applications, asserting claims, disputing the other party's rights or otherwise) any patent, trademark, copyright, license or other rights in respect of the other Party's Information. Neither Party shall allow any Information to be reproduced, communicated or in any way used, in whole or in part, in connection with services or goods furnished to others, without the other Party's prior written consent.

(b) For the purposes of this Order, "Information" means (i) all prints, designs, drawings, layouts, specifications, instructions, developments, technical data, test data, computations, analyses, models, samples, prototypes, materials, products, parts lists, costs and pricing, methods, processes, systems, plans, forecasts, reports, working papers and other information (whether or not commercial, financial, business or technical in nature) furnished by or on behalf of either Party and/or, if applicable, the Customer and/or Sub-Contractors, (ii) all notes, analyses, compilations, studies, interpretations or other documents, whether in hard copy or electronic form, prepared by the respective Party or its subcontractor, which contain, reflect or are based upon, in whole or in part, the Information set forth in (i) above, and (iii) all terms and conditions and any other information relating to this Order.

(c) Vendor shall not advertise or otherwise publicly disclose the fact that Buyer has contracted to purchase the Goods and/or Services from Vendor, without Buyer's prior written consent or unless required to do so by operation of law or regulation.

(d) The Parties agrees, and agrees to cause any subcontractor, to promptly return or destroy the Information upon the either Party's request. The Parties will promptly inform each other if it becomes aware of any misappropriation, misuse or improper disclosure of any Information. In the event the Vendor uses any subcontractor to provide goods or services in connection with this Order, the Vendor agrees to cause such subcontractor to be bound provisions substantially similar to this section. Nothing in this Section 13 shall restrict either Party's disclosure of information to the extent required by law.

14. COMPLIANCE WITH LAWS.

(a) Vendor's performance of its obligations under this Order shall be in compliance with all applicable laws, including foreign, federal, provincial, state and local laws, ordinances, rules, codes, standards and regulations, as promulgated, enacted and amended from time to time, that are applicable to this Order or the use of the Goods to the Customer, including any specifications for the Goods set forth in any law applicable to the sale of the Goods to the Customer, (collectively, "Laws"). Vendor shall furnish Buyer with certificates of compliance, where required under such applicable Laws or when requested by Buyer. Each invoice rendered to Buyer under this Order shall constitute written assurance by Vendor that Vendor has fully complied with all applicable Laws.

(b) Vendor shall package, label and transport the Goods and their containers, in particular those which constitute a safety, health, poison, fire, explosion, environmental, transportation or other hazard, in compliance with all applicable Laws in effect in the place to which the Goods are shipped or as otherwise specified by Buyer. Upon request, Vendor shall furnish Buyer with information regarding the ingredients of the Goods.

(c) Vendor represents and warrants that neither it nor any of its subcontractors or suppliers utilize or will utilize any form of forced or involuntary labor in the United Status relating to the supply of the Goods and/or Services under this Order. Within the framework of its commercial dealings with Buyer, Vendor shall not engage in any actions or practices which may lead to criminal or civil liability due to fraud, bribery, embezzlement, unfair competition or other forms of corruption on the part of persons employed by Vendor or third parties for the benefit of Vendor.

(d) Parties represents and warrants that neither it, its subcontractors, nor any of their officers, directors, employees, agents or other representatives has or will perform any act that violates the Foreign Corrupt Practices Act of 1977, as amended by the International Anti-bribery and Fair Competition Act of 1998, including pay, offer or promise to pay or give any money, gift, service or anything else of value, either directly or through a third party, to any (A) official or employee of any government authority or instrumentality, public international organization, or of any agency or subdivision thereof, or (B) political party, official thereof or to any candidate for political office; in each case for the purpose of (i) influencing any act or decision of that person in his official capacity, including a decision to fail to perform his or her official function, (ii) inducing such person to use his or her influence with such organization to affect or influence any act or decision thereof or (iii) securing any improper advantage. In the event either Party uses any subcontractor to provide goods or services in connection with this Order, they agree to cause such subcontractor to be bound by provisions substantially similar to this Section 14.

(e) Parties shall indemnify and hold the other party, its subsidiaries and affiliates, their respective successors, assigns, representatives, employees and agents and the Customer, harmless from and against all liabilities, demands, claims, losses, costs, damages and expenses of any kind and nature (including personal injury, property damage, consequential and special damages, court costs, legal and other professional fees, and other costs associated with any indemnified party's administrative time, labor and materials) arising from or relating to the other Party's or any subcontractor's failure to comply with this Section 14.

15. INSURANCE.

(a) Vendor shall maintain and carry: (i) property and general liability insurance, including public liability, property damage liability, product liability and contractual liability coverage; and (ii) workers' compensation and employers' liability insurance covering all employees engaged in the performance of this Order; in each case, in such amounts and with such limits (subject to Section 15(b)) and with such insurers that are acceptable to Buyer, acting reasonably.

(b) Unless otherwise expressly stated in this Order, Vendor's liability insurance policies shall have combined single limits of no less than five million U.S. dollars (U.S. $5,000,000) per occurrence and in the aggregate; provided that such limits shall not limit Vendor's liability under this Order. Vendor's property insurance policies shall be written on a "replacement cost" basis, and Vendor's workers' compensation policies shall be in compliance with applicable statutory requirements and limits.

(c) Vendor shall furnish Buyer with certificates or other satisfactory proof of insurance confirming the foregoing insurance coverage within ten (10) days of Buyer's request. Any such certificate shall provide for terms and conditions satisfactory to Buyer whereby, among other things: (i) the interest of Buyer in such insurance coverage has been recognized, whether by way of designating Buyer as loss payee or otherwise as may be requested by Buyer from time to time; and (ii) Buyer shall receive not less than thirty (30) days prior written notice from the insurer before any termination or reduction in the amount or scope of coverage can occur, with Buyer having the right (at Vendor's expense), but not the obligation, to maintain such insurance coverage prior to the expiration of such notice. The receipt or review of such certificates or other proof of insurance coverage at any time by Buyer shall not relieve Vendor from its insurance obligations hereunder or reduce or modify such insurance obligations.

16. TERMINATION UPON NOTICE.

(a) In addition to any other rights of Buyer to terminate this Order, Buyer may, in its sole discretion for any or no reason, upon thirty (30) days prior written notice to Vendor or, if applicable, such shorter period as may be required by the Customer, terminate this Order, in whole or in part at any time, and notwithstanding the existence of any excusable delay or other events or circumstances affecting Vendor. Buyer's notice to Vendor may be given by facsimile, e-mail or other form of electronic transmission, and shall state the extent and effective date of termination. Vendor may not terminate this Order for any reason, except as otherwise expressly provided in this Order.

(b) Upon receipt of notice of termination from Buyer under Section 16(a), Vendor shall, as of the effective date of termination and to the extent directed by Buyer: (i) stop work under this Order and any other orders related to work terminated by such notice; (ii) protect all property in Vendor's possession or control in which Buyer has or may acquire an interest, including the Buyer's Property; and (iii) if this Order is terminated in full, cease to be bound to deliver and/or perform, and Buyer shall cease to be bound to receive delivery and/or performance of, any further Goods and/or Services (other than the minimum quantities specified in this Order, if any). Vendor shall promptly submit to Buyer any claims relating to such termination, and in any event within thirty (30) days (unless Buyer agrees otherwise) from the effective date of such termination. Vendor hereby grants Buyer the right to audit and inspect its books, records and other documents relating to any termination claims or any other claim under this Order.

(c) Subject to Section 16(d), if Buyer and Vendor cannot agree within a reasonable time upon the amount of fair compensation for Buyer's termination of this Order, Buyer shall, in addition to making payment of the price specified in this Order for the Goods and/or Services delivered or performed and accepted by Buyer prior to the effective date of termination, pay to Vendor the following amounts, without duplication: (i) the price specified in this Order for the Goods and/or Services manufactured or provided in accordance with the terms of this Order but not previously paid for;(ii) the actual costs of work-in-process and parts and raw materials inventory incurred by Vendor in performing its obligations under this Order, to the extent such costs are reasonable in amount and are properly allocated or apportioned under generally accepted accounting principles to the terminated portion of this Order; and (iii) any other costs or allowances that Buyer, in its sole discretion, may elect to recognize and pay. Buyer shall not be obligated to make any payment for: (x) the Goods and/or Services or work-in-process or parts or raw materials inventory that are manufactured, provided or procured by Vendor in amounts in excess of those authorized in any Order, that are damaged or destroyed or that are not merchantable or useable; (y) work-in-process or parts or raw materials inventory that can be returned to Vendor's suppliers or subcontractors for credit. Payments made in connection with a termination of this Order under Section 16(a) shall not exceed the aggregate price for the Goods and/or Services that would have been manufactured or provided by Vendor in the absence of termination. Except as provided in this Section 16(c), Buyer shall not be liable for and shall not be required to make payments to Vendor, directly or indirectly (whether on account of claims by Vendor's subcontractors or otherwise), for any losses arising from or attributable to failure to realize anticipated revenues, savings or profits, unabsorbed overheads, interest on claims, product development and engineering costs, capital costs, facilities and equipment rearrangement costs or rentals, unamortized depreciation costs or general and administrative burden charges, unless (and only to the extent that) any of the foregoing are otherwise expressly stated in this Order . Notwithstanding anything herein, nothing shall limit Vendor's remedy under law.

(d) If a Blanket Purchase Order is terminated, in whole or in part, as set forth in Section 16(a), the liability of the Buyer to Vendor under Section 16 shall be limited solely to the difference between (i) the aggregate price that would have been paid by the Buyer for the Goods and Services actually delivered to Buyer under the Blanket Purchase Order if such reduced quantity had been know to Vendor at the time it accepted the Blanket Purchase Order, and (ii) the aggregate invoice price for Goods and Services actually delivered to the Buyer under the Blanket Purchase Order. Any pricing proposal delivered to the Buyer by Vendor prior to delivery of a Blanket Purchase Order shall be used to calculate the amount owed by Buyer to Vendor pursuant to this Section 16(d). To the extent any Release has been issued by Buyer to Vendor and such Goods or Services set forth in the Release have not been delivered to Buyer on or prior to termination in accordance with Section 16(a), any liability relating to such Release shall be determined as set forth in Section 16(c). For purposes of this Section 16(d), "actually delivered" shall mean any Goods or Services accepted by the Buyer as conforming Goods or Services pursuant to a Blanket Purchase Order or related Release on or prior to the date this Order is terminated, in whole or in part, pursuant to Section 16(a).

(e) Vendor may, with Buyer's prior written consent, retain or sell at an agreed price any of the Goods and/or Services or work in process, parts or raw materials inventory, the cost of which is allocated or apportioned to this Order under Section 16(c)(ii), and shall credit or pay the amounts so agreed or delivery of any Goods, work in process, parts or raw materials inventory not so retained or sold.

(f) Any termination under this Section 18 shall not affect the entitlement of Buyer with respect to the Buyer's Property, including pursuant to Section 11(b).

17. TERMINATION UPON INSOLVENCY, BANKRUPTCY, ETC.

Either party may terminate this Order, without liability to the other party: (i) in the event of the insolvency, bankruptcy, reorganization, arrangement, receivership or liquidation by or against the other party; (ii) in the event that the other party makes an assignment for the benefit of its creditors, seeks protection from its creditors under applicable laws or ceases to carry on business in the ordinary course; or (iii) if a receiver is appointed in respect of the other party or all or part of its property (collectively, an "Insolvency Event"). In the event of such termination, the other party shall be liable for all costs, damages and expenses suffered by the party that terminates this Order. Any such termination shall not affect the entitlement of Buyer with respect to the Buyer's Property, including pursuant to Section 11(b).

18. SERVICE AND REPLACEMENT PARTS.

(a) Lifetime Buy Rights. Vendor acknowledges its obligation to manufacture, supply and support the Goods and Services. If, however, Vendor seeks to discontinue the supply or support of any Goods and Services (a "Discontinued Product"), Vendor will give notice to Buyer no less than twelve (12) months in advance of the last date the Discontinued Product can be ordered. After receipt of notice of Discontinued Product, Buyer may, at its option: (i) place a one-time order, such order shall not be a blanket order, from Vendor such quantity of the Discontinued Product as Buyer deems necessary at a price no higher than the last price paid by Buyer to Vendor for the Goods; and (ii) manufacture the Discontinued Product under a royalty agreement with Vendor.

(b) At Buyer's request and expense, Vendor shall make service literature and other materials available to support Buyer's service part or replacement part sales activities.

19. BUYER'S WEBSITE.
Unless otherwise provided herein, this Agreement may not be modified unless in writing and signed by an authorized representative of each party. Any express waiver or failure to exercise promptly any right under this Agreement will not create a continuing waiver or any expectation of non-enforcement.

20. SUBCONTRACTS. Vendor shall ensure that the terms of its contracts with its and subcontractors and suppliers provide Buyer and the Customer with all of the rights specified in this Order, including but not limited to those set forth in Section 3(a).

21. ASSIGNMENT.
Vendor shall not assign this Order hereunder or any interest herein, except that Vendor may, with Buyer's prior written consent, make an assignment of monies due or which may become due hereunder to a bank or other financing institution; provided that any such assignment by Vendor shall be subject to deduction, set-off, recoupment or any other lawful means of enforcing any present or future claims that Buyer may have against Vendor, and provided further that any such assignment shall not be made to more than a single assignee. Buyer shall have the right to assign this Order or its interest herein, without Vendor's consent, to any of its subsidiaries or affiliates or to any purchaser or successor to Buyer's business.

22. REMEDIES.
The remedies reserved in this Order shall be cumulative and not alternative, and may be exercised separately or together, in any order or combination, and are in addition to any other remedies provided for or allowed by law, at equity or otherwise.

23. WAIVER. Either party's failure to insist on the performance by the other party of any Term or failure to exercise any right or remedy reserved in this Order, or either party's waiver of any breach or default hereunder by the other party shall not, thereafter, waive any other terms, conditions, rights, remedies, breaches or defaults, whether of the same or a similar type or not.

24. MODIFICATIONS. No modification of this Order, including any waiver of or addition to any of the Terms, shall be binding upon either Party, unless made in writing and signed by the Parties' authorized representative(s).

25. SEVERABILITY. If any provision of this Order is invalid or unenforceable under any statute, regulation, ordinance, executive order or other rule of law, such provision shall be deemed reformed or deleted, as the case may be, but only to the extent necessary to comply with such statute, regulation, ordinance, order or rule, and the remaining provisions of this Order shall remain in full force and effect.

26. NOTICES. Except as otherwise expressly stated in this Order, any notice given or other communication sent under this Order shall be in writing and shall be properly delivered to its addressee by hand, prepaid courier, registered or certified mail, e-mail or other form of electronic transmission (receipt confirmed) or facsimile (receipt confirmed) at the applicable address or facsimile number noted on the face of this Order. Any notice or communication given as provided herein shall be deemed to have been received at the time of its delivery if delivered by hand, on the business day following its dispatch if transmitted by courier, e-mail, other electronic transmission or facsimile, or on the third business day following its mailing if sent by registered or certified mail. Either party may notify the other party, in the manner provided for herein, of any change of applicable address or facsimile number for the purpose of giving notices or sending communications under this Order.

27. SURVIVAL. The obligations of Vendor to Buyer that are intended to survive termination of the Order shall survive any termination of this Order, including the obligations set forth in Section 18(a).

28. DEFAULT.
(a) If Vendor shall (i) materially breach any provision hereof, and such breach shall not be corrected within five (5) days after written notice from Buyer to Vendor (or, if such breach is not correctable within five (5) days, then immediately upon receipt of such notice in accordance with Section 26), (ii) become insolvent, enters voluntary or involuntary bankruptcy or receivership or in the event of default, sequestration or seizure of Vendor's operations under a mortgage, lien or privilege, then Buyer will have the right (without prejudice to any other rights or remedies it may have hereunder or by operation of law) to terminate all or a portion of the Order without any further liability to Vendor. A waiver of any one default hereunder shall not be considered a waiver to any subsequent default. Time is of the essence hereof, and Buyer's right to require strict performance by Vendor shall not be affected by any waiver, forbearance or course of dealing.

(b) If Buyer shall (i) fail to pay amounts due and owing under this Order following any applicable grace period, and such breach shall not be corrected within five (5) days after written notice from Vendor to Buyer, or (ii) become insolvent, enters voluntary or involuntary bankruptcy or receivership or in the event of default, sequestration or seizure of Buyer's operations under a mortgage, lien or privilege, then Vendor will have the right (without prejudice to any other rights or remedies it may have hereunder or by operation of law) to terminate all or a portion of the Order without any further liability to Buyer.

29. INDEPENDENT CONTRACTOR. Vendor is an independent contractor with respect to performance of all work, materials and articles provided hereunder and neither Vendor nor anyone employed by Vendor shall be deemed for any purpose to be the employee, agent, servant or representative of Buyer for performance of any work or service hereunder. Buyer shall have no direction or control of Vendor or its employees, agents or subcontractors and reserves no right to direct or control Vendor, its employees, agents or subcontractors, Buyer being interested only in the results to be obtained. The articles, materials and work furnished, as applicable, hereunder shall meet the approval of Buyer and be subject to the general right of inspection provided herein for Buyer to secure the satisfactory completion thereof for such sole remedy shall be the Vendor's Warranty or other remedies provided herein.

30. APPLICABLE LAW AND VENUE. This Order shall be construed and enforced in accordance with and governed by the laws of the State of Mississippi (excluding conflicts of law rules) and the federal laws of the United States, as applicable. For greater certainty, the United Nations Convention on Contracts for the International Sale of Goods shall not apply to this Order.

31. DISPUTE RESOLUTION. In the event of a dispute under this Order, both Parties agree to negotiate in good faith for a period of thirty (30) days following delivery of a notice of dispute by one party to the other party. If the parties fail to reach an agreement within such thirty (30) day period of time, then either party may submit such dispute to binding arbitration to be governed by the Commercial Arbitration guidelines of the American Arbitration Association with all such arbitrations to take place in Tunica, Mississippi.

Flux Power, Inc.		GreenTech Automotive, Inc.	
Signature:	_____	Signature:	_____
Title:	Chief Executive Officer	Title:	_____
Date:	_____	Date:	_____

[***] Represents material information which has been redacted and filed separately with the Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

Prototype Agreement

This prototype agreement and related Schedules (the "Agreement") is entered into effective as of February 6, 2012 ("Effective Date") by and between Flux Power, Inc. ("Flux"), with a principal place of business located at 2240 Auto Park Way Escondido, CA 92029, and NACCO Materials Handling Group, Inc. ("NMHG"), with a principal place of business located at 4000 N.E. Blue Lake Road Fairview OR 97024, hereinafter referred together as ("Parties").

RECITALS

WHEREAS, Flux develops and supplies energy storage systems and products to the market;

WHEREAS, NMHG develops and supplies electric forklift trucks and similar applications to the marketplace;

WHEREAS, NMHG wishes to engage Flux to [***];

WHEREAS, NMHG wishes to engage Flux to [***]; and

WHERES, NMHG and Flux wish to memorialize a framework for the deliverables to be provided and negotiate an agreement to govern distinct components of their overall relationship.

NOW THEREFORE, for good and valuable consideration the sufficiency of which is hereby acknowledged, the parties agree to the following:

ARTICLE 1.0 DEFINITIONS

1.1 "Background Technology" of a Party means all Intellectual Property that (a) is (i) owned or licensed by such Party and (ii) is in existence in electronic or written form on or prior to the effective date or (b) is developed, acquired, or licensed by such Party after the effective date and relates to the Business of NMHG or Flux ESS respectively.

1.2 The "Business of NMHG" shall mean the business of designing, engineering, manufacturing and selling materials handling equipment and components thereof, including but not limited to lift trucks, warehouse lift trucks, counterbalanced lift trucks and large capacity cargo and container handling lift trucks.

1.3 "NMHG Products" means the materials handling equipment and components thereof ([***] and not including Flux ESS or Flux's Background Technology), and further including but not limited to lift trucks, warehouse lift trucks, counterbalanced lift trucks and large capacity cargo and container handling lift trucks.

1.4 [***]

1.5 “Deliverables” means any physical deliverables specifically purchased by NMHG in an applicable Schedule, [***] that Flux will deliver to NMHG during or at the completion of the performance of each Schedule. Deliverables shall be provided to NMHG in accordance with each Schedule and shall conform to the specifications set forth therein;

1.6 “Flux ESS” means Flux’s energy storage systems, technology, know-how and related Intellectual Property and solutions to power vehicles, prototypes, products and solutions including but not limited to lithium-ion battery cells, battery balancing boards, battery control module, battery interconnects, power distribution unit, DC/DC converter, software, firmware, enclosures and any additional products directly related to Flux’s Background Technology and specifically does not include NMHG’s Background Technology;

1.7 “Intellectual Property” means all algorithms, apparatus, circuit designs and assemblies, databases and data collections, designs, diagrams, documentation, drawings, flow charts, formulae, ideas and inventions (whether or not patentable or reduced to practice), know-how, materials, marketing and development plans, marks (including brand names, product names, logos, and slogans), methods, models, network configurations and architectures, procedures, processes, protocols, schematics, software code (in any form including source code and executable or object code), specifications, subroutines, techniques, tools, uniform resource identifiers, user interfaces, web sites, works of authorship, and other forms of technology and intellectual property.

1.8 “Intellectual Property Rights” means worldwide common law and statutory rights associated with (i) patents and patent applications; (ii) works of authorship, including mask work rights, copyrights, copyright applications, copyright registrations and "moral" rights; (iii) the protection of trade and industrial secrets and confidential information; (iv) other proprietary rights relating to intangible intellectual property (specifically including trademarks, trade names and service marks); (v) analogous rights to those set forth above; and (vi) divisions, continuations, renewals, reissuances and extensions of the foregoing (as applicable) now existing or hereafter filed, issued or acquired.

1.9 “PCR” means a mutual written agreement by Parties’ management of a change of Deliverables using Flux’s project change request form.

1.10 “NMHG’s Control Unit” means any software, firmware or hardware that controls the operation of NMHG’s Products.

1.11 “Schedule” means the exhibits to this agreement that further define the Deliverables;

1.12 [***]

ARTICLE 2.0 PERFORMANCE OF SERVICES

2.1 Flux agrees to provide Deliverables for NMHG pursuant to the terms and conditions set forth in this Agreement and each fully executed Schedule that references this Agreement. At a minimum, Schedules shall include details of the Deliverables, estimated dates the Deliverables should be made available and estimated costs to NMHG of providing such Deliverables.

2.2 Flux agrees to use best efforts to provide the Deliverables associated in each Schedule. Unless agreed upon in a Schedule Flux shall not be penalized for late Deliverables. In the event Deliverables are not met or in the event Deliverables are late the Parties agree to negotiate a cure period in good faith.

2.3 When applicable NMHG shall use best efforts to assist Flux in providing Deliverables, which may include but is not limited to access to NMHG’s facilities, personnel, and NMHG Products.

2.4 Parties agree that due to various reasons and often outside of the control of Parties the scope, types and schedule of the Deliverables may change. Changes requested by NMHG shall be made using PCR and are subject to additional fees and costs.

ARTICLE 3.0 COSTS, INVOICING AND PAYMENTS

3.1 Upon pre-approval, which shall not be unreasonably denied, NMHG agrees to reimburse Flux for any out-of-pocket expenses incurred in the event travel is required.

3.2 NMHG shall pay Flux the fees set forth in an applicable Schedule in accordance with the Schedule's payment terms therein. In the case of fees due not specifically identified in an applicable Schedule (i.e. travel expenses) Flux shall provide a true and correct invoice to NMHG and NMHG agrees that all fees shall be paid within thirty (30) days from the date of such invoice.

ARTICLE 4.0 CONFIDENTIALITY & INTELLECTUAL PROPERTY

4.1 Each Party shall have and retain exclusive ownership of its Background Technology, including any Intellectual Property Rights therein. All Intellectual Property discovered, created or developed under, or in connection with, this Agreement that directly relates to Flux's ESS and Flux's Background Technology shall be and remain the sole property of Flux and its assigns. All Intellectual Property discovered, created or developed under, or in connection with, this Agreement that directly relates to NMHG Background Technology or the NMHG Products shall be and remain the sole property of NMHG and its assigns. To the extent that the Deliverables include [***], Flux hereby grants to NMHG the irrevocable, perpetual, fully paid, non-exclusive, worldwide, right and license to use, execute, sell, reproduce, display, perform, distribute copies of, and prepare derivative works of [***].

This Agreement shall in no way limit Flux's right to market, sell and obtain Intellectual Property protection for Flux's ESS or the Flux Background Technology and Flux reserves the right to assert any claims based upon any resulting legal protection of such Intellectual Property Rights. Nothing in this Agreement or any Schedule shall be deemed to be a transfer or license by NMHG to Flux of any NMHG Background Technology.

4.2 Except as provided in this Agreement, neither party may use, reproduce, distribute or disclose Confidential Information it receives from the other party under this Agreement, without the prior written authorization of the disclosing party. Each party must hold in confidence Confidential Information received from the other party and must protect the confidentiality thereof with the same degree of care that it exercises with respect to its own information of like importance, but in no event less than reasonable care, for a period of (2) years from the date of receipt of the Confidential Information). "Confidential Information" shall mean information which if disclosed (i) in tangible form, is clearly marked as "confidential" or "proprietary" at the time of disclosure, or (ii) in intangible form (such as orally or visually), the disclosing party identifies as "confidential" or "proprietary" at the time of disclosure to the receiving party within thirty (30) days of disclosure. Notwithstanding the foregoing marking requirements, the parties agree that technical information regarding prototypes, Flux's ESS and either party's Background Technology shall always be deemed and considered Confidential Information.

4.3 During the term of this Agreement and for a period of two (2) years thereafter, neither party shall without the prior written consent of the other party, directly solicit any of the other party's employees for employment; provided, however, that the foregoing restriction shall not apply to a general solicitation for application for employment made through advertising, web sites or other mediums not involving the direct targeted solicitation of a specific person.

ARTICLE 5.0 General

5.1 Either party may terminate this Agreement and/or related Schedule for convenience with a sixty (60) day written notice. In the event of termination Flux shall use reasonable efforts to scale down any work on this Agreement or related Schedule and provide an itemized invoice of all work performed and expenses incurred up to the date of termination and NMHG agrees to pay said invoice within thirty (30) days.

5.2 With respect to disputes, the parties agree that in the event of any dispute or difference arising out of or relating to this Agreement, except for breach in NMHG's lack of payment, the parties hereto shall use their best endeavors to settle such disputes or differences. To this effect, they shall consult and negotiate with each other, in good faith and understanding of their mutual interest, to reach a just and equitable solution within a period of thirty (30) days, and then the disputes or differences shall be finally settled by arbitration administered by the American Arbitration Association. This Agreement and all matters arising thereunder shall be governed by the laws of the state of California applicable therein without giving effect to the rules respecting conflict of law.

5.3 A party is not liable under this Agreement for non-performance caused by events or conditions beyond that party's control, if the party makes reasonable efforts to perform.

5.4 **LIMITATION OF LIABILITY**

EXCEPT AS EXPRESSLY SET FORTH ABOVE, NO OTHER WARRANTIES ARE EXPRESSED OR IMPLIED, INCLUDING BUT NOT LIMITED TO, ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND FLUX EXPRESSLY DISCLAIMS ALL WARRANTIES NOT EXPRESSLY STATED HEREIN. THE WORK PERFORMED UNDER THIS AGREEMENT IS FOR THE PRODUCTION OF PROTOTYPE UNITS

IN NO EVENT SHALL FLUX BE LIABLE FOR ANY SPECIAL, INCIDENTAL, INDIRECT OR CONSEQUENTIAL DAMAGES (INCLUDING, WITHOUT LIMITATION, LOSS OF BUSINESS, REVENUE, PROFITS, GOODWILL, USE, DATA OR OTHER ECONOMIC ADVANTAGE) ARISING OUT OF OR RELATED TO THIS AGREEMENT, WHETHER IN BREACH OF CONTRACT, BREACH OF WARRANTY OR IN TORT, INCLUDING NEGLIGENCE, AND EVEN IF THAT PARTY HAS BEEN ADVISED IN ADVANCE OF THE POSSIBILITY OF SUCH DAMAGES.

5.5 Flux may assign or delegate portions or the entirety of the Deliverables to 3rd parties, subcontractors, contract manufacturers and consultants.

5.6 Except for agreements relating to confidentiality, this Agreement constitutes the entire agreement between NMGH and Flux with respect to the subject matter hereof and shall bind Parties and their perspective parents, subsidiaries and affiliates. Furthermore this Agreement supersedes all prior agreements, understandings and proposals, whether written or oral. This Agreement may not be amended or modified except by a writing signed by both parties. No oral statement of any person will, in any manner or degree, modify or otherwise effect the terms and provisions of this Agreement. Except for terms relating to Intellectual Property Rights, the terms and conditions of a related Schedule shall control if and when there is a conflict with any of the terms or conditions of this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed by their duly authorized representatives and have made effective as of the Effective Date.

Flux Power, Inc.		**NACCO Materials Handling Group, Inc.**	
By:	/s/ Craig Miller	By:	/s/ Rajiv K. Prasad
Name:	Craig Miller	Name:	Rajiv K. Prasad
Title:	VP, Director of Legal Affairs	Title:	VP Global Product Dev.
Date:	2/20/2012	Date:	April 30, 2012

BAYTREECAPITAL

June 14, 2012

Mr. Chris Anthony
Chief Executive Officer
Flux Power Holdings, Inc.
2240 Auto Parkway
Escondido, CA 92029

Dear Mr. Anthony,

This letter agreement ("Agreement") serves to confirm the agreement entered into between us whereby Flux Power Holdings, Inc., a Nevada corporation ("Flux" or the "Company") retains Baytree Capital Associates LLC, a Delaware limited liability company, (the "Consultant") as the Company's non-exclusive financial advisor for a period of twenty-four (24) months to perform business and financial consulting services for the Company, unless terminated pursuant to the terms of this Agreement This Agreement is intended to be executed at the closing of the acquisition of Flux Power, Inc. ("Flux") by Flux Power Holdings, Inc., (formerly known as Lone Pine Holdings, Inc.). As part of its duties, the Consultant shall, use its best efforts to provide advice and guidance in the following areas

1. Assist the Company in long-term financial planning, and expansion;

2. Review and assist in the preparation of budgets and financial forecasts prepared by employees of the Company as requested;

3. Review internal and other financial statements prepared by employees or consultants to the Company as requested;

4. Assist management and its counsel in negotiating any proposed equity or debt financing, whether such financing involves conventional institutional loans or public or private offerings of securities;

5. Assist management and others in the preparation of presentations;

6. Work with the Company's counsel and auditors in conjunction with the preparation of any documentation referred to above or any financing negotiations and preparation referred to above;

7. Provide advice to the Company's management concerning proposed agreements;

8. If requested by the Company, communicate, correspond and negotiate on behalf of the Company with regard to the potential acquisition or sale of other businesses and entities; and

9. If requested, evaluate the financial condition and review the financial information supplied relating to the business' entities referred to in Section 8 above.

In providing the services hereunder, Consultant agrees to comply with all applicable law including state and federal securities laws.

In addition, as part of its duties, the Consultant agrees to use its best efforts to consult the Company in regard to the following:

1. Although we do not engage in the practice of investor relations or public relations, at Company's request we will act as your agent in that we will be allowed to interface with the Company's investor and public relations firms with regard to communications and presenting the Company to the investment community;

2. Although we do not engage in the practice of law, the Consultant will provide advice to the Company with respect to its proposed filings with the Securities and Exchange Commission; as requested.

Notwithstanding the foregoing, the Consultant's Managing Member, Michael Gardner, shall not be obligated to attend any meetings outside of its offices or prepare any written reports, documents or responses. All services shall be performed by the Consultant from its offices in New York.

The Company agrees to pay the Consultant 100,000 restricted shares of newly issued common stock at the commencement of each six month period in return for its services hereunder, which shares shall be deemed earned upon the commencement of each six month period. The Company agrees to grant the Company piggy-back registration rights to register any then outstanding shares at the time of an appropriate registration by the Company. The Company shall pay for any expenses incurred by the Consultant pursuant to this Agreement, except that any expenses over $1,000 (either individually or in the aggregate) shall be subject to approval by the Company in advance.

In addition, the Company agrees to grant Consultant a warrant to purchase 1,837,777 restricted shares of common stock of Flux for a period of (five) years at an exercise price of forty-one cents ($0.41) cents. Such warrant shall include a provision for a cashless exercise. A copy of said warrant is Exhibit I to this agreement. All securities of the Company issued in connection with this letter shall be "restricted securities" as such term is defined under Rule 144 of the Securities Act of 1933, as amended.

The Company may not terminate this Agreement for twenty-four (24) months except if the Consultant is in material breach of this Agreement, or willfully refuses to perform services required by this Agreement and the Company has first given the Consultant 30 days written notice of such breach or willful refusal and in connection with such notice, supplies the Consultant with detailed documentation concerning this breach or willful refusal. In the event that after receipt of such notice, the Consultant fails to cure such breach or willfully fails to perform reasonable services requested, this Agreement shall expire at the expiration of such 30-day period. Notwithstanding any termination, the Consultant shall not be required to refund any shares delivered to it or fees paid to it.

Any controversy, dispute or claim arising out of or relating to this Agreement, or its interpretation, application, implementation, breach or enforcement which the parties are unable to resolve by mutual agreement, shall be settled by submission by either party of the controversy, claim or dispute to binding arbitration in New York, N.Y., (unless the parties agree in writing to a different location) before a single arbitrator in accordance with the rules of the American Arbitration Association then in effect. In any such arbitration proceeding the parties agree to provide all discovery deemed necessary by the arbitrator. The decision and award made by the arbitrator shall be final, binding and conclusive on all parties hereto for all purposes, and judgment may be entered thereon in any court having jurisdiction thereof.

As agreed upon indemnification agreement is included as Exhibit II.

This Agreement and any dispute, disagreement, or issue of construction or interpretation arising hereunder whether relating to its execution, its validity, the obligations provided therein or performance shall be governed or interpreted according to the laws of the State of New York.

If the foregoing is acceptable to you, please execute a copy and return it to me.

Very truly yours,

/s/ Michael Gardner
Michael Gardner, Managing Member

We hereby agree to the contents of the foregoing letter agreement.

Flux Power Holdings, Inc.

Date: June 14, 2012

By: /s/ Chris Anthony
Chris Anthony, Chief Executive Officer

ANNEX A

Flux Power Holdings, Inc.
2240 Auto Parkway
Escondido, CA 92029

June 14, 2012

Baytree Capital Associates, LLC
40 Wall Street, 58th Floor
New York, NY 10005

Gentlemen:

In connection with the engagement of Baytree Capital Associates, LLC ("Baytree") to advise and assist Flux Power Holdings, Inc.(together with its affiliates and subsidiaries, referred to as the "Company") with the matters set forth in the Letter Agreement, dated June 14, 2012 between the Company and Baytree (the "Agreement"), in the event that Baytree becomes involved in any capacity in any claim, suit, action, proceeding, investigation or inquiry (including, without limitation, any shareholder or derivative action or arbitration proceeding) (collectively, a "Proceeding") in connection with any matter in any way relating to or referred to in the Agreement or arising out of the matters contemplated by the Agreement, the Company agrees to indemnify, defend and hold Baytree harmless to the fullest extent permitted by law, from and against any losses, claims, damages, liabilities and expenses in connection with any matter in any way relating to or referred to in the Agreement or arising out of the matters contemplated by the Agreement, provided however, Company shall not be obligated under this Agreement to indemnify Baytree with respect to:

(a) any claim, issue or matter after Baytree is finally adjudged to be liable to the Company by a court of competent jurisdiction due to gross negligence or willful misconduct unless and to the extent that a court or the court in which the action was heard determines that Baytree is entitled to indemnification for such amounts as the court deems proper;

(b) the reporting or accounting of profits made from the purchase or sale by Baytree of securities of the Company within the meaning of Section 16 of the Securities Exchange Act of 1934 as amended, or similar provisions of any state statutory or common law;

(c) any claims or investigations conducted by the Securities and Exchange Commission relating to Baytree and/or its affiliates; or

(d) any act or omission by Baytree that constitutes a breach of or default under any agreement between Baytree and the Company.In addition, in the event that Baytree becomes involved in any capacity in any Proceeding in connection with any matter in any way relating to or referred to in the Agreement or arising out of the matters contemplated by the Agreement, the Company will reimburse Baytree for its legal and other expenses (including the cost of any investigation and preparation) as such expenses are incurred by Baytree in connection therewith provide however, in no event shall the Company be obligated to pay for indemnification losses and expenses incurred by Baytree in excess of the amount of fees actually received by Baytree pursuant to the Agreement. If such indemnification were not to be available for any reason, the Company agrees to contribute to the losses, claims, damages, liabilities and expenses involved (i) in the proportion appropriate to reflect the relative benefits received or sought to be received by the Company and its stockholders and affiliates and other constituencies, on the one hand, and Baytree, on the other hand, in connection with the matters contemplated by the Agreement or (ii) if (but only if and to the extent) the allocation provided for in clause (i) is for any reason held unenforceable, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) but also the relative fault of the Company and its stockholders and affiliates and other constituencies, on the one hand, and the party entitled to contribution, on the other hand, as well as any other relevant equitable considerations. The Company agrees that for the purposes of this paragraph the relative benefits received, or sought to be received, by the Company and its stockholders and affiliates and other constituencies, on the one hand, and the party entitled to contribution, on the other hand, in connection with the matters contemplated by the Agreement shall be deemed to be in the same proportion that the total value received or paid or contemplated to be received or paid by the Company or its stockholders or affiliates and other constituencies, as the case may be, as a result of or in connection with the matters (whether or not consummated) for which Baytree has been retained to perform financial services bears to the fees paid to Baytree under the Agreement; provided, that in no event shall the Company's contribution be more than the amount of fees actually received by Baytree pursuant to the Agreement. Relative fault shall be determined by reference to, among other things, whether any alleged untrue statement or omission or any other alleged conduct relates to information provided by the Company or other conduct by the Company (or its employees or other agents), on the one hand, or by Baytree, on the other hand. The Company will not settle any Proceeding in respect of which indemnity may be sought hereunder, whether or not Baytree is an actual or potential party to such Proceeding, without Baytree's prior written consent if any admission of wrong-doing, negligence or improper activity of any kind of Baytree is a part of such settlement. Baytree shall not settle any action or proceeding which settlement requires the Company (or any insurance company providing coverage to the Company) to pay any sums of money or property (including issuing any securities) without the express written consent of the Company. For purposes of this Indemnification Agreement, Baytree shall include Baytree Capital Associates, LLC, any of its affiliates, each other person, if any, controlling Baytree or any of its affiliates, their respective officers, current and former directors, employees and agents, and the successors and assigns of all of the foregoing persons. The foregoing indemnity and contribution agreement shall be in addition to any rights that any indemnified party may have at common law or otherwise.

THIS INDEMNIFICATION AGREEMENT AND ANY CLAIM, COUNTERCLAIM OR DISPUTE OF ANY KIND OR NATURE WHATSOEVER ARISING OUT OF OR IN ANY WAY RELATING TO THIS AGREEMENT ("CLAIM"), DIRECTLY OR INDIRECTLY, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. EXCEPT AS SET FORTH BELOW, NO CLAIM MAY BE COMMENCED, PROSECUTED OR CONTINUED IN ANY COURT OTHER THAN THE COURTS OF THE STATE OF NEW YORK LOCATED IN THE CITY AND COUNTY OF NEW YORK OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, WHICH COURTS SHALL HAVE EXCLUSIVE JURISDICTION OVER THE ADJUDICATION OF SUCH MATTERS, AND THE COMPANY AND BAYTREE CONSENT TO THE JURISDICTION OF SUCH COURTS AND PERSONAL SERVICE WITH RESPECT THERETO. THE COMPANY HEREBY CONSENTS TO PERSONAL JURISDICTION, SERVICE AND VENUE IN ANY COURT IN WHICH ANY CLAIM ARISING OUT OF OR IN ANY WAY RELATING TO THIS AGREEMENT IS BROUGHT BY ANY THIRD PARTY AGAINST BAYTREE OR ANY INDEMNIFIED PARTY. THE COMPANY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY PROCEEDING OR CLAIM (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR IN ANY WAY RELATING TO THIS AGREEMENT. THE COMPANY AGREES THAT A FINAL JUDGMENT IN ANY PROCEEDING OR CLAIM ARISING OUT OF OR IN ANY WAY RELATING TO THIS AGREEMENT BROUGHT IN ANY SUCH COURT SHALL BE CONCLUSIVE AND BINDING UPON THE COMPANY AND MAY BE ENFORCED IN ANY OTHER COURTS TO THE JURISDICTION OF WHICH THE COMPANY IS OR MAY BE SUBJECT, BY SUIT UPON SUCH JUDGMENT.

Very truly yours,

/s/ Chris Anthony
Chris Anthony, Chief Executive Officer

INDEMNIFICATION AGREEMENT

This Indemnification Agreement (this "Agreement") is effective as of June 14, 2012, (the "Effective Date") by and between Flux Power Holdings, Inc., a Nevada corporation (the "Company"), and Chris Anthony ("Indemnitee") and the parties hereby agree as follows:

1. Services by Indemnitee. Indemnitee agrees to serve as a director and/or executive officer of the Company so long as he or she is duly appointed or elected and qualified in accordance with the applicable provisions of the Articles of Incorporation and bylaws of the Company or any subsidiary of the Company and until such time as he or she resigns or fails to stand for election or is removed from his or her position. Indemnitee may, at any time and for any reason, resign or be removed from such position (subject to any other contractual obligation or other obligation imposed by operation of law), in which event the Company shall have no obligation under this Agreement to continue Indemnitee in any such position.

2. Indemnification.

2.1 The Company hereby agrees to hold harmless and indemnify Indemnitee against any and all Expenses incurred by reason of the fact that Indemnitee is or was a director, officer, agent, or advisor of the Company, or is or was serving at the request of the Company as a director, officer, employee, agent or advisor of another corporation, partnership, joint venture, trust, limited liability company, or other entity or enterprise, but only if Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Company and, in the case of a criminal proceeding, had no reasonable cause to believe that his conduct was unlawful. The termination of any Proceeding by judgment, order of the court, settlement, conviction, or upon a plea of nolo contendere, or its equivalent, shall not, of itself, create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interest of the Company, and with respect to any criminal proceeding, shall not create a presumption that such person believed that his conduct was unlawful. The indemnification provided herein shall be applicable whether or not negligence or gross negligence of the Indemnitee is alleged or proven. Notwithstanding the foregoing, in the case of any Proceeding brought by or in the right of the Company, Indemnitee shall not be entitled to indemnification for any claim, issue or matter as to which Indemnitee has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the Company or for amounts paid in settlement to the Company, unless and only to the extent that, the court in which the Proceeding was brought or another court of competent jurisdiction determines, on application, that in view of all the circumstances, the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

2.2 Notwithstanding anything in this Agreement to the contrary, the Company shall not be obligated under this Agreement to continue to indemnify Indemnitee with respect to:

2.2.1 the reporting or accounting of profits made from the purchase or sale by Indemnitee of securities of the Company within the meaning of Section 16 of the Securities Exchange Act of 1934 as amended, or similar provisions of any state statutory or common law;

2.2.2 any attempt to acquire, or obtain voting rights with respect to, at least fifty percent (50%) of the then outstanding voting stock of the Company, whether by tender offer, proxy solicitation or otherwise, if (a) Indemnitee attempted to acquire or obtain voting rights with respect to such stock or was or became a member of a group consisting of two (2) or more persons that had agreed (whether formally or informally and whether or not in writing) to act together for the purpose of acquiring, obtaining voting rights with respect, holding, voting or disposing of such stock, and (b) such attempt to acquire or obtain voting rights with respect to such stock was not approved by a majority of the directors of the Company. For purposes of determining whether any tender offer, proxy solicitation or other transaction constituted an attempt by Indemnitee, or a group (as described above) of which Indemnitee was or became a member, to acquire or obtain voting rights with respect to at least fifty percent (50%) of the then outstanding voting stock of the Company, there shall be counted toward the required number of shares of voting stock any shares which, immediately prior to the commencement of such tender offer, proxy solicitation or other transaction, (x) were owned by Indemnitee or any member of any such group, (y) Indemnitee or any member of any such group had the right to vote, or (z) Indemnitee or any member of any such group had the right to acquire;

2.2.3 any solicitation of proxies by Indemnitee, or by a group of which he was or became a member consisting of two or more persons that had agreed (whether formally or informally and whether or not in writing) to act together for the purpose of soliciting proxies, in opposition to any solicitation of proxies approved by the Company's Board of Directors; or

2.2.4 any act or omission by Indemnitee that constitutes a breach of or default under any agreement between Indemnitee and the Company.

2.3 Subject to Section 3, Indemnitee shall be paid promptly by the Company all amounts necessary to effectuate the indemnity described in Section 2.1.

3. Choice of Counsel. Indemnitee shall be entitled to employ, and be reimbursed for the fees and disbursements of, counsel separate from that chosen by any other person or persons whom the Company is obligated to indemnify with respect to the same or any related or similar Proceeding.

4 . Advancement of Expenses. All reasonable Expenses incurred by or on behalf of Indemnitee shall be advanced from time to time by the Company to him within thirty (30) days after the receipt by the Company of a written request for an advance of Expenses, whether prior to or after final disposition of a Proceeding (except to the extent that there has been a Final Adverse Determination that Indemnitee is not entitled to be indemnified for such Expenses), including without limitation any Proceeding brought by or in the right of the Company; provided, however, that Indemnitee shall not be entitled to the advancement of Expenses in connection with any Proceeding relating to his termination by or resignation from the Company or arising out of the circumstances described in Section 2.2 above. The written request for and advancement of any and all Expenses under this paragraph shall contain reasonable detail of the Expenses incurred by Indemnitee. Indemnitee hereby agrees to repay the Company the amounts advanced if it is ultimately determined that Indemnitee is not entitled to be indemnified pursuant to the terms of this Agreement.

5. Additional Limitations. The foregoing indemnity and advancement of Expenses shall apply only to the extent that Indemnitee has not been indemnified and reimbursed pursuant to such insurance as the Company may maintain for Indemnitee's benefit, or otherwise; provided, however, that notwithstanding the availability of such other indemnification and reimbursement, Indemnitee may claim indemnification and advancement of Expenses pursuant to this Agreement by assigning to the Company, at its request, Indemnitee's claims under such insurance to the extent Indemnitee has been paid by the Company.

6 . Insurance and Funding. The Company may purchase and maintain insurance to protect itself and/or Indemnitee against any Expenses in connection with any Proceeding to the fullest extent permitted by applicable laws. The Company may create a trust fund, grant an interest in assets or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification or advancement of Expenses as provided in this Agreement. If, at the time the Company receives notice from any source of a Proceeding as to which Indemnitee is a party or a participant (as a witness or otherwise), the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

7. Procedure for Determination of Entitlement to Indemnification.

7.1 Whenever Indemnitee believes that he is entitled to indemnification pursuant to this Agreement (other than pursuant to Section 4 above), Indemnitee shall submit a written request for indemnification to the Company. Any request for indemnification shall include sufficient documentation or information reasonably available to Indemnitee to support his claim for indemnification. Indemnitee shall submit his claim for indemnification within a reasonable time not to exceed five (5) years after any judgment, order, settlement, dismissal, arbitration award, conviction, acceptance of a plea of nolo contendre or its equivalent, final termination or other disposition or partial disposition of any Proceeding, whichever is the later date for which Indemnitee requests indemnification. The president or the secretary or other appropriate officer of the Company shall, promptly upon receipt of Indemnitee's request for indemnification, advise the Board of Directors of the Company in writing that Indemnitee has made such request. Determination of Indemnitee's entitlement to indemnification shall be made not later than sixty (60) days after the Company's receipt of the written request for such indemnification. If no determination has been made in such 60-day period, the Company shall be deemed to have approved the request.

7.2 The Indemnitee shall be entitled to select the forum in which Indemnitee's request for indemnification will be heard, which selection shall be included in the written request for indemnification required in Section 7.1 above. The forum shall be any one of the following:

7.2.1 The stockholders of the Company;

7.2.2 A quorum of the Board of Directors consisting of Disinterested Directors; or

7.2.3 Independent Legal Counsel, who shall make the determination in a written opinion.

7.3 Upon making a request for indemnification, Indemnitee shall be presumed to be entitled to indemnification under this Agreement and the Company shall have the burden of proof to overcome that presumption in reaching any contrary determination. The termination of any Proceeding by judgment, order, settlement, arbitration award or conviction, or upon a plea of nolo contendre or its equivalent shall not affect this presumption or, except as provided in Section 2 or 5 hereof, establish a presumption with regard to any factual matter relevant to determining Indemnitee's rights to indemnification hereunder.

7.4 The Company agrees to pay the reasonable fees and expenses of Independent Legal Counsel should such counsel be retained to make a determination of Indemnitee's entitlement to indemnification pursuant to Section 7 of this Agreement, and to fully indemnify such counsel or by any of them arising out of or relating to this Agreement or their engagement pursuant hereto, except with respect to expenses and losses resulting from the negligence or willful misconduct of such counsel.

8. Undertaking By Indemnitee. Indemnitee hereby undertakes to repay to the Company any advances of Expenses pursuant to this Agreement to the extent that it is ultimately determined that Indemnitee is not entitled to indemnification.

9. Remedies of Indemnitee.

9.1 In the event that (i) a determination pursuant to Section 7 hereof is made that Indemnitee is not entitled to indemnification, (ii) advances of Expenses are not made pursuant to this Agreement, (iii) payment has not been timely made following a determination of entitlement to indemnification pursuant to this Agreement, or (iv) Indemnitee otherwise seeks enforcement of this Agreement, Indemnitee shall be entitled to a final adjudication in any court of competent jurisdiction of his rights. The Company shall not oppose Indemnitee's right to indemnification under this Agreement and the Company shall have the burden of proof to overcome that presumption.

9.2 In the event that a determination that Indemnitee is not entitled to indemnification, in whole or in part, has been made pursuant to Section 7 hereof, the decision in the judicial proceeding provided in Section 9.1 shall be made de novo and Indemnitee shall not be prejudiced by reason of a determination that he or she is not entitled to indemnification.

9.3 If a determination that Indemnitee is entitled to indemnification has been made pursuant to Section 7 hereof or otherwise pursuant to the terms of this Agreement, the Company shall be bound by such determination in the absence of (i) misrepresentation of a material fact by Indemnitee or (ii) a specific finding (which has become final) by a court of competent jurisdiction that all or any part of such indemnification is expressly prohibited by Nevada law.

10. Modification, Waiver, Termination, and Cancellation. No supplement, modification, termination, cancellation or amendment of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver.

11. Notice by Indemnitee and Defense of Claim. Indemnitee shall promptly notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any matter, whether civil, criminal, administrative or investigative, but the omission to notify the Company will not relieve it from any liability which it may have to Indemnitee if such omission does not prejudice the Company's rights. If such omission does prejudice the Company's rights, the Company will be relieved from liability only to the extent of such prejudice, and such omission shall not relieve the Company from any liability which it may have to Indemnitee otherwise than under this Agreement.

12. Settlement of Claims. The Company shall not be liable to indemnify Indemnitee under this Agreement for any amounts paid in settlement of any Proceeding effected without the Company's written consent. The Company shall not settle any Proceeding in any manner which would impose any penalty or limitation on Indemnitee's rights under this Agreement without Indemnitee's written consent. Neither the Company nor Indemnitee will unreasonably withhold its or his consent to any proposed settlement. The Company shall not be liable to indemnify Indemnitee under this Agreement with regard to any judicial award if the Company was not given a reasonable and timely opportunity, at its expense, to participate in the defense of such action.

13. Continuation Of Indemnity. All agreements and obligations of the Company contained herein shall continue during the period Indemnitee is a director, officer, agent, or advisor of the Company (or is or was serving at the request of the Company as a director, officer, employee, agent, or advisor of another corporation, partnership, joint venture, trust, limited liability company, or other enterprise) and shall continue thereafter so long as Indemnitee shall be subject to any possible Proceeding.

14. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of Expenses, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such Expenses to which Indemnitee is entitled.

15. Notices. All notices, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered personally or by overnight courier such as Federal Express, or sent by certified or registered mail with postage prepaid, addressed as:

If to Indemnitee, to:	_____ _____ _____
If to the Company, to:	2240 Auto Park Way Escondido, California 92029 Attn: President
With a copy to:	John P. Yung, Esq. Locke Lord LLP 500 Capitol Mall, Ste 1800 Sacramento, CA 95814

or to such other address as may have been furnished to Indemnitee by the Company or to the Company by Indemnitee, as the case may be. Notices given as set forth herein shall be conclusively deemed to have been received by the party to whom addressed upon receipt, if delivered personally or by overnight courier, and three business days after the same is deposited in the United States mail if sent by certified or registered mail.

16. Non-exclusivity. The indemnification and advancement of Expenses provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may be entitled under the Articles of Incorporation or Bylaws, the Chapter 78 of the Nevada Revised Statutes, any policy or policies of directors' and officers' liability insurance, any agreement, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. However, Indemnitee shall reimburse the Company for amounts paid to him under this Agreement in an amount equal to any payments received pursuant to such other rights to the extent such payments duplicate any payments received pursuant to this Agreement.

17. Certain Definitions.

17.1 "Disinterested Director" shall mean a director of the Company who is not or was not a party to the Proceeding in respect of which indemnification is being sought by Indemnitee.

17.2 "Expenses" shall include, without limitation, any judgments, fines, and penalties against Indemnitee in connection with a Proceeding; amounts paid by Indemnitee in settlement of a Proceeding; and all attorneys' fees and disbursements, accountants' fees and disbursements, private investigation fees and disbursements, retainers, court costs, transcript costs, fees of experts, fees and expenses of witnesses, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses reasonably incurred by or for Indemnitee in connection with prosecuting, defending, preparing to prosecute or defend, investigating, or being or preparing to be a witness in a Proceeding or establishing Indemnitee's right or entitlement to indemnification for any of the foregoing.

17.3 "Final Adverse Determination" shall mean that a determination that Indemnitee is not entitled to indemnification shall have been made pursuant to Section 7 hereof and either (i) a final adjudication in a court of competent jurisdiction pursuant to Section 9.1 hereof shall have denied Indemnitee's right to indemnification hereunder, or (ii) Indemnitee shall have failed to file a complaint in a court of competent jurisdiction pursuant to Section 9.1 for a period of one hundred twenty (120) days after the determination made pursuant to Section 7
hereof.

17.4 "Independent Legal Counsel" shall mean a law firm or a member of a law firm selected by the Company and approved by Indemnitee (which approval shall not be unreasonably withheld) and that neither is presently nor in the past five years has been retained to represent: (i) the Company or any of its subsidiaries or affiliates, or Indemnitee or any corporation as to which Indemnitee was or is a director, officer, employee or agent, or any subsidiary or affiliate of such a corporation, in any material matter, or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term Independent Legal Counsel shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing the Company or Indemnitee in an action to determine Indemnitee's right to indemnification under this Agreement.

17.5 "Proceeding" shall include any threatened, pending, or completed action, suit, or proceeding, whether brought by or in the right of the Company or otherwise and whether of a civil, criminal, administrative, or investigative nature, in which Indemnitee was, is, or will be involved as a party, as a witness, or otherwise, by reason of the fact that Indemnitee is or was a director, officer, agent, or advisor of the Company, by reason of any action taken by him or of any inaction on his part while acting as a director, officer, agent, or advisor of the Company, or by reason of the fact that he is or was serving at the request of the Company as a director, officer, employee, agent, or advisor of another corporation, partnership, joint venture, trust, limited liability company, or other entity or enterprise, in each case whether or not he is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification or reimbursement can be provided under this Agreement; provided, that any such action which is brought by Indemnitee to enforce his rights under this Agreement shall not be a Proceeding without prior approval of a majority of the board of directors of the Company.

18. Binding Effect. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), spouses, heirs and personal and legal representatives.

19. Severability. If any provision(s) of this Agreement (or any portion thereof) shall be held to be invalid, illegal or unenforceable for any reason whatsoever, (i) the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby; and (ii) to the fullest extent legally possible, the provisions of this Agreement shall be construed so as to give effect to the intent of any provision held invalid, illegal or unenforceable.

20. Applicable Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Nevada, without regard to its conflict of laws rules.

21. Attorneys Fees. In any proceeding brought to enforce any provision of this Agreement, or to seek damages for a breach of any provision hereof, or when any provision hereof is validly asserted as a defense, the prevailing party shall be entitled to receive from the other party all reasonable attorneys fees and costs in connection therewith.

22. Entire Agreement. This Agreement represents the entire agreement between the parties hereto, and there are no other agreements, contracts or understandings between the parties hereto with respect to the subject matter of this Agreement, except as specifically referred to herein or as provided in Section 16 hereof.

23. Amendments, Termination and Waiver. No supplement, modification, amendment or termination of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

24. Counterparts. This Agreement may be executed in one or more counterparts (including facsimile), each of which shall be deemed an original and all of which together shall constitute one and the same Agreement.

25. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

26. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Proceeding made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under insurance policy, Articles of Incorporation or otherwise) of the amounts otherwise identifiable hereunder.

27. Contribution. If the indemnification provided in Section 2 is unavailable, then, in respect of any Proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in the Proceeding), the Company shall contribute to the amount of Expenses, judgments, fines, penalties and amounts paid in settlement as appropriate to reflect: (i) the relative benefits received by the Company, on the one hand, and Indemnitee, on the other hand, from the transaction from which the Proceeding arose, and (ii) the relative fault of the Company, on the one hand, and of Indemnitee, on the other, in connection with the events which resulted in such Expenses, judgments, fines, penalties and amounts paid in settlement, as well as any other relevant equitable considerations. The relative fault of the Company, on the one hand, and of Indemnitee, on the other, shall be determined by reference to, among other things, the parties' relative intent, knowledge, access to information and opportunity to correct or prevent the circumstances resulting in such Expenses. The Company agrees that it would not be just and equitable if contribution pursuant to this Section 27 were determined by pro rata allocation or any other method of allocation which does not take account of the equitable considerations described in this Section 27.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

COMPANY

Flux Power Holdings, Inc.

By: _____

Name: _____

INDEMNITEE

_____

Name: Chris Anthony

FRIEDMAN LLP
ACCOUNTANTS AND ADVISORS

June 18, 2012

U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549

RE: Flux Power Holdings, Inc.
File No.: 000-25909

We have read the statements under Item 4.01 of the Current Report on Form 8-K to be filed with the Securities and Exchange Commission on June 18, 2012 regarding the change of auditors. We agree with all statements pertaining to us.

Friedman LLP

East Hanover, New Jersey

SUBSIDIARIES OF THE REGISTRANT

1. Flux Power, Inc., a California corporation.

Flux Power, Inc.

Financial Statements

For the year ended June 30, 2011 and the eight month period ended June 30, 2010

Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Flux Power, Inc.
San Diego, California

We have audited the accompanying balance sheets of **Flux Power, Inc.** (the "Company") as of June 30, 2011 and 2010, and the related statements of operations, stockholders' deficit, and cash flows for the year ended June 30, 2011, and for the eight month period ended June 30, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Flux Power, Inc.** as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the year ended June 30, 2011, and for the eight month period ended June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

/s/ Mayer Hoffman McCann P.C.
San Diego, CA
April 23, 2012

Flux Power, Inc.

Balance Sheet

As of June 30,	**2011**	2010
Assets		
Current Assets		
Cash	**$ 239,579**	$ 67,096
Accounts receivable	**40,863**	-
Stockholder note receivable	**-**	400
Inventories	**1,973,575**	276,315
Prepaid inventory	**56,620**	606,625
Other current assets	**53,576**	42,880
Total current assets	**2,364,213**	993,316
Fixed assets - net	**104,958**	112,818
Total Assets	**$ 2,469,171**	$ 1,106,134
Liabilities and Stockholders' (Deficit) Equity		
Current Liabilities		
Accounts payable	**$ 8,744**	$ 14,540
Accrued expenses	**86,847**	56,359
Customer deposits	**209,368**	556,416
Customer deposits from related party	**367,071**	158,755
Deferred revenue	**1,801,800**	-
Stockholder notes payable	**1,030,000**	-
Total current liabilities	**3,503,830**	786,070
Stockholder notes payable	**-**	100,000
Total Liabilities	**3,503,830**	886,070
Stockholders' (Deficit) Equity		
Common stock; no par value; 100,000,000 shares authorized; 11,500,000 shares issued and outstanding	**850,400**	850,400
Additional paid-in capital	**58,156**	-
Accumulated deficit	**(1,943,215)**	(630,336)
Total Stockholders' (Deficit) Equity	**(1,034,659)**	220,064
Total Liabilities & Stockholders' (Deficit) Equity	**$ 2,469,171**	$ 1,106,134

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

Flux Power, Inc.

Statement of Operations

	For the year ended June 30, 2011	For the eight months ended June 30, 2010
Revenues	**$ 984,266**	$ 207,162
Cost of sales	**845,514**	228,183
Gross Profit	**138,752**	(21,021)
Selling, general, and administrative	**1,027,272**	411,837
Research and development	**382,064**	197,478
Total Operating Expenses	**1,409,336**	609,315
Interest expense	**42,295**	-
Net Loss	**$ (1,312,879)**	$ (630,336)

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

Statements of Stockholders' (Deficit) Equity

	Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Balance at inception	-	$ -	$ -	$ -	$ -
Issuance of common stock for cash	3,999,998	460,000	-	-	460,000
Issuance of common stock for stockholder note receivable	4,000,000	400	-	-	400
Issuance of common stock for services	658,329	67,788	-	-	67,788
Issuance of common stock for net assets	2,841,673	322,212	-	-	322,212
Net loss	-	-	-	(630,336)	(630,336)
Balance at June 30, 2010	11,500,000	850,400	-	(630,336)	220,064
Stock-based compensation	-	-	58,156	-	58,156
Net loss	-	-	-	(1,312,879)	(1,312,879)
Balance at June 30, 2011	11,500,000	$ 850,400	$ 58,156	$ (1,943,215)	$ (1,034,659)

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

Flux Power, Inc.

Statements of Cash Flows

	For the year ended June 30, 2011	For the eight months ended June 30, 2010
Cash Flows From Operating Activities:		
Net loss	**$ (1,312,879)**	$ (630,336)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss on disposal of leasehold improvements	**-**	19,468
Depreciation and amortization	**22,771**	13,715
Stock-based compensation	**58,156**	67,788
Increase (decrease) in cash resulting from changes in:		
Acconts receivable	**(40,863)**	-
Inventories	**(1,697,260)**	(116,828)
Prepaid inventory	**550,005**	(484,012)
Other current assets	**(10,696)**	(38,867)
Accounts payable	**(5,796)**	14,540
Accrued expenses	**30,488**	6,359
Deferred revenue	**1,801,800**	-
Customer deposits	**(347,048)**	556,416
Customer deposits from related party	**208,316**	158,755
Net cash used in operating activities	**(743,006)**	(433,002)
Cash Flows From Investing Activities:		
Purchases of equipment	**(17,186)**	(59,902)
Proceeds from sale of equipment	**2,275**	-
Net cash used in financing activities	**(14,911)**	(59,902)
Cash Flows From Financing Activities:		
Stockholder note receivable	**400**	-
Proceeds from issuance of common stock	**-**	460,000
Proceeds from issuance of stockholder notes payable	**930,000**	100,000
Net cash provided by financing activities	**930,400**	560,000
Net increase in cash	**172,483**	67,096
Cash — Beginning of year	**67,096**	-
Cash — End of year	**$ 239,579**	$ 67,096
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for:		
Interest	**$ -**	$ -
Income taxes	**$ -**	$ -
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Issuance of common stock for stockholder note receivable	**$ -**	$ 400
Issuance of common stock for net assets	**$ -**	$ 322,212

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

1. Nature of Operations

Flux Power, Inc. ("the Company" or "Flux") was founded in 2009 in the State of California to design, develop and sell rechargeable advanced energy storage systems. The Company has structured its business around its core technology, "The Battery Management System" ("BMS"). The Company's BMS provides three critical functions to their battery systems: cell balancing, monitoring and error reporting. Using its proprietary management technology, the Company is able to offer complete integrated energy storage solutions or custom modular standalone systems to their clients. The Company also developed a suite of complementary technologies and products that accompany their core products. The Company began operations in November 2009, therefore fiscal year ended June 30, 2010 represents an eight month period. Sales during 2011 and 2010, were primarily to customers located throughout the Unites States.

2. Liquidity

As of June 30, 2011, the Company had an accumulated deficit of approximately $1,943,000. The Company also had negative cash flows from operations of approximately $743,000 for the year ended June 30, 2011. The Company has evaluated the expected cash requirements over the next twelve months, which includes, but is not limited to, investments in additional sales and marketing and product development resources, capital expenditures, and working capital requirements. The Company believes it has sufficient funds for the next twelve months from the balance sheet date, as it expects to cover its anticipated operating expenses through cash on hand, additional customer billings, and borrowings under its stockholder notes payable.

The Company expects to require additional financing in the future. The timing of the Company's need for additional capital will depend in part on its future operating performance in terms of revenue growth and the level of operating expenses maintained.

A majority shareholder has agreed to support the Company through loan agreements. During October 2011, the Company entered into a new note payable with this majority shareholder for up to $1,000,000, maturing in September 2013. In addition, the Company's existing debt balances were converted to equity during December 2011. See Note 10. However, there is no guarantee the Company will be able to obtain additional funds in the future or that funds will be available on terms acceptable to the Company. If such funds are not available, management will be required to curtail its investments in additional sales and marketing and product development resources, and capital expenditures, which may have an adverse effect on the Company's future cash flows and results of operations, and its ability to fund operations.

3. Summary of Significant Accounting Policies

A summary of the Company's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Fair value of financial instruments

The carrying values of accounts receivable, accounts payable, notes payable and accrued liabilities approximate fair value due to the short maturity of these instruments.

Use of estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. The Company has used significant estimates in its determination of the reserve for inventory, sales returns, and warranty claims. Accordingly, actual results could differ from those estimates.

Accounts receivable and customer deposits

Accounts receivable are carried at their estimated collectible amounts. The Company generally requires advance deposits from its customers prior to shipment of the ordered products.

The Company has not experienced collection issues related to its accounts receivable, and has not recorded an allowance for doubtful accounts at June 30, 2011 and 2010.

Inventories and prepaid inventory

Inventories consist primarily of battery management systems and the related subcomponents, and are stated at the lower of cost (first-in, first-out) or market. Prepaid inventory represents deposits made by the Company for inventory purchases. The Company evaluates inventories to determine if write-downs are necessary due to obsolescence or if the inventory levels are in excess of anticipated demand at market value based on consideration of historical sales and product development plans. There were no write-downs of inventory determined necessary during the periods ended June 30, 2011 and 2010.

Fixed assets

Fixed assets are stated at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful lives, ranging from three to ten years, of the related assets or, in the case of leasehold improvements, over the lesser of the useful life of the related asset or the lease term.

Stock- based compensation	The Company accounts for stock-based compensation in accordance with the authoritative guidance for share-based payments and for equity instruments issued to employees and non-employees, as applicable. The fair market value of stock options is estimated using the Black-Scholes option pricing model. The fair value of the stock options granted is recognized as expense over the requisite service period, using the straight-line method.
Income taxes	Deferred income taxes are recognized for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the combination of the tax payable for the year and the change during the year in deferred tax assets and liabilities. The Company adopted the guidance related to uncertain tax positions during the period ended June 30, 2010. The adoption of this guidance did not result in an adjustment to the financial statements.
Revenue recognition	The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, price is fixed or determinable and collectability of the selling price is reasonably assured. Delivery occurs when risk of loss is passed to the customer, as specified by the terms of the applicable customer agreements. When implied right of return exists, the Company recognizes revenue on the sell through-method. Under this method, revenue is not recognized upon delivery of the inventory components. Instead, the Company records deferred revenue upon delivery and recognizes revenue when the inventory components are sold through to the end user. The Company evaluates its exposure to sales returns and warranty issues based on historical information. The Company did not record an allowance for sales returns or warranty issues during 2011 and 2010.
Shipping and handling costs	The Company records shipping and handling costs charged to customers as revenue and shipping and handling costs to cost of sales as incurred.

Impairment of long-lived assets

In accordance with authoritative guidance for the impairment or disposal of long-lived assets, if indicators of impairment exist, the Company assesses the recoverability of the affected long-lived assets by determining whether the carrying value of such assets can be recovered through the undiscounted future operating cash flows.

If impairment is indicated, the Company measures the amount of such impairment by comparing the carrying value of the asset to the present value of the expected future cash flows associated with the use of the asset. The Company believes the future cash flows to be received from the long-lived assets in use will exceed the assets' carrying value, and accordingly the Company has not recognized any impairment losses during the periods ended June 30, 2011 and 2010.

Research and development

The Company is actively engaged in new product development efforts. Research and development costs relating to possible future products are expensed as incurred.

Reclassifications

Certain previously reported amounts have been reclassified to conform to the current year’s presentation. The reclassifications had no effect on previously reported net losses.

New accounting standards

In May 2011, the FASB amended its authoritative guidance related to fair value measurements to provide a consistent definition and measurement of fair value, as well as similar disclosure requirements between accounting principles generally accepted in the United States of America and International Financial Reporting Standards. This guidance clarifies the application of existing fair value measurement and expands the existing disclosure requirements. This guidance becomes effective for annual periods beginning after December 15, 2011. This guidance is not expected to have a material impact on the Company’s results of operations, financial position or cash flows.

New accounting standards, cont'd

In April 2010, the FASB issued an accounting standards update to ASC Topic No. 718, *Compensation – Stock Compensation.* ASC No. 718 stipulates that a share-based payment award that contains a condition that is not a market, performance, or a service condition is required to be classified as a liability. This update clarifies that when an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's securities trades differs from the functional currency of the employer entity or payroll currency of the employee, such award should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The amendments in this update will be effective for fiscal years beginning on or after December 15, 2010, which will be the Company's 2012 fiscal year. The amendments in this update should be applied by recording a cumulative-effect adjustment to the opening balance of retained earnings. The cumulative-effect adjustment should be calculated for all awards outstanding as of the beginning of the fiscal year in which the amendments are initially applied and should be presented separately. Early adoption is permitted; however, the Company did not adopt the amendments early. The Company does not anticipate that the adoption of this amendment will have a material impact on its financial statements.

In January 2010, the FASB issued Accounting Standards Update 2010-06, Fair Value Measurements and Disclosures (Topic 820), or ASU 2010-06, which provides amendments to Subtopic 820-10 that require new disclosures and that clarify existing disclosures in order to increase transparency in financial reporting with regard to recurring and nonrecurring fair value measurements. ASU 2010-06 requires new disclosures with respect to the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and the reasons for those transfers, as well as separate presentation about purchases, sales, issuances, and settlements in the reconciliation for fair value measurements using significant unobservable inputs (Level 3). In addition, ASU 2010-06 provides amendments that clarify existing disclosures, requiring a reporting entity to provide fair value measurement disclosures for each class of assets and liabilities as well as disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3. Finally, ASU 2010-06 amends guidance on employers' disclosures about postretirement benefit plan assets under ASC 715 to require that disclosures be provided by classes of assets instead of by major categories of assets. ASU 2010-06 is effective for the interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the rollforward of activity in Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010. Accordingly, ASU 2010-06 became effective for the Company on January 3, 2010 (except for the Level 3 activity disclosures, which became effective for the Company on January 2, 2011). The adoption of ASU 2010-06 did not have a material impact on the Company's financial statements.

4. Fixed Assets

Fixed assets consisted of the following at June 30, 2011 and 2010:

		2011		2010
Equipment	**$**	**56,547**	$	45,526
Vehicles		**46,516**		46,516
Molds		**14,999**		14,999
Furniture and fixtures		**17,663**		15,598
Leasehold improvements		**1,184**		-
		136,909		122,639
Less accumulated depreciation and amortization		**(31,951)**		(9,821)
Total fixed assets - net	**$**	**104,958**	$	112,818

Depreciation and amortization expense was approximately $23,000 and $14,000 during the periods ended June 30, 2011 and 2010, respectively.

5. Commitments and Contingencies

On July 1, 2010, the Company entered into a cancelable lease for its office space. The lease provides for monthly payments of approximately $13,000, expires on June 30, 2011, and contains a one-year renewal option, which the Company exercised as of July 1, 2011. In July of 2010 the Company entered into a sublease with a related party for approximately $6,600 per month for a portion of this space. The sublease was terminated on January 1, 2012. The Company recorded rent expense, net of sublease income, of approximately $133,000 and $15,000 during the periods ended June 30, 2011 and 2010, respectively.

In March 2011, the Company entered into a brokerage agreement with a management consulting firm to provide investors to the Company. The term of the agreement is for a period of one year. The compensation to the consulting firm includes a monthly fee with additional compensation based on a percentage of the amount raised, and includes an equity component in the form of warrant coverage. The Company recorded expense of approximately $16,000 related to the brokerage agreement during the year ended June 30, 2011.

6. Stockholders' Equity

At June 30, 2011, the Company had 100,000,000 shares of common stock authorized for issuance.

6. Stockholders' Equity, Cont'd

Holders of common stock are entitled to receive dividends, when, as, and if declared by the Board of Directors, out of any assets legally available to the Company. Dividends are declared and paid in an equal per-share amount on the outstanding shares of each series of common stock. During the periods ended June 30, 2011 and 2010, the Board of Directors neither declared nor paid common stock dividends to shareholders.

During the period ended June 30, 2010, the Company issued 11,500,000 shares of common stock in exchange for approximately $460,000 in cash, $322,000 in net assets (approximately $236,000 of inventory and prepaid inventory, and approximately $86,000 of fixed assets), $68,000 in services, and $400 in a note receivable. The note was subsequently collected in 2011.

Stock-based compensation

The Company is authorized to issue 2,000,000 shares of Common Stock under the Company's 2010 Stock Option Plan (the "Plan"). The Plan authorizes the granting of stock options to employees, directors and consultants at exercise prices determined by the Board of Directors.

The Company uses the Black-Scholes valuation model to calculate the fair value of stock options. The fair value of stock options was measured at the grant date using the assumptions in the table below:

	Employee	Non-Employee
Expected volatility	100%	100%
Risk-free interest rate	1.40% to 2.14%	3.03%
Forfeiture rate	5%	5%
Dividend yield	0%	0%
Expected term (yrs)	5	10

Stock-based compensation, cont'd

Expected Volatility – The result obtained by the expected volatility used is not expected to be materially different than what would be obtained if it were based on a peer group in the industry in which the Company does business.

Risk-free Interest Rate – The Company applies the risk-free interest rate based on the U.S. Treasury yield in effect at the time of the grant.

Forfeitures – Stock-based compensation expense recognized in the statement of operations is based on awards ultimately expected to vest, reduced for estimated forfeitures. The authoritative guidance related to the accounting for stock options requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on Management's expectation of projected forfeitures.

Dividend Yield – The Company has not, and does not, intend to pay dividends.

Expected Term in Years – The expected term is based upon the Company's consideration of the historical life of options, the vesting period of the option granted and the contractual period of the option granted. The Company calculated the expected term for employee options as the average of the contractual term of the option and the vesting period, consistent with the authoritative guidance. The Company calculated the expected term for non-employee options as the contractual term of the option.

Weighted Average Fair Value of Options Granted – Using the weighted average assumptions described above, the weighted average fair value of options granted to employees and non-employees during 2011 was $0.10 and $0.12, respectively.

Estimates of fair value are not intended to predict actual future events or the value ultimately realized by employees who receive equity awards, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by the Company under the authoritative guidance.

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

	Number of shares	Weighted average exercise price
Options outstanding at June 30, 2010	-	$ -
Granted	710,000	0.13
Exercised	-	-
Forfeited	-	-
Options outstanding at June 30, 2011	710,000	$ 0.13

Additional information regarding options outstanding as of June 30, 2011 is as follows:

Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life in Years	Number Exercisable	Weighted Average Remaining Contractual Life in Years
$ 0.13	710,000	4.99	633,698	4.40

Stock-based compensation, cont'd

The aggregate intrinsic value of options outstanding and exercisable at June 30, 2011 was $0, based on the difference between the exercise price and the value of the Company's common stock of $0.13 at June 30, 2011.

During 2011 total stock-based compensation expense included in the statement of operations for employee option grants and non-employee option grants was approximately $47,000 and $11,000, respectively, charged as follows:

Selling, general and administrative	$	22,000
Research and development		36,000
Total stock-based compensation expense	$	58,000

The Company has a 100% valuation allowance recorded against its deferred tax assets; therefore, the stock-based compensation has no tax effect on the statement of operations.

As of June 30, 2011, there was $9,000 of total unrecognized compensation expense related to unvested share-based compensation arrangements granted under the Plan to employees. The cost is expected to be recognized over a weighted-average period of 2.92 years.

During the period ended June 30, 2010, the Company issued 658,329 shares of common stock in exchange for services and recorded approximately $68,000 in related expense.

7. Income Taxes

As of June 30, 2011 and 2010, a non-current deferred tax asset of approximately $774,000 and $250,000, respectively, had been recognized primarily for the temporary differences related to federal and state net operating loss carry forwards.

There was a fully offsetting valuation allowance against the deferred tax assets recorded as of June 30, 2011 and 2010. The valuation allowance may be reduced at such time as management is able to determine that it is more likely than not that this deferred tax asset will be utilized. The valuation allowance was approximately $774,000 and $250,000 at June 30, 2011 and 2010, respectively.

7. Income Taxes, Cont'd

At June 30, 2011, the Company had federal net operating loss carryforwards of approximately $1,645,000 and state tax net operating loss carryforwards of approximately $1,608,000. The federal and state tax loss carryforwards will begin to expire in 2029.

Utilization of the net operating loss ("NOL") carryforwards may be subject to a substantial annual limitation due to ownership change limitations that may have occurred or that could occur in the future, as required by Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). These ownership changes may limit the amount of NOL carryforwards that can be utilized annually to offset future taxable income. In general, an ownership change as defined by Section 382 of the Code results from a transaction or series of transactions over a three-year period resulting in an ownership change of more than 50 percentage points of the outstanding stock of a company by certain stockholders.

The Company has not completed a study to assess whether an ownership change has occurred or whether there have been multiple ownership changes since the Company's formation due to the complexity and cost associated with such a study, and the fact that there may be additional such ownership changes in the future. If the Company has experienced an ownership change at any time since its formation, utilization of the NOL carryforwards would be subject to an annual limitation. Any limitation may result in expiration of a portion of the NOL carryforwards before utilization. Further, until a study is completed and any limitation known, no amounts are being considered as an uncertain tax position or disclosed as an unrecognized tax benefit. Due to the existence of the valuation allowance, future changes in the Company's unrecognized tax benefits will not impact its effective tax rate. Any carryforwards that will expire prior to utilization as a result of such limitations will be removed from deferred tax assets with a corresponding reduction of the valuation allowance.

During the period ended June 30, 2010, the Company adopted the authoritative guidance for uncertainties in income taxes. As of June 30, 2011, the Company's tax years from inception are subject to examination by the tax authorities. The Company is not currently under examination by U.S. federal or state jurisdictions. The Company does not have any unrecognized tax benefits at June 30, 2011. The Company's policy is to recognize interest and penalties that would be assessed in relation to the settlement value of unrecognized tax benefits as a component of income tax expense.

8. Related Party Transactions

Revolving notes payable - stockholder

The Company had a $400,000 (Inventory Funding Loan) revolving note payable with a stockholder that was converted to common stock on December 16, 2011. The note bears interest at 8% per annum and provides for advances to be used for inventory purchases. Interest is payable upon maturity. Advances on the note are collateralized by substantially all assets of the Company. At June 30, 2011 and 2010, the outstanding balance on the note was $200,000 and $100,000, respectively.

The Company has executed another revolving note payable (Operating Capital Loan) in the amount of $1,000,000, due to the same stockholder. The note matures in May 2012 and bears interest at 8% per annum. The purpose of this note is to be used as bridge capital for operating expenses until the next round of financing. Advances on the note are collateralized by substantially all of the assets of the Company. As of June 30, 2011 and 2010, the balance outstanding was $830,000 and $0, respectively.

The outstanding balances were converted to equity during December 2011, and the note payable agreements were terminated. See Note 10.

The Company recorded interest expense of approximately $42,000 related to these loans during the year ended June 30, 2011.

Service agreement

During 2010 the Company entered into an agreement with a stockholder for services related to its battery products. The related party is to provide a component and consulting services to the Company. During the period ended June 30, 2010, the Company issued approximately 580,000 shares of common stock to this stockholder, in exchange for consulting services in the amount of approximately $58,000.

Company owned by officer

Flux had various transactions in 2011 and 2010 with a company owned by its Chief Executive Officer and one of the Company's majority shareholders.

During 2011 and 2010, Flux sold approximately $149,000 and $39,000, respectively, of product to this company. The customer deposits balance received from this company at June 30, 2011 and 2010, is approximately $367,000 and $159,000, respectively. Receivables outstanding from this company as of June 30, 2011 and 2010 were $29,000 and $0, respectively. This receivable was subsequently collected in 2012.

Company owned by officer, cont'd

In July of 2010 the Company entered into a sublease with this company for approximately $6,600 per month for a portion of this space. The sublease was terminated on January 1, 2012. During 2011 this company reimbursed $31,000 to Flux for its portion of shared expenses.

During 2010 Flux leased office space from this company and paid approximately $21,000 related to this lease. The lease ended on June 30, 2010 and was not renewed.

Customer

During 2011 and 2010 the Company sold approximately $39,000 and $7,000, respectively, of product to a company owned by another one of the Company's major shareholders who is the Company's former Chief Technology Officer. There were no receivables outstanding from this customer as of June 30, 2011 and 2010.

Vendor

During 2009, the Company entered into a cancelable Term Sheet agreement (the "Term Sheet Agreement") with a company owned by another one of the Company's major shareholders. Pursuant to the Term Sheet Agreement, the Company was appointed as a distributor of this company's battery charging products allowing the Company to sell the products either separately or as part of an energy storage solution. Additionally, the Company was required to develop software to enable communication between the parties' respective products which entitles the Company to royalties for any such units sold by the related entity. During the term of the Term Sheet Agreement the Company may purchase the products at the then current price list for distributors. Further, under the terms of the Term Sheet Agreement, if the company sells its products to a different distributor Flux Power Inc. is entitled to a distribution fee equal to 20% of the company's gross profits on such sale. This distribution fee and royalties are capped at a total of $200,000. The Term Sheet Agreement expired pursuant to its terms on April 1, 2011 and the products defined in the term sheet were assigned to a different company that is owned by the same major shareholder, on September 1, 2010. During 2011 and 2010, the Company purchased approximately $33,000 and $26,000 of prototype products that are not subject to the distribution fee or royalties pursuant to the Term Sheet Agreement.

During 2010 the Company entered into a cancelable Manufacturing Implementation Agreement (the "Manufacturing Agreement") with the same company. Pursuant to the terms of the Manufacturing Agreement, this company has been granted a right of first refusal to manufacture our battery management system. The Manufacturing Agreement expires on August 1, 2014. During 2011 and 2010, the Company paid approximately $131,000 and $1,000, respectively, to this company pursuant to the Manufacturing Agreement.

9. Concentrations

Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and unsecured trade accounts receivable. The Company maintains cash balances at a financial institution in San Diego, California. Accounts at this institution are secured by the Federal Deposit Insurance Corporation. At times, balances may exceed federally insured limits. The Company has not experienced any losses in such accounts. Management believes that the Company is not exposed to any significant credit risk with respect to its cash.

Customer- related party

During 2010 the Company had one related party major customer that accounted for 31% of the Company's total sales. No receivables were outstanding from this customer as of June 30, 2010.

Customer

During 2011 the Company had one major customer that accounted for 19% of the Company's total sales. During 2010 the Company had four other major customers that combined accounted for 79% of the Company's total sales. No receivables were outstanding from the major customers as of June 30, 2011 and 2010.

Based on the current financial condition of the Company's major customer, Management believes the revenues earned during 2011 and 2010 are likely to be non-recurring in future years.

Vendor

During 2011 and 2010 the Company had one major vendor that accounted for 67% and 70%, respectively, of the Company's total purchases. No payables were owed to the major vendor as of June 30, 2011 and 2010. Although there are a limited number of manufacturers which could produce the battery management systems, management believes other manufacturers could produce the products on comparable terms. A change in manufacturer, however, could cause a delay in manufacturing and adversely affect results.

10. Subsequent Events

In August 2011, the Company entered into an agreement and term sheet with an entity that provides for the entity to assist the Company in its merger efforts with a public company. The agreement and term sheet expired during February 2012, and it obligated the Company to pay legal expenses of the investors not to exceed $25,000 and due diligence expenses of the entity of $15,000.

In August 2011, the Company amended the terms of its stockholder notes payable to provide for conversion of the notes payable into shares of the Company's common stock based on the Company's next open round of financing.

In September 2011, the Company entered into an additional note payable (Short-Term Loan) agreement with the same stockholder for $150,000. The note payable bears interest at 8% as amended, is due May 30, 2012, and is convertible into the Company's equity securities upon completion of the Company's next round of financing.

In October 2011, the Company entered into a revolving promissory note (Secondary Operating Capital) agreement with the same stockholder for $1,000,000. The revolving promissory note bears interest at 8%, is due September 30, 2013, as amended, and is secured by substantially all of the assets of the Company.

In December 2011, the full outstanding balance of $1,180,000 of principal on the Inventory Funding, Operating Capital and Short-Term notes payable and $84,228 of accrued interest on these notes were converted into 1,264,228 shares of common stock at a conversion price of $1.00 per share.

In March 2012, the Company entered into an additional note payable (Bridge Loan) agreement, with the same stockholder for $250,000. The note payable bears interest at 8% and is due March 7, 2014.

The Company has evaluated subsequent events through April 23, 2012, the date when the financial statements were available to be issued.

Flux Power, Inc.

Financial Statements

For the nine month periods ended March 31, 2012 and 2011

Contents

Financial Statements

Flux Power, Inc.

Balance Sheets
in thousands, except share amounts

	March 31, 2012 (Unaudited)	June 30, 2011 (Audited)
Assets		
Current Assets		
Cash	**$ 141**	$ 240
Accounts receivable	**39**	41
Inventories	**1,661**	1,974
Prepaid inventory	**987**	55
Other current assets	**39**	54
Total current assets	**2,867**	2,364
Fixed assets - net	**141**	105
Total Assets	**$ 3,008**	$ 2,469
Liabilities and Stockholders' Deficit		
Current Liabilities		
Accounts payable	**$ 302**	$ 9
Accrued expenses	**168**	87
Customer deposits	**1,050**	209
Customer deposits from related party	**996**	367
Deferred revenue	**629**	1,802
Stockholder notes payable	**-**	1,030
Total current liabilities	**3,145**	3,504
Long Term Liabilities		
Stockholder notes payable	**750**	-
Total long term liabilities	**750**	-
Stockholders' Deficit		
Common stock; no par value; 100,000,000 shares authorized; 12,764,228 shares issued and outstanding at March 31, 2012 and 11,500,000 issued and outstanding at June 30, 2011	**2,115**	850
Additional paid-in capital	**80**	58
Accumulated deficit	**(3,082)**	(1,943)
Total Stockholders' Deficit	**(887)**	(1,035)
Total Liabilities & Stockholders' Deficit	**$ 3,008**	$ 2,469

See accompanying notes to unaudited financial statements

Flux Power, Inc.

Statements of Operations (Unaudited)
in thousands

	For the nine months ended	
	March 31, 2012	**March 31, 2011**
Revenues (of which $335 and $149, respectively, is from a related party)	$ 3,008	$ 583
Cost of sales	2,431	473
Gross Profit	577	110
Selling, general, and administrative	1,271	774
Research and development	400	316
Total Operating Expenses	1,671	1,090
Interest expense	45	25
Net Loss	$ (1,139)	$ (1,005)

See accompanying notes to unaudited financial statements

Flux Power, Inc.

Statements of Cash Flows (Unaudited)

in thousands

For the nine months ended March 31,	**2012**	**2011**
Cash Flows From Operating Activities:		
Net loss	$ (1,139)	$ (1,005)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	23	16
Stock-based compensation	22	58
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	2	-
Inventories	313	(1,703)
Prepaid inventory	(932)	482
Other current assets	15	(3)
Accounts payable	293	41
Accrued expenses	165	8
Customer deposits	841	(508)
Customer deposits from related party	629	58
Deferred revenue	(1,173)	2,098
Net cash used in operating activities	(941)	(458)
Cash Flows From Investing Activities:		
Purchases of equipment	(58)	(14)
Net cash used in investing activities	(58)	(14)
Cash Flows From Financing Activities:		
Proceeds from issuance of stockholder notes payable	900	680
Net cash provided by financing activities	900	680
Net (decrease) increase in cash	(99)	208
Cash — Beginning of period	240	67
Cash — End of period	$ 141	$ 275
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ -	$ -
Income taxes	$ -	$ -
Supplemental Disclosures of Noncash Investing and Financing Activities:		
Issuance of common stock for stockholder notes payable and accrued interest	$ 1,264	$ -

See accompanying notes to unaudited financial statements

1. Nature of Operations

Flux Power, Inc. ("the Company" or "Flux") was founded in 2009 in the state of California to design, develop and sell rechargeable advanced energy storage systems. The Company has structured its business around its core technology, "The Battery Management System" ("BMS"). The Company's BMS provides three critical functions to their battery systems: cell balancing, monitoring and error reporting. Using its proprietary management technology, the Company is able to offer complete integrated energy storage solutions or custom modular standalone systems to their clients. The Company also developed a suite of complementary technologies and products that accompany their core products. Sales during the nine month periods ended March 31, 2012 and 2011, were primarily to customers located throughout the Unites States.

2. Liquidity

As of March 31, 2012 the Company had an accumulated deficit of approximately $3,082,000 and working capital deficit of approximately $278,000. The Company has evaluated the expected cash requirements over the next twelve months, which includes, but is not limited to, investments in additional sales and marketing and product development resources, capital expenditures, and working capital requirements. The Company believes it has sufficient funds for the next twelve months from the balance sheet date, as it expects to cover its anticipated operating expenses through cash on hand, additional customer billings, a minimum $1,000,000 commitment from Baytree Capital (See Note 9), and borrowings under its stockholder note payable.

The Company expects to require additional financing in the future. The timing of the Company's need for additional capital will depend in part on its future operating performance in terms of revenue growth and the level of operating expenses maintained.

A majority shareholder has historically agreed to support the Company through loan agreements. During October 2011, the Company entered into a new note payable with this shareholder for up to $1,000,000, maturing in September 2013. See Note 7. In addition, the Company expects to complete a private placement in June 2012, $1,000,000 of which has been committed in conjunction with the closing of the reverse merger. See Note 9. However, there is no guarantee the Company will be able to obtain additional funds in the future or that funds will be available on terms acceptable to the Company. If such funds are not available, management will be required to curtail its investments in additional sales and marketing and product development resources, and capital expenditures, which may have an adverse effect on the Company's future cash flows and results of operations, and its ability to fund operations.

3. Summary of Significant Accounting Policies

A summary of the Company's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Fair value of financial instruments

The carrying values of accounts receivable, accounts payable, notes payable and accrued liabilities approximate fair value due to the short maturity of these instruments.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. The Company has used significant estimates in its determination of the reserve for inventory, sales returns, and warranty claims. Accordingly, actual results could differ from those estimates.

Accounts receivable and customer deposits

Accounts receivable are carried at their estimated collectible amounts. The Company generally requires advance deposits from its customers prior to shipment of the ordered products.

The Company has not experienced collection issues related to its accounts receivable, and has not recorded an allowance for doubtful accounts at March 31, 2012 or June 30, 2011.

Inventories and prepaid inventory

Inventories consist primarily of battery management systems and the related subcomponents, and are stated at the lower of cost (first-in, first-out) or market. Prepaid inventory represents deposits made by the Company for inventory purchases. The Company evaluates inventories to determine if write-downs are necessary due to obsolescence or if the inventory levels are in excess of anticipated demand at market value based on consideration of historical sales and product development plans. There were no write-downs of inventory determined necessary during the nine months ended March 31, 2012 and 2011.

Fixed assets

Fixed assets are stated at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful lives, ranging from three to ten years, of the related assets or, in the case of leasehold improvements, over the lesser of the useful life of the related asset or the lease term.

Stock-based compensation

The Company accounts for stock-based compensation in accordance with the authoritative guidance for share-based payments and for equity instruments issued to employees and non-employees, as applicable. The fair market value of stock options is estimated using the Black-Scholes option pricing model.

Stock-based compensation, cont'd

The fair value of the stock options granted is recognized as expense over the requisite service period, using the straight-line method.

Revenue recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, price is fixed or determinable and collectability of the selling price is reasonably assured. Delivery occurs when risk of loss is passed to the customer, as specified by the terms of the applicable customer agreements.

When an implied right of return exists, the Company recognizes revenue on the sell through-method. Under this method, revenue is not recognized upon delivery of the inventory components. Instead, the Company records deferred revenue upon delivery and recognizes revenue when the inventory components are sold through to the end user.

The Company evaluates its exposure to sales returns and warranty issues based on historical information. The Company did not record an allowance for sales returns or warranty issues during the nine month periods ended March 31, 2012 and 2011.

Shipping and handling costs

The Company records shipping and handling costs charged to customers as revenue and shipping and handling costs to cost of sales as incurred.

Impairment of long-lived assets

In accordance with authoritative guidance for the impairment or disposal of long-lived assets, if indicators of impairment exist, the Company assesses the recoverability of the affected long-lived assets by determining whether the carrying value of such assets can be recovered through the undiscounted future operating cash flows.

If impairment is indicated, the Company measures the amount of such impairment by comparing the carrying value of the asset to the present value of the expected future cash flows associated with the use of the asset. The Company believes the future cash flows to be received from the long-lived assets in use will exceed the assets carrying values, and accordingly the Company has not recognized any impairment losses during the nine month periods ended March 31, 2012 and 2011.

Research and development

The Company is actively engaged in new product development efforts. Research and development cost relating to possible future products are expensed as incurred.

New accounting standards

The FASB has issued ASU 2011-11, "Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities". The amendments in this ASU require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. Coinciding with the release of ASU No. 2011-11, the International Accounting Standards Board (IASB) has issued Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to International Financial Reporting Standards 7). This amendment requires disclosures about the offsetting of financial assets and financial liabilities common to those in ASU 2011-11. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. The Company does not expect the adoption of this pronouncement to have a material impact on its consolidated financial statements.

In May 2011, the FASB amended its authoritative guidance related to fair value measurements to provide a consistent definition and measurement of fair value, as well as similar disclosure requirements between accounting principles generally accepted in the United States of America and International Financial Reporting Standards. This guidance clarifies the application of existing fair value measurement and expands the existing disclosure requirements. This guidance becomes effective for annual periods beginning after December 15, 2011. This guidance is not expected to have a material impact on the Company's results of operations, financial position or cash flows.

4. Commitments and Contingencies

On July 1, 2010, the Company entered into a cancelable lease for its office space. The lease provided for monthly payments of approximately $13,000, expired on June 30, 2011, and was renewed for one year on July 1, 2011. In July of 2011 the Company entered into a sublease with a related party for approximately $6,600 per month for a portion of this space. The sublease was terminated on January 1, 2012. The Company recorded rent expense during the nine months ended March 31, 2012 and 2011, of approximately $66,000 and $106,000, respectively.

In March 2011, the Company entered into a brokerage agreement with a management consulting firm to provide investors to the Company. The term of the agreement was for a period of one year. The compensation to the consulting firm includes a monthly fee with additional compensation based on a percentage of the amount raised, and includes an equity component in the form of warrant coverage. The Company recorded expense of $13,000 and $4,000 related to the brokerage agreement during the nine month periods ended March 31, 2012 and 2011, respectively.

In August 2011, the Company entered into an agreement and term sheet with an entity that provides for the entity to assist the Company in its merger efforts with a public company. The agreement and term sheet expired during February 2012 and it obligated the Company to pay legal expenses of the investors not to exceed $25,000 and due diligence expenses of the entity of $15,000.

5. Stockholders' Equity

At March 31, 2012 the Company had 100,000,000 shares of common stock authorized for issuance.

In December 2011, the outstanding notes payable were converted into 1,264,228 shares of common stock at a conversion price of $1.00 per share. See Note 7.

Holders of common stock are entitled to receive dividends, when, as, and if declared by the Board of Directors, out of any assets legally available to the Company. Dividends are declared and paid in an equal per-share amount on the outstanding shares of each series of common stock. During the nine month periods ended March 31, 2012 and 2011, the Board of Directors neither declared nor paid common stock dividends to shareholders.

Stock-based compensation

The Company is authorized to issue 2,000,000 shares of Common Stock under the Company's 2011 Stock Option Plan (the "Plan").

The Plan authorizes the granting of stock options to employees, directors and consultants at exercise prices determined by the Board of Directors.

The Company uses the Black-Scholes valuation model to calculate the fair value of stock options. The fair value of stock options was measured at the grant date using the assumptions in the table below:

	Employee	Non-Employee
Expected volatility	100%	100%
Risk-free interest rate	0.81% to 2.14%	0.96% to 3.03%
Forfeiture rate	5%	5%
Dividend yield	0%	0%
Expected term (yrs)	5	10

Stock-based compensation, cont'd

Using the weighted average assumptions described above, the weighted average fair value of options granted to employees and non-employees during the nine months ended March 31, 2012 and 2011 was $0.45 and $0.09, respectively.

During the nine month period ended March 31, 2012, total stock-based compensation expense included in the statement of operations was approximately $22,000. Approximately $18,000 of this expense was recorded to selling, general and administrative expense and approximately $4,000 was recorded to research and development expense.

During the nine month period ended March 31, 2011, total stock-based compensation expense included in the statement of operations was approximately $58,000. $22,000 of this expense was recorded to general and administrative expense and approximately $36,000 was recorded to research and development expense.

The Company has a 100% valuation allowance recorded against its deferred tax assets; therefore, the stock-based compensation has no tax effect on the statements of operations.

6. Income Taxes

The Company maintains deferred tax assets that reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. These deferred tax assets include net operating loss carryforwards, deferred revenue and stock-based compensation. In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. The Company considers projected future taxable income and planning strategies in making this assessment. Based on the level of historical operating results and projections for the taxable income for the future, the Company has determined that it is more likely than not that the deferred tax assets will not be realized. Accordingly, the Company has recorded a valuation allowance to reduce deferred tax assets to zero. There can be no assurance that the Company will ever be able to realize the benefit of some or all of the federal and state loss carryforwards, either due to ongoing operating losses or due to ownership changes, which limit the usefulness of the loss carryforwards.

7. Related Party Transactions

Revolving notes payable – stockholder

The Company had a $400,000 (Inventory Funding Loan) revolving note payable with a stockholder. The note had a stated interest rate of 8% per annum and was for inventory purchases. Interest accrued daily and was payable upon maturity or conversion as amended. Advances on the note were collateralized by substantially all assets of the Company. At March 31, 2012 and June 30, 2011, the outstanding balance on the note was $0 and $200,000, respectively.

The Company has executed another revolving note payable (Operating Capital Loan) in the amount of $1,000,000, due to the same stockholder. The note matured in May 2012 and bore interest at 8% per annum. The purpose of this note was to provide bridge capital for operating expenses until the next round of financing. Advances on the note are collateralized by substantially all of the assets of the Company. As of March 31, 2012 and June 30, 2011, the balance outstanding was $0 and $830,000, respectively.

In August 2011, the Company amended the terms of both the Inventory Funding and Operating Capital notes payable to provide for conversion of the notes payable into shares of the Company's common stock based on the Company's next open round of financing.

In September 2011, the Company entered into an additional note payable (Short-Term Loan) agreement with the same stockholder for $150,000. The note matured in May 2012 and bore interest at 8% per annum as amended, and is convertible into the Company's equity securities upon completion of the Company's next round of financing.

In December 2011, the full outstanding balance of $1,180,000 of principal on the Inventory Funding Loan, Operating Capital Loan and Short-Term notes payable and $84,228 of accrued interest on these notes were converted into 1,264,228 shares common stock at a conversion price of $1.00 per share.

In October 2011, the Company entered into a new revolving promissory note agreement (Secondary Operating Capital) with the same stockholder for $1,000,000. The revolving promissory note bears interest at 8%, is due September 30, 2013, as amended, and is secured by substantially all of the assets of the Company. As of March 31, 2012 the balance outstanding was $500,000.

Revolving notes payable – stockholder, cont'd

In March 2012 the Company entered into a note payable (Short-Term Loan) agreement with the same stockholder for $250,000. The note matures in March 2014 and bears interest at 8% per annum.

Company owned by officer

Flux had various transactions during the nine month periods ended March 31, 2012 and 2011, with a companyfounded and 35% owned by Flux's Chief Executive Officer who is also one of Flux's majority shareholders.

During the nine month periods ended March 31, 2012 and 2011, Flux sold approximately $335,000 and $149,000, respectively, of product to this company. The customer deposits balance received from this company at March 31, 2012 and June 30, 2011, is approximately $996,000 and $367,000, respectively. There were no receivables outstanding from this company as of March 31, 2012. As of June 30, 2011, receivables of $29,000 were outstanding from this company.

In July of 2011 the Company entered into a sublease with this company for approximately $6,600 per month for a portion of this space. The sublease was terminated on January 1, 2012.

During the nine month periods ended March 31, 2012 and 2011, this company reimbursed $53,000 and $7,000, respectively, to Flux under this sublease agreement.

Customer

During the nine month periods ended March 31, 2012 and 2011, the Company sold approximately $1,000 and $29,000, respectively, of product to a company owned by another one of the Company's major shareholders who is the Company's former Chief Technology Officer. There were no receivables outstanding from this customer as of March 31, 2012 and June 30, 2011.

Vendor

During 2009, the Company entered into a cancelable Term Sheet agreement (the "Term Sheet Agreement") with a company owned by another one of the Company's major shareholders. Pursuant to the Term Sheet Agreement, the Company was appointed as a distributor of this company's battery charging products allowing the Company to sell the products either separately or as part of an energy storage solution. Additionally, the Company was required to develop software to enable communication between the parties' respective products which entitles the Company to royalties for any such units sold by the related entity. During the term of the Term Sheet Agreement the Company may purchase the products at the then current price list for distributors. Further, under the terms of the Term Sheet Agreement, if the company sells its products to a different distributor Flux Power Inc. is entitled to a distribution fee equal to 20% of the company's gross profits on such sale. This distribution fee and royalties are capped at a total of $200,000. The products defined in the term sheet were assigned to a different company that is owned by the same major shareholder, on September 1, 2010. The Term Sheet Agreement expired pursuant to its terms on April 1, 2011. During the nine month periods ended March 31, 2012 and 2011, the Company purchased approximately $52,000 and $35,000 of prototype products that are not subject to the distribution fee or royalties pursuant to the Term Sheet Agreement.

During 2010 the Company entered into a cancelable Manufacturing Implementation Agreement (the "Manufacturing Agreement") with the same company. Pursuant to the terms of the Manufacturing Agreement, this company has been granted a right of first refusal to manufacture our battery management system. The Manufacturing Agreement expires on August 1, 2014. During the nine month periods ended March 31, 2012 and 2011, the Company paid approximately $258,000 and $130,000, respectively, to this company pursuant to the Manufacturing Agreement.

8. Concentrations

Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and unsecured trade accounts receivable. The Company maintains cash balances at a financial institution in San Diego, California. Accounts at this institution are secured by the Federal Deposit Insurance Corporation. At times, balances may exceed federally insured limits. The Company has not experienced any losses in such accounts. Management believes that the Company is not exposed to any significant credit risk with respect to its cash.

Customer-related party

During the nine month periods ended March 31, 2012 and 2011, the Company had one related party major customer that accounted for 11% and 26%, respectively, of the Company's total sales.

Customer

During the nine month period ended March 31, 2012 the Company had three major customers that combined represented 76% of the Company's total sales. During the nine month period ended March 31, 2011, the Company had one major customer that accounted for 11% of the Company's total sales. There were no receivables outstanding from these major customers as of March 31, 2012 and June 30, 2011, respectively.

Vendor

During the nine month periods ended March 31, 2012 and 2011, the Company had one major vendor that represented 53% and 79%, respectively, of the Company's total purchases. There were no payables that were owed to this vendor as of March 31, 2012 and June 30, 2011, respectively. Although there are a limited number of manufacturers which could produce the battery management systems, management believes other manufacturers could produce the products on comparable terms. A change in manufacturer, however, could cause a delay in manufacturing and adversely affect results.

9. Subsequent Events

On May 18, 2012, Lone Pine Holdings Inc.(LPHI) entered into a certain Securities Exchange Agreement ("Exchange Agreement") with Flux Power, Inc., a California corporation (the "Flux Power") and its shareholders, Mr. Christopher Anthony, Esenjay Investments LLC, and Mr. James Gevarges (collectively the "Flux Shareholders"), pursuant to this agreement LPHI agreed to purchase 100% of the issued and outstanding shares of common stock of Flux Power from the Flux Shareholders in exchange for 37,714,514 newly issued shares LPHI common stock ("Exchange Shares") based on an exchange ratio of 2.9547039 ("Share Exchange Ratio"), subject to the satisfaction of closing conditions set forth in the Exchange Agreement (the "Closing").

In addition to the satisfaction of certain customary closing conditions set forth in the Exchange Agreement, the Closing is subject to additional conditions, which includes among other things, (a) a certificate executed by LPHI's President confirming that the amount of LPHI's outstanding liabilities do not exceed $1,000, (b) the resignation of Mr. Gianluca Cicogna Mozzoni as LPHI's sole officer and sole director, effective on the tenth day following the mailing of an information statement by LPHI, to LPHI shareholders that complies with the requirements of Section 14(f) of the Securities Exchange Act of 1934, (c) the appointment of Messrs. Chris Anthony, James Gevarges and Michael Johnson as LPHI's directors to fill vacancies on our board of directors, (d) the appointment of Mr. Anthony as LPHI's Chairman, Chief Executive Officer and President, Mr. Jackson as LPHI's Chief Financial Officer, and Mr. Miller as LPHI's Secretary, (e) the adoption and approval of an amended and restated bylaws in the form substantially approved by Flux Power, (f) LPHI's name change to Flux Power Holdings, Inc., (g) the execution of an Advisory Agreement with Baytree Capital Associates, LLP, LPHI's affiliate which owns 2,285,000 shares of LPHI common stock ("Baytree Capital") pursuant to which Baytree Capital will provide LPHI with business and consulting services for 24 months in exchange for 100,000 restricted shares of our newly issued common stock at the commencement of each six month period in return for its services, which shares will have piggy-back registration rights, and a warrant to purchase 1,837,777 restricted shares of our common stock for a period of 5 years at an exercise price of $.41 per share, and (h) confirmation that LPHI is prepared to file a Form 8-K within the time allotted by Form 8-K and that the draft of the Form 8-K complies as to form with the requirements of Form 8-K. In addition, as part of the Exchange Agreement, each of the Flux Shareholders will agree not to offer, sell, assign, transfer, pledge, contract to sell, or otherwise dispose of any shares of Exchange Shares or securities convertible into or exercisable or exchangeable into our common stock for a period of 18 months from the Closing, except during the period after the first anniversary of the Closing and a period of 6 months thereafter, in such an amount which constitutes less than 3% in the aggregate of such Flux Shareholder's beneficial ownership of our common stock per month.

9. Subsequent Events, Cont'd

The Exchange Agreement contemplates, among other things, that after the Closing (1) Flux Shareholders will collectively own approximately 91% of the issued and outstanding shares of LPHI's common stock immediately after the Closing, (2) Flux Power will become our wholly-owned operating subsidiary, (3) we will assume the Flux Power 2010 Option Plan ("Plan") and all of the stock options of Flux Power outstanding as of the Closing, whether or not exercised and whether or not vested, in a manner that complies with Sections 424(a) and 409A of the Internal Revenue Code, and such assumed options will continue to have, and be subject to, substantially the same terms and conditions as set forth in the Plan and the stock option agreement pursuant to which they were originally granted, with the exception that shares issuable upon exercise of the assumed options shall be shares of our common stock, and the exercise price and number of shares subject to the assumed options shall be adjusted pursuant to the Share Exchange Ratio, (4) Baytree Capital will use their best efforts to conduct a private placement of LPHI's securities in an unregistered offering to accredited investors to purchase up to 8 Units, at a price of $500,000 per Unit, with each Unit consisting of 1,207,185 shares of LPHI's common stock and 241,437 5 year warrants to purchase one share of LPHI's common stock at an exercise price of $0.41 per share (the "Private Placement"), of which Baytree Capital, its designees or assigns, has committed to investing at least $1,000,000 in the Private Placement, and with the anticipation that the closing of the Private Placement will occur in the amount of at least $3,000,000 on or before June 15, 2012, with any remaining unsold portions of the Private Placement to close on or before June 30, 2012. The securities offered and sold in the Private Placement will not be or have not been registered under the Securities Act of 1933, as amended ("Securities Act"), and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act.

9. Subsequent Events, Cont'd

The Company completed the closing of the Exchange Agreement on June 14, 2012, under the terms disclosed above, and as of June 18, 2012, the private placement efforts are ongoing.

Introduction to Unaudited Pro Forma Combined Financial Information

Flux Power Holdings, Inc., formerly Lone Pine Holdings, Inc. ("FPH"), through its former wholly owned subsidiary Integrated Forest Products Pty Ltd ("Integrated"), previously operated a saw mill in Australia which cut pine timber into building products to supply the commercial and residential industry along the eastern coast of Australia. In July 2007, Integrated's wholly owned subsidiary in Australia was put into receivership and has formally discontinued its operations. In connection with the receivership, the receiver formed a new Australian wholly owned subsidiary, Australian Forest Industries, Ltd., and exchanged all of the shares of Integrated for Australian Forest Industries, Ltd. shares. On October 15, 2008, our Board of Directors approved the transfer of all the outstanding shares of Australian Forest Industries, Ltd., its operating subsidiary that had been placed in receivership, to the principal shareholders and directors, personally. Subsequent to the spin out, we became a non-operating shell company engaged in the business of seeking a suitable candidate for acquisition or merger.

In connection with the Reverse Acquisition, on May 23, 2012, we completed the name change from "Lone Pine Holdings, Inc." to "Flux Power Holdings, Inc." The name change was effective under Nevada corporate law on May 23, 2012 pursuant to the Articles of Merger that were filed with the Nevada Secretary of State. Pursuant to such Articles of Merger, we merged with our wholly-owned subsidiary, Flux Power Holdings, Inc. In accordance with Section 92A.180 of the Nevada Revised Statutes, shareholder approval of the merger/name change was not required. The Articles of Merger provided that, upon the effective date of the merger effective, our Articles of Incorporation would be amended as of such date to change our name to "Flux Power Holdings, Inc."

On June 14, 2012, we completed the acquisition of Flux Power, Inc., a California corporation (the "Reverse Acquisition") pursuant to that certain Securities Exchange Agreement dated May 18, 2012 ("Exchange Agreement") by and among Flux Power, Inc., a California corporation (the "Flux Power") and its shareholders, Mr. Christopher Anthony, Esenjay Investments, LLC, and Mr. James Gevarges (collectively the "Flux Shareholders"). In connection with the Reverse Acquisition, we purchased 100% of the issued and outstanding shares of common stock of Flux Power from the Flux Shareholders in exchange for 37,714,514 newly issued shares of our common stock ("Exchange Shares") based on an exchange ratio of 2.9547039 ("Share Exchange Ratio"). As a result of the Reverse Acquisition, the Flux Shareholders collectively own approximately 91% of the issued and outstanding shares of our common stock, and Flux Power is our wholly-owned operating subsidiary.

The following unaudited pro forma condensed combined balance sheet combines the consolidated historical balance sheet of Flux Power Holdings, Inc., formerly Lone Pine Holdings, Inc. and the historical balance sheet of Flux Power, Inc. as of March 31, 2012 giving effect to the merger of Flux Power Holdings, Inc. and Flux Power, Inc. pursuant to the merger agreement, as if the merger had been consummated on March 31, 2012. The following unaudited pro forma condensed combined statements of operations combine the historical statements of operations of Flux Power Holdings, Inc. and Flux Power, Inc. for the nine month period ended March 31, 2012 and the year ended June 30, 2011, giving effect to the merger, as if it had occurred on July 1, 2010.

We are providing the following information to aid you in your analysis of the financial aspects of the merger.

We derived the information for the nine month period ended March 31, 2012 from the unaudited quarterly reports of Flux Power, Inc, and the audited annual report filed on Form 10-K and the unaudited quarterly reports filed on Form 10-Q for Flux Power Holdings, Inc.

We derived the information for the year ended June 30, 2011 from the audited financial statements of Flux Power, Inc. and the audited annual report filed on Form 10-K, unaudited quarterly reports for the three months ended March 31, 2012, and the six months ended June 30, 2011 filed on Forms 10-Q for Flux Power Holdings, Inc.

Neither Flux Power Holdings, Inc. nor Flux Power, Inc. assumes any responsibility for the accuracy or completeness of the information provided by the other party. This information should be read together with the Flux Power Holdings, Inc. audited and unaudited financial statements and related notes as filed in annual and quarterly reports with the Securities and Exchange Commission, and the Flux Power, Inc. audited and unaudited financial statements included in this document under Flux Power, Inc. The historical financial information has been adjusted to give effect to pro forma events that are directly attributable to the merger, factually supportable, and expected to have a continuing impact on the combined results. The unaudited pro forma combined information is for illustrative purposes only. The financial results may have been different had the companies always been combined. Because the plans for these activities have not been finalized, we are not able to reasonably quantify the cost of such activities. You should not rely on the pro forma combined financial information as being indicative of the historical results that would have been achieved had the companies always been combined or the future results that the combined company will experience.

The following information should be read in conjunction with the pro forma condensed combined financial statements:

- Accompanying notes to the unaudited pro forma combined condensed financial statements
- Separate historical financial statements of Flux Power Holdings, Inc. for the year ended December 31, 2011 as filed with the SEC in their Form 10-K, and separate financial statements for the three months ended March 31, 2012, and for the six months ended June 30, 2011, as filed with the SEC in their Quarterly Reports.
- Separate historical financial statements of Flux Power, Inc. for the nine month period ended March 31, 2012 and the year ended June 30, 2011 included elsewhere in this document.

The unaudited pro forma condensed combined financial statements are presented for informational purposes only. The pro forma information is not necessarily indicative of what the financial position or results of operations actually would have been had the merger been completed at the dates indicated. In addition, the unaudited pro forma condensed combined financial statements do not purport to project the future financial position or operating results of the combined company.

Unaudited Pro Forma Condensed
Combined Balance Sheet of
Flux Power Inc. and Flux Power Holdings, Inc.
March 31, 2012

	Historical			
	Flux Power, Inc	Flux Power Holdings, Inc	Pro Forma Adjustments	Combined Pro Forma
Assets				
Current Assets				
Cash	$ 141,210	$ 4,569		$ 145,779
Accounts receivable	38,435	-		38,435
Inventories	1,661,254	-		1,661,254
Prepaid inventory	987,116	-		987,116
Other current assets	38,315	-		38,315
Total current assets	2,866,330	4,569		2,870,899
Fixed assets - net	141,222	-		141,222
Total Assets	$ 3,007,552	$ 4,569		$ 3,012,121
Liabilities and Stockholders' Deficit				
Current Liabilities				
Accounts payable	$ 301,587	$ -		$ 301,587
Accrued expenses	168,140	20,456	(20,456) c	168,140
Loan payable-related party		40,475	(40,475) c	-
Customer deposits	1,049,628	-		1,049,628
Customer deposits from related party	996,202	-		996,202
Deferred revenue	629,168	-		629,168
Total current liabilities	3,144,725	60,931		3,144,725
Long Term Liabilities				
Stockholder notes payable	750,000	-		750,000
Total long term liabilities	750,000	-		750,000
Stockholders' Deficit				
Common stock	2,114,628	3,543		41,258
			(2,114,628) a	
			37,715 a	
Additional paid-in capital	80,000	5,011,438		2,157,939
			2,114,628 a	
			(37,715) a	
			(5,071,343) b	
			20,456 c	
			40,475 c	
Accumulated deficit	(3,081,801)	(5,071,343)	5,071,343 b	(3,081,801)
Total	(887,173)	(56,362)		(882,604)
Total Liabilities & Stockholders' Deficit	$ 3,007,552	$ 4,569		$ 3,012,121

Unaudited Pro Forma Condensed Combined Statement of Operations of Flux Power Inc. and Flux Power Holdings, Inc. For the 9 Months Ended March 31, 2012

	Historical		Pro Forma Adjustments	Combined Pro Forma
	Flux Power, Inc	Flux Power Holdings, Inc.		
Revenues	$ 3,008,159	$ -	-	$ 3,008,159
Cost of revenues	2,431,263	-	-	2,431,263
Gross Profit	576,896	-	-	576,896
Selling, general, and administrative	1,270,746	31,114	-	1,301,860
Research and development	400,256	-	-	400,256
Total Operating Expenses	1,671,002	31,114	-	1,702,116
Interest expense	45,769	6,680	-	52,449
Net Loss	$ (1,139,875)	$ (37,794)	-	$ (1,177,669)
Pro forma net loss per share basic and diluted				$ (0.03)
Pro forma shares used to compute net loss per share basic and diluted				38,040,822

Unaudited Pro Forma Condensed Combined Statement of Operations of Flux Power Inc. and Flux Power Holdings, Inc. For the Fiscal Year Ended June 30, 2011

	Historical		Pro Forma Adjustments	Combined Pro Forma
	Flux Power, Inc	Flux Power Holdings, Inc.		
Revenues	$ 984,266	$ -	-	$ 984,266
Cost of revenues	845,514	-	-	845,514
Gross Profit	138,752	-	-	138,752
Selling, general, and administrative	1,027,272	55,273	-	1,082,545
Research and development	382,064	-	-	382,064
Total Operating Expenses	1,409,336	55,273	-	1,464,609
Interest expense	42,295	-	-	42,295
Net Loss	$ (1,312,879)	$ (55,273)		$ (1,368,152)
Pro forma net loss per share basic and diluted				$ (0.04)
Pro forma shares used to compute net loss per share basic and diluted				36,556,466

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

1. Basis of Presentation

On June 14, 2012, Flux Power Holdings, Inc. and Flux Power, Inc. entered into a definitive agreement under which Flux Power Holdings, Inc. will be merged into Flux Power, Inc. in a transaction to be accounted for as a reverse acquisition of Flux Power Holdings, Inc. As a result, the historical financial statements of Flux Power, Inc. constitute the historical financial statements of the merged companies. The transaction is considered to be a capital transaction and as such is the equivalent to the issuance of common stock by Flux Power, Inc. for the net monetary assets of Flux Power Holdings, Inc., accompanied by a re-capitalization. For accounting purposes, Flux Power, Inc. is treated as the continuing reporting entity. The costs of the transaction incurred by Flux Power, Inc. will be charged directly to equity, to the extent of the cash received in the transaction,those incurred by Flux Power Holdings, Inc. will be expensed.

2. Pro Forma Adjustments

There were no inter-company balances and transactions between Flux Power Holdings, Inc. and Flux Power, Inc. as of the dates and for the periods of these pro forma condensed combined financial statements. The pro forma adjustments included in the unaudited pro forma condensed combined financial statements are as follows:

a) Common stock adjustment to reflect the change in par value from no par value to $0.001 for the Flux Power shares outstanding.
b) The elimination of the Flux Power Holdings, Inc. accumulated deficit.
c) The accrued expenses were paid off by additional cash loaned to the company by the related party. This new loan along with the existing loan was forgiven resulting in the conversion of the liabilities to equity.

3. Pro Forma Net Loss Per Share

The pro forma basic and diluted net loss per share is based on the weighted average number of Flux Power Holdings, Inc. common stock shares outstanding during each period presented, plus the weighted average number of common stock shares issued to Flux Power, Inc. based on the conversion ratio in the merger agreement.