As filed with the Securities and Exchange Commission on July 30, 2020

Registration No. 333-231766

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

AMENDMENT NO. 3
TO
FORM S-1
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Flux Power Holdings, Inc.
(Exact name of registrant as specified in its charter)

Nevada	3690	86-0931332
(State or jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

2685 S. Melrose Drive
Vista, CA 92081
(877) 505-3589
(Address, including zip code, and telephone number,
including area code, of registrant's principal executive offices)

Ronald F. Dutt
Chief Executive Officer
Flux Power Holdings, Inc.
2685 S. Melrose Drive,
Vista, CA 92081
(877) 505-3589
(Name, address, including zip code, and telephone number,
Including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

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

Large accelerated filer	[ ]		Accelerated filer	[ ]
Non-accelerated filer	[ ]	(Do not check if a smaller reporting company)	Smaller reporting company	[X]
			Emerging growth company	[ ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided to Section 7(a)(2)(B) of the Securities Act [ ]

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price[(1)]	Amount of Registration Fee
Common Stock, $0.001 par value[(2) (3)]	$ 17,250,000	
Representative's Warrants	$ 1,242,000	

Common Stock, $0.001 par value, issuable upon exercise of the Representative's Warrants[3]	–[4]	–[4]
Total	$ 18,492,000	$ 2,400.26*

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.
(2) Includes shares subject to the underwriters' over-allotment option.
(3) Pursuant to Rule 416 under the Securities Act, the securities being registered hereunder include such indeterminate number of additional shares of common stock as may be issued after the date hereof as a result of stock splits, stock dividends or similar transactions.
(4) Pursuant to Rule 457(g), no separate fee is required.
* Of which $1,937.99 has been previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JULY 30, 2020

PROSPECTUS

1,744,186 Shares

Common Stock

We are offering 1,744,186 shares of common stock in this offering at an assumed offering price of $8.60 per share, the closing sale price per share of our common stock on the OTCQB marketplace on July 28, 2020. Our common stock is quoted on the OTCQB marketplace under the symbol "FLUX." On July 28, 2020, the closing sale price of our common stock on the OTCQB was $8.60 per share. We have applied to list our common stock on The NASDAQ Capital Market under the symbol "FLUX." We will not consummate this offering unless our common stock is approved for listing on The NASDAQ Capital Market.

The public offering price per share will be determined between us, the underwriters and investors based on market conditions at the time of pricing, and may be at a discount to the current market price of our common stock. Therefore, the recent market price used throughout this prospectus may not be indicative of the actual public offering price.

Investing in our securities involves a high degree of risk. See "Risk Factors" beginning on page 9.

	Per Share	Total
Public offering price	$	$
Underwriting discount[(1)]	$	$
Proceeds to us (before expenses)	$	$

(1) See "Underwriting" beginning on page 58 for additional information regarding the compensation payable to the underwriters.

We have granted the underwriters a 30-day option to purchase up to an additional 261,627 shares from us at the public offering price, less the underwriting discount, to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

Delivery of the shares of common stock is expected to be made through the facilities of the Depository Trust Company on or about , 2020.

Joint Book-Running Managers

Roth Capital Partners **National Securities Corporation**

The date of this prospectus is , 2020

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Neither we nor the underwriters have authorized anyone to provide you with information other than that contained in this prospectus or any free writing prospectus prepared by or on behalf of us or to which we have referred you. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We and the underwriters are offering to sell, and seeking offers to buy, common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date on the front cover page of this prospectus, or other earlier date stated in this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

No action is being taken in any jurisdiction outside the United States to permit a public offering of our common stock or possession or distribution of this prospectus in that jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus applicable to that jurisdiction.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere or incorporated by reference in this prospectus. This summary provides an overview of selected information and does not contain all of the information you should consider before investing in our securities. You should read the entire prospectus carefully, especially the "Risk Factors," "Management's Discussions and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the accompanying notes to those statements, included elsewhere in this prospectus, before making an investment decision. Unless the context requires otherwise, references to the "Company," "Flux," "we," "us," and "our" refer to the combined business of Flux Power Holdings, Inc., a Nevada corporation and its wholly-owned subsidiary, Flux Power, Inc. (Flux Power), a California corporation.

Company Overview

We design, develop, manufacture, and sell advanced rechargeable lithium-ion energy storage solutions for lift trucks, and other industrial equipment including airport ground support equipment (GSE), energy storage for solar applications, and industrial robotic applications. Our "LiFT Pack" battery packs, including our proprietary (in-house developed) battery management system (BMS), provide our customers with a better performing, lower cost of ownership, and more environmentally friendly alternative, in many instances, to traditional lead-acid and propane-based solutions.

We have received Underwriters Laboratory (UL) Listing on our Class 3 Walkie Pallet Jack LiFT Pack product line, our Class 1 Counterbalance/Sit-down/Ride-on LiFT Packs, currently have in testing our Class 2 Narrow Aisle LiFT Packs, and are scheduling this year our Class 3 End Rider LiFT Pack. We believe that a UL Listing demonstrates the safety, reliability and durability of our products and gives us an important competitive advantage over other lithium-ion energy suppliers. Many of our LiFT Packs have been approved for use by leading industrial motive manufacturers, including Toyota Material Handling USA, Inc., Crown Equipment Corporation, and Raymond Corporation.

Within our industrial market segments, we believe that our LiFT Pack solutions provide cost and performance benefits over existing lead-acid power products including:

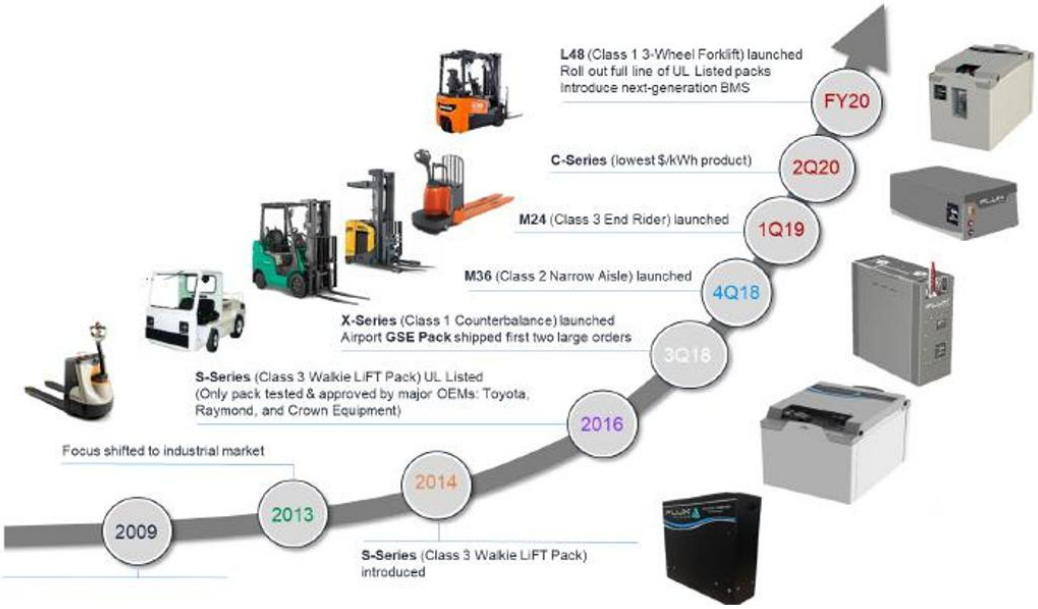
- longer operation and more shifts with fewer batteries;
- reduced energy and maintenance costs;
- faster recharging; and
- longer lifespan.

Additionally, the toxic nature of lead-acid batteries presents significant safety and environmental issues as they are subject to Environmental Protection Agency lead-acid battery reporting requirements, may create an environmental hazard in the event of a cell breach, and emit combustible gases during charging.

As a result of the advantages lithium-ion battery technology provide over lead-acid batteries, we have experienced significant growth in our business. We believe we are at the very early stage of a trend toward the adoption of lithium-ion technology and the displacement of lead-acid and propane-based energy storage solutions, which based on North American sales data from the Industrial Truck Association (ITA), we estimate to be a multi-billion dollar per year market.

Critical to our success is our innovative and proprietary high power BMS that both optimizes the performance of our LiFT Packs and provides a platform for adding new battery pack features, including customized telemetry (pack data available anytime, anywhere) for customers. The BMS serves as the brain of the battery pack, managing cell balancing, charging, discharging, monitoring and communication between the pack and the forklift.

Our engineers design, develop, test, and service our products. We source our battery cells from multiple suppliers in China and the remainder of the components primarily from vendors in the United States. Final assembly, testing and shipping of our products is done from our ISO 9001 certified facility in Vista, California, which includes three assembly lines.



Our Strengths

We have leveraged our experience in lithium-ion technology to design and develop a suite of LiFT Pack product lines that we believe provide attractive solutions to customers seeking an alternative to lead-acid and propane-based power products. We believe that the following attributes are significant contributors to our success:

Engineering and integration experience in lithium-ion for motive applications: We have been developing lithium-ion applications for the advanced energy storage market since 2010, starting with products for automotive electric vehicle (EV) manufacturers. We believe our experience enables us to develop superior solutions as we have sold over 7,000 packs in the field to customers.

UL Listing: We launched our Class 3 Walkie LiFT Pack product line in 2014 and obtained UL Listing for all three different power configurations in January 2016. We believe this UL Listing gives us a significant competitive advantage and provides assurance to customers that our technology has been rigorously tested by an independent third party and determined to be safe, durable and reliable. Our Class 1 LiFT Pack now has a UL Listing and we are in process with our Class 2 LiFT Pack, with our Class 3 End Rider LiFT Pack to follow shortly.

Original equipment manufacturer (OEM) approvals: Our Class 3 Walkie LiFT Packs have been tested and approved for use by Toyota Material Handling USA, Inc., Crown Equipment Corporation, and Raymond Corporation, among the top global lift truck manufacturers by revenue according to Material Handling & Logistics. We also provide a "private label" Class 3 Walkie LiFT Pack to a major forklift OEM.

Broad product offering and scalable design: We offer LiFT Packs for use in a variety of industrial motive applications. We believe that our modular and scalable design enables us to optimize design, inventory, and part count to accommodate natural product extensions of our products to meet customer requirements. Based on our Class 3 Walkie LiFT Pack design, we have expanded our product lines to include Class 1 Ride-on, Class 2 Narrow Aisle & Turret Truck, Class 3 End Rider LiFT Pack product lines as well as airport GSE Packs. Natural product extensions, based on our modular, scalable designs, recently include solar backup power for mobile charging stations and robotic warehouse equipment.

Significant advantages over lead-acid and propane solutions: We believe that lithium-ion battery systems have significant advantages over existing technologies and will displace lead-acid batteries and propane-based solutions, in most applications. Relative to lead-acid batteries, such advantages include environmental benefits, no water maintenance, faster charge times, greater cycle life, longer run times, and less energy used that provide operational and financial benefits to customers. Compared to propane solutions, lithium-ion systems avoid the generation of exhaust emissions and associated odor and environmental contaminates, and maintenance of an internal combustion engine, which has substantially more parts than an electric motor.

Proprietary Battery Management System: We have developed our "next generation" versatile BMS that is currently being rolled out into our full product line and provides significant product features to improve customer productivity. Our BMS serves as the brain of the battery pack, managing cell balancing, charging, discharging, monitoring and communication between the pack and the forklift. Our BMS is specifically designed for the industrial motive application environment and is adaptable to meet custom requirements. Our BMS also enables ongoing feature development for reduced cost and higher performance.

Our Products

We have developed, tested, and sold our LiFT Packs for use in a broad range of lift trucks, including Class 3 Walkie and End Riders, Class 2 Narrow Aisle, and Class 1 Ride-on, as well as for airport GSE, as outlined below. Recent product sales have now include initial sales for lithium-ion packs for solar energy storage for mobile charging stations and warehouse robotics, using our modular, scalable designs.

Equipment		Flux Power Product		Description
	Class 3 Walkie		S8 & S24 LiFT Pack	High volume workhorse
	Class 3 End Rider		M24 LiFT Pack	Market volume similar to Walkies 4X energy of Walkie
	Class 2 Narrow Aisle		M36 LiFT Pack	Narrow Aisle, High Growth 10X energy of Walkie
	Class 1 3 Wheel & Class 2 Turret Truck		L48 LiFT Pack	8X energy of Walkie
	Class 1 Counterbalanced		X36 / X48 / X80 LiFT Pack	12X energy of Walkie
	Airport GSE		GSE Pack	Modular design similar to Class 1 14X energy of Walkie

Our LiFT Packs use lithium iron phosphate (LiFePO4) battery cells, which we source from a variety of overseas suppliers that meet our power, reliability, safety and other specifications. Because our BMS is not designed to work with a specific battery chemistry, we believe we can readily adapt our LiFT Packs as new chemistries become available in the market or customer preferences change.

We also offer 24-volt onboard chargers for our Class 3 Walkie LiFT Packs, and smart "wall mounted" chargers for larger applications. Our smart charging solutions are designed to interface with our BMS and integrate easily into most all major chargers in the market.

Industry Overview

Driven by overall growth in global demand for lithium-ion battery solutions, the supply of lithium-ion batteries has rapidly expanded, leading to price declines of eighty-five percent (85%) since 2010 according to BloombergNEF. BloombergNEF also estimates that lithium-ion battery pack prices, which averaged $1,160 per kilowatt hour in 2010, $156 per kWh in 2019 and could drop below $100 in 2024.

The sharp decline in the price of lithium-ion batteries has commenced a shift in customer preferences away from lead-acid and propane-based solutions for power lift equipment to lithium-ion based solutions. We believe our position as a pioneer in the field and our extensive experience providing lithium-ion based storage solutions makes us uniquely positioned to take advantage of this shift in customer preferences.

Lift Equipment - Material Handling Equipment

We focus on energy storage solutions for lift equipment and related industrial applications because we believe they represent large and growing markets that are just beginning to adopt lithium-ion based technology. We apply our scalable, modular designs to natural product extensions in the industrial equipment market. These markets include not only the sale of lithium-ion battery solutions for new equipment but also a replacement market for existing lead-acid battery packs.

Historically, larger lift trucks were powered by internal combustion engines, using propane as a fuel, with smaller equipment powered by lead-acid batteries. Over the past thirty (30) years, there has been a significant shift toward electric power. According to Liftech/ITA, over this time period the percentage of lift trucks powered electrically has doubled from approximately thirty percent (30%) to over sixty percent (60%).

According to Modern Materials Handling, worldwide new lift truck orders reached approximately 1.4 million units in 2017. The Industrial Truck Association has estimated that approximately 200,000 lift trucks had been sold yearly since 2013 in North America (Canada, the United States and Mexico), including approximately 260,000 units sold in 2018, with sales relatively evenly distributed between electric rider (Class 1 and Class 2), motorized hand (Class 3), and internal combustion engine powered lift trucks (Class 4 and Class 5). The ITA estimates that electric products represented approximately sixty-four percent (64%) of the North American market in 2018. Driven by growth in global manufacturing, e-commerce and construction, Research and Markets expects that the global lift truck market will grow at a compound annual growth rate of six and four-tenths percent (6.4%) through 2024.

Customers

Some of the end users of our LiFT Packs include companies in a number of different industries, as shown in the graphic below:

Marketing and Sales

We sell our products through a number of different channels, including directly to end users, OEMs and lift equipment dealers or through battery distributors. Our direct sales staff is assigned to major geographies nation-wide to collaborate with our sales partners who have an established customer base. In addition, we have developed a nation-wide sales network of relationships with equipment OEMs, their dealers, and battery distributors.

We have worked directly with a number of OEMs to secure "technical approval" for compatibility of our LiFT Packs with their equipment. Once we receive that approval, we focus on developing a sales network utilizing existing battery distributors and equipment dealers, along with the OEM corporate national account sales force, to drive sales through this channel.

As our LiFT Packs have gained acceptance in the marketplace, we have seen an increase in direct-to-end-customer sales, ranging from small enterprises to Fortune 500 companies. To expand our customer reach, we have begun to market directly to end users, primarily focusing on large fleets operated by Fortune 500 companies seeking productivity improvements.

To support our products, we have a nation-wide network of service providers, typically forklift equipment dealers and battery distributors, who provide local support to large customers. We also maintain a call center and provide Tech Bulletins and training to our service and sales network out of our corporate headquarters. Our warranty policy for forklift product lines includes a limited five-year warranty for small battery packs, and up to a limited ten-year warranty for larger battery packs.

Risks Associated with Our Business

Our business is subject to a number of risks of which you should be aware before making a decision to invest in our common stock. These risks are more fully described in the section titled "Risk Factors" beginning on page 9 of this prospectus.

Recent Developments

Estimated Net Revenue for the Fourth Fiscal Quarter of 2020 and the Fiscal Year Ended June 30, 2020. Our expectations with respect to our net revenue for the fourth fiscal quarter of 2020 and the fiscal year ended June 30, 2020 discussed below are based upon management estimates for the period. Our expectations are subject to the completion of our financial closing procedures and any adjustments that may result from the completion of the audit of our consolidated financial statements for the fiscal year ended June 30, 2020. Following the completion of our financial closing process and the audit, we may report net revenue for the fourth fiscal quarter of 2020 and the fiscal year ended June 30, 2020 that could differ from our expectations, and the differences could be material.

The expectations set forth below have been prepared by, and are the responsibility of, our management. Squar Milner LLP has not audited, reviewed, compiled or performed any procedures with respect to the preliminary estimates. Accordingly, Squar Milner LLP does not express an opinion or any other form of assurance with respect thereto.

For the fiscal quarter ended June 30, 2020, we anticipate that our net revenue will be approximately $6.0 million, an increase of approximately 100% compared to our net revenue of approximately $3.0 million for the quarter ended June 30, 2019.

For the fiscal year ended June 30, 2020, we anticipate that our net revenue will be approximately $16.5 million, an increase of approximately 77% compared to our revenue of approximately $9.3 million for the fiscal year ended June 30, 2019.

2020 Financing. From April 2020 to July 2020, pursuant to private placement offerings, we sold and issued an aggregate of 1,141,250 shares of common stock, at $4.00 per share, for an aggregate purchase price of $4,565,000 in cash to accredited investors. Esenjay Investments, LLC (Esenjay) and Mr. Dutt, our president and chief executive officer, participated in the offering in the amount of $300,000 and $50,000, respectively. Esenjay is a majority stockholder and a company owned and controlled by Michael Johnson, one of our directors. In addition, Mr. Cosentino, one of our directors, also participated in the offering in the amount of $250,000.

LOC Conversion. On June 30, 2020, there was a partial conversion of the debt underlying the secured promissory notes issued to lenders under our line of credit for up to $12,000,000 (LOC) with Esenjay, Cleveland Capital, L.P. (Cleveland), and other unrelated parties (Cleveland and Esenjay, together with additional parties that joined and may join as additional lenders, collectively the Lenders). Certain Lenders exercised their option to convert all or a portion of their outstanding principal and accrued interest in the aggregate amount of approximately $7,383,000 into 1,845,830 shares of common stock at $4.00 per share (the Conversion). Immediately prior to the Conversion, there was an aggregate of approximately $11,791,000 in principal and accrued interest outstanding under all the secured promissory notes evidencing the advance under the LOC. The Conversion consisted of (a) partial conversion of the principal plus accrued interest under the note issued to Esenjay under the LOC (Esenjay LOC Note) in the amount of $4,400,000 into 1,100,000 shares of common stock at $4.00 per share, and (b) approximately $2,983,000 of the secured promissory notes issued in connection with the LOC, principal plus accrued interest, by other lenders, including certain assignees of the Esenjay LOC Note, into 745,830 shares of common stock. As of June 30, 2020, and immediately after the Conversion, there was approximately $5,289,709, in principal balance outstanding, of which approximately $984,000 was outstanding under the Esenjay LOC Note and approximately $4,306,000 was outstanding under the other Lender's respective notes. As of July 28, 2020, the outstanding principal balance under the LOC was $5,289,709 of which at the option of the note holders is convertible into approximately 1,322,427 shares of common stock at $4.00 per share (subject to any limitations to beneficial ownership). As of July 28, 2020, there was approximately $6,710,291 available for draw under the LOC.

Esenjay Note Conversion. On June 30, 2020, two (2) accredited individuals, who became note holders to the unsecured note for $1,400,000 originally issued to Esenjay (Esenjay Note), pursuant to the assignment of such notes by Esenjay to the note holders, elected to convert $500,000 in principal, into 125,000 shares of common stock at $4.00 per share (Esenjay Initial Conversion). On July 22, 2020, one (1) individual, who became a note holder to the Esenjay Note pursuant to the assignment of such note to the note holder, elected to convert $400,000 in principal into 100,000 shares of common stock at $4.00 per share (together with Esenjay Initial Conversion, the Esenjay Note Conversion). Immediately prior to the Esenjay Initial Conversion, an aggregate of approximately $1,400,000 in principal was outstanding under the Esenjay Note. Immediately after the Esenjay Note Conversion, there was approximately $500,000 in principal outstanding under the Esenjay Note, which is convertible into approximately 125,000 shares of common stock at the option of the note holder(s) at $4.00 per share.

Reverse Stock Split. We effected a 1-for-10 reverse split of our common stock and preferred stock on July 11, 2019 (2019 Reverse Split). No fractional shares were issued in connection with the 2019 Reverse Split. If, as a result of the 2019 Reverse Split, a stockholder would otherwise have been entitled to a fractional share, each fractional share was rounded up. The 2019 Reverse Split resulted in a reduction of our outstanding shares of common stock from 51,000,868 to 5,101,580. In addition, it resulted in a reduction of our authorized shares of common stock from 300,000,000 to 30,000,000, and a reduction of our authorized shares of preferred stock from 5,000,000 to 500,000. The par value of our stock remained unchanged at $0.001.

Corporate Information

We were incorporated in Nevada in 1998. In May 2012, we changed our name to Flux Power Holdings, Inc. We operate our business through our wholly-owned subsidiary, Flux Power, Inc. (Flux Power). Our principal executive office is located at 2685 S. Melrose Drive, Vista, CA 92081. The telephone number at our principal executive office is (760) 741-3589 (FLUX).

THE OFFERING

Common Stock offered by us	1,744,186 shares of our common stock (2,005,813 shares if the underwriters exercise the over-allotment option in full), assuming a public offering price of $8.60 per share, the closing sale price per share of our common stock on the OTCQB marketplace on July 28, 2020.
Common Stock to be outstanding after this offering	10,064,673 shares of common stock[(1)] (10,326,300 shares if the underwriters exercise the over-allotment option in full).
Use of Proceeds	We intend to use the net proceeds of this offering for working capital and general corporate purposes. See ‘‘Use of Proceeds’’ on page 20 of this prospectus.
Risk Factors	Investing in our securities involves a high degree of risk. See “Risk Factors” beginning on page 9.
OTCQB Symbol	Our common stock is quoted on the OTCQB under the symbol “FLUX.”
Proposed NASDAQ Listing and symbol	We have applied to list our common stock on The NASDAQ Capital Market under the symbol “FLUX.” We will not consummate this offering unless our common stock is approved for listing on The NASDAQ Capital Market.

[(1)] The table and discussion above are based on 8,320,487 shares of common stock outstanding as of July 28, 2020, and excludes the following:

- 579,584 shares of common stock issuable upon exercise of outstanding stock options at a weighted average exercise price of $11.00 per share;
- 444,057 shares of common stock remain available for grant under our Equity Incentive Plan;
- outstanding convertible notes in the principal amount of $5,789,709 to purchase up to 1,447,427 shares of our common stock at a conversion price of $4.00 per share; and
- 83,205 shares of common stock issuable upon exercise of outstanding Cleveland Warrant at an exercise price of $4.00 per share, which number and price became fixed upon the closing of our private placement offering on July 24, 2020, pursuant to the terms of the warrant.

Except as otherwise indicated herein, all information in this prospectus assumes no exercise by the underwriters of their over-allotment option to purchase additional shares.

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 prospectus, 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 also should read the section entitled "Special Note Regarding Forward Looking Statements."

Risk Factors Relating to Our Business

We have a history of losses and negative working capital.

For the nine months ended March 31, 2020, and the year ended June 30, 2019, we had net losses of $11,086,000 and $12,414,000 respectively. We have historically experienced net losses and until we generate sufficient revenue, we anticipate to continue to experience losses in the near future.

In addition, as of March 31, 2020 and June 30, 2019, we had a negative working capital (including short term debt) of $13,474,000 and $3,644,000, respectively. As of March 31, 2020, we had a cash balance of $106,000. We expect that our existing cash balances, credit facilities, and the expected net proceeds of this offering will be sufficient to fund our existing and planned operations for the next twelve months from the date of this prospectus. Until such time as we generate sufficient cash to fund our operations, we will need additional capital to continue our operations thereafter.

We have relied on equity financings, borrowings under short-term loans with related parties, our credit facilities and/or previous cash flows from operating activities to fund our operations. 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 at all. *See "Risk Factors" – "We will need to raise additional capital or financing after this offering to continue to execute and expand our business" and "We are dependent on our existing credit facility to finance our operations and in the event of default, such default could adversely affect our business, financial condition, results of operations or liquidity."*

Any future financing may result in dilution of the ownership interests of our stockholders. If such funds are not available on acceptable terms, we may be required to curtail our operations or take other actions to preserve our cash, which may have a material adverse effect on our future cash flows and results of operations.

We may need to raise additional capital or financing after this offering to continue to execute and expand our business.

While we expect that our available cash, credit facilities, and the expected net proceeds from this offering will be sufficient to sustain our operations for the next twelve months from the date of this prospectus, we may need to raise additional capital after this offering to support our operations and execute on our business plan. We may be required to pursue sources of additional capital through various means, including joint venture projects, sale and leasing arrangements, and debt or equity financings. Any new securities that we may issue in the future may be sold on terms more favorable for our new investors than the terms of this offering. Newly issued securities may include preferences, superior voting rights, and the issuance of warrants or other convertible securities that will have additional dilutive effects. We cannot assure that additional funds will be available when needed from any source or, if available, will be available on terms that are acceptable to us. Further, we may incur substantial costs in pursuing future capital and/or financing, including investment banking fees, legal fees, accounting fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we may issue, such as convertible notes and warrants, which will adversely impact our financial condition and results of operations. Our ability to obtain needed financing may be impaired by such factors as the weakness of capital markets, and the fact that we have not been profitable, which could impact the availability and cost of future financings. If the amount of capital we are able to raise from financing activities, together with our revenues from operations, is not sufficient to satisfy our capital needs, we may have to reduce our operations accordingly.

We are dependent on our existing credit facility and Factoring Agreement to finance our operations and in the event of default, such default could adversely affect our business, financial condition, results of operations or liquidity.

We have substantial indebtedness and have relied on our short-term loans with related parties, and credit facilities to provide working capital. As of March 31, 2020, and June 30, 2019, we had an outstanding principal balance of $11,591,000 and $6,405,000, respectively, under our line of credit for up to $12,000,000 bearing an interest rate of 15% (LOC) with Esenjay Investment, LLC (Esenjay), a majority stockholder and a company owned and controlled by Michael Johnson, our director, Cleveland, and other unrelated parties (Cleveland and Esenjay, together with additional parties that joined and may join as additional lenders, collectively the Lenders). In addition, as of July 27, 2020, we had an outstanding principal balance of $969,000 under our unsecured short-term promissory note with Cleveland (Cleveland Note), which note bears an interest of 15% and is due on August 31 2020, unless repaid earlier from a percentage of proceeds from certain identified accounts receivable. In addition, as of July 28, 2020, we have an outstanding principal balance of approximately $500,000 under our unsecured short-term convertible promissory note with Esenjay, which note bears an interest rate of 15% (Esenjay Note). As of July 28, 2020, approximately $5,289,709 in principal outstanding under the LOC, and approximately $6,710,291 is available for future draws. However, our ability to borrow under the LOC is at the discretion of the Lenders. Also, the Lenders have no obligation to disburse such funds and have the right not to advance funds under the LOC. In addition, as a secured party, upon an event of default, the Lenders will have a right to the collateral granted to them under the line of credit, and we may lose our ownership interest in the assets. In addition, on August 23, 2019, we entered into a Factoring Agreement (Factoring Agreement) with CSNK Working Capital Finance Corp. d/b/a Bay View Funding (CSNK) for a factoring facility under which CSNK will, from time to time, buy approved receivables from the Company. The factoring facility provides for the Company to have access to the lesser of (i) $3 million (Maximum Credit) or (ii) the sum of all undisputed receivables purchased by CSNK multiplied by 90% (which percentages may be adjusted by CSNK in its sole discretion). We have given CSNK a termination notice to terminate our Factoring Agreement effective August 30, 2020. The Lenders and CSNK have a security interest in our assets. Secured parties, upon an event of default, will have a right to the collateral granted to them under the line of credit, and we may lose our ownership interest in the assets. A loss of our collateral will have a material adverse effect on our operations, our business and financial condition.

Our independent auditors have expressed substantial doubt about our ability to continue as a going concern.

In their audit report issued in connection with our financial statements for the year ended June 30, 2019, and for the years then ended, our independent registered public accounting firm included a going concern explanatory paragraph which stated there was substantial doubt about our ability to continue as a going concern. We have prepared our financial statements on a going concern basis that contemplates the realization of assets and the satisfaction of liabilities in the normal course of business for the foreseeable future. Our financial statements do not include any adjustments that would be necessary should we be unable to continue as a going concern and, therefore, be required to liquidate our assets and discharge our liabilities in other than the normal course of business and at amounts different from those reflected in our financial statements. If we are unable to continue as a going concern, our stockholders may lose all or a substantial portion or all of their investment.

We are dependent on a few customers for the majority of our net revenues, and our success depends on demand from OEMs and other users of our battery products.

Historically a majority of our product sales have been generated from a small number of OEMs and end-user customers, including three customers who, on an aggregate basis, made up 76% of our sales for the nine months ended March 31, 2020, and four end-user customers who, on an aggregate basis, made up 87% of our sales for the year ended June 30, 2019. As a result, our success depends on continued demand from this small group of customers and their willingness to incorporate our battery products in their equipment. The loss of a significant customer would have an adverse effect on our revenues. There is no assurance that we will be successful in our efforts to convince end users to accept our products. Our failure to gain acceptance of our products could have a material adverse effect on our financial condition and results of operations.

Additionally, OEMs, their dealers and battery distributors may be subject to changes in demand for their equipment which could significantly affect our business, financial condition and results of operations.

Actual net revenue for fiscal year 2020 could differ from our expectations.

While we believe that our expectations for our net revenue for the fourth fiscal quarter of 2020 and the fiscal year ended June 30, 2020 are based on reasonable assumptions, our actual results may vary, and such variations may be material. Factors that could cause our expectations to differ include, but are not limited to: (i) unanticipated adjustments in the calculation of, or application of accounting principles for, our net revenue for such period and (ii) discovery of new information that affects the recognition of revenue for such period. Our expectations are also subject to a number of additional risks and uncertainties, including those identified in “Special Note Regarding Forward-Looking Statements” and “Risk Factors.” There is no assurance that such expectations will prove to be correct.

Our business is vulnerable to a near-term severe impact from the COVID-19 outbreak, and the continuation of the pandemic could have a material adverse impact on our operations and financial condition.

The recent outbreak of the coronavirus, COVID-19, which on March 10, 2020, has been declared by the World Health Organization to be a pandemic, has spread across the globe and is impacting worldwide economic activity. A pandemic, including COVID-19 or other public health epidemic, poses the risk that we or our employees, contractors, customers, suppliers, third party shipping carriers, government and other partners may be prevented from or limited in their ability to conduct business activities for an indefinite period of time, including due to the spread of the disease within these groups or due to shutdowns that may be requested or mandated by governmental authorities. While it is not possible at this time to estimate the impact that COVID-19 could have on our business, the continued spread of COVID-19 and the measures taken by the governments of states and countries affected could disrupt, among other things, the supply chain and the manufacture or shipment of our products. On March 19, 2020, the governor of California, the state where our facility is located, issued statewide stay-at-home orders for non-essential workers to help combat the spread of COVID-19. The Company was deemed to be an essential business consistent with announcements by Forklift OEMs and related supply chain, who support the logistics industry, critical to delivering food and supplies during COVID-19 crisis and we have instituted processes, policies and workplace procedures in an effort to keep our workers safe while productive. Our manufacturing operations may be subject to closure or shut down due to the spread of the disease within our production employees, or as part of a larger scale government recommendation or mandate. While the Company implemented COVID-19 measures in March as recommended by the CDC and governmental authorities, the Company recently had two employees tested positive for COVID-19, although manufacturing operations were not materially impacted. However, any substantial disruption in our manufacturing operations would have a material adverse effect on our business and would impede our ability to manufacture and ship products to our customers in a timely manner, or at all.

The effect of the COVID-19 pandemic and its associated restrictions may adversely impact many aspects of our business, including customer demand, the length of our sales cycles, disruptions in our supply chain, lower the operating efficiencies at our facility, worker shortages and declining staff morale, and other unforeseen disruptions. The demand for our products may significantly decline as COVID-19 continues to spread and as our customers suffer losses in their businesses. In January 2020, we received a $4,680,000 order for additional airport GSE batteries from an existing global airline customer. Due to the COVID-19 crisis and its effect to the airline segment, the customer requested that the order to be reduced to approximately $2,700,000 and be delivered in monthly shipments up to November 2020. The supply of our raw materials and our supply chain may be disrupted and adversely impacted by the pandemic. The occurrence of any of the foregoing events and their adverse effect on capital markets and investor sentiment may adversely impact our ability to raise capital when needed or on terms favorable to us and our stockholders to fund our operations, which could have a material adverse effect on our business, financial condition and results of operations. The extent to which the COVID-19 outbreak impacts our results, its effect on near or long-term value of our share price will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the virus and the actions to contain its impact.

We do not have long term contracts with our customers.

We do not have long-term contracts with our customers. Future agreements with respect to pricing, returns, promotions, among other things, are subject to periodic negotiation with each customer. No assurance can be given that our customers will continue to do business with us. The loss of any of our significant customers will have a material adverse effect on our business, results of operations, financial condition and liquidity. In addition, the uncertainty of product orders can make it difficult to forecast our sales and allocate our resources in a manner consistent with actual sales, and our expense levels are based in part on our expectations of future sales. If our expectations regarding future sales are inaccurate, we may be unable to reduce costs in a timely manner to adjust for sales shortfalls.

Real or perceived hazards associated with Lithium-ion battery technology may affect demand for our products.

Press reports have highlighted situations in which lithium-ion batteries in automobiles and consumer products have caught fire or exploded. In response, the use and transportation of lithium-ion batteries has been prohibited or restricted in certain circumstances. This publicity has resulted in a public perception that lithium-ion batteries are dangerous and unpredictable. Although we believe our battery packs are safe, these perceived hazards may result in customer reluctance to adopt our lithium-ion based technology.

Our products may experience quality problems from time to time that could result in negative publicity, litigation, product recalls and warranty claims, which could result in decreased revenues and harm to our brands.

A catastrophic failure of our battery modules could cause personal or property damages for which we would be potentially liable. Damage to or the failure of our battery packs to perform to customer specifications could result in unexpected warranty expenses or result in a product recall, which would be time consuming and expensive. Such circumstances could result in negative publicity or lawsuits filed against us related to the perceived quality of our products which could harm our brand and decrease demand for our products.

We may be subject to product liability claims

If one of our products were to cause injury to someone or cause property damage, including as a result of product malfunctions, defects, or improper installation, then we could be exposed to product liability claims. We could incur significant costs and liabilities if we are sued and if damages are awarded against us. Further, any product liability claim we face could be expensive to defend and could divert management's attention. The successful assertion of a product liability claim against us could result in potentially significant monetary damages, penalties or fines, subject us to adverse publicity, damage our reputation and competitive position, and adversely affect sales of our products. In addition, product liability claims, injuries, defects, or other problems experienced by other companies in the solar industry could lead to unfavorable market conditions for the industry as a whole, and may have an adverse effect on our ability to attract new customers, thus harming our growth and financial performance. Although we carry product liability insurance, it may be insufficient in amount to cover our claims.

Tariffs that might be imposed on lithium-ion batteries by the United States government or a resulting trade war could have a material adverse effect on our results of operations.

In 2018, the United States government announced tariffs on certain steel and aluminum products imported into the United States, which has led to reciprocal tariffs being imposed by the European Union and other governments on products imported from the United States. The United States government has implemented tariffs on goods imported from China, and additional tariffs on goods imported from China are under consideration.

The lithium-ion battery industry has been subjected to tariffs implemented by the United States government on goods imported from China. Further if the U.S. and China are not able to resolve their differences, new and additional tariffs may be put in place and additional products, including lithium-ion batteries, may become subject to tariffs. Since all of our lithium-ion batteries are manufactured in China, current and potential tariffs on lithium-ion batteries imported by us from China would increase our costs, require us to increase prices to our customers or, if we are unable to do so, result in lower gross margins on the products sold by us.

The President of the United States has, at times, threatened to institute even wider ranging tariffs on all goods imported from China. China has already imposed tariffs on a wide range of American products in retaliation for the American tariffs on steel and aluminum. Additional tariffs could be imposed by China in response to actual or threatened tariffs on products imported from China. The imposition of additional tariffs by the United States could trigger the adoption of tariffs by other countries as well. Any resulting escalation of trade tensions, including a "trade war," could have a significant adverse effect on world trade and the world economy, as well as on our results of operations. At this time, we cannot predict how the recently enacted tariffs will impact our business. Tariffs on components imported by us from China could have a material adverse effect on our business and results of operations.

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 existing 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. 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.

We do not manufacture the battery cells used in our LiFT Packs. Our battery cells, which are an integral part of our battery products and systems, are sourced from a limited number of manufacturers located in China. 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 our suppliers. We refer to the battery cell suppliers as our limited source suppliers. To date, we have not qualified alternative sources for our battery cells although we research and assess cells from other suppliers on an ongoing basis. We generally do not maintain long-term agreements with our limited source suppliers. While we believe that we will be able to establish additional supplier 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, regulatory requirements, economic conditions and cycles, governmental changes and other factors beyond our control could also affect our suppliers' ability to deliver components to us on a timely basis or cause us to terminate our relationship with them and require us to find replacements, which we may have difficulty doing. 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-ion 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 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 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.

Our success depends on our ability to develop new products and capabilities that respond to customer demand, industry trends or actions by our competitors and failure to do so may cause us to lose our competitiveness in the battery industry and may cause our profits to decline.

Our success will depend on our ability to develop new products and capabilities that respond to customer demand, industry trends or actions by our competitors. There is no assurance that we will be able to successfully develop new products and capabilities that adequately respond to these forces. In addition, changes in legislative, regulatory or industry requirements or in competitive technologies may render certain of our products obsolete or less attractive. If we are unable to offer products and capabilities that satisfy customer demand, respond adequately to changes in industry trends or legislative changes and maintain our competitive position in our markets, 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.

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:

- 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
- existing 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 issue 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 business depends substantially on the continuing efforts of the members of our senior management team, and our business may be severely disrupted if we lose their services.

We believe that our success is largely dependent upon the continued service of the members of our senior management team, who are critical to establishing our corporate strategies and focus, and ensuring our continued growth. We are a smaller company with a limited number of personnel. Because of this dependence, the Company may be more adversely affected by the loss of a member of our senior management than at a larger company. 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 the members of our senior management team are unable or unwilling to continue in their present positions, we may not be able to replace them readily. Therefore, our business may be severely disrupted, and we may incur additional expenses to recruit and retain their replacement. In addition, if any of the members of our senior management team joins a competitor or forms a competing company, we may lose some of our customers.

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 for the storage and shipment of our lithium-ion battery packs.

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 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.

Natural disasters, public health crises, political crises and other catastrophic events or other events outside of our control may damage our sole facility or the facilities of third parties on which we depend, and could impact consumer spending.

Our sole production facility is located in southern California near major geologic faults that have experienced earthquakes in the past. An earthquake or other natural disaster or power shortages or outages could disrupt our operations or impair critical systems. Any of these disruptions or other events outside of our control could affect our business negatively, harming our operating results. In addition, if our sole facility, or the facilities of our suppliers, third-party service providers or customers, is affected by natural disasters, such as earthquakes, tsunamis, power shortages or outages, floods or monsoons, public health crises, such as pandemics and epidemics, political crises, such as terrorism, war, political instability or other conflict, or other events outside of our control, our business and operating results could suffer. Moreover, these types of events could negatively impact consumer spending in the impacted regions or, depending upon the severity, globally, which could adversely impact our operating results. Similar disasters occurring at our vendors' manufacturing facilities could impact our reputation and our consumers' perception of our brands.

Risks Related to the Offering, Our Common Stock and Market

If you purchase shares of common stock in this offering, you will suffer immediate and substantial dilution of your investment.

Because the public offering price per share of our common stock in this offering is expected to exceed the pro forma net tangible book value per share of our common stock, you will suffer immediate and substantial dilution in the pro forma as adjusted net tangible book value of the common stock you purchase in this offering. Therefore, if you purchase shares of our common stock in this offering, you may pay a price per share that substantially exceeds our pro forma as adjusted net tangible book value per share after this offering. See the section entitled "Dilution" below for a more detailed discussion of the dilution you will incur if you participate in this offering.

We have a substantial amount of convertible debt which may be converted into shares of our common stock at below the offering price which will cause an immediate dilution to investors participating in the offering.

As of July 28, 2020, we had an aggregate of approximately $5,789,709 in principal balance outstanding under the Esenjay Note and the LOC, which may be converted into approximately 1,447,427 (subject to any beneficial ownership limitations) shares of our common stock at $4.00 per share at the option of the holder. If the convertible debt holders exercise their right to convert the convertible debt into shares of common stock, this will cause an immediate dilutive effect to the investors who participate in this offering. In addition, because the shares of common stock to be received upon the conversion of the convertible debt may be sold in the market in the future, the resale of a large number of shares of common stock upon the conversion of the convertible debt may adversely affect the market price of our common stock.

You may experience future dilution as a result of future equity offerings.

In order to raise additional capital, we may at any time offer additional shares of our common stock or other securities convertible into or exchangeable for our common stock at prices that may not be the same as the price per share in this offering. We may sell shares or other securities in any other offering at a price per share that is less than the public offering price per share in this offering, and investors purchasing shares or other securities in the future could have rights superior to existing stockholders. The price per share at which we sell additional shares of our common stock, or securities convertible or exchangeable into common stock, in future transactions may be higher or lower than the public offering price per share paid by investors in this offering.

We have broad discretion in the use of our cash and cash equivalents, including the net proceeds we receive in this offering, and may not use them effectively.

Our management has broad discretion to use our cash and cash equivalents, including the net proceeds we receive in this offering, to fund our operations and could spend these funds in ways that do not improve our results of operations or enhance the value of our common stock, and you will not have the opportunity as part of your investment decision to assess whether the net proceeds are being used appropriately. The failure by our management to apply these funds effectively could result in financial losses that could have a material adverse effect on our business, cause the price of our common stock to decline. Pending their use to fund our operations, we may invest our cash and cash equivalents, including the net proceeds from this offering, in a manner that does not produce income or that loses value.

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.

We have applied to list our common stock on The NASDAQ Capital Market under the symbol "FLUX." We will not consummate this offering unless our common stock is approved for listing on The NASDAQ Capital Market. We cannot predict the extent to which investor interest in our company will lead to the development of an active trading market on that stock exchange or any other exchange in the future. The trading price of our common stock has experienced volatility while trading on the OTCQB and is likely to continue to be highly volatile in response to numerous factors, many of which are beyond our control, including, without limitation, the following:

- 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;

- 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, and we have one controlling stockholder.

As of July 28, 2020, our directors and executive officers, and their respective affiliates beneficially owned approximately 56.3% of our outstanding common stock, including common stock underlying options, warrants and convertible debt that were exercisable or convertible or which would become exercisable or convertible within 60 days. Michael Johnson, our director and beneficial owner of Esenjay, beneficially owns approximately 53.9% of such outstanding common stock. As a result of their ownership, our directors and executive officers and their respective affiliates collectively, and Esenjay, individually, 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 the lack of liquidity may adversely affect the trading price of our common stock.

We have applied to list our common stock on The NASDAQ Capital Market under the symbol "FLUX." We will not consummate this offering unless our common stock is approved for listing on The NASDAQ Capital Market. The trading volume of our common stock on the OTCQB is relatively small. Because of the lack of liquidity in our common stock on the OTCQB, small fluctuations in the demand for our common stock may have significant impact on the trading price of our common stock. A more active market for the common stock may never develop. We cannot assure you that the volume of trading in shares of our common stock will increase in the future. The lack of liquidity may impact your ability to sell your shares of common stock at an acceptable price, if at all.

Even if we are listed on The NASDAQ Capital Market, there can be no assurance that we will be able to comply with continued listing standards of The NASDAQ Capital Market.

Even if we sustain a market price of our common stock sufficient to obtain an initial listing on The NASDAQ Capital Market, we cannot assure you that we will be able to continue to comply with the minimum bid price and the other standards that we are required to meet in order to maintain a listing of our common stock on The NASDAQ Capital Market. Our failure to continue to meet these requirements may result in our common stock being delisted from The NASDAQ Capital Market.

Preferred Stock may be issued under our Articles of Incorporation which may have superior rights to our common stock.

Our Articles of Incorporation authorize the issuance of up to 500,000 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. In addition, these voting, conversion and exchange rights of preferred stock could negatively affect the voting power or other rights of our common stockholders. The issuance of any preferred stock could diminish the rights of holders of our common stock, or delay or prevent a change of control of our Company, and therefore could reduce the value of such common stock.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus 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. You should read these factors and the other cautionary statements made in this prospectus and in the documents we incorporate by reference into this prospectus as being applicable to all related forward-looking statements wherever they appear in this prospectus or the documents we incorporate by reference into this prospectus. If one or more of these factors materialize, or if any underlying assumptions prove incorrect, our actual results, performance or achievements may vary materially from any future results, performance or achievements expressed or implied by these forward-looking statements.

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 ability to continue as a going concern;
- our ability to secure sufficient funding and alternative source of funding to support our current and proposed operations, which could be more difficult in light of the negative impact of the COVID-19 pandemic on investor sentiment and investing ability;
- 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 grow net revenue and increase our gross profit margin;
- 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 compete with larger companies with far greater resources than we have;
- our continued ability to obtain raw materials and other supplies for our products at competitive prices and on a timely basis, particularly in light of COVID-19 on our suppliers and supply chain;
- 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;
- our ability to retain key members of our senior management.
- our ability to continue to operate safely and effectively during the COVID-19 outbreak; and
- our dependence on our four major customers.

Also, forward-looking statements represent our estimates and assumptions only as of the date of this prospectus. You should read this prospectus and the documents that we reference and file as exhibits to this prospectus 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.

We obtained statistical data, market data and other industry data and forecasts used throughout this Prospectus from market research, publicly available information and industry publications which we believe are reliable. However, investors should not place undue reliance on such information.

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate is based on information obtained by us from various sources, including independent industry publications, which we believe to be reliable. In presenting this information, we have also made assumptions based on such data and other similar sources, and on our knowledge of, and our experience to date in, the potential markets for our products. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section entitled "Risk Factors." Accordingly, investors should not unduly rely on such estimates.

USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately $13.1 million ($15.2 million if the underwriters exercise their over-allotment option in full), after deducting the underwriting discount and estimated offering expenses payable by us, assuming a public offering price of $8.60 per share, the closing sale price per share of our common stock on the OTCQB marketplace on July 28, 2020.

A $1.00 increase (decrease) in the assumed public offering price per share would increase (decrease) the net proceeds to us from this offering by approximately $1.6 million assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same. Similarly, an increase (decrease) of 500,000 shares in the number of shares offered by us would increase (decrease) the net proceeds to us from this offering by approximately $4.0 million assuming that the assumed public offering price remains the same.

We intend to use the net proceeds of this offering for working capital and general corporate purposes. We will retain broad discretion over the use of the net proceeds of this offering. Pending such use, we intend to invest the net proceeds in interest-bearing investment-grade securities or government securities.

MARKET INFORMATION

Our common stock is quoted on the OTCQB under the stock symbol "FLUX." Quotations on the OTCQB reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions. On July 28, 2020, the closing sale price of our common stock as reported on the OTCQB was $8.60 per share. We have applied to list our common stock on The NASDAQ Capital Market under the symbol "FLUX." We will not consummate this offering unless our common stock is approved for listing on The NASDAQ Capital Market. The closing sale price of our common stock as reported on the OTCQB may not be indicative of the market price of our common stock on the Nasdaq Capital Market.

Holders of Common Stock

As of July 15, 2020, we had approximately 1,386 record holders of our common stock, based on information provided by our transfer agent. The foregoing number of record holders does not include an unknown number of stockholders who hold their stock in "street name."

Dividend Policy

We have never declared or paid any cash dividends. 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 stockholders. 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. Therefore, there can be no assurance that any dividends on our common stock will ever be paid.

Equity Compensation Plan Information

Information for our equity compensation plans in effect as of June 30, 2020 is as follows:

	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(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)	550,694	$ 11.10	444,057
Equity compensation plans not approved by security holders(2)	28,890	$ 9.11	-
Total	579,584	$ 11.00	444,057

(1) No incentive stock options were granted under our 2014 Stock Option Plan (2014 Option Plan) during the fiscal year ended June 30, 2017. An additional 211,800 incentive stock options (ISO) and 80,700 non-qualified stock options (NQSO) of the Company's common stock was granted under the 2014 Option Plan during the fiscal year ended June 30, 2018. We granted 147,411 incentive stock options and 97,616 non-qualified stock options under the 2014 plan during Fiscal 2019. We granted 15,324 incentive stock options and 3,948 non-qualified stock options under the 2014 plan during Fiscal 2020. The 2014 Option Plan was approved February 17, 2015, and was amended on October 25, 2017.

(2) Consists of 7,200 options granted under the 2010 Stock Option Plan (2010 Option Plan) and assumed by the Company in a reverse acquisition. An additional 30,700 non-qualified options were issued for a total outstanding at June 30, 2020 of 28,890.

CAPITALIZATION

The following table sets forth our capitalization, as of March 31, 2020:

- on an actual basis;
- on a pro forma basis giving effect to (i) the sale and issuance of our 1,141,250 shares of common stock in April – July 2020 for aggregate gross proceeds of approximately $4,565,000 and (ii) the conversion of $8,283,320 of outstanding debt in the aggregate into 2,070,830 shares of common stock; and
- On a pro forma as adjusted basis giving further effect to the assumed sale of 1,744,186 shares of our common stock in this offering at an assumed public offering price of $8.60 per share, assuming a public offering price of $8.60 per share, the closing sale price per share of our common stock on the OTCQB marketplace on July 28, 2020, after deducting the underwriting discount and estimated offering expenses payable by us.

You should read the forgoing table together with "Management's Discussion and Analysis of Financial Condition and Results of Operations for The Company" and our consolidated financial statements and related notes appearing elsewhere in this prospectus.

	As of March 31, 2020		
	Actual	Pro Forma	Pro Forma As Adjusted
Cash	$ 106,000	$ 4,671,000	$ 17,816,000
Total long-term liabilities	-		
Stockholders' equity			
Preferred stock, $0.001 par value, 500,000 shares authorized, no shares issued and outstanding	-		
Class common stock, $0.001 par value, 30,000,000 shares authorized, 5,108,407 shares issued and outstanding as of March 31, 2020, 8,320,487 shares issued and outstanding, pro forma and 10,064,673 shares issued and outstanding pro forma as adjusted	5,000	8,212	9,956
Common Stock subscribed	105,000	105,000	105,000
Additional paid in capital	37,292,000	50,137,108	63,280,364
Accumulated Deficit	(50,162,000)	(50,162,000)	(50,162,000)
Total Stockholders' equity (deficit)	$ (12,760,000)	$ 88,320	$ 13,233,320
Total Capitalization	$ (12,760,000)	$ 88,320	$ 13,233,320

A $1.00 increase or decrease in the assumed public offering price per share would increase or decrease each of cash, common stock and additional paid-in capital, total stockholders' equity and total capitalization on an pro forma as adjusted basis by approximately $1.6 million, assuming that the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the underwriting discount and estimated offering expenses payable by us. An increase or decrease of 500,000 in the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, would increase or decrease each of cash, common stock and additional paid-in capital, total stockholders' equity and total capitalization on a pro forma as adjusted basis by approximately $4.0 million, assuming no change in the assumed public offering price per share after deducting the underwriting discount and estimated offering expenses payable by us.

The pro forma as adjusted information discussed above is illustrative only and will be adjusted based on the actual public offering price and other terms of this offering determined between us and the underwriters at pricing.

The table and discussion above are based on 5,108,407 shares of common stock outstanding as of March 31, 2020, which excludes the following:

- 581,996 shares of common stock issuable upon exercise of outstanding stock options at a weighted average exercise price of $11.02 per share;
- 441,645 shares of common stock remain available for grant under our Equity Incentive Plan; and
- the number of shares of common stock issuable under outstanding convertible notes and Cleveland Warrant, which number was indeterminable on March 31, 2020.

DILUTION

If you invest in our common stock in this offering, your ownership interest will be diluted immediately to the extent of the difference between the public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock after this offering. Net tangible book value per share represents the book value of our tangible assets less the book value of our total liabilities divided by the number of shares of common stock outstanding.

As of March 31, 2020, we had a negative net tangible book value of approximately $15.2 million or approximately $(2.98) per share. On a pro forma basis, after giving effect to (i) the sale and issuance of our shares of common stock in April-July 2020 for aggregate gross proceeds of approximately $4,565,000 and (ii) the conversion of $8,283,320 of outstanding debt in the aggregate, our pro forma negative net tangible book value as of March 31, 2020 was approximately $2.4 million, or approximately $(0.29) per share. After giving further effect to the assumed sale of 1,744,186 shares of our common stock in this offering at an assumed public offering price of $8.60 per share, the closing sale price per share of our common stock on the OTCQB marketplace on July 28, 2020, and after deducting the underwriting discount and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value per share as of March 31, 2020, would have been approximately $10.7 million or approximately $1.07 per share. This represents an immediate increase in pro forma net tangible book value per share of $1.36 to existing stockholders and an immediate dilution of approximately $7.53 per share to new investors purchasing shares of our common stock in this offering.

The following table illustrates this dilution on a per share basis:

Assumed public offering price per share			$	8.60
Historical negative net tangible book value per share as of March 31, 2020	$	(2.98)		
Pro forma negative net tangible book value per share as of March 31, 2020 before this offering	$	(0.29)		
Increase in the pro forma net tangible book value per share attributable to this offering	$	1.36		
Pro forma as adjusted net tangible book value per share after this offering			$	1.07
Dilution per share to new investors participating in this offering			$	7.53

A $1.00 increase (decrease) in the assumed public offering price per share would increase (decrease) the pro forma as adjusted net tangible book value per share after this offering by approximately $0.16 ($0.16), and dilution in pro forma as adjusted net tangible book value per share to new investors by approximately $0.84 ($0.84), assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the underwriting discount and estimated offering expenses payable by us. We may also change the number of shares we are offering. An increase or decrease of 500,000 in the number of shares offered by us would increase or decrease, as applicable, our as adjusted net tangible book value by approximately $0.33 per share and increase or decrease, as applicable, the dilution to new investors purchasing our shares in this offering by approximately $0.33 per share, assuming the assumed public offering price remains the same, after deducting the underwriting discount and estimated offering expenses payable by us.

If the underwriters exercise their over-allotment option in full, our pro forma as adjusted net tangible book value would be approximately $12.8 million, or approximately $1.24 per share, representing an increase in the pro forma net tangible book value to existing stockholders of approximately would be $1.53 per share and immediate dilution of approximately $7.36 per share to new investors purchasing shares of our common stock in this offering.

The information discussed above is illustrative only and will adjust based on the actual public offering price per share, the actual number of shares sold in this offering and other terms of this offering determined at pricing.

The table and discussion above are based on 5,108,407 shares of common stock outstanding as of March 31, 2020, and excludes, as of that date, the following:

- 581,996 shares of common stock issuable upon exercise of outstanding stock options at a weighted average exercise price of $11.02 per share;
- 441,645 shares of common stock remain available for grant under Equity Incentive Plan; and
- the number of shares of common stock issuable under outstanding convertible notes and Cleveland Warrant, which number was indeterminable on March 31, 2020.

The foregoing discussion and table do not take into account further dilution to new investors that could occur upon the exercise of outstanding options or warrants having an exercise price per share less than the public offering price per share in this offering. In addition, we may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our stockholders.

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

The following discussion should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this prospectus.

Overview

We design, develop, manufacture, and sell advanced rechargeable lithium-ion energy storage solutions for lift trucks, and other industrial equipment including airport ground support equipment (GSE), energy storage for solar applications, and industrial robotic applications. Our "LiFT" battery packs, including our proprietary battery management system (BMS), provide our customers with a better performing, lower cost of ownership, and more environmentally friendly alternative, in many instances, to traditional lead-acid and propane-based solutions.

We have received Underwriters Laboratory (UL) Listing on our Class 3 Walkie Pallet Jack LiFT Pack product line, our Class 1 Counterbalance/Sit down/Ride-on LiFT Packs, currently have in testing our Class 2 Narrow Aisle LiFT Packs, and are scheduling this year our Class 3 end rider pack. We believe that a UL Listing demonstrates the safety, reliability and durability of our products and gives us an important competitive advantage over other lithium-ion energy suppliers. Many of our LiFT Packs have been approved for use by leading industrial motive manufacturers, including Toyota Material Handling USA, Inc., Crown Equipment Corporation, and Raymond Corporation.

Reverse Stock Split

We effected a 1-for-10 reverse split of our common stock and preferred stock on July 11, 2019 (2019 Reverse Split). No fractional shares were issued in connection with the 2019 Reverse Split. If, as a result of the 2019 Reverse Split, a stockholder would otherwise have been entitled to a fractional share, each fractional share was rounded up. The 2019 Reverse Split resulted in a reduction of our outstanding shares of common stock from 51,000,868 to 5,101,580. In addition, it resulted in a reduction of our authorized shares of common stock from 300,000,000 to 30,000,000, and a reduction of our authorized shares of preferred stock from 5,000,000 to 500,000. The par value of our stock remained unchanged at $0.001. In addition, by reducing the number of our outstanding shares, our loss per share in all periods presented was increased by a factor of ten.

Recent Financing Activities

2020 Private Placement. From April 2020 to July 2020, pursuant to private placement offerings, we sold and issued an aggregate of 1,141,250 shares of common stock, at $4.00 per share, for an aggregate purchase price of $4,565,000 in cash to twenty-seven (27) accredited investors. Esenjay and Mr. Dutt, our president and chief executive officer, participated in the initial closing in the amount of $300,000 and $50,000, respectively. Mr. Cosentino, our director, also participated in the offering in the amount of $250,000.

LOC Conversion. On June 30, 2020, there was a partial conversion of the debt underlying the secured promissory notes issued to lenders under the LOC at a conversion price of $4.00 per share (the Conversion). Immediately prior to the Conversion, there was an aggregate of approximately $11,791,000 in principal and accrued interest outstanding under all the secured promissory notes evidencing the advance under the LOC. At the option of the lenders, on June 30, 2020, an aggregate of approximately $7,383,000 in principal and accrued interest outstanding under the LOC was converted into 1,845,830 shares of common stock, which consisted of (a) partial conversion of Principal plus interest under the Esenjay LOC Note in the amount of $4,400,000 into 1,100,000 shares of common stock at $4.00 per share, and (b) conversion of approximately $2,983,000 of the secured promissory notes issued in connection with the LOC, principal plus accrued interest, by other lenders, including certain assignees of the Esenjay LOC Note, into 745,830 shares of common stock. Immediately after the Conversion, there was approximately $5,289,709, principal, of which approximately $984,000 was outstanding under the Esenjay LOC Note and approximately $4,306,000 was outstanding under the other lender's respective notes. As of July 28, 2020, the outstanding balance of $5,289,709 is convertible, at the option of the note holder, into approximately 1,322.427 shares of common stock (subject to any beneficial ownership limitations) at $4.00 per share. As of July 28, 2020, there was approximately $6,710,291 available for draw under the LOC.

Esenjay Note Conversion. On June 30, 2020, two (2) accredited individuals, who became note holders to the Esenjay Note pursuant to the assignment of such notes by Esenjay to the note holders, converted $500,000 in principal into 125,000 shares of common stock at $4.00 per share (Esenjay Initial Conversion). In addition, on July 22, 2020, one (1) individual, who became a note holder to the Esenjay Note pursuant to the assignment of such note to the note holder, elected to convert $400,000 in principal, into 100,000 shares of common stock at $4.00 per share (together with Esenjay Initial Conversion, the Esenjay Note Conversion). Immediately prior to the Esenjay Initial Conversion, there was an aggregate of approximately $1,400,000 in principal outstanding under the Esenjay Note. Immediately after the Esenjay Note Conversion, there was approximately $500,000 in principal outstanding under the Esenjay Note, which is convertible into approximately 125,000 shares of common stock at the option of the note holder(s) at $4.00 per share.

PPP Loan. On May 1, 2020, Flux Power applied for and received a loan from the Bank of America, NA (the BOA) in the aggregate principal amount of $1,297,083 (the PPP Loan) pursuant to the Paycheck Protection Program (the PPP) under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). The PPP Loan is evidenced by a promissory note dated May 1, 2020, issued by Flux Power to the BOA (the PPP Note). The PPP Loan has a two-year term and bears interest at a rate of 1.0% per annum. Monthly principal and interest payments are deferred for six months after the date of disbursement. The Borrower received the funds on or around May 4, 2020. The PPP Note may be prepaid by Flux Power at any time prior to maturity with no prepayment penalties. Proceeds from the PPP Loan are available to Flux Power to fund designated expenses, including certain payroll costs, group health care benefits and other permitted expenses, in accordance with the PPP. Under the terms of the PPP, up to the entire amount of principal and accrued interest may be forgiven to the extent PPP Loan proceeds are used for qualifying expenses as described in the CARES Act and applicable implementing guidance issued by the U.S. Small Business Administration under the PPP. Flux Power intends to use the entire PPP Loan amount for designated qualifying expenses and to apply for forgiveness of the PPP Loan in accordance with the terms of the PPP. No assurance can be given that Flux Power will obtain forgiveness of the PPP Loan in whole or in part. With respect to any portion of the PPP Loan that is not forgiven, the PPP Loan will be subject to customary provisions for a loan of this type, including customary events of default relating to, among other things, payment defaults, and breaches of the provisions of the PPP Note.

Factoring Agreement. On August 23, 2019, the Company entered into a Factoring Agreement (Factoring Agreement) with CSNK Working Capital Finance Corp. d/b/a Bay View Funding (CSNK) for a factoring facility under which CSNK will, from time to time, buy approved receivables from the Company. The factoring facility provides for the Company to have access to the lesser of (i) $3 million (Maximum Credit) or (ii) the sum of all undisputed receivables purchased by CSNK multiplied by 90% (which percentages may be adjusted by CSNK in its sole discretion). Upon receipt of any advance, the Company will have sold and assigned all of its rights in such receivables and all proceeds thereof. The factoring facility is secured by the Company's accounts, equipment, inventory, financial assets, chattel paper, electronic chattel paper, letters of credit, letters of credit rights, general intangibles, investment property, deposit accounts, documents, instruments, supporting obligations, commercial tort claims, the reserve, motor vehicles, all books, records, files and computer data relating to the foregoing, and all proceeds of the foregoing. The Company is required to pay CSNK a facility fee of 1.0% of the Maximum Credit upon execution of the Factoring Agreement and a factoring fee of 0.75% of the face value of purchased receivables for 1st 30-days such receivables are outstanding after purchase and 0.35% for each 15-days thereafter until the receivables are repaid in full or otherwise repurchased by the Company or otherwise written off by CSNK. In addition, the Company is required to pay financing fees on the outstanding advances equal to a floating rate per annum equal to the Prime + 2.0% (8.0% floor). In the event, the aggregate factoring fee and financing fee is less than 0.5% of the Maximum Credit in any one month, the Company will pay CSNK the difference for such month. CSNK has the right to demand repayment of any purchased receivables which remain unpaid for 90-days after purchase or with respect to which any account debtor asserts a dispute. The factoring facility is for an initial term of twelve months and will renew on a year to year basis thereafter, unless terminated in accordance with the Factoring Agreement. The Company may terminate the Factoring Agreement at any time upon 60 days prior written notice and payment to CSNK of an early termination fee equal to 0.5% of the Maximum Credit multiplied by the number of months remaining in the current term. As of March 31, 2020, an outstanding balance of $399,000 was due to CSNK under the Factoring Agreement. We have given CSNK a termination notice to terminate the Factoring Agreement effective August 30, 2020.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses, and the related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates based on its historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies and estimates affect the preparation of our financial statements:

Accounts Receivable

Accounts receivable are carried at their estimated collectible amounts. We have not experienced collections issues related to its accounts receivable and has not recorded an allowance for doubtful accounts during the during the nine months ended March 31, 2020 and 2019 and the fiscal years ended June 30, 2019 and 2018.

Inventories

Inventories consist primarily of battery management systems and the related subcomponents, and are stated at the lower of cost (first-in, first-out) or net realizable value. 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 a product is sold on consignment, the item remains in our inventory and revenue is not recognized until the product is ultimately sold to the end user. When a right of return exists, contractually or implied, we recognize revenue when the product is sold through to the end user.

As of nine month ended March 31, 2020 and 2019, and as of June 30, 2019 and 2018, we did not have any deferred revenue.

Product Warranties

We evaluate our exposure to product warranty obligations based on historical experience. Our products, primarily lift equipment packs, are warrantied for five years unless modified by a separate agreement. As of March 31, 2020 and 2019, we had warranty liability of approximately $569,000 and $298,000, respectively, and as of June 30, 2019 and 2018, we had warranty liability of approximately $361,000 and $158,000, respectively, which is included in accrued expenses on our consolidated balance sheets.

Derivative Financial Instruments

We do not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risk.

Stock-based Compensation

Pursuant to the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic No. 718-10, *Compensation-Stock Compensation*, which establishes accounting for equity instruments exchanged for employee service, we utilize the Black-Scholes option pricing model to estimate the fair value of employee stock option awards at the date of grant, which requires the input of highly subjective assumptions, including expected volatility and expected life. Changes in these inputs and assumptions can materially affect the measure of estimated fair value of our share-based compensation. These assumptions are subjective and generally require significant analysis and judgment to develop. When estimating fair value, some of the assumptions will be based on, or determined from, external data and other assumptions may be derived from our historical experience with stock-based payment arrangements. The appropriate weight to place on historical experience is a matter of judgment, based on relevant facts and circumstances.

Common stock or equity instruments such as warrants issued for services to non-employees are valued at their estimated fair value at the measurement date (the date when a firm commitment for performance of the services is reached, typically the date of issuance, or when performance is complete). If the total value exceeds the par value of the stock issued, the value in excess of the par value is added to the additional paid-in-capital.

Segment and Related Information

We operate as a single reportable segment.

Results of Operations and Financial Condition

	Three months ended March 31,				Nine months ended March 31,			
	2020		2019		2020		2019	
	$	% of Revenues	$	% of Revenues	$	% of Revenues	$	% of Revenues
Net revenue	$ 5,051,000	100%	$ 1,751,000	100%	$ 10,585,000	100%	$ 6,297,000	100%
Cost of sales	4,402,000	87%	1,690,000	97%	9,461,000	89%	5,968,000	95%
Gross profit (loss)	649,000	13%	61,000	3%	1,124,000	11%	329,000	5%
Operating expenses:								
Selling and administrative expenses	2,584,000	51%	2,421,000	138%	7,108,000	67%	5,518,000	88%
Research and development	1,527,000	30%	1,364,000	78%	3,888,000	37%	2,892,000	46%
Total operating expenses	4,111,000	81%	3,785,000	216%	10,996,000	104%	8,410,000	134%
Operating loss	(3,462,000)	-68%	(3,724,000)	-213%	(9,872,000)	-93%	(8,081,000)	-129%
Other income (expense):								
Interest expense	(503,000)	-10%	(90,000)	-5%	(1,214,000)	-11%	(1,058,000)	-17%
Net loss	$ (3,965,000)	-78%	$ (3,814,000)	-218%	$ (11,086,000)	-104%	$ (9,139,000)	-146%

Comparison of Results of Operations For the Three Months Ended March 31, 2020 and March 31, 2019

Revenues

Revenues for the quarter ended March 31, 2020, increased by $3,300,000 or 188% to $5,051,000, compared to $1,751,000 for the quarter ended March 31, 2019. This substantial increase in revenue was directly attributable to the increase in battery pack sales across several of the different series of batteries.

Cost of Sales

Cost of sales for the quarter ended March 31, 2020, increased by $2,712,000, or 160%, to $4,402,000 compared to $1,690,000 for the quarter ended March 31, 2019. The increase in cost of sales is directly related to the substantial increase in sales as discussed above. Cost of sales as a percent of revenue for the quarter ended March 31, 2020 was 87% compared to 97% for the same period last year. We expect to increase our gross margin as a result of our current gross margin improvement initiative driving reduced material costs, simplified component designs, decrease in labor expense, and decrease in warranty expense.

Selling and Administrative Expenses

Selling and administrative expenses for the quarter ended March 31, 2020 increased by $163,000 or 7%, to $2,584,000 compared to $2,421,000 for the quarter ended March 31, 2019. The increase is primarily attributable to increases in stock-based compensation, payroll costs related to additional new hires, and rent expenses associated with our new facility.

Research and Development Expense

Research and development expenses for the quarter ended March 31, 2020 increased by $163,000 or 12%, to $1,527,000 compared to $1,364,000 for the quarter ended March 31, 2019. Such expenses consist primarily of materials, supplies, salaries and personnel related expenses, testing costs, consulting costs, and other expenses associated with the continued development of our packs, as well as, research into new product opportunities. The increase in expenses was primarily due to additional headcount. We anticipate research and development expenses will remain a significant portion of our expenses as we continue to develop and add new and improved products to our product line-up.

Interest Expense

Interest expense for the quarter ended March 31, 2020 increased by $413,000 or 459% to $503,000 compared to $90,000 for the quarter ended March 31, 2019. Interest expense consist primarily of interest expense related to our outstanding lines of credit and convertible promissory note. (see Note 4 to the condensed consolidated financial statements).

Net Loss

Net loss for the quarter ended March 31, 2020 increased by $151,000 or 4%, to $3,965,000 as compared to $3,814,000 for the quarter ended March 31, 2019. The increase is primarily attributable to increased research and development costs, selling and administrative expenses, and increased interest expense, partially offset by improved gross profit.

Comparison of Results of Operations For the Nine Months Ended March 31, 2020 and March 31, 2019

Revenues

Revenues for the nine months ended March 31, 2020, increased by $4,288,000 or 68%, to $10,585,000 compared to $6,297,000 for the nine months ended March 31, 2019. This substantial increase in revenue was directly attributable to the increase in battery pack sales across several of the different series of batteries as we continue to add new product lines.

Cost of Sales

Cost of sales for the nine months ended March 31, 2020, increased by $3,493,000, or 59%, to $9,461,000 compared to $5,968,000 for the nine months ended March 31, 2019. The increase in cost of sales is directly related to the substantial increase in sales as discussed above. Cost of sales as a percent of revenue for the nine months ended March 31, 2020 was 89%, a decrease of 6% compared to 95% for the same period last year. The decrease in cost of sales as a percent of revenue is directly related the Company's gross margin improvement initiative that has resulted in reductions in material costs, simplified component design, and reduced warranty expense per pack. We expect continued improvements to the gross margin as a result of the initiative.

Selling and Administrative Expenses

Selling and administrative expenses for the nine months ended March 31, 2020 increased by $1,590,000 or 29%, to $7,108,000 compared to $5,518,000 for the nine months ended March 31, 2019. The increase is primarily attributable to increases in stock-based compensation, payroll costs related to additional new hires, and rent expenses associated with our new facility.

Research and Development Expense

Research and development expenses for the nine months ended March 31, 2020 increased by $996,000 or 34%, to $3,888,000 compared to $2,892,000 for the nine months ended March 31, 2019. Such expenses consist primarily of materials, supplies, salaries and personnel related expenses, testing costs, consulting costs, and other expenses associated with the continued development of our packs, as well as, research into new product opportunities. The increase in expenses was primarily due to the UL listing expenses and additional headcount. We anticipate research and development expenses will remain a significant portion of our expenses as we continue to develop and add new and improved products to our product line-up.

Interest Expense

Interest expense for the nine months ended March 31, 2020 increased by $156,000 or 15% to $1,214,000 compared to $1,058,000 for the nine months ended March 31, 2019. Interest expense consist primarily of interest expense related to our outstanding lines of credit and convertible promissory note. Also included in interest expense during the nine months ended March 31, 2019 is additional interest expense of approximately $466,000 agreed to be paid under the Early Conversion Agreement with Esenjay as well as origination fees of $25,000 for the stockholder lines of credit (see Note 4 to the condensed consolidated financial statements).

Net Loss

Net loss for the nine months ended March 31, 2020 increased by $1,947,000 or 21%, to $11,086,000 as compared to $9,139,000 for the nine months ended March 31, 2019. The increase is primarily attributable to increased research and development costs, selling and administrative expenses, and interest expense, partially offset by improved gross profit.

Comparison of Results of Operations For the Years Ended June 30, 2019 and June 30, 2018

The following table sets forth information from our statements of operations for the years ended June 30, 2019 (Fiscal 2019) and June 30, 2018 (Fiscal 2018).

	Fiscal 2019		Fiscal 2018	
	$	% of Revenues	$	% of Revenues
Net Revenue	$ 9,317,000	100%	$ 4,118,000	100%
Cost of goods sold	8,768,000	94%	4,913,000	119%
Gross loss	549,000	6%	(795,000)	-19%
Operating expenses				
Selling and administrative expenses	7,712,000	83%	3,462,000	84%
Research and development	4,088,000	44%	1,956,000	47%
Total operating expenses	11,800,000	127%	5,418,000	132%
Operating loss	(11,251,000)	-121%	(6,213,000)	-151%
Other income (expenses)				
Change in fair value derivative liabilities	84,000	1%	-	-%
Interest expense, net	(1,247,000)	-13%	(752,000)	-18%
Net loss	$ (12,414,000)	-133%	$ (6,965,000)	-169%

Net Revenue

Revenues for Fiscal 2019 increased $5,199,000 or 126%, compared to Fiscal 2018. This increase in revenues during Fiscal 2019 was primarily attributable to expansion into the fleets of existing customers. Revenue increases also reflected a smaller mix of airport ground support equipment for initial purchases by a large international airport service company.

Cost of Sales

Cost of sales for Fiscal 2019 increased $3,855,000 or 78%, compared to Fiscal 2018. The increase in cost of sales was directly attributable to the increase in revenues during Fiscal 2019. The cost of materials per LiFT Pack in Fiscal 2019 decreased compared to Fiscal 2018 as higher purchase quantities resulted in lower costs of materials per pack. The improvement in lower costs per pack and the increase in larger pack sales provided a gross profit during Fiscal 2019 as compared to a gross loss for Fiscal 2018. Warranty expense for Fiscal 2019 increased as a result of the higher sales volume. As of June 30, 2019, we had approximately $361,000 accrued for product warranty liability.

Selling and Administrative Expenses

Selling and administrative expenses consist primarily of salaries and personnel related expenses, stock-based compensation expense, public company costs, consulting costs, professional fees and other expenses. Such expenses for Fiscal 2019 increased $4,250,000 or 123%, compared to Fiscal 2018. The increase was for marketing to promote the new products, additional payroll costs and stock-based compensation related to new employees, and additional legal fees for capital raises.

Research and Development

Research and development expenses for Fiscal 2019 increased $2,132,000 or 109%, compared to Fiscal 2018. Such expenses consist primarily of materials, supplies, salaries and personnel related expenses, testing costs, consulting costs, and other expenses associated with the continued development of our LiFT Pack, as well as, research into new product opportunities. The increase in expenses in Fiscal 2019 was primarily due to the continued development and implementation of the higher capacity packs for Class 1, 2, and 3 forklifts and UL listings for those packs. We anticipate research and development expenses will remain a significant portion of our expenses as we continue to develop and add new and improved products to our product line-up.

Other Income

Other income during Fiscal 2019 was $84,000 and was related to the liability release of a related party customer deposit.

Interest Expense

Interest expense for Fiscal 2019 increased $495,000 or 66%, compared to Fiscal 2018 and was primarily due to interest expense related to our outstanding lines of credit. Interest expense in Fiscal 2019 and Fiscal 2018 was approximately $1,247,000 and $752,000, respectively, related to our outstanding lines of credit (see Note 8 to the audited consolidated financial statements).

Net Loss

Net loss during Fiscal 2019 increased $5,499,000 or 78%, compared to Fiscal 2018. The increase is due primarily to increased selling, administrative, and research and development expenses, as discussed above.

Liquidity and Capital Resources

Overview

As of March 31, 2020, and June 30, 2019, we had a cash balance of $106,000 and $102,000, respectively, and had an accumulated deficit of $50,162,000 and $39,076,000, respectively.

Since June 2012, when we changed our business operations to the design, development, manufacture, and sale of rechargeable advanced energy storage systems, we have generated negative cash flows from operations, and we have financed our operations primarily through sales of our products, private sales of equity securities, short term loans from related parties and credit facilities.

From April 2020 to July 2020, pursuant to private placement offerings, we raised an aggregate of $4,565,000 from the sale of 1,141,250 shares of our common stock to accredited investors in our private placement. On June 30, 2020, certain lenders under the LOC and Esenjay Note converted portion of their outstanding convertible notes in the amount of approximately $7,883,000 into 1,970,830 shares of common stock. As a result of the partial conversion of the debt underlying the LOC at $4.00 per share on July 28, 2020, there was approximately $5,289,709 in principal outstanding under the LOC, and approximately $6,710,291 available for draw. In addition, as a result of a partial conversion of the debt underlying the Esenjay Note at $4.00 per share, on June 30, 2020 and July 22, 2020, as of July 28, 2020, there was approximately $500,000 outstanding under the Esenjay Note. In July 2020, the Company paid off $200,000 of its debt under the Cleveland Note. As of July 27, 2020, there was approximately $969,000 outstanding under the Cleveland Loan. In addition, we have approximately $1,297,000 outstanding under our PPP Loan.

We have evaluated our expected cash requirements over the next twelve months, which include, but are not limited to, investments in additional sales and marketing and product development resources, capital expenditures, and working capital requirements and have determined that our existing cash resources are not sufficient to meet our anticipated needs during the next twelve months, and that additional financing is required to support our operations. Based on our existing and planned levels of expenditures, we estimate that our available cash balance, credit facilities, and the expected net proceeds of this offering will be sufficient to fund our existing and planned operations for the next twelve months from the date of this prospectus. We will need to raise additional capital after this offering to fund our business plan subsequent to that date, until such time as revenues and related cash flows become sufficient to support our operating costs.

We intend to continue to seek capital through the sale of equity securities through private or public placements and debt placements.

The following table summarizes our cash flows for the periods indicated:

	Nine Months Ended March 31,		Year Ended June 30,	
	2020	2019	2019	2018
Net cash used in operating activities	(5,744,000)	(7,055,000)	(10,712,000)	(6,500,000)
Net cash used in investing activities	(145,000)	(144,000)	(275,000)	(85,000)
Net cash provided by financing activities	5,893,000	5,393,000	8,383,000	9,170,000
Net change in cash	4,000	(1,806,000)	(2,604,000)	2,585,000

Operating Activities

Net cash used in operations during the nine months ended March 31, 2020 and March 31, 2019 consists of $5,744,000 and $7,055,000, respectively. The primary reason for the decrease in net cash used in operations was a lower increase in inventory on hand, additional due to factor, accounts payable and significant customer deposits, partially offset by increase in net loss as adjusted for noncash operating activities and a decrease in accrued interest.

Net cash used in operations for Fiscal 2019 and Fiscal 2018 consists of $10,712,000 and $6,500,000, respectively. The net cash used in operating activities for Fiscal 2019 reflects the net loss of $12,414,000 for the period offset primarily by non-cash items including depreciation, stock-based compensation, and stock issued for services, as well as, the purchase of inventory, and the payment of accounts payable. The net cash used in operating activities for Fiscal 2018 reflects the net loss of $6,965,000 for the period offset primarily by non-cash items including depreciation, stock-based compensation, and stock issued for services, as well as, the purchase of inventory and the payment of accounts payable.

Investing Activities

Net cash used in investing activities during the nine months ended March 31, 2020 consists of the purchase of office equipment for $145,000. Net cash used in investing activities during the nine months ended March 31, 2019 consists of the purchase of office equipment, primarily computer related, for $144,000.

Net cash used in investing activities for Fiscal 2019 and Fiscal 2018 totaled $275,000 and $85,000, respectively, which consisted primarily of office and warehouse equipment purchases.

Financing Activities

Net cash provided by financing activities during the nine months ended March 31, 2020 was $5,893,000 and consisted primarily of proceeds from the lines of credit and a short-term loan. Net cash provided by financing activities during the nine months ended March 31, 2019 was $5,393,000 and consisted of proceeds from the sale of common stock and proceeds from the line of credit.

Net cash provided by financing activities during Fiscal 2019 and Fiscal 2018 was $8,383,000 and $9,170,000, respectively. The increase in cash provided by financing activities primarily results from the borrowings from our lines of credit totaling $6,500,000, as well as, proceeds from a $4,390,000 private placement sale of common stock.

Going Concern

For the nine months ended March 31, 2020 and the year ended June 30, 2019, we incurred net losses from operations of $11,086,000 and $12,414,000, respectively. As of March 31, 2020, and June 30, 2019, we had an accumulated deficit of $50,162,000 and $39,076,000, respectively. In addition, as of March 31, 2020, our available cash balance was $106,000 compared to $102,000 at fiscal year ended June 30, 2019.

In their report on the annual consolidated financial statements for Fiscal 2019, our independent auditors included an explanatory paragraph in which they expressed substantial doubt regarding the Company's ability to continue as a going concern. Our ability to continue as a going concern is dependent upon our ability to raise additional capital on a timely basis until such time as revenues and related cash flows are sufficient to fund our operations. Management's plans are to continue to seek funding, as necessary, through the sale of equity securities, credit line extensions and convertible debt placements.

The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current stockholders. (See Note 2 to the audited consolidated financial statements).

Off-Balance Sheet Arrangements

We do not have any off-balance sheet financing arrangements or any relationships with unconsolidated entities or financial partnerships, including entities sometimes referred to as structured finance or special purpose entities, that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Recently Adopted Accounting Pronouncements

In 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its balance sheet for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The new standard became effective for us on July 1, 2019, and it was adopted using the modified retrospective method through a cumulative-effect adjustment directly to retained earnings as of that date. The new standard increased our right-of-use assets and the lease liability by approximately $2.7 million and $2.7 million, respectively.

On June 20, 2018, the FASB issued ASU 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting* (ASU 2018-07). ASU 2018-07 is intended to reduce the cost and complexity and to improve financial reporting for share-based payments to nonemployees for goods and services. The amendments in ASU 2018-07 are effective for fiscal years beginning after December 15, 2018, including interim periods therein. The adoption of this guidance by the Company, effective July 1, 2019, did not have a material impact on the Company's consolidated financial statements.

BUSINESS

Overview

We design, develop, manufacture, and sell advanced rechargeable lithium-ion energy storage solutions for lift trucks, and other industrial equipment including airport ground support equipment (GSE), and energy storage for solar applications, industrial robotic applications. With a decade of experience in lithium-ion technology, we believe our LiFT Packs, including our proprietary (in-house developed) battery management system (BMS), provide our customers with a better performing, lower all-in cost, and more environmentally friendly alternative, in many instances, to traditional lead-acid and propane-based solutions. We have prioritized achieving Underwriters Laboratory (UL) Listing for our Lift pack products. We believe that a UL Listing demonstrates the safety, reliability and durability of our products and gives us an important competitive advantage over other lithium-ion energy suppliers. Our LiFT Packs have been approved for use by leading industrial motive manufacturers, including Toyota Material Handling USA, Inc., Crown Equipment Corporation, and Raymond Corporation.

Within our industrial market segments, we believe that our LiFT Pack solutions provide cost and performance benefits over existing lead-acid power products including:

- Longer operation and more shifts with fewer batteries;
- Reduced energy and maintenance costs;
- Faster recharging; and
- Longer lifespan.

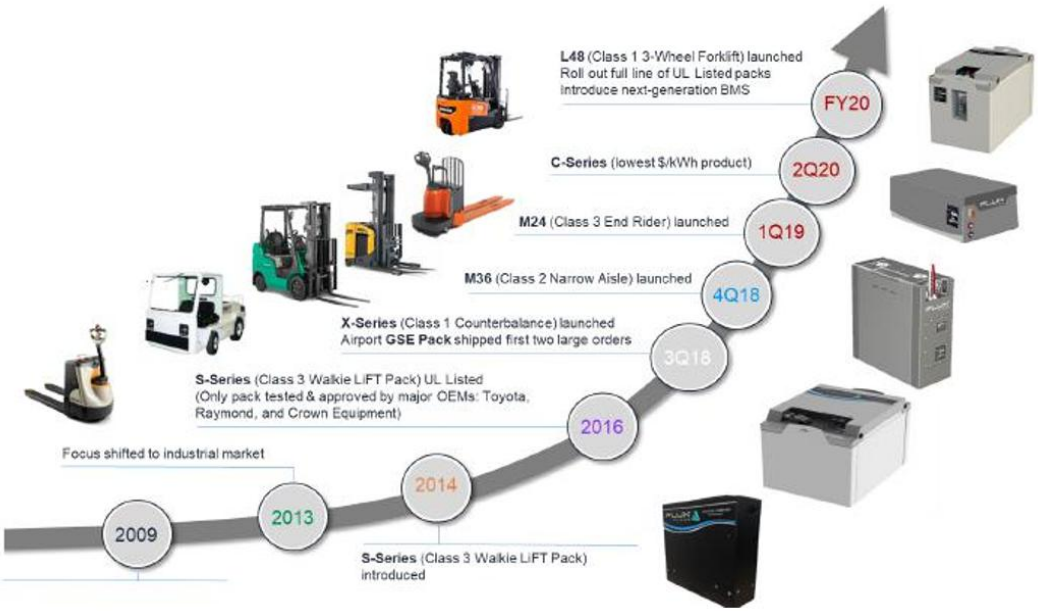
Additionally, the toxic nature of lead-acid batteries presents significant safety and environmental issues as they are subject to Environmental Protection Agency lead-acid battery reporting requirements, may create an environmental hazard in the event of a cell breach, and emit combustible gases during charging.

As a result of the advantages lithium-ion battery technology provide over lead-acid batteries, we have experienced significant growth in our business. We believe we are at the very early stage of a trend toward the adoption of lithium-ion technology and the displacement of lead-acid and propane-based energy storage solutions, which based on North American sales data from the Industrial Truck Association (ITA), we estimate to be a multi-billion dollar per year market.

We launched our LiFT Packs for the Class 3 Walkie Pallet Jack (Class 3 Walkie) product line in 2014 and received Underwriters Laboratory (UL) Listing on our Class 3 Walkie LiFT Pack product line in 2016. We received UL Listing on Class 1 Counterbalance/Sit down/Ride-on (Class 1 Ride-on) LiFT Packs earlier this year. We expect to seek UL Listing during calendar 2020 for our other product lines, which include Class 2 Narrow Aisle LiFT Packs, and Class 3 End Rider LiFT Packs.

Critical to our success is our innovative and proprietary versatile BMS that both optimizes the performance of our LiFT Packs and provides a platform for adding new battery pack features, including customized telemetry for customers. The BMS serves as the brain of the battery pack, managing cell balancing, charging, discharging, monitoring and communication between the pack and the forklift.

Our engineers design, develop, test, and service, our products. We source our battery cells from multiple suppliers in China and the remainder of the components primarily from vendors in the United States. Final assembly, testing and shipping of our products is done from our ISO 9001 certified facility in Vista, California, which includes three assembly lines.



Our Strengths

We have leveraged our experience in lithium-ion technology to design and develop a suite of LiFT Pack product lines that we believe provide attractive solutions to customers seeking an alternative to lead-acid and propane-based power products. We believe that the following attributes are significant contributors to our success:

Engineering and integration experience in lithium-ion for motive applications: We have been developing lithium-ion applications for the advanced energy storage market since 2010, starting with products for automotive electric vehicle manufacturers. We believe our experience enables us to develop superior solutions as we have sold over 7,000 packs in the field to customers

UL Listing: We launched our Class 3 Walkie LiFT Pack product line in 2014 and obtained UL Listing for all three different power configurations in January 2016. We have also obtained UL Listing for our Class 1 LiFT Pack and our Class 2 LiFT Pack is in process, with our Class 3 End Rider to follow subsequently. We believe this UL Listing gives us a significant competitive advantage and provides assurance to customers that our technology has been rigorously tested by an independent third party and determined to be safe, durable and reliable.

Original equipment manufacturer (OEM) approvals: Our Class 3 Walkie LiFT Packs have been tested and approved for use by Toyota Material Handling USA, Inc., Crown Equipment Corporation, and Raymond Corporation, among the top global lift truck manufacturers by revenue according to Material Handling & Logistics. We also provide a "private label" Class 3 Walkie LiFT Pack to a major forklift OEM.

Broad product offering and scalable design: We offer LiFT Packs for use in a variety of industrial motive applications. We believe that our modular and scalable design enables us to optimize design, inventory, and part count to accommodate natural product extensions of our products to meet customer requirements. Based on our Class 3 Walkie LiFT Pack design, we have expanded our product lines to include Class 1 Ride-on and 3 Wheel Class 2 Narrow Aisle & Turret Truck, Class 3 End Rider LiFT Pack product lines as well as airport GSE Packs. Natural product extensions, based on our modular, scalable designs, recently include solar backup power for mobile charging stations and robotic warehouse equipment.

Significant advantages over lead acid and propane solutions: We believe that lithium-ion battery systems have significant advantages over existing technologies and will displace lead-acid batteries and propane-based solutions, in most applications. Relative to lead-acid batteries, such advantages include environmental benefits, no water maintenance, faster charge times, greater cycle life, longer run times, and less energy used that provide operational and financial benefits to customers. Compared to propane solutions, lithium-ion systems avoid the generation of exhaust emissions and associated odor and environmental contaminates, and maintenance of an internal combustion engine, which has substantially more parts than an electric motor.

Proprietary Battery Management System: We have developed our "next generation" versatile BMS that is currently being rolled out into our full product lines and which provides significant product features for improved customer productivity. Our BMS serves as the brain of the battery pack, managing cell balancing, charging, discharging, monitoring and communication between the pack and the forklift. Our BMS is specifically designed for the industrial motive application environment and is adaptable to meet custom requirements. Our BMS also enables ongoing feature development for reduced cost and higher performance.

Our Products

We have developed, tested, and sold our LiFT Packs for use in a broad range of lift trucks, including Class 3 Walkie and End Riders, Class 2 Narrow Aisle, and Class 1 Ride-on, as well as for airport GSE. Within each of these product segments, there is a range of power and equipment variations. Our LiFT Packs fit most of these variations, with only minor modifications needed to fit the remaining low volume applications. This equipment is described in more detail below.

Equipment		Flux Power Product		Description
	Class 3 Walkie		S8 & S24 LiFT Pack	High volume workhorse
	Class 3 End Rider		M24 LiFT Pack	Market volume similar to Walkies 4X energy of Walkie
	Class 2 Narrow Aisle		M36 LiFT Pack	Narrow Aisle, High Growth 10X energy of Walkie
	Class 1 3 Wheel & Class 2 Turret Truck		L48 LiFT Pack	8X energy of Walkie
	Class 1 Counterbalanced		X36 / X48 / X80 LiFT Pack	12X energy of Walkie
	Airport GSE		GSE Pack	Modular design similar to Class 1 14X energy of Walkie

Class 3 Walkie Pallet Jack Packs

- Our smallest product line by weight and size.
- Dedicated assembly line for production with unique design to fit battery compartments.
- Used in food and beverage delivery business, where the “walkie” often rides on truck deliveries in a very rugged environment.
- UL Listing received in 2016 for all three power configurations.
- Power ratings range from 1.7 to 4.3 kWh.

Class 1 Counterbalance/Sit Down/Ride-on

- Our “large product” line for Class 1 ride-on forklifts, to meet high power requirements.
- Utilizes modular “blade” design
- Used in warehouses and production facilities, for demanding requirements, especially multi-shift operations
- Proven to support 3-shift operations and avoid the need for a battery for each shift.
- Power ratings range from 21.6 to 32.0 kWh.

Class 1 3-Wheel Forklift

- Our solution for Class 1 3-wheel forklifts, to meet high power requirements.
- Used in high-velocity warehouses and production facilities, typically with reduced rack spacing requiring greater maneuverability in tight spaces.
- Proven to support 3-shift operations and avoid the need for a battery for each shift.
- Power ratings range from 20.5 to 30.7 kWh.

Class 2 Narrow Aisle

- Our “medium product line” utilizes a modular design for medium-size packs.
- Popular in new facilities focused on high efficiency operations.
- Power ratings range from 21.6 to 31.1 kWh.

Class 3 End Rider

- Uses similar design to our Class 2 Narrow Aisle LiFT Packs.
- Equipment and battery packs designed for use in high volume distribution centers (DC).
- Power ratings range from 9.6 to 14.4 kWh.

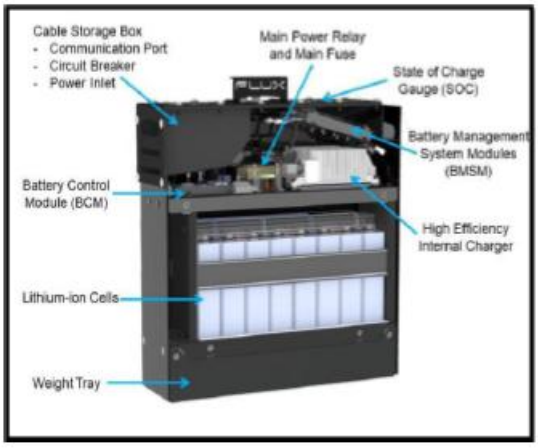
Airport GSE

- Our first “large pack” product line, built on our “large pack” assembly line.
- Utilizes similar modular design as our large forklift LiFT Packs with minor modifications.
- Used to power airport GSE including: baggage and cargo trucks, scissor lifts, pushback tractors, and belt loaders, all used at airports.
- Used by major airlines and ground support equipment “service” companies.
- Power ratings range from 16.0 to 48.0 kWh.

Energy Storage for Solar Power

- Uses our stacked version of our recently launched Class 3 S24
- Currently sold on solar power electric vehicle (EV) charging stations.
- Power ratings range from 9.6 to 14.4 kWh.

Because we are addressing a wide range of power and energy requirements across broad industrial motive applications, we have taken a modular approach to our battery pack system design. We have three core design modules that are used in our entire family of forklift products. Our core modules are designed for small, medium, and large packs. The design of each core module is driven by power and physical space sizing. The core module for our small LiFT Pack, which fits a Class 3 Walkie, is a 24-volt lithium pack (figure below) comprised of individual 3.2-volt cells. The medium and large cored modules are designed to accommodate larger equipment size and power by adding more cells and components. These larger designs support 36-volt, 48-volt, and 72-volt applications with power requirements up to 900Ah (amps per hour or “current” rating), which enables us to offer a full product line-up.



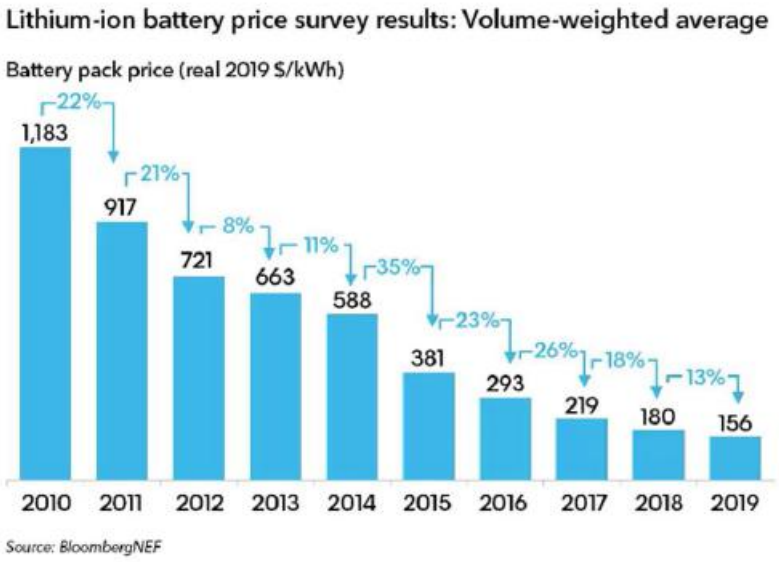
We offer varying chemistries and configurations based on the specific application. Currently, our LiFT Packs use lithium iron phosphate (LiFePO4) battery cells, which we source from a variety of overseas suppliers that meet our power, reliability, safety and other specifications. Because our BMS is not designed to work with a specific battery chemistry, and we do not develop or manufacture our own battery cells, we believe we can readily adapt our LiFT Packs as new chemistries become available in the market or customer preferences change.

We also offer 24-volt onboard chargers for our Class 3 Walkie LiFT Packs, and smart "wall mounted" chargers for larger applications. Our smart charging solutions are designed to interface with our BMS.

Industry Overview

The motive energy storage markets have evolved from reliance primarily on lead-acid technologies created in the 1800s to increasing use of advanced chemistries that have the ability to store energy more efficiently and with lower environmental impact.

Driven by overall growth in global demand for lithium-ion battery solutions, the supply of lithium-ion batteries has rapidly expanded, leading to price declines of eighty-five percent (85%) since 2010 according to BloombergNEF. BloombergNEF also estimates that lithium-ion battery pack prices, which averaged $1,160 per kilowatt hour in 2010, were $156 per kWh in 2019 and could drop below $100 in 2024.



The sharp decline in the price of lithium-ion batteries has commenced a shift in customer preferences away from lead-acid and propane-based solutions for power lift equipment to lithium-ion based solutions. We believe our position as a pioneer in the field and our extensive experience providing lithium-ion based storage solutions makes us uniquely positioned to take advantage of this shift in customer preferences.

Lift Equipment - Material Handling Equipment

We focus on energy storage solutions for lift equipment and GSE because we believe they represent large and growing markets that are just beginning to adopt lithium-ion based technology. These markets include not only the sale of lithium-ion battery solutions for new equipment but also a replacement market for existing lead acid battery packs.

Historically, larger lift trucks were powered by internal combustion engines, using propane as a fuel, with smaller equipment powered by lead-acid batteries. Over the past thirty years, there has been a significant shift toward electric power. According to Liftech/ITA, over this time period the percentage of lift trucks powered electrically has doubled from approximately 30% to over sixty percent 60%.

According to Modern Materials Handling, worldwide new lift truck orders reached approximately 1.4 million units in 2017. The Industrial Truck Association has estimated that approximately 200,000 lift trucks had been sold yearly since 2013 in North America (Canada, the United States and Mexico), including approximately 260,000 units sold in 2018, with sales relatively evenly distributed between electric rider (Class 1 and Class 2), motorized hand (Class 3), and internal combustion engine powered lift trucks (Class 4 and Class 5). The ITA estimates that electric products represented approximately sixty-four percent (64%) of the North American market in 2018. Driven by growth in global manufacturing, e-commerce and construction, Research and Markets expects that the global lift truck market will grow at a compound annual growth rate of six and four-tenths percent (6.4%) through 2024.

Customers

Some of our end users of our LiFT Packs include companies in a number of different industries, as shown in the graphic below:

During the three months ended March 31, 2020, we had two major customers that each represented more than 10% of our revenues on an individual basis, and together represented approximately 67% of our total revenues. During the nine months ended March 31, 2020, we had three major customers that each represented more than 10% of our revenues on an individual basis, and together represented approximately 76% of our total revenues.

During the three months ended March 31, 2019, we had two major customers that each represented more than 10% of our revenues on an individual basis, and together represented approximately 59% of our total revenues. During the nine months ended March 31, 2019, we had four major customers that each represented more than 10% of our revenues on an individual basis, and together represented approximately 80% of our total revenues.

Shift Toward Lithium-ion Battery Technologies

We expect that there will be a significant increase in demand for safe and efficient alternatives to lead-acid and propane-based power products. There are a number of factors driving the change in customer preference away from these legacy products and toward lithium-ion energy storage solutions:

Duration of Charge/Run Times: Lithium-based energy storage systems can perform for a longer duration compared to lead-acid batteries. Lithium-ion batteries provide up to 50% longer run times than lead-acid batteries of comparable capacity, or amps-per-hour rating, allowing equipment to be operated over a long period of time between charges.

High/Sustained Power: Lithium-ion batteries are better suited to deliver high power versus legacy lead-acid. For example, a 100Ah lead acid battery will only deliver 80Ah if discharged over a four-hour period. In contrast, a 100Ah lithium-ion system will achieve over 92Ah even during a 30-minute discharge. Additionally, during discharge, the LiFT Pack sustains its initial voltage, maximizing the performance of the forklift truck, whereas, lead acid voltages, and hence power, decline over the working shift.

Charging Time: Lead acid batteries are limited to one shift a day, as they discharge for eight hours, need eight hours for charging, and another eight hours for cooling. For multi-shift operations, this typically requires battery changeout for the equipment. Because lithium-ion batteries can be recharged in as little as one hour and do not degrade when subjected to opportunity charging, hence, battery changeout is unnecessary.

Safe Operation: The toxic nature of lead-acid batteries presents significant safety and environmental issues in the event of a cell breach. During charging, lead-acid emits combustible gases and increases in temperature. Lithium-ion (particularly LFP) batteries do not get as hot and avoid many of the safety and environmental issues associated with lead-acid batteries.

Extended Life: The performance of lead-acid batteries degrades after approximately 500 charging cycles in industrial equipment applications. In comparison, lithium-ion batteries last up to five times longer in the same application.

Size and Weight: Lithium is about one-third the weight of lead-acid for comparable power ratings.

Lower Cost: Lithium-ion batteries provide power dense solutions with extended cycle life, reduced maintenance and improved operational performance, resulting in lower total cost of ownership.

Less Energy Used: we believe our lithium-ion use less energy based on our internal studies comparing lithium-ion to lead acid.

Marketing and Sales

In the industrial motive market, OEMs sell their lift products through dealer networks and directly to end customers. Because of environmental issues associated with lead-acid batteries and to preserve customer choice, industrial lift products are typically sold without a battery pack. Equipment dealers source battery packs from battery distributors and battery pack suppliers based on demand or in response to customer specifications. End customers may specify a specific type and manufacturer of battery pack to the equipment dealer or may purchase battery packs from battery distributors or directly from battery suppliers. Consequently, we sell our products through a number of different channels, including directly to end users, OEMs and lift equipment dealers or through battery distributors.

Our direct sales staff is assigned to major geographies nation-wide to collaborate with our sales partners who have an established customer base. We are seeking to hire additional sales staff to support our expected sales growth. In addition, we have developed a nation-wide sales network of relationships with equipment OEMs, their dealers, and battery distributors.

We have worked directly with a number of OEMs to secure “technical approval” for compatibility of our LiFT Packs with their equipment. Once we receive that approval, we focus on developing a sales network utilizing existing battery distributors and equipment dealers, along with the OEM corporate national account sales force, to drive sales through this channel.

As our LiFT Packs have gained acceptance in the marketplace, we have seen an increase in direct-to-end-customer sales, ranging from small enterprises to Fortune 500 companies. To expand our customer reach, we have begun to market directly to end users, primarily focusing on large fleets operated by Fortune 500 companies seeking productivity improvements. We have seen initial success in these efforts, including sales to a Fortune 100 heavy machinery conglomerate. Our marketing efforts to these customers focus on the benefits of lithium-ion batteries over lead-acid batteries in their equipment.

Our product development efforts have included pilot programs and trials with national account end users. This has resulted in increased sales to these end users as many of them seek to replace lead-acid batteries with lithium-ion battery packs in their fleets as they buy new equipment.

To support our products, we have a nation-wide network of service providers, typically forklift equipment dealers and battery distributors, who provide local support to large customers. We utilize a discount price to our standard retail prices to compensate our partners for customer orders and service availability. We also maintain a call center and provide Tech Bulletins and training to our service and sales network out of our corporate headquarters.

Our warranty policy for our family of forklift products includes a warranty ranging from five-year to ten-year limited warranty depending on size of pack. Warranty claims are handled by our call center that determines the appropriate response path: return pack, field fix by approved technician on location, or technical resolution by the call center. Our approved field technicians are typically equipment dealers or battery distributors, charging agreed upon discounted rates to their "street rates."

We partner with Averest, Inc., an experienced GSE distributor, to market our lithium-ion battery packs for airport GSE. Our sales cycle for GSE equipment has required initial multi-month evaluation periods of packs prior to ordering. After initial shipments, subsequent ordering is dependent upon operating requirements and capital budgeting.

We customarily maintain a relatively small inventory of Class 3 Walkie LiFT Packs, which typically have shorter customer timing requirements than other lift equipment. For larger packs, we seek to align our inventory and production with historical OEM order patterns. Typically, we deliver larger packs on a four- to eight-week lead time. Because of associated lead times, we provide six-month rolling forecasts to our battery cell suppliers who manufacture and deliver to our forecast.

Ordering patterns primarily reflect ordering patterns of new equipment, commonly done in monthly or quarterly stages by large customers, as single fleet-size orders would require significant planning and operational support to implement. Backlog varies with customers but is driven by operating timing. Customer payment terms are normally net 30 days, but certain large customers require extended payment terms, ranging from 45 to 60 days. We have experienced some seasonality, particularly in July, August and December.

Manufacturing and Assembly

We source our battery cells from multiple suppliers in China and the remainder of the components primarily from vendors in the United States. While we have experienced supply interruptions from time to time, none have been material. Production rates aligned with our forecasts have helped us mitigate the risk of disruption. Our BMS is not dependent on a specific lithium-ion chemistry or cell manufacturer, as we are agnostic to chemistry and supplier. We monitor and test potential new cell technologies on an ongoing basis. Final assembly, testing and shipping of our products is done from our ISO 9001 certified facility in Vista, California, which includes three assembly lines.

We design our BMS modules/boards and have two granted patents: (i) a 12-volt battery design; and (ii) a battery display design. Component acquisition and assembly of the BMS modules/boards are outsourced to two local, Southern California board houses, both of whom meet our quality and other specifications.

We buy chargers from several sources, including a U.S. based supplier. Additionally, we are a qualified dealer for a well-known manufacturer of "high capacity, modular, smart chargers" which support our larger packs.

Research and Development

Our engineers design, develop, test, and service our products. We believe our core competencies and capabilities are designing and developing technology for BMS, systems engineering, engineering application, and software engineering for both battery packs and telemetry. We believe that our ability to develop new features and technology for our BMS is essential to our growth strategy.

Research and development expenses for the fiscal years ended June 30, 2019 and 2018 were approximately $4,088,000 and $1,956,000, respectively. Such expenses consist primarily of materials, supplies, salaries and personnel related expenses, stock-based compensation expense, consulting costs and other expenses. Research and development expenses in fiscal year ended June 30, 2019 were higher than fiscal year ended June 30, 2018 primarily due to the development, implementation, and UL testing of the higher capacity packs for Class 1, 2, and 3 forklifts.

Research and development expenses for the nine months ended March 31, 2020 increased by $996,000 or 34%, to $3,888,000 compared to $2,892,000 for the nine months ended March 31, 2019. Such expenses consist primarily of materials, supplies, salaries and personnel related expenses, testing costs, consulting costs, and other expenses associated with the continued development of our packs, as well as, research into new product opportunities. The increase in expenses was primarily due to the UL listing expenses and additional headcount. We anticipate research and development expenses will remain a significant portion of our expenses as we continue to develop and add new and improved products to our product line-up.

As we continue to develop our product offerings, we anticipate that research and development expenses will continue to be a substantial part of our focus. We perform our research and development at our facility in Vista, 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.

Competition

Our competitors in the lift equipment market are primarily major lead-acid battery manufacturers, including Exide Technologies, East Penn Manufacturing Company, EnerSys Corporation, and Crown Battery Corporation We do not believe that these suppliers offer lithium-based products for lift equipment in any significant volume to end users, equipment dealers, OEMs or battery distributors. Several OEMs offer lithium-ion battery packs on Class 3 forklifts for sale only with their own new forklifts. As the demand for lithium-ion battery packs has increased, a number of lithium battery pack providers have entered the market, most of whom we believe are suppliers of existing power products who have added a lithium product to their product lines.

The key competitive factors in this market are performance, reliability, durability, safety and price. We believe we compete effectively based on our experience with lithium-ion technology, including our development capabilities and the performance of our proprietary BMS. We believe that the UL Listing covering our entire Class 3 Walkie LiFT Pack product line is a significant differentiating competitive advantage and we intend to extend that advantage by seeking to obtain UL Listings for our other LiFT Pack products during calendar 2020. In addition, because our BMS is not reliant on any specific battery cell chemistry, we believe we can adapt rapidly to changes in advanced battery technology or customer preferences.

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. In addition to such factors as innovation, technological expertise and experienced personnel, we believe that a strong patent position is important to remain competitive.

As of March 31, 2020, we have two issued patents and three trademark registrations protecting the Flux Power name and logo. We intend to file additional patent applications with respect to our technology, including our next generation BMS 2.0, which is now being rolled into production. We do not know whether any of our efforts 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. We have two granted patents: (i) a 12-volt battery design and (ii) a battery display design. Based on our recently released next generation BMS, we plan to file four utility patents within this year.

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 Vista, 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 June 30, 2020, we had 103 full-time employees. We engage outside consultants for business development and operations or other functions from time to time. None of our employees is currently represented by a trade union.

Properties

The Company's corporate headquarters and production facility totals approximately 63,200 square feet and is located in Vista, California. Monthly rent is approximately $58,700 per month and escalates approximately 3% per year through the end of the lease term on November 20, 2026. Total rent expense was approximately $160,000 and $458,000 for the three months and nine months ended March 31, 2020, net of sublease income. Total rent expense was approximately $41,000 and $123,000 for the three months and nine months ended March 31, 2019, net of sublease income.

Legal Proceedings

From time to time, we may become involved in legal proceedings that arise in the ordinary course of business. We are not a party to any material legal proceedings.

MANAGEMENT

Directors, Executive Officers and Significant Employees

Identification of Directors, Executive Officers and Significant Employees

The following table and text set forth the names and ages of our current directors, executive officers and significant employees as of July 28, 2020. Our Board of Directors is comprised of only one class. All of the directors will serve until the next annual meeting of stockholders or 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. Our Board of Directors is not paid for service.

Name	Age	Position
Ronald F. Dutt[(1)]	73	Chairman, Chief Executive Officer and President
Charles A. Scheiwe[(1)]	54	Chief Financial Officer and Secretary[1]
Jonathan A. Berry	52	Chief Operating Officer
Michael Johnson	72	Director
Lisa Walters-Hoffert[(2)(3)]	61	Director
Dale Robinette[(2)(4)]	56	Director
John A. Cosentino, Jr. [(2)(5)]	70	Director

(1) Mr. Dutt resigned as our chief financial officer and secretary on December 16, 2018, and upon his resignation, Mr. Scheiwe was appointed as our chief financial officer and secretary on December 17, 2018. Mr. Ronald F. Dutt was appointed as Chairman of the Board of Directors on June 28, 2019 upon the resignation of Christopher Anthony.
(2) Independent Director
(3) Chairperson of the Audit Committee
(4) Chairperson of the Compensation Committee
(5) Mr. James Gevarges resigned as our director on May 6, 2020, and upon his resignation Mr. Cosentino was appointed to the Board on May 7, 2020. Mr. Cosentino is the chairperson of the Nominating and Corporate Governance Committee.

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

Ronald F. Dutt. **Chairman, Chief Executive Officer, President, and Director**. Mr. Dutt has been our chief executive officer, former interim chief financial officer and director since March 19, 2014. He became our chairman on June 28, 2019. On September 19, 2017, he was also appointed as our president, chief financial officer and corporate secretary. He resigned as chief financial officer and corporate secretary as of December 16, 2018. Previously, he was our chief financial officer since December 7, 2012, and our interim chief executive officer since June 28, 2013. Mr. Dutt has served as the Company's interim corporate secretary since June 28, 2013. Prior to Flux Power, Mr. Dutt provided chief financial officer and chief operating officer consulting services during 2008 through 2012. In this capacity Mr. Dutt provided financial consulting, including strategic business modeling and managed operations. Prior to 2008, Mr. Dutt served in several capacities as executive vice president, chief financial officer and treasurer for various public and private companies including SOLA International, Directed Electronics, Fritz Companies DHL Americas, Aptera Motors, Inc., and Visa International. Mr. Dutt holds an MBA in Finance from University of Washington and an undergraduate degree in Chemistry from the University of North Carolina. Additionally, Mr. Dutt served in the United States Navy and received an honorable discharge as a Lieutenant.

Charles A. Scheiwe, Chief Financial Officer and Secretary. Mr. Scheiwe joined the Company in July of 2018 and has been acting as the Company's Controller since July 9, 2018. He was appointed as our chief financial officer and secretary on December 17, 2018. Prior to joining the Company, Mr. Scheiwe was the controller of Senstay, Inc. and provided financial and accounting consulting services to start-up companies from 2016 to 2018. From 2006 to 2016, Mr. Scheiwe was the vice president of finance and controller for GreatCall, Inc. Mr. Scheiwe's experience in accounting, financial planning and analysis, business intelligence, cash management, and equity management has prepared and qualified him for the position of chief financial officer and secretary of the Company. Mr. Scheiwe has a Bachelor of Science degree in Business Management, with emphasis in Accounting, from the University of Colorado. Mr. Scheiwe also holds a CPA certificate.

Jonathan A. Berry, Chief Operating Officer. Mr. Berry joined the Company in 2016 and has been our director of operations since 2016. On June 29, 2018, he was appointed as our chief operating officer. Prior to joining the Company in 2016, Mr. Berry was Clean Air Power, Inc.'s group operations director and general manager of the USA operations from 2014 to 2016, and operations director of the UK, Australia, and USA market from 2012 to 2014. Mr. Berry's experience in the development, implementation, and management of all aspects of supply chain, production, and sales has prepared and qualified him for the position of chief operating officer. Mr. Berry attended the Senior Executive Program at Hult Ashridge Business School in London, England, and has an undergraduate degree in Electrical Engineering from the University of Leeds.

Michael Johnson, Director. Mr. Johnson has been our director since July 12, 2012. Mr. Johnson has been a director of Flux Power since it was incorporated. Since 2002, Mr. Johnson has been a director and the chief executive officer of Esenjay Petroleum Corporation (Esenjay Petroleum), a Delaware company located in Corpus Christi, Texas, which is engaged in the business oil exploration and production. Mr. Johnson's primary responsibility at Esenjay Petroleum is to manage the business and company as chief executive officer. Mr. Johnson is a director and beneficial owner of Esenjay Investments LLC, a Delaware limited liability company engaged in the business of investing in companies, and an affiliate of the Company owning approximately 60.4% of our outstanding shares, including common stock underlying options, warrants and convertible debt that were exercisable or convertible or which would become exercisable or convertible within 60 days. As a result of Mr. Johnson's leadership and business experience, 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 received a Bachelor of Science degree in mechanical engineering from the University of Southwestern Louisiana.

Lisa Walters-Hoffert, Director. Ms. Walters-Hoffert was appointed to our Board on June 28, 2019. Ms. Walters-Hoffert co-founded Daré Bioscience Operations, Inc. ("Daré") in 2015 and served as Daré's Chief Business Officer. Following Daré's business combination with Cerulean Pharma Inc. on July 19, 2017, she became the Chief Financial Officer of the renamed company, Daré Bioscience, Inc. During the 25 years prior to joining the team, Ms. Walters-Hoffert was an investment banker focused primarily on raising equity capital for, and providing advisory services to, small-cap public companies. From 2003 to 2015, Ms. Walters-Hoffert worked at Roth Capital Partners, serving as Managing Director in the Investment Banking Division. Ms. Walters-Hoffert has held various positions in the corporate finance and investment banking divisions of Citicorp Securities in San José, Costa Rica and Oppenheimer & Co, Inc. in New York City, New York. Ms. Walters-Hoffert has served as a member of the Board of Directors of the San Diego Venture Group, as Past Chair of the UCSD Librarian's Advisory Board, and as Past Chair of the Board of Planned Parenthood of the Pacific Southwest. Ms. Walters-Hoffert graduated magna cum laude from Duke University with a B.S. in Management Sciences. As a senior financial executive with over twenty-five years of experience in investment banking and corporate finance and based on Ms. Walters-Hoffert's expertise in audit, compliance, valuation, equity finance, mergers, and corporate strategy, the Company believes Ms. Walters-Hoffert is qualified to be on the Board.

Dale T. Robinette, Director. Mr. Robinette was appointed to our Board on June 28, 2019. Mr. Robinette has been a CEO Coach and Master Chair since 2013 as an independent contractor to Vistage Worldwide, Inc., an executive coaching company. In addition, since 2013 Mr. Robinette has been providing business consulting related to top-line growth and bottom line improvement through his company EPIQ Development. Since 2016, Mr. Robinette has been a director of Lenslock, Inc., a mobile technology company that provides mobile video solutions to law enforcement agencies. From 2013 to 2019, Mr. Robinette was the Founder and CEO of EPIQ Space, a marketing website for the satellite industry, a member-based community of suppliers promoting their offerings. Mr. Robinette was with Peregrine Semiconductor, Inc., a manufacturer of high-performance RF CMOS integrated circuits, from 2013 to 2019 in two roles as a Director of Worldwide Sales as well as the Director of the High Reliability Business Unit. Mr. Robinette started his career from 1991 to 2007 at Tyco Electronics Ltd. (known today as TE Connectivity Ltd.), a passive electronics manufacturer, in various sales, sales leadership and product development leadership roles. Mr. Robinette received a Bachelor of Science degree in Business Administration, Marketing from San Diego State University. Based on the above qualifications, the Company believes Mr. Robinette is qualified to be on the Board.

John A. Cosentino, Jr., Director. Mr. Cosentino has been a director of Sturm, Ruger & Company, Inc. (NYSE: RGR), a firearm manufacturing company listed on the NYSE, since 2005 to the present. Mr. Cosentino has been a partner of Ironwood Manufacturing Fund, LP, a private equity fund, since 2002, a director of Simonds International, Inc., a cutting tools manufacturer, since 2001, the Chairman of the Board of Habco Industries LLC, an aerospace equipment and services supplier, since 2012, and Senior Advisor of Ironwood Capital Holdings LLC, a private equity firm, since 2012. He was a director of Addaero LLC, a metal alloy manufacturer, from 2014 to 2019, a director of Whitcraft LLC, a manufacturer of engine and other aerospace components, from 2011 to 2017, a director of the Bilco Company, a manufacturer of building products for commercial and residential construction, from 2007 to 2016, Chairman of North American Specialty Glass LLC, a specialty glass provider, from 2005 to 2012, Vice-Chairman of Primary Steel LLC, a national distribution and fabricator of steel products, from 2005 to 2007, and a director of the Wiremold Company, a manufacturer of wire management and power conditioning systems, from 1991 to 2000. Mr. Cosentino was a partner of Capital Resource Partners, LP, a private capital firm, from 1999 to 2000, and served as a director in a number of its portfolio companies. Mr. Cosentino received an undergraduate degree from Harvard University and an MBA from the University of Pennsylvania. Based on the above qualifications, the Company believes Mr. Cosentino is qualified to be on the Board.

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.

Board Leadership Structure and Role in Risk Oversight

The Board does not have a policy as to whether the roles of our chairman and chief executive officer should be separate. Instead, the Board makes this determination based on what best serves our Company's needs at any given time.

In its governance role, and particularly in exercising its duty of care and diligence, the Board is responsible for ensuring that appropriate risk management policies and procedures are in place to protect the company's assets and business. Our Board has broad and ultimate oversight responsibility for our risk management processes and programs and executive management is responsible for the day-to-day evaluation and management of risks to the Company.

Board Composition, Committees, and Independence

Under the rules of NASDAQ, "independent" directors must make up a majority of a listed company's board of directors. In addition, applicable NASDAQ rules require that, subject to specified exceptions, each member of a listed company's audit and compensation committees be independent within the meaning of the applicable NASDAQ rules. Audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Exchange Act.

Our Board has undertaken a review of the independence of each director and considered whether any director has a material relationship with us that could compromise the director's ability to exercise independent judgment in carrying out his or her responsibilities. As a result of this review, our Board determined that Ms. Walters-Hoffert, Mr. Cosentino and Mr. Robinette are independent directors as defined in the listing standards of NASDAQ and SEC rules and regulations. A majority of our directors are independent, as required under applicable NASDAQ rules. As required under applicable NASDAQ rules, our independent directors will meet in regularly scheduled executive sessions at which only independent directors are present.

Board Committees

Our Board has established an Audit Committee, a Compensation Committee, and a Nominating and Governance Committee. The composition and responsibilities of each of the committees is described below.

Audit Committee. The Audit Committee of the Board of Directors currently consists of three independent directors of which at least one, the Chairman of the Audit Committee, qualifies as a qualified financial expert as defined in Item 407(d)(5)(ii) of Regulation S-K. Ms. Walters-Hoffert is the Chairperson of the Audit Committee and financial expert, and Mr. Robinette and Mr. Cosentino are the other directors who are members of the Audit Committee. The Audit Committee's duties are to recommend to our Board of Directors the engagement of the independent registered public accounting firm to audit our consolidated financial statements and to review our accounting and auditing principles. The Audit Committee reviews the scope, timing and fees for the annual audit and the results of audit examinations performed by any internal auditors and independent public accountants, including their recommendations to improve the system of accounting and internal controls. The Audit Committee will at all times be composed exclusively of directors who are, in the opinion of our Board of Directors, free from any relationship that would interfere with the exercise of independent judgment as a committee member and who possess an understanding of consolidated financial statements and generally accepted accounting principles. Our Audit Committee operates under a written charter, which is available on our website at www.fluxpower.com.

Compensation Committee. The Compensation Committee establishes our executive compensation policy, determines the salary and bonuses of our executive officers and recommends to the Board stock option grants for our executive officers. Mr. Robinette is the Chairperson of the Compensation Committee, and Ms. Walters-Hoffert and Mr. Cosentino are members of the Compensation Committee. Each of the members of our Compensation Committee are independent under NASDAQ's independence standards for compensation committee members. Our chief executive officer often makes recommendations to the Compensation Committee and the Board concerning compensation of other executive officers. The Compensation Committee seeks input on certain compensation policies from the chief executive officer. Our Compensation Committee operates under a written charter, which is available on our website at www.fluxpower.com

Nominating and Governance Committee. The Nominating and Governance Committee is responsible for matters relating to the corporate governance of our Company and the nomination of members of the Board and committees of the Board. Mr. Cosentino is Chairperson of the Nominating and Governance Committee, and Ms. Walters-Hoffert and Mr. Robinette are members. Each of the members of our Nominating and Governance Committee is independent under NASDAQ's independence standards. The Nominating and Governance Committee operates under a written charter, which is available on our website at www.fluxpower.com.

Code of Business Conduct and Ethics

Our Board has adopted a Code of Business Conduct and Ethics (the Code) that applies to all of our directors, officers, and employees. Any waivers of any provision of this Code for our directors or officers may be granted only by the Board or a committee appointed by the Board. Any waivers of any provisions of this Code for an employee or a representative may be granted only by our chief executive officer or principal accounting officer. We have filed a copy of the Code with the SEC and have made it available on our website at www.fluxpower.com. In addition, we will provide any person, without charge, a copy of this Code. Requests for a copy of the Code may be made by writing to the Company at is c/o Flux Power Holdings, Inc., 2685 S. Melrose Drive, Vista, California 92081.

Indemnification Agreements

We executed a standard form of indemnification agreement (Indemnification Agreement) with each of our Board members and executive officers (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.

EXECUTIVE COMPENSATION

Compensation for our Named Executive Officers

The following table sets forth information concerning all forms of compensation earned by our named executive officers during the fiscal years ended June 30, 2020 and 2019 for services provided to the Company and its subsidiaries.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)[1]	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)
Ronald F. Dutt, Chief Executive Officer	2020	$ 195,000	$ -	$ -	$ -	$ -	$ -	$ 195,000
Officer, President, and Chairman	2019	$ 178,654	$ -	$ -	$ 1,484,356	$ -	$ -	$ 1,663,010
Charles A. Scheiwe	2020	$ 155,000	$ -	$ -	$ -	$ -	$ -	$ 155,000
Chief Financial Officer and Corporate Secretary	2019	$ 131,231	$ -	$ -	$ 338,021	$ -	$ -	$ 469,252
Jonathan Berry, Chief Operating Officer	2020	$ 160,000	$ -	$ -	$ -	$ -	$ -	$ 160,000
	2019	$ 152,500	$ -	$ -	$ 338,021	$ -	$ -	$ 490,521

(1) The grant date fair value was determined in accordance with the provisions of FASB ASC Topic No. 718 using the Black-Scholes valuation model with assumptions described in more detail in the notes to our audited consolidated financial statements.

Benefit Plans

We do 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.

Equity Compensation Plan Information

In connection with the reverse acquisition of Flux Power, Inc. in 2012, we assumed the 2010 Option Plan. As of June 30, 2019, the number of options outstanding to purchase common stock under the 2010 Option Plan was 29,482. No additional options to purchase common stock may be granted under the 2010 Option Plan.

On November 26, 2014, our board of directors approved our 2014 Equity Incentive Plan (2014 Option Plan), which was approved by our stockholders on February 17, 2015. The 2014 Option Plan was amended by our board of directors on October 26, 2017 and approved by our stockholders on July 23, 2018. The 2014 Option Plan offers selected employees, directors, and consultants the opportunity to acquire our common stock, and serves to encourage such persons to remain employed by us and to attract new employees. The 2014 Option Plan allows for the award of stock and options, up to 1,000,000 shares of our common stock. We granted 43,850 incentive stock options under the 2014 Option Plan during Fiscal 2016, of which 31,650 remain outstanding at June 30, 2019. No options were granted during Fiscal 2017. We granted 211,800 incentive stock options and 80,700 non-qualified stock options under the 2014 Option Plan during Fiscal 2018. We granted 147,411 incentive stock options and 97,616 non-qualified stock options under the 2014 plan during Fiscal 2019. We granted 15,324 incentive stock options and 3,948 non-qualified stock options under the 2014 plan during Fiscal 2020.

As of June 30, 2020, we have 454,156 and 579,584 options exercisable and outstanding which were granted from the 2014 Option Plan and 2010 Option Plan, respectively.

The following table sets forth certain information concerning unexercised options, stock that has not vested, and equity compensation plan awards outstanding as of June 30, 2020 for the named executive officers below:

	Option Awards [1]								Stock Awards	
Name	**Award Grant Date**	**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: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)**
Ronald Dutt	3/15/2019	28,125	21,875	21,875	$ 13.60	3/15/2029	-	$ -	-	$ -
	7/25/2018	29,336	4,191	4,191	19.80	7/25/2028	-	$ -	-	$ -
	6/29/2018	50,000	-	-	14.40	6/29/2028	-	$ -	-	$ -
	10/26/2017	43,750	6,250	6,250	4.60	10/26/2027	-	$ -	-	$ -
	12/22/2015	19,000	-	-	5.00	12/22/2025	-	$ -	-	$ -
	7/30/2013	17,500	-	-	10.00	7/29/2023	-	$ -	-	$ -
Charles Scheiwe	3/15/2019	16,875	13,125	13,125	13.60	3/15/2029	-	$ -	-	$ -
Jonathan Berry	3/15/2019	16,875	13,125	13,125	13.60	3/15/2029	-	$ -	-	$ -
	6/29/2018	45,500	-	-	14.40	6/29/2028	-	$ -	-	$ -
	10/26/2017	19,687	2,813	2,813	4.60	10/26/2027	-	$ -	-	$ -

(1) The fair value of each option grant is estimated at the date of grant using the Black-Scholes option pricing model. Expected volatility is calculated based on the historical volatility of the Company's stock. The risk free interest rate is based on the U.S. Treasury yield for a term equal to the expected life of the options at the time of grant.

Aggregated Option/Stock Appreciation Right (SAR) exercised and Fiscal year-end Option/SAR value table

Neither our executive officers nor the other individuals listed in the tables above, exercised options or SARs during the fiscal year ended June 30, 2020.

Long-term incentive plans

No long term incentive awards were granted by us in the fiscal year ended June 30, 2020.

Employment Agreements with Executive Officers

We entered into an Employment Agreement with our chief executive officer, Ronald F. Dutt, effective December 11, 2012. Mr. Dutt is an "at-will" employee. The Employment Agreement provided for an annual salary of $170,000. On February 15, 2019, Flux Power Holdings, Inc. entered into an amendment to the Employment Agreement (Amendment) with the Company's president and chief executive officer, Ronald F. Dutt, dated December 7, 2012. The Amendment confirmed Mr. Dutt's continued services as the president and chief executive officer of the Company and its wholly-owned subsidiary, Flux Power, Inc., and setting Mr. Dutt's new annual base salary to $195,000.

On December 17, 2018, the Board of Directors of the Company appointed Charles A. Scheiwe to serve as our chief financial officer and secretary. In connection with his appointment as the Company's chief financial officer and secretary, Mr. Scheiwe received an annual base salary of $145,000. Mr. Scheiwe currently receives an annual base salary of $155,000. Mr. Scheiwe is an "at-will" employee.

On June 29, 2018, the Board of Directors of the Company appointed Jonathan Berry to serve as our chief operating officer. In connection with his appointment as the Company's chief operating officer, Mr. Berry received an annual base salary of $145,000. Mr. Berry currently receives an annual base salary of $160,000. Mr. Berry is an "at-will" employee.

There were no performance based bonuses paid for fiscal years ended June 30, 2020 and 2019.

Non-Executive Compensation

Below is a summary of compensation accrued or paid to our non-executive directors during fiscal years ended June 30, 2020 and June 30, 2019.

Name	Year	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards[3] ($)	All Other Compensation ($)	Total ($)
Christopher Anthony[1]	2020	-	-	$ -	-	$ -
	2019	-	-	$ 33,802	-	$ 33,802
James Gevarges [2]	2020	$ 13,750	-	$ 28,287	-	$ 42,037
	2019	-	-	$ 33,802	-	$ 33,802
Lisa Walters-Hoffert	2020	$ 29,375	-	$ 28,287	-	$ 57,662
Dale Robinette	2020	$ 28,125	-	$ 28,287	-	$ 56,412
John Cosentino	2020	$ 13,750	-	$ 23,095	-	$ 36,845
Michael Johnson	2020	$ 17,500	-	$ 28,287	-	$ 45,787
	2019	-	-	$ -	-	$ -

(1) Mr. Anthony resigned as our director on June 28, 2019.
(2) Mr. Gevarges resigned as our director on May 6, 2020.
(3) The amounts shown in this column represent the full grant date fair value of the award granted, excluding any as computed in accordance with Financial Accounting Standards Board ("FASB").The following table shows the aggregate number of stock options held by non-employee directors as of June 30, 2020 and June 30, 2019:

Name	Year	Vested Stock Option
Christopher Anthony[1]	2020	1,500
	2019	2,437
James Gevarges[2]	2020	6,761
	2019	2,437
Michael Johnson	2020	1,993
	2019	2,437
Lisa Walters-Hoffert	2020	493
Dale Robinette	2020	493
John Cosentino	2020	-

(1) Mr. Anthony resigned as our director on June 28, 2019.
(2) Mr. Gevarges resigned as our director on May 6, 2020.

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 July 28, 2020, we had a total of 8,320,487 shares of common stock issued outstanding.

The following table sets forth, as of July 28, 2020, information concerning the beneficial ownership of shares of our common stock held by our directors, our named executive officers, our directors and executive officers as a group, and each person known by us to be a beneficial owner of more than 5% of our outstanding common stock. Unless otherwise indicated, the business address of each of our directors, executive officers and beneficial owners of more than 5% of our outstanding common stock is c/o Flux Power Holdings, Inc., 2685 S. Melrose Drive, Vista, California 92081. 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[1]	Shares Beneficially Owned	% of Ownership
Officers and Directors		
Michael Johnson, Director	4,686,511[2]	53.9%
Ronald Dutt, Chief Executive Officer, President, and Director	211,063[3]	2.5%
Charles A Scheiwe, Chief Financial Officer and Secretary	18,750[4]	*
Jonathan A. Berry, Chief Operating Officer	85,354[5]	1.0%
John A. Cosentino, Director	62,935[6]	*
Lisa Walters-Hoffert, Director	987	*
Dale Robinette, Director	987	*
All Officers and Directors as a group (7 people)	5,066,587	56.3%
5% Stockholders		
Cleveland Capital, L.P. 1250 Linda Street, Suite 304 Rocky River, OH 44116	842,635[9]	9.9%

* Represents less than 1% of shares outstanding.

(1) All addresses above are 2685 S. Melrose Drive, Vista, California 92081, unless otherwise stated.
(2) Includes 4,303,757 shares of common stock held by Esenjay Investments, LLC, of which Mr. Johnson is the sole director and beneficial owner, (ii) 11,817 shares of common stock issuable to Mr. Johnson upon exercise of stock options, (iii) 125,000 shares of common stock issuable to Esenjay upon conversion of outstanding principal under the Esenjay Note, and (iv) 245,937 shares of common stock issuable to Esenjay upon conversion of outstanding principal under the LOC.
(3) Includes 12,910 shares of common stock and 198,153 shares of common stock issuable upon exercise of stock options.
(4) Includes 18,750 shares of common stock issuable upon exercise of stock options.
(5) Includes 85,354 shares of common stock issuable upon exercise of stock options.
(6) Includes 62,500 shares of common stock and 435 shares of common stock issuable upon exercise of stock options.

(7) Includes 987 shares of common stock issuable upon exercise of stock options.
(8) Includes 987 shares of common stock issuable upon exercise of stock options.
(9) Includes 17,500 shares of common stock held by Wade Massad, 710,855 shares of common stock held by Cleveland and up to approximately 31,075 shares of common stock issuable to Cleveland upon partial conversion of outstanding principal under the LOC (the Cleveland convertible note under the LOC limits the conversion to beneficial ownership of 9.99%), and 83,205 shares of common stock underlying warrant issued to Cleveland, which number became fixed upon closing of the private placement on July 24, 2020 pursuant to the terms of the warrant. Wade Massad is the Co-Managing Member at Cleveland Capital Management LLC, which is the general partner of Cleveland. The convertible notes and warrant limit the conversion such that the beneficial ownership does not exceed 9.99%.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

2020 Private Placement

From April 2020 to July 2020, pursuant to private placement offerings, we sold and issued an aggregate of 1,141,250 shares of common stock, at $4.00 per share, for an aggregate purchase price of $4,565,000 in cash to twenty-seven (27) accredited investors. Esenjay and Mr. Dutt, our president and chief executive officer, participated in the offering in the amount of $300,000 and $50,000, respectively. In addition, Mr. Cosentino, one of our directors, also participated in the offering in the amount of $250,000.

Credit Facility Agreement

On March 28, 2019, Flux Power, entered into an Amended and Restated Credit Facility Agreement with Esenjay, Cleveland and other lenders (Cleveland and Esenjay, together with additional parties that joined and may join as additional lenders, collectively the "Lenders") relating to a line of credit ("LOC") to amend and restate the terms of the Credit Facility Agreement dated March 22, 2018 between Flux Power and Esenjay (the Original Credit Facility Agreement) in its entirety to (i) increase the maximum principal amount available under the LOC from $5,000,000 to $7,000,000, (ii) add Cleveland as an additional lender to the LOC pursuant to which each lender has a right to advance a pro rata amount of the principal amount available under the LOC, (iii) extend the maturity date from March 31, 2019 to December 31, 2019, and (iv) to provide for additional parties to become a Lender under the LOC. Mr. Michael Johnson, a member of our board of directors and a major stockholder, is the beneficial owner and director of Esenjay.

To secure the obligations under the secured notes issued under the LOC (LOC Notes), Flux Power entered into an Amended and Restated Security Agreement dated March 28, 2019 with the Lenders (the Amended Security Agreement). The Amended Security Agreement amended and restated the Guaranty and Security Agreement dated March 22, 2018, by and between Flux Power and Esenjay, to among other things, amend such agreement to include Cleveland and the other Lender as additional secured parties to the Amended Security Agreement and appoint Esenjay as collateral agent. In connection with the LOC, on March 28, 2019, we issued a secured promissory note to Cleveland (the Original Cleveland Note), and an amended and restated secured promissory note to Esenjay, which amended and superseded the secured promissory note dated March 22, 2018 (the Original Esenjay Note and together with the Original Cleveland Note, the Original Notes). The Original Notes were issued for the aggregate principal amount of $7,000,000 or such lesser principal amount advanced by the respective Lender under the LOC.

The Original Credit Facility Agreement was amended and restated on October 10, 2019 (the Second Restated Credit Facility Agreement) to amend and restate the terms of the LOC to increase the line of credit under the LOC from $7,000,000 to $10,000,000 (the LOC Increase). In addition, Flux Power and the Lenders amended the Amended Security Agreement to reflect the Second Restated Credit Facility. In connection therewith, each Lender and Flux also entered into an amendment to amend their Original Notes to reflect the LOC Increase (the Amended Notes).

On December 31, 2019, the Amended Notes were further amended to (i) increase the LOC from $10,000,000 to $12,000,000, (ii) extend the maturity date of their respective secured promissory note under the Credit Facility from December 31, 2019 to June 30, 2020, and (iii) capitalize all accrued and unpaid interest to the principal amount as of December 31, 2019 (the Second Amended Notes). As an inducement to the Lenders for entering into the Second Amended Notes, we granted the Lenders the right to convert, in whole or in parts, all of the outstanding principal amount and accrued and unpaid interest under the Second Amended Notes for shares of common stock, $0.001 par value, at the conversion price equal to the purchase price at the next financing of at least $1,000,000 on or after December 31, 2019.

On June 30, 2020, Flux Power and the Lenders executed the Third Amendment to the Amended and Restated Secured Promissory Note which (i) extended the maturity date of the Secured Notes from June 30, 2020 to December 31, 2020, and (ii) capitalized all accrued and unpaid interest to the principal amount as of June 30, 2020 (the Third Amendment and with the Amended Notes, the Notes. In addition, in connection with our private placement of up to 2,000,000 shares of our common stock, par value $0.001 to accredited investors for an aggregate amount of up to approximately $8,000,000, or $4.00 per share of Common Stock (the Offering), we completed an initial closing of the Offering on June 30, 2020 pursuant to which an aggregate of 275,000 shares were issued for $1,100,000 of shares of common stock for cash. As a result of the initial closing of the Offering, each of the Lenders has a right to convert the principal and accrued interest outstanding under their respective Notes into shares of common stock at $4.00 per share, which was the price per share of common stock sold under the Offering.

Following the initial closing of the Offering, Esenjay converted $4,400,000 of its Esenjay LOC Note, which consisted of principal plus accrued interest, into shares of common stock at $4.00 per share, for an aggregate of 1,100,000 shares of common stock (Conversion). In addition, on June 26, 2020, Esenjay partially assigned $1,350,000 of its Esenjay LOC Note to certain creditors of Esenjay as settlement of obligations owed by Esenjay to such creditors. As of June 30, 2020, and following the Conversion, Esenjay had approximately $984,000 outstanding under its Note, and Cleveland and the other Lenders had approximately $4,306,000 outstanding under their respective Notes, for a combined total of approximately $5,289,709 outstanding under the LOC.

The LOC Notes bear an interest rate of 15% per annum and a maturity date of December 31, 2020. From March 28, 2019 through June 30, 2020 the Company borrowed a total of $8,505,000 on the LOC from Esenjay, Cleveland and other Lenders. As of July 28, 2020, there was $6,710,291 available for future draws, subject to the Lender's approval.

Esenjay Loan

On March 9, 2020, we entered into a convertible promissory note with Esenjay (Original Esenjay Note) pursuant to which Esenjay provided us with a loan in the principal amount of $750,000 (the Esenjay Loan). The Original Esenjay Note bears an interest rate of 15% per annum and was originally due on the earlier of: (i) June 30, 2020, unless extended pursuant to the terms thereunder, or (ii) an occurrence of an event of default. The outstanding obligations under the Original Esenjay Note are convertible into shares of common stock at the cash price per share of the equity securities paid by purchasers in the offering at any time upon consummation of an offering of equity securities of at least $1,000,000 before the maturity date.

On June 2, 2020, the Original Esenjay Note was amended and restated to (i) extend the maturity date from June 30, 2020 to September 30, 2020, and (ii) to increase the principal amount outstanding under the Esenjay Note from $750,000 to $1,400,000 (the Esenjay Note).

On June 26, 2020, Esenjay assigned $500,000 of the Esenjay Note to two (2) accredited investors. On June 30, 2020, in connection with the completion of our initial closing of the Offering, the principal amount outstanding under the Esenjay Note became convertible into shares of common stock at $4.00 per share, which was the cash price per share of the Offering (Esenjay Initial Conversion). The two note holders converted their notes into shares of common stock at $4.00 per share. In addition, on July 22, 2020, one individual, who became a note holder to the Esenjay Note pursuant to the assignment of such note to the note holder, elected to convert $400,000 in principal, into 100,000 shares of common stock at $4.00 per share (together with the Esenjay Initial Conversion, the Esenjay Note Conversion). Immediately prior to the Esenjay Initial Conversion, there was an aggregate of approximately $1,400,000 in principal outstanding under the Esenjay Note. Immediately after the Esenjay Note Conversion, there was approximately $500,000 in principal outstanding under the Esenjay Note, which is convertible into approximately 125,000 shares of common stock at the option of the note holder(s) at $4.00 per share.

Cleveland Loan

On July 3, 2019, Flux Power entered into a loan agreement with Cleveland, pursuant to which Cleveland agreed to provide a loan for $1,000,000 (the Cleveland Loan). In connection with the Cleveland Loan, on July 3, 2019, Flux Power issued Cleveland an unsecured short-term promissory note in the amount of $1,000,000 (the Unsecured Promissory Note). The Unsecured Promissory Note bears an interest rate of 15.0% per annum and was originally due on September 1, 2019, unless repaid earlier from a percentage of proceeds from certain identified accounts receivable. In connection with the Cleveland Loan, we issued Cleveland a three-year warrant (the Cleveland Warrant) to purchase common stock in a number equal to 0.5% of the number of shares of common stock outstanding after giving effect to the total number of shares of common stock to be sold in a contemplated public offering and with an exercise price equal to the per share public offering price.

On September 1, 2019, Flux Power entered into the First Amendment to the Unsecured Promissory Note pursuant to which the maturity date of the Unsecured Promissory Note was modified from September 1, 2019 to December 1, 2019 (the First Amendment). In connection with the First Amendment, we replaced the Cleveland Warrant with the Amended and Restated Warrant Certificate (the Amended Warrant). The Amended Warrant increased the warrant coverage from 0.5% to 1% of the number of shares of common stock outstanding after giving effect to the total number of shares of common stock sold in the next private or public offering. In addition, the exercise price was also changed to equal the per share price of common stock sold in such offering.

On December 3, 2019, Flux Power entered into the Second Amendment to the Unsecured Promissory Note pursuant to which the maturity date was modified from December 1, 2019 to December 31, 2019 and waived any Event of Default (as defined in the Unsecured Promissory Note) arising from the failure of Flux Power to make the requirement payment due on December 1, 2019 under the First Amendment (the Second Amendment). On December 31, 2019, Flux Power entered into the Third Amendment to the Unsecured Promissory Note pursuant to which the maturity date was modified from December 31, 2019 to March 31, 2020, and all accrued and unpaid interest as of December 31, 2019 was capitalized to the principal amount (the Third Amendment). On March 31, 2020, Flux Power entered into the Fourth Amendment to the Unsecured Promissory Note pursuant to which the maturity date was modified from March 31, 2020 to April 30, 2020, and all accrued and unpaid interest as of March 31, 2020 was capitalized to the principal amount (the Fourth Amendment). On April 30, 2020 Flux Power entered into the Fifth Amendment to the Unsecured Promissory Note pursuant to which extended the maturity date from April 30, 2020 to May 31, 2020, and capitalized all accrued and unpaid interest to the principal amount as of April 30, 2020 (the Fifth Amendment). On May 29, 2020, Flux Power entered into the Sixth Amendment to the Unsecured Promissory Note pursuant to which extended the maturity date from May 31, 2020 to June 30, 2020, and capitalized all accrued and unpaid interest to the principal amount (the Sixth Amendment). On June 30, 2020, Flux Power entered into the Seventh Amendment to the Unsecured Promissory Note which extended the maturity date from June 30, 2020 to July 31, 2020, and capitalized all accrued and unpaid interest to the principal amount (the Seventh Amendment). On July 27, 2020, Flux Power entered into the Eighth Amendment to the Unsecured Promissory Note which extended the maturity date from July 31, 2020 to August 31, 2020, and capitalized all accrued and unpaid interest to the principal amount (the Eighth Amendment and together with the Original Note, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment and the Seventh Amendment, the Cleveland Note). As of July 27, 2020, there was $969,000 in principal outstanding under the Cleveland Note.

Other Loan Agreements With Esenjay

Between October 2011 and September 2012, we entered into three debt agreements with Esenjay. The three debt agreements consisted of a Bridge Loan Promissory Note (Bridge Note), a Secondary Revolving Promissory Note (Revolving Note) and an Unrestricted Line of Credit (Unrestricted LOC). On December 31, 2015, the Bridge Note and the Revolving Note expired, leaving the Unrestricted LOC available for future draws. The Unrestricted LOC had a maximum borrowing amount of $10,000,000, was convertible at a rate of $6.00 per share, bore interest at 8% per annum and was to mature on January 31, 2019. On October 31, 2018, we entered into an Early Note Conversion Agreement pursuant to which Esenjay converted the outstanding principal amount of $7,975,000 plus accrued and unpaid interest of $1,041,280 under the Bridge Note, Revolving Note and the Unrestricted LOC into 1,502,714 shares of our common stock. In connection with the Early Note Conversion Agreement, we issued an additional 26,802 shares of common stock to Esenjay and recorded the issuance as interest expense at the stock's fair value of $466,351.

On March 22, 2018, Flux Power entered into a Credit Facility Agreement with Esenjay with a maximum borrowing amount of $5,000,000. Proceeds from the Original Credit Facility Agreement were to be used to purchase inventory and related operational expenses and accrued interest at a rate of 15% per annum. The outstanding balance of the Original Credit Facility and accrued interest was due and payable on March 31, 2019. Funds received from Esenjay since December 5, 2017 and prior to the Original Credit Facility Agreement were consolidated under the Original Credit Facility. As disclosed above, the Original Credit Facility was subsequently amended and restated.

Stockholder Short Term Lines of Credit

On October 26, 2018, we entered into a credit facility agreement with Cleveland, a related party, pursuant to which Cleveland agreed to make available to Flux a line of credit (Cleveland LOC) in a maximum principal amount at any time outstanding of up to $2,000,000 with a maturity date of December 31, 2018. The Cleveland LOC has an origination fee in the amount of $20,000, which represents 1% of the Cleveland LOC, and carries a simple interest of 12% per annum. Interest is calculated on the basis of the actual daily balances outstanding under the Cleveland LOC. The Cleveland LOC was repaid on December 27, 2018.

Transactions with Epic Boats

We sublease office and manufacturing space to Epic Boats (an entity founded and controlled by Chris Anthony, our former board member and former chief executive officer) in our facility in Vista, California, pursuant to a month-to-month sublease agreement. Pursuant to this agreement, Epic Boats paid Flux Power 10% of facility costs through the end of our lease agreement. We received $18,000 for the fiscal year ended June 30, 2019 and $18,000 for the fiscal year ended June 30, 2018, from Epic Boats under the sublease rental agreement. The month-to-month sublease agreement was terminated on June 30, 2019.

DESCRIPTION OF CAPITAL STOCK

The following description of our capital stock and provisions of our amended and restated articles of incorporation (Articles of Incorporation) and Amended and Restated Bylaws (Bylaws) are summaries, are not intended to be complete and are qualified in their entirety by reference such Articles of Incorporation and Bylaws, copies of which have been filed as exhibits to our registration statement, of which this prospectus forms a part. This description gives effect to the 2019 Reverse Split.

Common Stock

We are authorized to issue up to 30,000,000 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. As of July 28, 2020, there were 8,320,487 shares of common stock issued and outstanding.

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. 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.

To the extent that additional shares of our common stock are issued, the relative interests of existing stockholders will be diluted.

Voting Rights

Our common stock is entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders, including the election of directors, and does not have cumulative voting rights.

Economic Rights

Except as otherwise expressly provided in our Articles of Incorporation or required by applicable law, all shares of common stock will have the same rights and privileges and rank equally, share ratably, and be identical in all respects for all matters, including those described below.

Dividends

Subject to preferences that may be applicable to any then-outstanding preferred stock, the holders of common stock are entitled to receive dividends, if any, as may be declared from time to time by our Board of Directors out of legally available funds.

Liquidation Rights

In the event of our liquidation, dissolution or winding-up, holders of our common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities, subject to the satisfaction of any liquidation preference granted to the holders of any outstanding shares of preferred stock.

No Preemptive or Similar Rights

The holders of our shares of common stock are not entitled to preemptive rights, and are not subject to conversion, redemption or sinking fund provisions. The rights, preferences and privileges of the holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of our preferred stock that we may designate and issue in the future.

Removal of Directors by Stockholders

Our Bylaws provide that subject to any limitations in our Articles of Incorporation, directors may be removed by a vote not less than two-thirds of the voting power of the issued and outstanding stock entitled to vote thereon, at a special meeting of the stockholders called for that purpose.

Preferred Stock

We may issue up to 500,000 shares of preferred stock, par value $0.001 per share in one or more classes or series within a class pursuant to our Articles of Incorporation. There are no shares of preferred stock issued and outstanding. Preferred stock may be issued from time to time by the Board of Directors as shares of one or more classes or series. One of the effects of undesignated preferred stock may be to enable the Board of Directors to render more difficult or to discourage an attempt to obtain control of us by means of a tender offer, proxy contest, merger or otherwise, and thereby to protect the continuity of our management. The issuance of shares of preferred stock pursuant to the Board of Directors' authority described above may adversely affect the rights of holders of common stock. For example, preferred stock issued by us may rank prior to the common stock as to dividend rights, liquidation preference or both, may have full or limited voting rights and may be convertible into shares of common stock. Accordingly, the issuance of shares of preferred stock may discourage bids for the common stock at a premium or may otherwise adversely affect the market price of the common stock.

Nevada Laws

Sections 78.378 to 78.3793 of the Nevada Revised Statutes (NRS) (Acquisition of Controlling Interest) provide generally that any person or entity that acquires at least one-fifth of all the voting power in the election of directors of a Nevada corporation, which has 200 or more stockholders of record and does business in the State of Nevada, may be denied voting rights with respect to the acquired shares, unless a majority of the disinterested stockholders of the corporation elects to restore such voting rights in whole or in part.

Section 78.3785 of the NRS provides that a person or entity acquires "control shares" whenever it acquires shares that, but for the operation of the control share acquisition act, would bring its voting power within any of the following three ranges:

- One-fifth or more but less than one-third;
- One-third or more but less than a majority; or
- A majority or more.

A "control share acquisition" is generally defined as the direct or indirect acquisition of either ownership or voting power associated with issued and outstanding control shares. The stockholders or board of directors of a corporation may elect to exempt the stock of the corporation from the provisions of the control share acquisition act through adoption of a provision to that effect in the articles of incorporation or bylaws of the corporation.

Transfer Agent And Registrar

The transfer agent and registrar for our common stock is Issuer Direct Corporation, 1981 Murray Holladay Rd Suite 100, Salt Lake City, Utah 84117.

UNDERWRITING

We have entered into an underwriting agreement with Roth Capital Partners, LLC, acting as the representative of the several underwriters named below, with respect to the shares of common stock subject to this offering. Subject to certain conditions, we have agreed to sell to the underwriters, and the underwriters have severally agreed to purchase, the number of shares of common stock provided below opposite their respective names.

Underwriters	Number of Shares
Roth Capital Partners, LLC	
National Securities Corporation	
Total	

The underwriters are offering the shares of common stock subject to their acceptance of the shares of common stock from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of common stock if any such shares are taken. However, the underwriters are not required to take or pay for the shares of common stock covered by the underwriters' over-allotment option described below.

Over-Allotment Option

We have granted the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of additional shares of common stock to cover over-allotments, if any, at the public offering price set forth on the cover page of this prospectus, less the underwriting discount. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered by this prospectus. If the underwriters exercise this option, each underwriter will be obligated, subject to certain conditions, to purchase a number of additional shares proportionate to that underwriter's initial purchase commitment as indicated in the table above.

Discount, Commissions and Expenses

The underwriters have advised us that they propose to offer the shares of common stock to the public at the public offering price set forth on the cover page of this prospectus and to certain dealers at that price less a concession not in excess of $ per share. The underwriters may allow, and certain dealers may reallow, a discount from the concession not in excess of $ per share to certain brokers and dealers. After this offering, the public offering price, concession and reallowance to dealers may be changed by the representative. No such change will change the amount of proceeds to be received by us as set forth on the cover page of this prospectus. The shares of common stock are offered by the underwriters as stated herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. The underwriters have informed us that they do not intend to confirm sales to any accounts over which they exercise discretionary authority.

The following table shows the underwriting discount payable to the underwriters by us in connection with this offering. Such amounts are shown assuming both no exercise and full exercise of the underwriters' over-allotment option to purchase additional shares.

	Per share[1]	Total Without Exercise of Over-Allotment Option	Total With Exercise of Over-Allotment Option
Public offering price	$	$	$
Underwriting discount	$	$	$

1 Does not include the warrants to purchase shares of common stock equal to an aggregate of 6% of the number of shares sold in the offering to be issued to the representative at the closing as described below.

We have agreed to reimburse the underwriters for certain reasonable out-of-pocket expenses, including the fees and disbursements of their counsel, up to an aggregate of $125,000. We estimate that the total expenses payable by us in connection with this offering, other than the underwriting discount referred to above, will be approximately $805,000.

Representative's Warrants

We have agreed to issue to the representative warrants to purchase up to a number of shares of our common stock equal to an aggregate of 6% of the shares of common stock sold in this offering. The warrants will have an exercise price equal to 120% of the public offering price of the shares of common stock sold in this offering and may be exercised commencing 180 days after the issuance date on a cashless basis. The warrants are not redeemable by us and will expire on the fifth anniversary of the effective date of this offering. The warrants will provide for adjustment in the number and price of such warrants (and the shares of common stock underlying such warrants) in the event of recapitalization, merger or other fundamental transaction. The warrants and the underlying shares of common stock have been deemed compensation by FINRA and are therefore subject to FINRA Rule 5110(g)(1). In accordance with FINRA Rule 5110(g)(1), neither the representative warrants nor any shares of our common stock issued upon exercise of the representative warrants may be sold, transferred, assigned, pledged, or hypothecated, or be the subject of any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of such securities by any person for a period of 180 days immediately following the date of effectiveness or commencement of sales of the offering pursuant to which the representative warrants are being issued, except the transfer of any security:

- by operation of law or by reason of reorganization of our company;
- to any FINRA member firm participating in this offering and the officers or partners thereof, if all securities so transferred remain subject to the lock-up restriction described above for the remainder of the time period;
- if the aggregate amount of securities of our company held by either an underwriter or a related person do not exceed 1% of the securities being offered;
- that is beneficially owned on a pro-rata basis by all equity owners of an investment fund, provided that no participating member manages or otherwise directs investments by the fund, and participating members in the aggregate do not own more than 10% of the equity in the fund; or
- the exercise or conversion of any security, if all securities received remain subject to the lock-up restriction set forth above for the remainder of the time period.

In addition, in accordance with FINRA Rule 5110(f)(2)(G), the representative warrants may not contain certain terms.

The registration statement of which this prospectus forms a part also covers the issuance of the representative warrants and shares of our common stock issuable thereunder.

Indemnification

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or the Securities Act, and liabilities arising from breaches of representations and warranties contained in the underwriting agreement, or to contribute to payments that the underwriters may be required to make in respect of those liabilities.

Lock-Up Agreements

We, our officers and directors have agreed to, subject to limited exceptions, for a period of 90 days after the date of the underwriting agreement, not to offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of, directly or indirectly any shares of common stock or any securities convertible into or exchangeable for our common stock either owned as of the date of the underwriting agreement or thereafter acquired without the prior written consent of the representatives. The representative may, in its sole discretion and at any time or from time to time before the termination of the lock-up period, without notice, release all or any portion of the securities subject to lock-up agreements.

Price Stabilization, Short Positions and Penalty Bids

In connection with the offering the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Exchange Act:

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

- Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option and/or purchasing shares in the open market.

- Syndicate covering transactions involve purchases of shares of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of our securities may be higher than the price that might otherwise exist in the open market. Neither we nor the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor the underwriters make any representations that the underwriters will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

NASDAQ Listing Application

Our shares of common stock are quoted on the OTCQB under the symbol “FLUX.” We have applied to list our common stock on The NASDAQ Capital Market under the symbol “FLUX.” We will not consummate this offering unless our common stock is approved for listing on The NASDAQ Capital Market.

Electronic Distribution

This preliminary prospectus in electronic format may be made available on websites or through other online services maintained by one or more of the underwriters, or by their affiliates. Other than this preliminary prospectus in electronic format, the information on any underwriter’s website and any information contained in any other website maintained by an underwriter is not part of this preliminary prospectus or the registration statement of which this preliminary prospectus forms a part, has not been approved and/or endorsed by us or any underwriter in its capacity as underwriter, and should not be relied upon by investors.

Other

From time to time, certain of the underwriters and/or their affiliates have provided, and may in the future provide, various investment banking and other financial services for us for which services they have received and, may in the future receive, customary fees. In the course of their businesses, the underwriters and their affiliates may actively trade our securities or loans for their own account or for the accounts of customers, and, accordingly, the underwriters and their affiliates may at any time hold long or short positions in such securities or loans. Except for services provided in connection with this offering, no underwriter has provided any investment banking or other financial services to us during the 180-day period preceding the date of this prospectus and we do not expect to retain any underwriter to perform any investment banking or other financial services for at least 90 days after the date of this prospectus.

Selling Restrictions

No action may be taken in any jurisdiction other than the United States that would permit a public offering of the common stock or the possession, circulation or distribution of this prospectus in any jurisdiction where action for that purpose is required. Accordingly, the common stock may not be offered or sold, directly or indirectly, and neither the prospectus nor any other offering material or advertisements in connection with the common stock may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable laws, rules and regulations of any such country or jurisdiction.

Notice to Prospective Investors in Canada

The common stock may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the common stock must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area (each, a Relevant Member State), no offer of common stock may be made to the public in that Relevant Member State other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the underwriters; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of common stock shall require us or the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person in a Relevant Member State who initially acquires any common stock or to whom any offer is made will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive. In the case of any common stock being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the common stock acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any common stock to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the underwriters has been obtained to each such proposed offer or resale.

We, the underwriters and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

This prospectus has been prepared on the basis that any offer of common stock in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of common stock. Accordingly, any person making or intending to make an offer in that Relevant Member State of common stock which are the subject of the offering contemplated in this prospectus supplement may only do so in circumstances in which no obligation arises for us or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither we nor the underwriters have authorized, nor do they authorize, the making of any offer of common stock in circumstances in which an obligation arises for us or the underwriters to publish a prospectus for such offer.

Notice to Prospective Investors in the United Kingdom

In the United Kingdom, this prospectus supplement is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the Order) and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons").

Any person in the United Kingdom that is not a relevant person should not act or rely on the information included in this prospectus supplement or use it as basis for taking any action. In the United Kingdom, any investment or investment activity that this prospectus supplement relates to may be made or taken exclusively by relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this prospectus supplement or any of its contents.

LEGAL MATTERS

The validity of the shares of common stock offered hereby will be passed upon by Lewis Brisbois Bisgaard & Smith LLP, San Francisco, California. Lowenstein Sandler LLP, New York, New York, is acting as counsel for the underwriters in connection with this offering.

EXPERTS

The consolidated financial statements of Flux Power Holdings, Inc. as of June 30, 2019 and 2018 and for each of the years in the two-year period ended June 30, 2019 have been audited by Squar Milner LLP, an independent registered public accounting firm, as stated in their report thereon (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the entity's uncertainty to continue as a going concern), and included in this Prospectus and Registration Statement in reliance upon such report and upon the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the securities offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all the information set forth in the registration statement, some of which is contained in exhibits to the registration statement as permitted by the rules and regulations of the SEC. For further information with respect to us and our securities, we refer you to the registration statement, including the exhibits filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, please see the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. You may obtain copies of this information by mail from the Public Reference Section of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549, at prescribed rates. You may obtain information on the operation of the public reference rooms by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet website that contains reports and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov. You may also request a copy of these filings, at no cost, by writing us at:

Flux Power Holdings, Inc.
2685 S. Melrose Drive
Vista, California 92081
Attention: Corporate Secretary

We are subject to the information and reporting requirements of the Exchange Act and, in accordance with this law, file periodic reports, proxy statements and other information with the SEC. These periodic reports, proxy statements and other information are available for inspection and copying at the SEC's public reference facilities and the website of the SEC referred to above. We also maintain a website at www.fluxpower.com. Information contained in, or accessible through, our website is not a part of this prospectus, and the inclusion of our website address in this prospectus is only as an inactive textual reference. You may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC.

FLUX POWER HOLDINGS, INC.

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Flux Power Holdings, Inc. and its subsidiary (the Company) as of June 30, 2019 and 2018, the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Uncertainty to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations and its total liabilities exceed its total assets. Additionally, the Company has incurred a significant accumulated deficit through June 30, 2019 and requires immediate additional financing to sustain its operations. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ SQUAR MILNER LLP

We have served as the Company's auditor since 2012.

San Diego, California
September 12, 2019

FLUX POWER HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

	June 30, 2019	June 30, 2018
ASSETS		
Current assets:		
Cash	$ 102,000	$ 2,706,000
Accounts receivable	2,416,000	946,000
Inventories, net	3,813,000	1,512,000
Other current assets	371,000	92,000
Total current assets	6,702,000	5,256,000
Other assets	158,000	26,000
Property, plant and equipment, net	346,000	87,000
Total assets	$ 7,206,000	$ 5,369,000
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 2,483,000	$ 417,000
Accrued expenses	858,000	391,000
Line of credit - related party	6,405,000	10,380,000
Convertible promissory note - related party	-	500,000
Capital lease payable	29,000	-
Accrued interest	571,000	1,014,000
Total current liabilities	10,346,000	12,702,000
Long term liabilities:		
Capital lease payable	29,000	-
Customer deposits from related party	-	102,000
Total liabilities	10,375,000	12,804,000
Commitments and contingencies (Note 13)		
Stockholders' deficit:		
Preferred stock, $0.001 par value; 500,000 shares authorized; none issued and outstanding	-	-
Common stock, $0.001 par value; 30,000,000 shares authorized; 5,101,580 and 3,106,103 shares issued and outstanding at June 30, 2019 and 2018, respectively	5,000	3,000
Additional paid-in capital	35,902,000	19,224,000
Accumulated deficit	(39,076,000)	(26,662,000)
Total stockholders' deficit	(3,169,000)	(7,435,000)
Total liabilities and stockholders' deficit	$ 7,206,000	$ 5,369,000

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

FLUX POWER HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended June 30,	
	2019	**2018**
Net revenue	$ 9,317,000	$ 4,118,000
Cost of sales	8,768,000	4,913,000
Gross profit (loss)	549,000	(795,000)
Operating expenses:		
Selling and administrative expenses	7,712,000	3,462,000
Research and development	4,088,000	1,956,000
Total operating expenses	11,800,000	5,418,000
Operating loss	(11,251,000)	(6,213,000)
Other income (expense):		
Other Income	84,000	-
Interest expense	(1,247,000)	(752,000)
Net loss	$ (12,414,000)	$ (6,965,000)
Net loss per share - basic and diluted	$ (2.84)	$ (2.74)
Weighted average number of common shares outstanding - basic and diluted	4,364,271	2,539,427

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

FLUX POWER HOLDING, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
For the Years Ended June 30, 2019 and 2018

	Common Stock				
	Shares	Capital Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Balance at June 30, 2017	2,508,424	$ 2,000	$ 14,946,000	$ (19,697,000)	$ (4,749,000)
Issuance of common stock – conversion of related party debt to equity					
Issuance of common stock - services	17,361	-	49,000	-	49,000
Issuance of common stock - private placement transactions, net of offering costs	571,529	1,000	3,974,000	-	3,975,000
Warrants exchanged for common stock	8,789	-	-	-	-
Stock based compensation	-	-	255,000	-	255,000
Net loss	-	-	-	(6,965,000)	(6,965,000)
Balance at June 30, 2018	3,106,103	3,000	19,224,000	(26,662,000)	(7,435,000)
Issuance of common stock - services	11,390	-	261,000	-	261,000
Issuance of common stock - private placement transactions, net of offering costs	399,256	-	4,390,000	-	4,390,000
Issuance of common stock – loan conversion	1,581,118	2,000	10,083,000	-	10,085,000
Warrants exchanged for common stock	3,713	-	-	-	-
Stock based compensation	-	-	1,944,000	-	1,944,000
Net loss	-	-	-	(12,414,000)	(12,414,000)
Balance at June 30, 2019	5,101,580	$ 5,000	$ 35,902,000	$ (39,076,000)	$ (3,169,000)

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

FLUX POWER HOLDING, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended June 30,	
	2019	**2018**
Cash flows from operating activities:		
Net loss	$ (12,414,000)	$ (6,965,000)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	81,000	57,000
Stock-based compensation	1,944,000	255,000
Stock issuance for services	261,000	49,000
Interest expense on conversion	699,000	-
Changes in operating assets and liabilities:		
Accounts receivable	(1,470,000)	(866,000)
Inventories	(2,301,000)	54,000
Other current assets	(411,000)	(23,000)
Accounts payable	2,065,000	51,000
Accrued expenses	385,000	131,000
Accrued interest	551,000	775,000
Customer deposits	(102,000)	(18,000)
Net cash used in operating activities	(10,712,000)	(6,500,000)
Cash flows from investing activities		
Purchases of equipment	(275,000)	(85,000)
Net cash used in investing activities	(275,000)	(85,000)
Cash flows from financing activities:		
Repayment of line of credit	(2,500,000)	-
Proceeds from the sale of common stock, net of offering costs	4,390,000	3,975,000
Borrowings from line of credit - related party	6,500,000	5,195,000
Payment on lease payable	(7,000)	-
Net cash provided by financing activities	8,383,000	9,170,000
Net change in cash	(2,604,000)	2,585,000
Cash, beginning of period	2,706,000	121,000
Cash, end of period	$ 102,000	$ 2,706,000
Supplemental Disclosures of Non-Cash Investing and Financing Activities:		
Conversion of related party debt to equity	$ 8,475,000	$ -
Common stock issued for interest	$ 1,610,000	$ -
Equipment purchase through capital lease	$ 65,000	$ -

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

NOTE 1 - NATURE OF BUSINESS AND REVERSE STOCK SPLIT

Nature of Business

Flux Power Holdings, Inc. (Flux) was incorporated in 1998 in the State of Nevada. On June 14, 2012, we changed our name to Flux Power Holdings, Inc. Flux's operations are conducted through its wholly owned subsidiary, Flux Power, Inc. ("Flux Power"), a California corporation (collectively, the "Company").

The Company designs, develops and sells rechargeable lithium-ion energy storage systems for industrial applications, such as, electric fork lifts and airport ground support equipment. 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 customers. The Company has also developed a suite of complementary technologies and products that accompany their core products. Sales during the years ended June 30, 2019 and 2018 were primarily to customers located throughout the United States.

As used herein, the terms "we," "us," "our,", "Flux" and "Company" mean Flux Power Holdings, Inc., unless otherwise indicated. All dollar amounts herein are in U.S. dollars unless otherwise stated.

Reverse Stock Split

The Company effected a 1-for-10 reverse split of its common stock and preferred stock on July 11, 2019 (2019 Reverse Split). No fractional shares were issued in connection with the 2019 Reverse Split. If, as a result of the 2019 Reverse Split, a stockholder would otherwise have been entitled to a fractional share, each fractional share was rounded up. The 2019 Reverse Split resulted in a reduction of our outstanding shares of common stock from 51,000,868 to 5,101,580. In addition, it resulted in a reduction of our authorized shares of common stock from 300,000,000 to 30,000,000, and a reduction of our authorized shares of preferred stock from 5,000,000 to 500,000. The par value of the Company's stock remained unchanged at $0.001. In addition, by reducing the number of the Company's outstanding shares, the Company's loss per share in all periods presented was increased by a factor of ten.

As the par value per share of the Company's common stock remained unchanged at $0.001 per share, a total of $46,000 was reclassified from common stock to additional paid-in capital. In connection with the Reverse Stock Split, proportionate adjustments have been made to the per share exercise price and the number of shares issuable upon the exercise or conversion of all outstanding options, warrants, convertible or exchangeable securities entitling the holders to purchase, exchange for, or convert into, shares of common stock. All references to shares of common stock and per share data for all periods presented in the accompanying consolidated financial statements and notes thereto have been adjusted to reflect the Reverse Stock Split on a retroactive basis.

NOTE 2 - GOING CONCERN

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred an accumulated deficit of $39,076,000 through June 30, 2019 and a net loss of $12,414,000 for the year ended June 30, 2019. To date, the Company's revenues and operating cash flows have not been sufficient to sustain its operations and we have relied on debt and equity financing to fund its operations. These factors raise substantial doubt about the Company's ability to continue as a going concern for the twelve months following the date of our Annual Report on Form 10-K, September 12, 2019. The Company's ability to continue as a going concern is dependent upon its ability to raise additional capital on a timely basis until such time as revenues and related cash flows are sufficient to fund its operations.

Management has undertaken steps as part of a plan to improve operations with the goal of sustaining its operations. These steps include (a) developing additional products to cater to the Class 1 and Class 2 industrial equipment markets; and (b) expand its sales force throughout the United States. In that regard, the Company has increased its research and development efforts to focus on completing the development of energy storage solutions that can be used on larger fork lifts and has also doubled its sales force since December 2016 with personnel having significant experience in the industrial equipment handling industry.

Management also plans to raise additional capital through the sale of equity securities through private placements, convertible debt placements and the utilization of its existing related-party credit facility.

On March 31, 2019, the Company amended its line of credit with Esenjay, a related party, to: (i) increase the maximum principal amount available under line of credit from $5,000,000 to $7,000,000 (LOC), (ii) add Cleveland, our minority stockholder, as an additional lender to the LOC pursuant to which each lender has a right to advance a pro rata amount of the principal amount available under the LOC, (iii) extend the maturity date from March 31, 2019 to December 31, 2019, and (iv) to provide for additional parties to become a lender under the LOC. $6,405,000 remains outstanding under the LOC as of June 30, 2019, and $595,000 is available for future draws with all parties combined. Esenjay has contributed $2,405,000, Cleveland $2,000,0000, Winn Exploration Co. $1,000,000, Otto Candies Jr. $500,000, Paul Candies $250,000 and Brett Candies $250,000.

Although management believes that the additional required funding will be obtained, there is no guarantee the Company will be able to obtain the additional required funds on a timely basis or that funds will be available on terms acceptable to us. If such funds are not available when required, management will be required to curtail its investments in additional sales and marketing and product development resources, and capital expenditures, which may have a material adverse effect on its future cash flows and results of operations, and its ability to continue operating as a going concern. The accompanying financial statements do not include any adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to liquidate its assets and discharge its liabilities in other than the normal course of business and at amounts that may differ from those reflected in the accompanying consolidated financial statements.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Company's significant accounting policies which have been consistently applied in the preparation of the accompanying consolidated financial statements follows:

Principles of Consolidation

The consolidated financial statements include Flux Power Holdings, Inc. and its wholly-owned subsidiary Flux Power, Inc. after elimination of all intercompany accounts and transactions.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation for comparative purposes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as certain financial statement disclosures. Significant estimates include valuation allowances relating to inventory and deferred tax assets. While management believes that the estimates and assumptions used in the preparation of the financial statements are appropriate, actual results could differ from these estimates.

Cash and Cash Equivalents

As of June 30, 2019, cash totaled approximately $102,000 and consists of funds held in a non-interest bearing bank deposit account. The Company considers all liquid short-term investments with maturities of less than three months when acquired to be cash equivalents. The Company had no cash equivalents at June 30, 2019 and 2018.

Fair Values of Financial Instruments

The carrying amount of our cash, accounts payable, accounts receivable, and accrued liabilities approximates their estimated fair values due to the short-term maturities of those financial instruments. The carrying amount of the line of credit agreement approximates its fair values as interest approximates current market interest rates for similar instruments. Management has concluded that it is not practical to determine the estimated fair value of amounts due to related parties because the transactions cannot be assumed to have been consummated at arm's length, the terms are not deemed to be market terms, there are no quoted values available for these instruments, and an independent valuation would not be practical due to the lack of data regarding similar instruments, if any, and the associated potential costs.

The Company does not have any other assets or liabilities that are measured at fair value on a recurring or non-recurring basis.

Accounts Receivable

Accounts receivable are carried at their estimated collectible amounts. The Company has not experienced collection issues related to its accounts receivable, and has not recorded an allowance for doubtful accounts during the fiscal year ended June 30, 2019 and 2018.

Inventories

Inventories consist primarily of battery management systems and the related subcomponents, and are stated at the lower of cost (first-in, first-out) or net realizable value. 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. The Company recorded an adjustment related to obsolete inventory in the amount of approximately $90,000 and $27,000 during the years ended June 30, 2019 and 2018, respectively.

We reviewed our inventory valuation with regards to our gross loss for the fiscal year ended June 30, 2018. The gross loss was due to factors related to new product launch of the GSE packs, such as low volume, early higher cost designs, and limited sourcing as we have seen with the launch of the LiFT Packs. As sales volumes rise we are seeing increased margins. As such, we do not believe the gross loss would require any write-downs to inventory on hand.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation. Depreciation and amortization are provided using the straight-line method over the estimated useful lives, of the related assets ranging from three to ten years, 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

Pursuant to the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic No. 718-10, *Compensation-Stock Compensation*, which establishes accounting for equity instruments exchanged for employee service, we utilize the Black-Scholes option pricing model to estimate the fair value of employee stock option awards at the date of grant, which requires the input of highly subjective assumptions, including expected volatility and expected life. Changes in these inputs and assumptions can materially affect the measure of estimated fair value of our share-based compensation. These assumptions are subjective and generally require significant analysis and judgment to develop. When estimating fair value, some of the assumptions will be based on, or determined from, external data and other assumptions may be derived from our historical experience with stock-based payment arrangements. The appropriate weight to place on historical experience is a matter of judgment, based on relevant facts and circumstances.

Common stock or equity instruments such as warrants issued for services to non-employees are valued at their estimated fair value at the measurement date (the date when a firm commitment for performance of the services is reached, typically the date of issuance, or when performance is complete). If the total value exceeds the par value of the stock issued, the value in excess of the par value is added to the additional paid-in-capital.

Revenue Recognition

On July 1, 2018, the Company adopted the new accounting standard FASB Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("ASC 606") for all contracts using the modified retrospective method. Based on the Company's analysis of contracts with customers in prior periods, there was no cumulative effect adjustment to the opening balance of the Company's accumulated deficit as a result of the adoption of this new standard.

The Company derives its revenue from the sale of products to customers. The Company sells its products primarily through a distribution network of equipment dealers, OEMs and battery distributors in North America. The Company recognizes revenue for products when all the significant risks and rewards have been transferred to the customer, no continuing managerial involvement usually associated with ownership of the goods is retained, no effective control over the goods sold is retained, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transactions will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Product revenue is recognized as a distinct single performance obligation which represents the point in time that our customer receives delivery of the products. Our customers do have a right to return product but our returns have historically been insignificant.

Product Warranties

The Company evaluates its exposure to product warranty obligations based on historical experience. Our products, primarily lift equipment packs, are warrantied for five years unless modified by a separate agreement. As of June 30, 2019 and 2018, the Company carried warranty liability of approximately $361,000 and $158,000, respectively, which is included in accrued expenses on the Company's consolidated balance sheets.

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 that no impairment indicators were present, and accordingly no impairment losses were recognized during the fiscal years ended June 30, 2019 and 2018.

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.

Income Taxes

Pursuant to FASB ASC Topic No. 740, *Income Taxes,* deferred tax assets or liabilities are recorded to reflect the future tax consequences of temporary differences between the financial reporting basis of assets and liabilities and their tax basis at each year-end. These amounts are adjusted, as appropriate, to reflect enacted changes in tax rates expected to be in effect when the temporary differences reverse. The Company has analyzed filing positions in all of the federal and state jurisdictions where the Company is required to file income tax returns, as well as all open tax years in these jurisdictions. As a result, no unrecognized tax benefits have been identified as of June 30, 2019 or June 30, 2018, and accordingly, no additional tax liabilities have been recorded.

The Company records deferred tax assets and liabilities based on the differences between the financial statement and tax bases of assets and liabilities and on operating loss carry forwards using enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Net Loss Per Common Share

The Company calculates basic loss per common share by dividing net loss by the weighted average number of common shares outstanding during the periods. Diluted loss per common share includes the impact from all dilutive potential common shares relating to outstanding convertible securities.

For the years ended June 30, 2019 and 2018, basic and diluted weighted-average common shares outstanding were 4,364,271 and 2,539,427, respectively. The Company incurred a net loss for the years ended June 30, 2019 and 2018, and therefore, basic and diluted loss per share for each fiscal year are the same because the inclusion of potential common equivalent shares were excluded from diluted weighted-average common shares outstanding during the period, as the inclusion of such shares would be anti-dilutive. The total potentially dilutive common shares outstanding at June 30, 2019 and 2018, excluded from diluted weighted-average common shares outstanding, which include common shares underlying outstanding convertible debt, stock options and warrants, were 588,504 and 1,610,922, respectively.

New Accounting Standards

Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. generally accepted accounting principles when it becomes effective. In July 2015, the FASB deferred the effective date of the standard by an additional year; however, it provided companies the option to adopt one year earlier, commensurate with the original effective date. Accordingly, the standard was effective for the Company in the fiscal year beginning July 1, 2018. Subsequently, the FASB issued additional guidance (ASUs 2015-14; 2016-08; 2016-10; 2016-12; 2016-13; 2016-20). The adoption of this guidance by the Company, effective July 1, 2018, did not have a material impact on the Company's consolidated financial statements (see Revenue Recognition, for further detail).

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments*, which provides guidance on reducing the diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. In addition to other specific cash flow issues, ASU 2016-15 provides clarification on when an entity should separate cash receipts and cash payments into more than one class of cash flows and when an entity should classify those cash receipts and payments into one class of cash flows on the basis of predominance. The new guidance is effective for the fiscal years beginning after December 31, 2017, and interim periods within those fiscal years. Early adoption is permitted including an adoption in an interim period. The adoption of this ASU is not expected to have a material impact on our consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In 2016, the FASB issued ASU 2016-02, *Leases* ("ASU 2016-02"). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its balance sheet for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The new standard became effective for us on July 1, 2019, and will be adopted using the modified retrospective method through a cumulative-effect adjustment directly to retained earnings as of that date. Based on our preliminary analysis, we expect the new standard to increase right-of-use assets and the lease liability by approximately $2.7 million and $2.7 million, respectively. The cumulative-effect adjustment to retained earnings is expected to be immaterial.

On June 20, 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. ASU 2018-07 is intended to reduce the cost and complexity and to improve financial reporting for share-based payments to nonemployees for goods and services. The amendments in ASU 2018-07 are effective for fiscal years beginning after December 15, 2018, including interim periods therein.

NOTE 4 - INVENTORIES

Inventories consist of the following:

	June 30, 2019	June 30, 2018
Raw materials	$ 2,118,000	$ 807,000
Work in process	645,000	333,000
Finished goods	1,050,000	372,000
Total Inventories	$ 3,813,000	$ 1,512,000

Inventories consist primarily of our energy storage systems and the related subcomponents, and are stated at the lower of cost or net realizable value. Inventory held at consignment locations is included in our finished goods inventory and totaled $19,000 and $14,000 as of June 30, 2019 and June 30, 2018, respectively.

NOTE 5 – OTHER CURRENT ASSETS

Other current assets consist of the following:

	June 30, 2019	June 30, 2018
Prepaid insurance	$ 28,000	$ 5,000
Prepaid inventory	59,000	52,000
Prepaid rent	42,000	-
Prepaid offering costs	198,000	-
Other assets	-	25,000
Prepaid expenses	44,000	9,000
Security deposits	-	1,000
Total Other current assets	$ 371,000	$ 92,000

NOTE 6 – ACCRUED EXPENSES

Accrued expenses consist of the following:

	June 30, 2019	June 30, 2018
Payroll accrual	$ 294,000	$ 166,000
PTO accrual	200,000	67,000
Warranty liability	361,000	158,000
Sales tax payable	2,000	-
Garnishments	1,000	-
Total Accrued expenses	$ 858,000	$ 391,000

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consist of the following:

	June 30, 2019	June 30, 2018
Vehicles	$ 20,000	$ 1,000
Machinery and equipment	246,000	112,000
Office equipment	233,000	162,000
Furniture and Equipment	116,000	39,000
Leasehold improvements	-	34,000
	615,000	348,000
Less: Accumulated depreciation	(269,000)	(261,000)
Property, plant and equipment, net	$ 346,000	$ 87,000

Depreciation expense was approximately $81,000 and $57,000, for the years ended June 30, 2019 and 2018, respectively, and is included in selling and administrative expenses in the accompanying consolidated statements of operations.

NOTE 8 - RELATED PARTY DEBT AGREEMENTS

Esenjay Credit Facilities

Between October 2011 and September 2012, the Company entered into three debt agreement with Esenjay. Esenjay is deemed to be a related party as Mr. Michael Johnson, the beneficial owner and director of Esenjay is a current member of our board of directors and a major stockholder of the Company (owning approximately 61.4% of our outstanding common shares as of June 30, 2019). The three debt agreements consisted of a Bridge Loan Promissory Note, a Secondary Revolving Promissory Note and an Unrestricted Line of Credit (collectively, the "Loan Agreements"). On December 31, 2015, the Bridge Loan Promissory Note and the Secondary Revolving Promissory Note expired leaving the Unrestricted Line of Credit, available for future draws.

The Unrestricted Line of Credit had a maximum borrowing amount of $10,000,000, was convertible at a rate of $6.00 per share, bore interest at 8% per annum and was converted to the Company's common stock on October 31, 2018 prior to maturity on January 31, 2019.

On March 22, 2018, Flux Power entered into a credit facility agreement with Esenjay with a maximum borrowing amount of $5,000,000. Proceeds from the credit facility were to be used to purchase inventory and related operational expenses and accrue interest at a rate of 15% per annum (the "Inventory Line of Credit"). The outstanding balance of the Inventory Line of Credit and all accrued interest was due and payable on March 31, 2019. Funds received from Esenjay since December 5, 2017 were transferred to the Inventory Line of Credit resulting in $2,405,000 outstanding as of June 30, 2018. This credit facility was amended on March 28, 2019 (see Amended Credit Facility).

On October 31, 2018, the Company entered into an Early Note Conversion Agreement (the "Early Note Conversion Agreement") with Esenjay, pursuant to which Esenjay agreed to immediately exercise its conversion rights under the Unrestricted and Open Line of Credit, dated September 24, 2012 to convert the outstanding principal amount of $7,975,000 plus accrued and unpaid interest of $1,041,280 for 1,502,714 shares of the Company's common stock. The Early Note Conversion Agreement had an induced conversion which included issuance of 26,802 additional shares of common stock. The Company followed FASB ASC Topic No.470, *Debt* to record the early conversion of debt to equity and recorded as interest expense at the stock's fair value of $466,351 at October 31, 2018.

As of June 30, 2019 and 2018, the Company had approximately $571,000 and $1,014,000, respectively of accrued interest associated with such credit facilities.

Stockholder Convertible Promissory Note

On April 27, 2017, we formalized an oral agreement for advances totaling $500,000, received from a stockholder ("Stockholder") into a written Convertible Promissory Note (the "Convertible Note"). Borrowings under the Convertible Note accrue interest at 12% per annum, with all unpaid principal and accrued interest due and payable on October 27, 2018. In addition, at the election of Stockholder, all or any portion of the outstanding principal, accrued but unpaid interest and/or late charges under the Convertible Note may be converted into shares of the Company's common stock at a conversion price of $12.00 per share; provided, however, the Stockholder shall not have the right to convert any portion of the Convertible Note to the extent that the Stockholder would beneficially own in excess of 5% of the total number of shares of common stock outstanding immediately after giving effect to the issuance of shares of common stock issuable upon conversion of the Convertible Note.

On October 25, 2018, the Company and the Stockholder entered into an amendment to the Convertible Promissory Note. The amendment (i) extended the maturity date of the Convertible Note from October 27, 2018 to February 1, 2019 and (ii) allowed for the automatic conversion of the Convertible Note immediately following the full conversion of the line of credit granted by Esenjay to the Company under the Esenjay Loan into shares of Common Stock of the Company. As a result of the Early Note Conversion Agreement on October 31, 2018, the Shareholder Convertible Note of $500,000 plus accrued interest of $102,510 automatically converted into 50,210 shares of common stock.

Stockholder Short Term Lines of Credit

On October 26, 2018, the Company entered into a credit facility agreement with Cleveland Capital, L.P., a Delaware limited partnership ("Cleveland"), our minority stockholder, pursuant to which Cleveland agreed to make available to the Company a line of credit ("Cleveland LOC") in a maximum principal amount at any time outstanding of up to $2,000,000 with a maturity date of December 31, 2018. The Cleveland LOC had an origination fee of $20,000, which represents 1% of the Cleveland LOC, and carries a simple interest of 12% per annum. Interest is calculated on the basis of the actual daily balances outstanding under the Cleveland LOC. The Cleveland LOC was repaid on December 27, 2018.

On October 31, 2018, the Company entered into a credit facility agreement with a shareholder, ("Investor"), pursuant to which Investor agreed to make available to the Company a line of credit ("Investor LOC") in a maximum principal amount at any time outstanding of up to Five Hundred Thousand Dollars ($500,000) with a maturity date of December 31, 2018. The Investor LOC had an origination fee in the amount of Five Thousand Dollars ($5,000), which represents one percent (1%) of the Investor LOC, and carries a simple interest of twelve percent (12%) per annum. Interest is calculated on the basis of the actual daily balances outstanding under the Investor LOC. The Investor LOC was repaid on December 28, 2018.

Amended Credit Facility

On March 28, 2019, the Company, entered into an amended and restated credit facility agreement ("Amended and Restated Credit Facility Agreement") with Esenjay Investments, LLC, ("Esenjay") and, Cleveland Capital, L.P., a Delaware limited partnership and a minority stockholder of the Company ("Cleveland" and Esenjay, together with additional parties that may join as a lender, the "Lenders") to amend and restate the terms of the Credit Facility Agreement dated March 22, 2018 between the Company and Esenjay (the "Original Agreement") in its entirety.

The Original Agreement was amended, among other things, to (i) increase the maximum principal amount available under line of credit from $5,000,000 to $7,000,000 ("LOC"), (ii) add Cleveland as additional lender to the LOC pursuant to which each lender has a right to advance a pro rata amount of the principal amount available under the LOC, (iii) extend the maturity date from March 31, 2019 to December 31, 2019, and (iv) to provide for additional parties to become a "Lender" under the Amended and Restated Credit Facility Agreement. In connection with the LOC, on March 28, 2019 the Company issued a secured promissory note to Cleveland (the "Cleveland Note"), and an amended and restated secured promissory note to Esenjay which amended and superseded the secured promissory note dated March 22, 2018 ("Esenjay Note" and together with the Cleveland Note, the "Notes"). The Notes were issued for the principal amount of $7,000,000 or such lesser principal amount advanced by the respective Lender under the Amended and Restated Credit Facility Agreement (the "Principal Amount"). The Notes bear an interest of fifteen percent (15%) per annum and a maturity date of December 31, 2019. The outstanding balance as of June 30, 2019 was $6,405,000. Esenjay has contributed $2,405,000, Cleveland $2,000,0000, Winn Exploration Co. $1,000,000, Otto Candies Jr. $500,000, Paul Candies $250,000 and Brett Candies $250,000. As of September 12, 2019, we had $595,000 under the LOC available for future draws with all parties combined.

To secure the obligations under the Notes, the Company entered into an amended and restated credit facility agreement dated March 28, 2019 with the Lenders (the "Amended Security Agreement"). The Amended Security Agreement amends and restates the Guaranty and Security Agreement dated March 22, 2018 by and between Cleveland as a secured party to the agreement and appointing Esenjay as collateral agent.

NOTE 9 - STOCKHOLDERS' DEFICIT

Private Placements

In December 2018, our Board of Directors approved the private placement of up to 454,546 shares of common stock to select accredited investors for a total amount of $5,000,000, or $11.00 per share of common stock with the right of the Board to increase the offering amount to $7,000,000 (the "Offering"). On December 26, 2018, the Company completed an initial closing of the Offering, pursuant to which it sold an aggregate of 335,910 shares of common stock, at $11.00 per share, for an aggregate purchase price of $3,695,010 in cash. A portion of the proceeds from the Offering was used to repay in full approximately $2.6 million in borrowings and accrued interest under two short-term credit facilities provided by Cleveland Capital, L.P. and a stockholder.

On January 29, 2019, the Company conducted its final closing (the "Final Closing") to its round of private placement to accredited investors that initially closed on December 26, 2018 ("Initial Closing"). Following the Initial Closing to the Final Closing, the Company sold an additional 63,347 shares of its Common Stock ("Shares"), at $11.00 per share, for an aggregate purchase price of $696,810 to two accredited investors. The shares offered and sold in the Offering 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 shares were offered and sold to the accredited investors in reliance upon exemptions from registration pursuant to Rule 506(c) of Regulation D promulgated under Section 4(a)(2) under the Securities Act.

In the aggregate, the Company issued 339,257 for an aggregate gross proceeds of approximately $4.39 million. The Shares were issued on identical terms to those previously reported for the Initial Closing on the Company's Form 8-K filed with the Securities and Exchange Commission ("SEC") on December 28, 2018. The Company relied on the exemption from registration pursuant to Rule 506(c) of Regulation D promulgated under Section 4(a)(2) under the Securities Act of 1933, as amended.

Advisory Agreements

Catalyst Global LLC. Effective April 1, 2018, the Company entered into a renewal contract (the "2018 Renewal") with Catalyst Global LLC to provide investor relations services for 12 months in exchange for monthly fees of $4,500 per month and 3,484 shares of restricted common stock to be issued over the course of the 12-month term. The initial tranche of 871 shares was valued at $15.50 or $13,500 when issued on June 21, 2018, the second tranche of 871 shares was valued at $20.10 or $17,507 when issued September 28, 2018, the third tranche of 871 shares was valued at $17.50 per share or $15,243 when issued on December 31, 2018, and the fourth tranche of 871 shares was valued at $13.10 per share or $11,410 when issued on March 27, 2019.

Shenzhen Reach Investment Development Co. ("SRID"). On March 14, 2018, the Company entered into a consulting agreement with SRID to assist us with identifying strategic partners, suppliers and manufacturers in China for a term of 12 months. Included with the services is a two-week trip to China to meet with potential manufacturers, which took place in April 2018. In consideration for the services, we agreed to issue to SRID, up to 17,468 shares of restricted common stock over the course of the 12-month term. As of June 30, 2019, 17,468 shares have been issued. The initial tranche of 5,765 shares was valued at $5.20 or $29,978 when issued on April 26, 2018, the second tranche of 2,926 shares was valued at $17.00 or $49,742 when issued June 21, 2018, the third tranche of 2,926 shares was valued at $20.10 or $58,813 when issued September 28, 2018, the fourth tranche of 2,926 shares was valued at $13.90 per share or $40,671 when issued on January 4, 2019 and the fifth tranche of 2,926 shares was valued at $13.60 per share or $39,794 when issued on March 22, 2019.

Warrant Activity

Warrant detail for the year ended June 30, 2019 is reflected below:

	Number of Warrants	Weighted Average Exercise Price Per Warrant	Remaining Contract Term (# years)
Warrants outstanding and exercisable at June 30, 2018	174,079	$ 20.30	0.74
Warrants issued	-	$ -	-
Warrants exchanged	(7,996)	14.80	-
Warrants forfeited	(157,750)	$ 19.93	-
Warrants outstanding and exercisable at June 30, 2019	8,333	$ 20.00	0.25

Warrant detail for year ended June 30, 2018 is reflected below:

	Number of Warrants	Weighted Average Exercise Price Per Warrant	Remaining Contract Term (# years)
Warrants outstanding and exercisable at June 30, 2017	234,259	$ 19.70	0.12-1.55
Warrants issued	-	$ -	-
Warrants exchanged	(14,165)	$ 6.00	-
Warrants forfeited	(46,015)	$ 21.50	-
Warrants outstanding and exercisable at June 30, 2018	174,079	$ 20.30	0.74

Stock-based Compensation

On November 26, 2014, the board of directors approved the 2014 Equity Incentive Plan (the "2014 Plan"), which was approved by the Company's stockholders on February 17, 2015. The 2014 Plan offers selected employees, directors, and consultants the opportunity to acquire our common stock, and serves to encourage such persons to remain employed by us and to attract new employees. The 2014 Plan allows for the award of stock and options, up to 1,000,000 shares of our common stock.

Activity in stock options during the year ended June 30, 2019 and related balances outstanding as of that date are reflected below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (# years)
Outstanding at June 30, 2018	350,726	$ 8.38	8.87
Granted	245,027	$ 14.45	9.71
Exercised	-	$ -	-
Forfeited and cancelled	(15,582)	$ 4.64	-
Outstanding at June 30, 2019	580,171	$ 11.05	8.59
Exercisable at June 30, 2019	303,611	$ 10.02	8.01

Activity in stock options during the year ended June 30, 2018 and related balances outstanding as of that date are reflected below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (# years)
Outstanding at June 30, 2017	71,628	$ 11.00	7.09
Granted	292,511	$ 7.80	-
Exercised	-	-	-
Forfeited and cancelled	(13,413)	$ 4.60	-
Outstanding at June 30, 2018	350,726	$ 8.38	8.87
Exercisable at June 30, 2018	139,169	$ 7.30	7.70

Stock-based compensation expense recognized in the consolidated statements of operations for the year ended June 30, 2019 and 2018, includes compensation expense for stock-based options and awards granted based on the grant date fair value. For options and awards granted, expenses are amortized under the straight-line method over the expected vesting period. Stock-based compensation expense recognized in the consolidated statements of operations has been reduced for estimated forfeitures of options that are subject to vesting. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

At June 30, 2019, the aggregate intrinsic value of exercisable options was $1,377,000.

We allocated stock-based compensation expense included in the consolidated statements of operations for employee option grants and non-employee option grants as follows:

Years ended June 30,	2019	2018
Research and development	$ 314,000	$ 96,000
Selling and administrative	1,630,000	159,000
Total stock-based compensation expense	$ 1,944,000	$ 255,000

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 (annualized percentages) in the table below:

	2019	2018
Expected volatility	111.4% -112.2%	138% -143%
Risk free interest rate	2.43% - 2.45%	1.76% - 2.63%
Forfeiture rate	20%	20% -23%
Dividend yield	0%	0%
Expected term (years)	5.61	5

The remaining amount of unrecognized stock-based compensation expense at June 30, 2019 relating to outstanding stock options, is approximately $2,292,000, which is expected to be recognized over the weighted average period of 1.08 years.

NOTE 10 - INCOME TAXES

Pursuant to the provisions of FASB ASC Topic No. 740 *Income Taxes* ("ASC 740"), deferred income taxes reflect the net effect of (a) temporary difference between carrying amounts of assets and liabilities for financial purposes and the amounts used for income tax reporting purposes, and (b) net operating loss carryforwards. No net provision for refundable Federal income taxes has been made in the accompanying statement of operations because no recoverable taxes were paid previously. Significant components of the Company's net deferred tax assets at June 30, 2019 and 2018 are shown below. A valuation allowance of approximately $11,636,000 and $8,589,000 has been established to offset the net deferred tax assets as of June 30, 2019 and 2018, respectively, due to uncertainties surrounding the Company's ability to generate future taxable income to realize these assets.

The Company is subject to taxation in the United States and California. The Company's tax years for 2010 and forward are subject to examination by the United States and California tax authorities due to the carry forward of unutilized net operating losses and research and development credits (if any).

No current income tax provision or benefit has been recorded as the Company incurred a net loss for each of the two years ended June 30, 2019 and 2018. Significant components of net deferred tax assets are shown in the table below.

	Year Ended June 30,	
	2019	2018
Deferred Tax Assets:		
Net operating loss carryforwards	$ 10,028,000	$ 7,333,000
Stock compensation	1,407,000	1,160,000
Interest expense Sec. 163	55.000	-
Other, net	146,000	96,000
Net deferred tax assets	11,636,000	8,589,000
Valuation allowance for deferred tax assets	(11,636,000)	(8,589,000)
Net deferred tax assets	$ -	$ -

At June 30, 2019, the Company had unused net operating loss carryovers of approximately $35,846,000 and $35,802,000 that are available to offset future federal and state taxable income, respectively. These operating losses begin to expire in 2030.

The provision for income taxes on earnings subject to income taxes differs from the statutory federal rate at June 30, 2019 and 2018, due to the following:

	Year Ended June 30,	
	2019	2018
Federal income taxes at 21% and 34%, respectively	$ (2,607,000)	$ (1,915,000)
State income taxes, net	(867,000)	(446,000)
Permanent differences and other	450,000	345,000
Other true ups, if any	(23,000)	(206,000)
Change in federal tax rate	-	3,560,000
Change in valuation allowance	(3,047,000)	(1,338,000)
Provision for income taxes	$ -	$ -

Internal Revenue Code Sections 382 limits the use of our net operating loss carryforwards if there has been a cumulative change in ownership of more than 50% within a three-year period. The Company has not yet completed a Section 382 net operating loss analysis. In the event that such analysis determines there is a limitation on the use on net operating loss carryforwards to offset future taxable income, the recorded deferred tax asset relating to such net operating loss carryforwards will be reduced. However, as the Company has recorded a full valuation allowance against its net deferred tax assets, there is no impact on the Company's consolidated financial statements as of June 30, 2019 and 2018.

Under ASC 740, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, ASC 740 provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

In accordance with ASC 740, there are no unrecognized tax benefits as of June 30, 2019 or June 30, 2018.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act ("Tax Act"). The legislation significantly changes U.S. tax law by, among other things, reducing the US federal corporate tax rate from 35% to 21%, repealing the alternative minimum tax, implementing a territorial tax system and imposing a repatriation tax on deemed repatriated earnings of foreign subsidiaries.

Pursuant to the SEC's Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act ("SAB 118"), given the amount and complexity of the changes in the tax law resulting from the tax legislation, the Company has not finalized the accounting for the income tax effects of the tax legislation related to the remeasurement of deferred taxes and provisional amounts recorded related to the transition tax. The impact of the tax legislation may differ from the estimate, during the one-year measurement period due to, among other things, further refinement of the Company's calculations, changes in interpretations and assumptions the Company has made, guidance that may be issued and actions the Company may take as a result of the tax legislation.

We have resmeasured deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21% plus state and local tax. The Company recorded a decrease related to the deferred tax assets and liabilities of $3.6 million as a result of the tax rate decrease, with a corresponding adjustment to the valuation allowance for the year ended June 30, 2018.

NOTE 11 - OTHER RELATED PARTY TRANSACTIONS

The Company subleased office and manufacturing space to Epic Boats (an entity founded and controlled by Chris Anthony, our board member and former Chief Executive Officer) in our facility in Vista, California pursuant to a month-to-month sublease agreement. Pursuant to this agreement, Epic Boats paid Flux Power 10% of facility costs through the end of our lease agreement which was June 30, 2019.

The Company received $18,000 for each of the years ended June 30, 2019 and 2018 from Epic Boats under the sublease rental agreement which is recorded as a reduction to rent expense and the customer deposits discussed below.

As of June 30, 2019 the customer deposit totaling approximately $84,000 was recognized as Other Income since Epic Boats has released that deposit liability. As of June 30, 2019 and June 30, 2018, customer deposits totaling approximately $0 and $102,000, respectively, related to such products were recorded in the accompanying consolidated balance sheets. There were no receivables outstanding from Epic Boats as of June 30, 2019 and June 30, 2018.

NOTE 12 - 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. Our cash balance at this institution is secured by the Federal Deposit Insurance Corporation up to $250,000. As of June 30, 2019, cash totaled approximately $102,000, which consists of funds held in a non-interest bearing bank deposit account. 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 Concentrations

During the year ended June 30, 2019, the Company had four major customers that each represented more than 10% of its revenues on an individual basis, or approximately $8,072,000 or 87% of its total revenues.

During the year ended June 30, 2018, the Company had two major customers that each represented more than 10% of its revenues on an individual basis, or approximately $3,181,000 or 77% of its total revenues.

Suppliers/Vendor Concentrations

The Company obtains a limited number of components and supplies included in its products from a small group of suppliers. During the year ended June 30, 2019 the Company had three suppliers who accounted for more than 10% of its total purchases, on an individual basis. Purchases for these three suppliers totaled $6,855,000 or 62% of its total purchases.

During the year ended June 30, 2018 the Company had three suppliers who accounted for more than 10% of itstotal purchases, on an individual basis. Purchases for these three suppliers totaled $2,285,000 or 50% of our total purchases.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

From time to time, the Company may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business. To the best knowledge of management, there are no material legal proceedings pending against the Company.

Operating Leases

On April 25, 2019 the Company signed a lease with Accutek to rent approximately 45,600 square feet of industrial space at 2685 S. Melrose Drive, Vista, California. The lease has an initial term of seven years and four months, commencing on or about July 2019. The lease contains an option to extend the term for two periods of twenty-four months, and the right of first refusal to lease an additional approximate 15,300 square feet. The monthly rental rate is $42,400 for the first 12 months, escalating at 3% each year. We moved in on June 28, 2019.

Total rent expense was approximately $168,000 and $160,000 for the years ended June 30, 2019 and 2018, respectively, net of sublease income.

The Future Minimum Lease Payments for the new lease are:

2020	$	381,814
2021		393,269
2022		496,354
2023		512,518
2024		571,590
Thereafter		1,454,497
Total Future Minimum Lease Payments	$	3,810,042

NOTE 14 - SUBSEQUENT EVENTS

Reverse Split. The Company effected a 1-for-10 reverse split of its common stock and preferred stock on July 11, 2019 (2019 Reverse Split). No fractional shares were issued in connection with the 2019 Reverse Split. If, as a result of the 2019 Reverse Split, a stockholder would otherwise have been entitled to a fractional share, each fractional share was rounded up. The 2019 Reverse Split resulted in a reduction of outstanding shares of common stock from 51,000,868 to 5,101,580. In addition, it resulted in a reduction of authorized shares of common stock from 300,000,000 to 30,000,000, and a reduction of authorized shares of preferred stock from 5,000,000 to 500,000.

On July 3, 2019, the Company entered into a certain loan agreement with Cleveland Capital, L.P. pursuant to which Cleveland agreed to loan the Company $1,000,000 (the Loan). In connection with the Loan, on July 3, 2019, the Company issued Cleveland an unsecured short-term promissory in the amount of $1,000,000 (the Unsecured Promissory Note). The promissory note bears an interest rate of 15.0% per annum and was originally due on September 1, 2019, unless repaid earlier from a percentage of proceeds from certain identified accounts receivable. In connection with the Loan, the Company issued Cleveland a three-year warrant (the Cleveland Warrant) to purchase the Company's common stock in a number equal to one-half percent (0.5%) of the number of shares of common stock outstanding after giving effect to the total number of shares of common stock sold in a public offering. The Cleveland Warrant had an exercise price equal to the per share public offering price. Effective September 1, 2019, the Company entered into that certain Amendment No. 1 to the Unsecured Promissory Note pursuant to which the maturity date was modified from September 1, 2019 to December 1, 2019 (the Amendment). In connection with the Amendment, the Company replaced the Cleveland Warrant with a certain Amended and Restated Warrant Certificate (the Amended Warrant). The Amended Warrant increased the warrant coverage from 0.5% to 1% of the number of shares of common stock outstanding after giving effect to the total number of shares of common stock sold in the next private or public offering (Offering). In addition, the exercise price was also changed to equal the per share price of common stock sold in the Offering. As of September 12, 2019, $1,000,000 in principal remains outstanding under the Loan.

On August 23, 2019, the Company entered into a Factoring Agreement (Factoring Agreement) with CSNK Working Capital Finance Corp. d/b/a Bay View Funding ("CSNK") for a factoring facility under which CSNK will, from time to time, buy approved receivables from the Company. The factoring facility provides for the Company to have access to the lesser of (i) $3 million (Maximum Credit) or (ii) the sum of all undisputed receivables purchased by CSNK multiplied by the 90% (which percentages may be adjusted by CSNK in its sole discretion). Upon receipt of any advance, Company will have sold and assigned all of its rights in such receivables and all proceeds thereof. The factoring facility is secured by the Company's accounts, equipment, inventory, financial assets, chattel paper, electronic chattel paper, letters of credit, letters of credit rights, general intangibles, investment property, deposit accounts, documents, instruments, supporting obligations, commercial tort claims, the reserve, motor vehicles, all books, records, files and computer data relating to the foregoing, and all proceeds of the foregoing. Company is required to pay CSNK a facility fee of 1.0% of the Maximum Credit upon execution of the Factoring Agreement and a factoring fee of 0.75% of the face value of purchased receivables for 1st 30-days such receivables are outstanding after purchase and 0.35% for each 15-days thereafter until the receivables are repaid in full or otherwise repurchased by Company or otherwise written off by CSNK. In addition, Company is required to pay financing fees on the outstanding advances equal to a floating rate per annum equal to the Prime + 2.0% (8.0% floor). In the event, the aggregate factoring fee and financing fee is less than 0.5% of the Maximum Credit in any one month, Company will pay CSNK the difference for such month. CSNK has the right to demand repayment of any purchased receivables which remain unpaid for 90-days after purchase or with respect to which any account debtor asserts a dispute.

The factoring facility is for an initial term of twelve months and will renew on a year to year basis thereafter, unless terminated in accordance with the Factoring Agreement. Company may terminate the Factoring Agreement at any time upon 60 days prior written notice and payment to CSNK of an early termination fee equal to 0.5% of the Maximum Credit multiplied by the number of months remaining in the current term. As of September 11, 2019, the Company has received $302,600 for the sale of receivables pursuant to Factoring Agreement.

In August 2019, we issued a total of 2,894 shares of common stock in connection with a net exercise of 4,438 outstanding options by the holder.

FLUX POWER HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2020 (Unaudited)	June 30, 2019
ASSETS		
Current assets:		
Cash	$ 106,000	$ 102,000
Accounts receivable	2,710,000	2,416,000
Inventories	5,140,000	3,813,000
Other current assets	741,000	371,000
Total current assets	8,697,000	6,702,000
Right of use asset	2,487,000	-
Other assets	185,000	158,000
Property, plant and equipment, net	397,000	346,000
Total assets	$ 11,766,000	$ 7,206,000
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 4,141,000	$ 2,483,000
Accrued expenses	1,206,000	858,000
Deferred revenue	11,000	-
Customer deposits	2,211,000	-
Due to factor	399,000	-
Short-term loans – related party	1,865,000	-
Line of credit - related party	11,591,000	6,405,000
Financing lease payable, current portion	37,000	29,000
Office lease payable, current portion	276,000	-
Accrued interest	434,000	571,000
Total current liabilities	22,171,000	10,346,000
Long term liabilities:		
Financing lease payable, less current portion	-	29,000
Office lease payable, less current portion	2,355,000	-
Total liabilities	24,526,000	10,375,000
Stockholders' deficit:		
Preferred stock, $0.001 par value; 500,000 shares authorized; none issued and outstanding	-	-
Common stock, $0.001 par value; 30,000,000 shares authorized; 5,108,407 and 5,101,580 shares issued and outstanding at March 31, 2020 and June 30, 2019, respectively	5,000	5,000
Common stock subscribed	105,000	-
Additional paid-in capital	37,292,000	35,902,000
Accumulated deficit	(50,162,000)	(39,076,000)
Total stockholders' deficit	(12,760,000)	(3,169,000)
Total liabilities and stockholders' deficit	$ 11,766,000	$ 7,206,000

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

FLUX POWER HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended March 31,		Nine months ended March 31,	
	2020	**2019**	**2020**	**2019**
Net revenue	$ 5,051,000	$ 1,751,000	$ 10,585,000	$ 6,297,000
Cost of sales	4,402,000	1,690,000	9,461,000	5,968,000
Gross profit	649,000	61,000	1,124,000	329,000
Operating expenses:				
Selling and administrative expenses	2,584,000	2,421,000	7,108,000	5,518,000
Research and development	1,527,000	1,364,000	3,888,000	2,892,000
Total operating expenses	4,111,000	3,785,000	10,996,000	8,410,000
Operating loss	(3,462,000)	(3,724,000)	(9,872,000)	(8,081,000)
Interest expense	(503,000)	(90,000)	(1,214,000)	(1,058,000)
Net loss	$ (3,965,000)	$ (3,814,000)	$ (11,086,000)	$ (9,139,000)
Net loss per share - basic and diluted	$ (0.78)	$ (0.75)	$ (2.17)	$ (2.23)
Weighted average number of common shares outstanding - basic and diluted	5,107,845	5,076,967	5,105,982	4,105,433

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

FLUX POWER HOLDING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(unaudited)

	Common Stock					
	Shares	Capital Stock Amount	Additional Paid-in Capital	Common Stock Subscribed	Accumulated Deficit	Total
Balance at June 30, 2019	5,101,580	$ 5,000	$ 35,902,000	$ -	$ (39,076,000)	$ (3,169,000)
				-		
Issuance of common stock – exercised options	2,894	-	-	-	-	-
Stock based compensation	-	-	451,000	-	-	451,000
Net loss	-	-	-	-	(3,814,000)	(3,814,000)
Balance at September 30, 2019	5,104,474	5,000	36,353,000	-	(42,890,000)	(6,532,000)
Issuance of common stock - services	3,121	-	30,000	-	-	30,000
Stock based compensation	-	-	449,000	-	-	449,000
Net loss	-	-	-	-	(3,307,000)	(3,307,000)
Balance at December 31, 2019	5,107,595	5,000	36,832,000	-	(46,197,000)	(9,360,000)
Stock subscription agreement	-	-	-	105,000	-	105,000
Issuance of common stock – option exercises	812	-	4,000	-	-	4,000
Stock based compensation	-	-	456,000	-	-	456,000
Net loss	-	-	-	-	(3,965,000)	(3,965,000)
Balance at March 31, 2020	5,108,407	$ 5,000	$ 37,292,000	$ 105,000	$ (50,162,000)	$ (12,760,000)

	Common Stock					
	Shares	Capital Stock Amount	Additional Paid-in Capital	Common Stock Subscribed	Accumulated Deficit	Total
Balance at June 30, 2018	3,106,003	$ 3,000	$ 19,224,000	$ -	$ (26,662,000)	$ (7,435,000)
				-		
Issuance of common stock – services	3,797	-	152,000	-	-	152,000
Warrant exchange for common stock	1,278	-	-	-	-	-
Stock based compensation	-	-	164,000	-	-	164,000
Net loss	-	-	-	-	(2,401,000)	(2,401,000)
Balance at September 30, 2018	3,111,078	3,000	19,540,000	-	(29,063,000)	(9,520,000)
Issuance of common stock - services	3,797	-	56,000	-	-	56,000
Issuance of common stock - private placement transactions, net	335,910	-	3,695,000	-	-	3,695,000
Issuance of Common Stock - Loan Conversion	1,579,724	2,000	10,083,000	-	-	10,085,000
Warrant exchange for common stock	2,435	-	-	-	-	-
Stock based compensation	-	-	243,000	-	-	243,000
Net loss	-	-	-	-	(2,924,000)	(2,924,000)
Balance at December 31, 2018	5,032,944	5,000	33,617,000	-	(31,987,000)	1,635,000
Issuance of common stock - services	3,797	-	51,000	-	-	51,000
Issuance of common stock - private placement transactions, net	63,346	-	697,000	-	-	697,000
Stock based compensation	-	-	1,086,000	-	-	1,086,000
Net loss	-	-	-	-	(3,814,000)	(3,814,000)
Balance at March 31, 2019	5,100,087	$ 5,000	$ 35,451,000	$ -	$ (35,801,000)	$ (345,000)

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

FLUX POWER HOLDING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months ended March 31,	
	2020	**2019**
Cash flows from operating activities:		
Net loss	$ (11,086,000)	$ (9,139,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	94,000	54,000
Stock-based compensation	1,356,000	1,492,000
Stock issuance for services	30,000	259,000
Noncash interest expense	675,000	-
Noncash lease expense	219,000	-
Changes in operating assets and liabilities:		
Accounts receivable	(294,000)	(51,000)
Inventories	(1,327,000)	(2,106,000)
Other current assets	(397,000)	(49,000)
Accounts payable	1,658,000	1,197,000
Accrued expenses	348,000	321,000
Due to factor	399,000	-
Deferred revenue	11,000	-
Accrued interest	434,000	980,000
Office lease payable	(75,000)	-
Customer deposits	2,211,000	(13,000)
Net cash used in operating activities	(5,744,000)	(7,055,000)
Cash flows from investing activities		
Purchases of equipment	(145,000)	(144,000)
Net cash used in investing activities	(145,000)	(144,000)
Cash flows from financing activities:		
Proceeds from the sale of common stock	4,000	4,393,000
Proceeds from common stock subscription	105,000	-
Repayment of line of credit - related party debt	-	(2,500,000)
Borrowings from short-term loan - related party debt	1,750,000	-
Borrowings from line of credit - related party debt	4,055,000	3,500,000
Principal payments of financing lease payable	(21,000)	-
Net cash provided by financing activities	5,893,000	5,393,000
Net change in cash	4,000	(1,806,000)
Cash, beginning of period	102,000	2,706,000
Cash, end of period	$ 106,000	$ 900,000
Supplemental Disclosures of Non-Cash Investing and Financing Activities:		
Initial recognition of right-of-use asset	$ 2,706,000	$ -
Accrued interest converted into principal	$ 1,246,000	$ -
Interest paid	$ 113,000	$ -
Common stock issued for conversion of related party debt	$ -	$ 8,475,000
Common stock issued for conversion of accrued interest	$ -	$ 1,610,000
Stock issuance for services	$ 30,000	$ 259,000
Equipment purchase through capital lease	$ -	$ 65,000

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

NOTE 1 - NATURE OF BUSINESS AND REVERSE STOCK SPLIT

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and the rules of the Securities and Exchange Commission ("SEC") applicable to interim reports of companies filing as a smaller reporting company. These financial statements should be read in conjunction with the audited financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2019 filed with the SEC on September 12, 2019. In the opinion of management, the accompanying condensed consolidated interim financial statements include all adjustments necessary in order to make the financial statements not misleading. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year or any other future period. Certain notes to the financial statements that would substantially duplicate the disclosures contained in the audited financial statements for the most recent fiscal year as reported in the Company's Annual Report on Form 10-K have been omitted. The accompanying condensed consolidated balance sheet at June 30, 2019 has been derived from the audited balance sheet at June 30, 2019 contained in such Form 10-K.

Nature of Business

Flux Power Holdings, Inc. ("Flux") was incorporated in 1998 in the State of Nevada. On June 14, 2012, we changed our name to Flux Power Holdings, Inc. Flux's operations are conducted through its wholly owned subsidiary, Flux Power, Inc. ("Flux Power"), a California corporation (collectively, the "Company").

We design, develop, manufacture, and sell advanced rechargeable lithium-ion energy storage solutions for lift trucks, airport ground support equipment ("GSE") and other industrial motive applications. Our "LiFT" battery packs, including our proprietary battery management system ("BMS"), provide our customers with a better performing, cheaper and more environmentally friendly alternative, in many instances, to traditional lead-acid and propane-based solutions.

We have received Underwriters Laboratory ("UL") Listing on our Class 3 Walkie Pallet Jack ("Class 3 Walkie") LiFT pack product line in 2016 and expect to finalize UL listing during calendar 2020 for our other product lines, which include Class 1 Counterbalance/Sit down/Ride-on ("Class 1 Ride-on") LiFT packs, Class 2 Narrow Aisle LiFT packs, and Class 3 End Rider LiFT packs. We believe that a UL Listing demonstrates the safety, reliability and durability of our products and gives us an important competitive advantage over other lithium-ion energy suppliers. Our Class 3 Walkie LiFT packs have been approved for use by leading industrial motive manufacturers, including Toyota Material Handling USA, Inc., Crown Equipment Corporation, and Raymond Corporation.

As used herein, the terms "we," "us," "our," "Flux," and "Company" mean Flux Power Holdings, Inc., unless otherwise indicated. All dollar amounts herein are in U.S. dollars unless otherwise stated.

Reverse Stock Split

The Company effected a 1-for-10 reverse split of its common stock and preferred stock on July 11, 2019 ("2019 Reverse Split"). No fractional shares were issued in connection with the 2019 Reverse Split. If, as a result of the 2019 Reverse Split, a stockholder would otherwise have been entitled to a fractional share, each fractional share was rounded up. The 2019 Reverse Split resulted in a reduction of the outstanding shares of common stock from 51,000,868 to 5,101,580. In addition, it resulted in a reduction of the authorized shares of common stock from 300,000,000 to 30,000,000, and a reduction of the authorized shares of preferred stock from 5,000,000 to 500,000. The par value of the Company's stock remained unchanged at $0.001. In addition, by reducing the number of the Company's outstanding shares, the Company's loss per share in all periods presented was increased by a factor of ten.

As the par value per share of the Company's common stock remained unchanged at $0.001 per share, a total of $46,000 was reclassified from common stock to additional paid-in capital. In connection with the 2019 Reverse Split, proportionate adjustments have been made to the per share exercise price and the number of shares issuable upon the exercise or conversion of all outstanding options, warrants, convertible or exchangeable securities entitling the holders to purchase, exchange for, or convert into, shares of common stock. All references to shares of common stock and per share data for all periods presented in the accompanying unaudited condensed consolidated financial statements and notes thereto have been adjusted to reflect the 2019 Reverse Split on a retroactive basis.

NOTE 2 –GOING CONCERN

The accompanying unaudited condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred an accumulated deficit of $50,162,000 through March 31, 2020 and a net loss of $3,965,000 and $11,086,000 for the three and nine months ended March 31, 2020, respectively. To date, the Company's revenues and operating cash flows have not been sufficient to sustain its operations and the Company has relied on debt and equity financing to fund its operations. These factors raise substantial doubt about the Company's ability to continue as a going concern for the twelve months following the filing date of this Quarterly Report on Form 10-Q, May 12, 2020. As of March 31, 2020, the Company had a cash balance of $106,000 and will need to raise additional capital in the near future. The Company's ability to continue as a going concern is dependent upon its ability to raise additional capital on a timely basis until such time as revenues and related cash flows are sufficient to fund its operations. The ongoing COVID-19 pandemic may adversely impact our ability to raise capital under reasonable terms or at all.

Management has undertaken steps as part of a plan to improve operations with the goal of sustaining its operations. These steps include (a) developing additional products to cater to the Class 1 and Class 2 industrial equipment markets; and (b) expanding its sales force throughout the United States to increase revenues. In that regard, the Company has increased its research and development efforts to focus on completing the development of energy storage solutions that can be used on larger forklifts and has also doubled its sales force since December 2016 with personnel having significant experience in the industrial equipment handling industry.

Management also plans to raise additional capital through the sale of equity securities through private placements and public offerings, convertible debt placements and the utilization of its existing related-party credit facility.

On December 31, 2019, the promissory notes issued by the Company in connection with the Company's line of credit with Esenjay Investments, LLS ("Esenjay"), a related party, Cleveland Capital L.P., a Delaware limited partnership and our minority stockholder ("Cleveland"), and six (6) additional lenders (together with Esenjay and Cleveland, the "Lenders") were amended to (i) increase the maximum principal amount available under line of credit from $10,000,000 to $12,000,000, (ii) capitalize all accrued and unpaid interest to the principal amount as of December 31, 2019, and (iii) extend the maturity date from December 31, 2019 to June 30, 2020. In addition, on December 31, 2019, the Company granted a right to each of the Lenders to convert their respective promissory note under the line of credit into shares of the Company's common stock at any time after the close of the next financing of the Company of at least $1,000,000 on or after December 31, 2019, and on or before the maturity date. The outstanding principal balance as of March 31, 2020 was $11,591,000 of which Esenjay has $6,566,000 outstanding, Cleveland has $2,204,000 outstanding, and other six (6) other lenders have an aggregate of $2,821,000 outstanding. (see Note 4-Credit Facility).

In connection with an outstanding loan from Cleveland to the Company in the principal amount of $1,000,000, the Company entered into a Fourth Amendment to the Unsecured Promissory Note dated December 3, 2019, to extend the maturity date from March 31, 2020 to April 30, 2020. Pursuant to a Fifth Amendment to the Unsecured Promissory Note dated April 30, 2020, the maturity date was subsequently amended to extend the maturity date to May 31, 2020. All accrued and unpaid interest as of March 31, 2020 was capitalized to the principal amount. The outstanding principal balance of the Cleveland Loan as of March 31, 2020 was $1,115,000. (see Note 4-Cleveland Loan).

On March 9, 2020, the Company and Esenjay entered into a convertible promissory note in the amount of $750,000 (the "Esenjay Convertible Note"). The Esenjay Convertible Note bears an interest rate of 15.0% per annum and indebtedness under such note is convertible into shares of common stock of the Company at any time upon consummation of an offering of equity securities of at least $1,000,000 before the maturity date. As of March 31, 2020, the outstanding principal balance was $750,000 (see Note 4-Esenjay Loan).

There is no guarantee the Company will be able to obtain the additional required funds on a timely basis or that funds will be available on terms acceptable to it. If such funds are not available when required, management will be required to curtail its investments in additional sales and marketing and product development, which may have a material adverse effect on its future cash flows and results of operations, and its ability to continue operating as a going concern. The accompanying financial statements do not include any adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to liquidate its assets and discharge its liabilities in other than the normal course of business and at amounts that may differ from those reflected in the accompanying condensed consolidated financial statements.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are described in Note 3, "Summary of Significant Accounting Policies," in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2019. There have been no material changes in these policies or their application.

Net Loss Per Common Share

The Company calculates basic loss per common share by dividing net loss by the weighted average number of common shares outstanding during the periods. Diluted loss per common share includes the impact from all dilutive potential common shares relating to outstanding convertible securities.

For the three months ended March 31, 2020 and 2019, basic and diluted weighted-average common shares outstanding were 5,107,845 and 5,076,967, respectively. For the nine months ended March 31, 2020 and 2019, basic and diluted weighted-average common shares outstanding were 5,105,982 and 4,105,433, respectively. The Company incurred a net loss for the three and nine months ended March 31, 2020 and 2019, and therefore, basic and diluted loss per share for the periods are the same because the inclusion of such shares were excluded from diluted weighted-average common shares outstanding during the period, as the inclusion of such shares would be anti-dilutive. The total potentially dilutive common shares outstanding at March 31, 2020 and 2019, excluded from diluted weighted-average common shares outstanding, which include common shares underlying outstanding stock options and warrants, were 581,996 and 592,311, respectively.

Recently Adopted Accounting Pronouncements

In 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, Leases (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to a lessor, on its balance sheet for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The new standard became effective for the Company on July 1, 2019, and it was adopted using the modified retrospective method through a cumulative-effect adjustment directly to retained earnings as of that date. The new standard increased the Company's right-of-use assets and lease liability by approximately $2.7 million and $2.7 million, respectively.

On June 20, 2018, the FASB issued Accounting Standards Update (ASU) 2018-07, Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting. ASU 2018-07 is intended to reduce the cost and complexity and to improve financial reporting for share-based payments to nonemployees for goods and services. The amendments in ASU 2018-07 are effective for fiscal years beginning after December 15, 2018, including interim periods therein. The adoption of this guidance by the Company, effective July 1, 2019, did not have a material impact on the Company's consolidated financial statements.

Management has considered all recent accounting pronouncements issued since the last audit of the Company's consolidated financial statements, and believes that these recent pronouncements will not have a material effect on the Company's condensed consolidated financial statements.

NOTE 4 - RELATED PARTY DEBT AGREEMENTS

Short-term loans

Esenjay Loan

On March 9, 2020, the Company and Esenjay entered into a certain convertible promissory note ("Esenjay Convertible Note") pursuant to which Esenjay provided the Company with a loan in the principal amount of $750,000 (the "Esenjay Loan"). The Esenjay Convertible Note bears an interest rate of 15.0% per annum and is due on the earlier of: (i) June 30, 2020, unless extended pursuant to the terms thereunder, or (ii) an occurrence of an event of default. The outstanding obligations under the Esenjay Convertible Note are convertible into shares of common stock of the Company at the cash price per share of the equity securities paid by purchasers in the offering at any time upon consummation of an offering of equity securities of at least $1,000,000 before the maturity date. The outstanding principal balance of the Esenjay Loan as of March 31, 2020 was $750,000.

Cleveland Loan

On July 3, 2019, the Company entered into a loan agreement with Cleveland, pursuant to which Cleveland agreed to loan the Company $1,000,000 (the "Cleveland Loan"). In connection with the Cleveland Loan, on July 3, 2019, the Company issued Cleveland an unsecured short-term promissory in the amount of $1,000,000 (the "Unsecured Promissory Note"). The Unsecured Promissory Note bears an interest rate of 15.0% per annum and was originally due on September 1, 2019, unless repaid earlier from a percentage of proceeds from certain identified accounts receivable. In connection with the Cleveland Loan, the Company issued Cleveland a three-year warrant (the "Cleveland Warrant") to purchase the Company's common stock in a number equal to one-half percent (0.5%) of the number of shares of common stock outstanding after giving effect to the total number of shares of common stock to be sold in a contemplated public offering and with an exercise price equal to the per share public offering price. Effective September 1, 2019, the Company entered into that certain First Amendment to the Unsecured Promissory Note pursuant to which the maturity date was modified from September 1, 2019 to December 1, 2019 (the "Amendment"). In connection with the Amendment, the Company replaced the Cleveland Warrant with a certain Amended and Restated Warrant Certificate (the "Amended Warrant"). The Amended Warrant increased the warrant coverage from 0.5% to 1% of the number of shares of common stock outstanding after giving effect to the total number of shares of common stock sold in the next private or public offering (the "Offering"). In addition, the exercise price was also changed to equal the per share price of common stock sold in the Offering. Effective December 3, 2019, the Company entered into the Second Amendment to the Unsecured Promissory Note pursuant to which the maturity date was modified from December 1, 2019 to December 31, 2019. On December 31, 2019, the Company entered into the Third Amendment to the Unsecured Promissory Note pursuant to which the maturity date was modified from December 31, 2019 to March 31, 2020, and all accrued and unpaid interest as of December 31, 2019 was capitalized to the principal amount. On March 31, 2020, the Company entered into the Fourth Amendment to the Unsecured Promissory Note pursuant to which the maturity date was modified from March 31, 2020 to April 30, 2020, and all accrued and unpaid interest as of March 31, 2020 was capitalized to the principal amount. The outstanding principal balance of the Cleveland Loan as of March 31, 2020 was $1,115,000 (see Note 10).

Credit Facility

On March 22, 2018, Flux Power entered into a credit facility agreement with Esenjay with a maximum borrowing amount of $5,000,000. Proceeds from the credit facility were to be used to purchase inventory and related operational expenses and accrue interest at a rate of 15% per annum (the "Original Agreement"). The outstanding balance of the Original Agreement and all accrued interest was due and payable on March 31, 2019.

On March 28, 2019, Flux Power entered into an amended and restated credit facility agreement ("Amended and Restated Credit Facility Agreement") with Esenjay and Cleveland (Cleveland and Esenjay, together with additional parties that may join as a lender, the "Lenders") to amend and restate the terms of the Original Agreement in its entirety.

The Original Agreement was amended, among other things, to (i) increase the maximum principal amount available under line of credit from $5,000,000 to $7,000,000 ("LOC"), (ii) add Cleveland as additional lender to the LOC pursuant to which each lender has a right to advance a pro rata amount of the principal amount available under the LOC, (iii) extend the maturity date from March 31, 2019 to December 31, 2019, and (iv) to provide for additional parties to become a "Lender" under the Amended and Restated Credit Facility Agreement. In connection with the LOC, on March 28, 2019 the Company issued a secured promissory note to Cleveland (the "Cleveland Note"), and an amended and restated secured promissory note to Esenjay which amended and superseded the secured promissory note dated March 22, 2018 ("Esenjay Note" and together with the Cleveland Note and other secured promissory notes to Lenders (the "Notes"). The Notes were issued for the principal amount of $7,000,000 or such lesser principal amount advanced by the respective Lender under the Amended and Restated Credit Facility Agreement. The Notes bear an interest of fifteen percent (15%) per annum and a maturity date of December 31, 2019. On October 10, 2019, the Company entered into a Second Amended and Restated Credit Facility Agreement and pursuant to which the Company further amended its line of credit and Notes to increase the maximum principal amount available under line of credit from $7,000,000 to $10,000,000. On December 31, 2019, the Company further amended the Notes to (i) increase the maximum principal amount available under line of credit from $10,000,000 to $12,000,000, (ii) capitalize all accrued and unpaid interest to the principal amount as of December 31, 2019, and (iii) extend the maturity date from December 31, 2019 to June 30, 2020. In addition, on December 31, 2019, the Company granted a right to each of the Lenders to convert their respective Note under the LOC into shares of the Company's common stock at any time after the close of the next financing of the Company of at least $1,000,000 on or after December 31, 2019, and on or before the maturity date. The outstanding principal balance as of March 31, 2020 was $11,591,000 of which Esenjay has $6,566,000 outstanding, Cleveland has $2,204,000 outstanding, and other six (6) other lenders have an aggregate of $2,821,000 outstanding.

To secure the obligations under the Notes, Flux Power entered into an Amended and Restated Security Agreement dated March 28, 2019 with the Lenders (as amended, the "Amended Security Agreement"). The Amended Security Agreement amends and restates the Guaranty and Security Agreement dated March 22, 2018 by and between Esenjay and the Company, and added Cleveland and other Lenders as additional secured parties to the Amended Security Agreement and appointing Esenjay as collateral agent.

NOTE 5 – FACTORING ARRANGEMENT

On August 23, 2019, the Company entered into a Factoring Agreement ("Factoring Agreement") with CSNK Working Capital Finance Corp. d/b/a Bay View Funding ("CSNK") for a factoring facility under which CSNK will, from time to time, buy approved receivables from the Company. The factoring facility provides for the Company to have access to the lesser of (i) $3 million ("Maximum Credit") or (ii) the sum of all undisputed receivables purchased by CSNK multiplied by 90% (which percentage may be reduced by CSNK in its sole discretion). Upon receipt of any advance, Company will have sold and assigned all of its rights in such receivables and all proceeds thereof. The factoring facility is secured by the Company's accounts, equipment, inventory, financial assets, chattel paper, electronic chattel paper, letters of credit, letters of credit rights, general intangibles, investment property, deposit accounts, documents, instruments, supporting obligations, commercial tort claims, the reserve, motor vehicles, all books, records, files and computer data relating to the foregoing, and all proceeds of the foregoing. The Company is required to pay CSNK a facility fee of 1.0% of the Maximum Credit upon execution of the Factoring Agreement and a factoring fee of 0.75% of the face value of purchased receivables for 1st 30-days such receivables are outstanding after purchase and 0.35% for each 15-days thereafter until the receivables are repaid in full or otherwise repurchased by the Company or otherwise written off by CSNK. In addition, the Company is required to pay financing fees on the outstanding advances equal to a floating rate per annum equal to the Prime plus 2.0% (8.0% floor). In the event, the aggregate factoring fees and financing fees together are less than 0.5% of the Maximum Credit in any one month, the Company will pay CSNK the difference for such month. CSNK has the right to demand repayment of any purchased receivables which remain unpaid for 90-days after purchase or with respect to which any account debtor asserts a dispute.

The factoring facility is for an initial term of twelve months and will renew on a year to year basis thereafter, unless terminated in accordance with the Factoring Agreement. The Company may terminate the Factoring Agreement at any time upon 60 days prior written notice and payment to CSNK of an early termination fee equal to 0.5% of the Maximum Credit multiplied by the number of months remaining in the current term. As of March 31, 2020, an outstanding balance of $399,000 was due to CSNK under the Factoring Agreement.

NOTE 6 - STOCKHOLDERS' DEFICIT

2020 Private Placement of Common Stock

In March 2020, our Board of Directors approved the private placement for the Company to offer and sell up to $8,000,000 of its shares common stock, par value $0.001 per share at $4.00 price per share to selected accredited investors (the "2020 Offering"). On March 27, 2020, the Company received $105,000 from and signed its first Subscription Agreement with its initial accredited investor in the 2020 Offering. The $105,000 paid by the purchaser as of March 31, 2020 has been classified as Common Stock Subscribed on the balance sheet. Common stock issuable related to this subscription agreement, along with additional investments received was issued at the initial closing on April 22, 2020 (see Note 10).

2018 Private Placement of Common Stock

In December 2018, our Board of Directors approved the private placement of up to 454,546 shares of our common stock to select accredited investors for a total amount of $5,000,000, or $11.00 per share of common stock with the right of the Board to increase the offering amount to $7,000,000 (the "Offering"). On December 26, 2018, we completed an initial closing of the Offering, pursuant to which we sold an aggregate of 335,910 shares of common stock, at $11.00 per share, for an aggregate purchase price of **$**3,695,010 in cash. A portion of the proceeds from the Offering was used to repay in full approximately $2.6 million in borrowings and accrued interest under two short-term credit facilities provided by Cleveland Capital, L.P. and a shareholder. The shares offered and sold in the Offering 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 shares were offered and sold to the accredited investors in reliance upon exemptions from registration pursuant to Rule 506(c) of Regulation D promulgated under Section 4(a)(2) under the Securities Act.

Warrant Activity

Warrant detail for the nine months ended March 31, 2020 is reflected below:

	Number of Warrants		Weighted Average Exercise Price Per Warrant	Remaining Contract Term (# years)
Warrants outstanding and exercisable at June 30, 2019	8,333	$	20.00	0.25
Warrants issued	-	$	-	-
Warrants exercised	-	$	-	-
Warrants forfeited	(8,333)	$	20.00	-
Warrants outstanding and exercisable at March 31, 2020	-	$	-	-

Warrant detail for the nine months ended March 31, 2019 is reflected below:

	Number of Warrants		Weighted Average Exercise Price Per Warrant	Remaining Contract Term (# years)
Warrants outstanding and exercisable at June 30, 2018	174,079	$	20.30	0.74
Warrants issued	-	$	-	-
Warrants exercised	-	$	-	-
Warrants exchanged	(165,746)	$	20.30	-
Warrants forfeited	-	$	-	-
Warrants outstanding and exercisable at March 31, 2019	8,333	$	20.00	0.50

Stock-based Compensation

On November 26, 2014, our board of directors approved our 2014 Equity Incentive Plan (the "2014 Plan"), which was approved by the Company's shareholders on February 17, 2015. The 2014 Plan offers selected employees, directors, and consultants the opportunity to acquire our common stock, and serves to encourage such persons to remain employed by us and to attract new employees. The 2014 Plan allows for the award of stock and options, up to 1,000,000 shares of the Company's common stock.

Activity in stock options during the nine months ended March 31, 2020,and related balances outstanding as of that date are reflected below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (# years)
Outstanding at June 30, 2019	580,171	$ 11.05	8.59
Granted	15,792	$ 8.87	
Exercised	(5,249)	$ 4.68	
Forfeited and cancelled	(8,718)	$ 12.56	
Outstanding at March 31, 2020	581,996	$ 11.02	7.87
Exercisable at March 31, 2020	414,720	$ 10.65	7.53

Activity in stock options during the nine months ended March 31, 2019, and related balances outstanding as of that date are reflected below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (# years)
Outstanding at June 30, 2018	354,447	$ 8.30	8.87
Granted	247,896	$ 14.40	
Exercised	-	$ -	
Forfeited and cancelled	(18,366)	$ 4.60	
Outstanding at March 31, 2019	583,977	$ 11.00	8.78
Exercisable at March 31, 2019	266,919	$ 9.60	7.98

Stock-based compensation expense recognized in the condensed consolidated statements of operations for the three and nine months ended March 31, 2020 and 2019, includes compensation expense for stock-based options and awards granted based on the grant date fair value. For options and awards granted, expenses are amortized under the straight-line method over the expected vesting period. Stock-based compensation expense recognized in the condensed consolidated statements of operations has been reduced for estimated forfeitures of options that are subject to vesting. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

At March 31, 2020, the aggregate intrinsic value of the exercisable options was $746,000.

The Company allocated stock-based compensation expense included in the condensed consolidated statements of operations for employee option grants and non-employee option grants as follows:

	For the Three Months Ended March 31		For the Nine Months Ended March 31,	
	2020	2019	2020	2019
Research and development	$ 54,000	$ 225,000	$ 162,000	$ 256,000
General and administration	402,000	861,000	1,194,000	1,236,000
Total stock-based compensation expense	$ 456,000	$ 1,086,000	$ 1,356,000	$ 1,492,000

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 (annualized percentages) in the table below:

Nine months ended March 31,	2020	2019
Expected volatility	100.60%	111%
Risk free interest rate	1.73%	2.10%
Forfeiture rate	20.0%	20.0%
Dividend yield	0%	0%
Expected term (years)	5.56	5

The remaining amount of unrecognized stock-based compensation expense at March 31, 2020 relating to outstanding stock options, is approximately $1,321,000, which is expected to be recognized over the weighted average period of 1.44 years.

NOTE 7 - OTHER RELATED PARTY TRANSACTIONS

The Company subleased office and manufacturing space to Epic Boats (an entity founded and controlled by Chris Anthony, a former board member and former Chief Executive Officer) in the facility in Vista, California pursuant to a month-to-month sublease agreement. Pursuant to the month-to-month sublease agreement, Epic Boats paid Flux Power 10% of facility costs through the end of the Company's lease agreement which was June 30, 2019. The month-to-month sublease agreement was terminated on June 30, 2019.

The Company received $5,000 and $15,000 for the three and nine months ended March 31, 2019 from Epic Boats under the month-to-month sublease agreement which is recorded as a reduction to rent expense and customer deposits. No fees were received by the Company from Epic Boats for the three and nine months ended March 31, 2020.

NOTE 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. The Company's cash balance at this institution is secured by the Federal Deposit Insurance Corporation up to $250,000. As of March 31, 2020, cash totaled approximately $106,000, which consists of funds held in a non-interest bearing bank deposit account. 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 Concentrations

During the three months ended March 31, 2020, the Company had two major customers that each represented more than 10% of its revenues on an individual basis, and together represented approximately $3,373,000 or 67% of its total revenues. During the nine months ended March 31, 2020, the Company had three major customers that each represented more than 10% of its revenues on an individual basis, and together represented approximately $7,991,000 or 76% of its total revenues.

During the three months ended March 31, 2019, the Company had two major customers that each represented more than 10% of its revenues on an individual basis, and together represented approximately $1,017,000 or 59% of its total revenues. During the nine months ended March 31, 2019, the Company had four major customers that each represented more than 10% of its revenues on an individual basis, and together represented approximately $5,067,000 or 80% of its total revenues.

Suppliers/Vendor Concentrations

The Company obtains a limited number of components and supplies included in its products from a small group of suppliers. During the three months ended March 31, 2020 the Company had two suppliers that each represented more than 10% of its total purchases, on an individual basis, and together represented approximately $2,581,000 or 39% of its total purchases. During the nine months ended March 31, 2020 the Company had two suppliers that each represented more than 10% of its total purchases, on an individual basis, and together represented approximately $4,802,000 or 37% of its total purchases.

During the three months ended March 31, 2019, the Company had three suppliers who accounted for more than 10% of its total purchases, on an individual basis, and together represented approximately $1,735,000 or 67% of its total purchases. During the nine months ended March 31, 2019 the Company had three suppliers who accounted for more than 10% of its total purchases on an individual basis, and together represented approximately $5,117,000 or 63% of its total purchases

NOTE 9 - COMMITMENTS AND CONTINGENCIES

From time to time, the Company may be involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business. To the best knowledge of management, there are no material legal proceedings pending against the Company.

Operating Leases

On April 25, 2019 the Company signed a Standard Industrial/Commercial Multi-Tenant Lease ("Lease") with Accutek to rent approximately 45,600 square feet of industrial space at 2685 S. Melrose Drive, Vista, California. The Lease has an initial term of seven years and four months, commencing on or about June 28, 2019. The lease contains an option to extend the term for two periods of 24 months, and the right of first refusal to lease an additional approximate 15,300 square feet. The monthly rental rate is $42,400 for the first 12 months, escalating at 3% each year.

On February 26, 2020, the Company entered into the First Amendment to Standard Industrial/Commercial Multi-Tenant Lease dated April 25, 2019 (the "Amendment") with Accutek to rent an additional 16,309 rentable square feet of space plus a residential unit of approximately 1,230 rentable square feet (for a total of approximately 17,539 rentable square feet). The lease for the additional space commences 30 days following the delivery of the additional space, and terminates concurrently with the term for the current space, which expires on November 20, 2026. The additional space was made available for occupancy on April 1, 2020. The base rent for the additional space is the same rate as the space currently being rented under the terms of the Lease, $0.93 per rentable square (subject to 3% annual increase). In connection with the Amendment, the Company purchased certain existing office furniture for a total purchase price of $8,300.

Total rent expense was approximately $160,000 and $458,000 for the three months and nine months ended March 31, 2020, respectively, net of sublease income.

Total rent expense was approximately $41,000 and $123,000 for the three months and nine months ended March 31, 2019, respectively, net of sublease income.

The Future Minimum Lease Payments are:

Three months period ending 6/30/2020	$	127,000
2021		393,000
2022		496,000
2023		513,000
2024		572,000
Thereafter		1,454,000
Total Future Minimum Lease Payments		3,555,000
Less: discount		(924,000)
Total lease liability	$	2,631,000

NOTE 10 - SUBSEQUENT EVENTS

COVID-19

The recent outbreak of the coronavirus, COVID-19, which on March 10, 2020, has been declared by the World Health Organization to be a pandemic has spread across the globe and is impacting worldwide economic activity. A pandemic, including COVID-19 or other public health epidemic, poses the risk that the Company or its employees, contractors, customers, suppliers, third party shipping carriers, government and other partners may be prevented from or limited in their ability to conduct business activities for an indefinite period of time, including due to the spread of the disease within these groups or due to shutdowns that may be requested or mandated by governmental authorities. While it is not possible at this time to estimate the impact that COVID-19 could have on the Company's business, the continued spread of COVID-19 and the measures taken by the governments of states and countries affected could disrupt, among other things, the supply chain and the manufacture or shipment of the Company's products. On March 19, 2020, the governor of California, the state where the Company's facility is located, issued statewide stay-at-home orders for non-essential workers to help combat the spread of COVID-19. The Company is deemed to be an essential business consistent with announcements by Forklift OEMs and related supply chain, who support the logistics industry, critical to delivering food and supplies during COVID-19 crisis and the Company has instituted processes, policies and workplace procedures in an effort to keep our workers safe while productive. The Company's manufacturing operations may be subject to closure or shut down due to the spread of the disease within the Company's production employees, or as part of a larger scale government recommendation or mandate. Any disruption in the Company's manufacturing operations would have a material adverse effect on the Company's business and would impede the Company's ability to manufacture and ship products to its customers in a timely manner, or at all. The effect of the COVID-19 pandemic and its associated restrictions may adversely impact many aspects of the Company's business, including customer demand, the length of its sales cycles, disruptions in its supply chain, lower the operating efficiencies at its facility, worker shortages and declining staff morale, and other unforeseen disruptions. The demand for the Company's products may significantly decline as COVID-19 continues to spread and as its customers suffer losses in their businesses. The supply of the Company's raw materials and its supply chain may be disrupted and adversely impacted by the pandemic. The occurrence of any of the foregoing events and their adverse effect on capital markets and investor sentiment may adversely impact the Company's ability to raise capital when needed or on terms favorable to it and its stockholders to fund its operations, which could have a material adverse effect on its business, financial condition and results of operations. The extent to which the COVID-19 outbreak impacts the Company's results, its effect on near or long-term value of its share price will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the virus and the actions to contain its impact.

In January 2020, we received a $4,680,000 order for additional airport GSE batteries from an existing global airline customer. Due to the COVID-19 crisis and its effect to the airline segment, the customer requested that the order to be reduced to approximately $2,700,000 and be delivered in monthly shipments up to November 2020.

2020 Private Placement

On April 22, 2020, the Company sold and issued an aggregate of 66,250 shares of common stock, at $4.00 per share, for an aggregate purchase price of $265,000 in cash to two (2) accredited investors (the "Offering"). The shares offered and sold in the Offering 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 shares were offered and sold to the accredited investors in reliance upon exemptions from registration pursuant to Rule 506(b) of Regulation D promulgated under Section 4(a)(2) under the Securities Act.

Cleveland Loan

On April 30, 2020, in connection with the outstanding loan from Cleveland to the Company in the principal amount of $1,115,000, the Company entered into the Fifth Amendment to the Unsecured Promissory Note to extend the maturity date from April 30, 2020 to May 31, 2020. All accrued and unpaid interest as of April 30, 2020 was capitalized to the principal amount.

Paycheck Protection Program

On May 1, 2020, the Company applied for and received a loan from the Bank of America, NA (the "Lender") in the aggregate principal amount of $1,297,083 (the "Loan") pursuant to the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The Loan is evidenced by a promissory note dated May 1, 2020, issued by the Company to the Lender (the "Note"). The Loan has a two-year term and bears interest at a rate of 1.0% per annum. Monthly principal and interest payments are deferred for six months after the date of disbursement. The Company received the funds on or around May 4, 2020. The Note may be prepaid by the Company at any time prior to maturity with no prepayment penalties. Proceeds from the Loan are available to the Company to fund designated expenses, and the Company intends to use the entire Loan for the qualifying expenses, including certain payroll costs, group health care benefits and other permitted expenses, in accordance with the PPP. Under the terms of the PPP, subject to specific limitations, up to the entire amount of principal and accrued interest may be forgiven to the extent Loan proceeds are used for sum of qualifying and documented expenses such as payroll costs, covered rent payments, and covered utilities during the eight-week period that begins on the date the lender makes the first disbursement to the Company as described in the CARES Act and applicable implementing guidance issued by the U.S. Small Business Administration under the PPP. The Company intends to use the entire Loan amount for designated qualifying expenses and to apply for forgiveness of the Loan in accordance with the terms of the PPP. No assurance can be given that the Company will obtain forgiveness of the Loan in whole or in part.

1,744,186 Shares

Common Stock

PROSPECTUS

Joint Book-Running Managers

Roth Capital Partners **National Securities Corporation**

The date of this prospectus is , 2020

PART II - INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The estimated expenses payable by us in connection with the offering described in this registration statement will be as follows. With the exception of the filing fees for the U.S. Securities Exchange Commission and the FINRA filing fee, all amounts are estimates.

SEC registration fee	$	2,400
FINRA filing fee	$	3,274
NASDAQ listing fee	$	50,000
Legal fees and expenses	$	625,000
Accounting fees and expenses	$	100,000
Miscellaneous expenses	$	24,326
Total	$	805,000

Item 14. Indemnification of Directors and Officers

We are a corporation organized under the laws of the State of Nevada. Section 78.138 of the Nevada Revised Statutes (NRS) provides that, unless the corporation's articles of incorporation or an amendment thereto provide otherwise, a director or officer will not be individually liable to the corporation or its stockholders or creditor for any damages as a result of any act or failure to act in his or her capacity as a director or officer, unless (i) the presumption that the director and officer acted in good faith, on an information basis and with a review to the interest of the corporation, is rebutted, and (ii) it is proven that the director's or officer's acts or omissions constituted a breach of his or her fiduciary duties, and such breach involved intentional misconduct, fraud, or a knowing violation of the law.

Section 78.7502 of the NRS permits a corporation to indemnify its directors and officers against expenses, including attorney's fees, 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, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct was unlawful. Section 78.7502 of the NRS requires a corporation to indemnify a director or officer who has been successful on the merits or otherwise in defense of any action or suit. Section 78.7502 of the NRS precludes indemnification by the corporation if the officer or director has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals, to be liable to the corporation or for amounts paid in settlement to the corporation, unless and only to the extent that the court determines that in view of all the circumstances, the person is fairly and reasonably entitled to indemnity for such expenses.

Section 78.751 of the NRS permits a Nevada corporation 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 determination by the stockholders, the disinterested board members, or by independent legal counsel. If so provided in the corporation's articles of incorporation, bylaws, or other agreements, Section 78.751 of the NRS requires a corporation to advance expenses as incurred 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 corporation. Section 78.751 of the NRS further permits the corporation to grant its directors and officers additional rights of indemnification under its articles of incorporation, bylaws, or other agreements.

Section 78.752 of the NRS provides that a Nevada corporation 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 corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, for any liability asserted against him or her and liability and expenses incurred by him or her in his or her capacity as a director, officer, employee, or agent, or arising out of his or her status as such, whether or not the corporation has the authority to indemnify him or her against such liability and expenses.

Charter Provisions

Article XI of our Amended and Restated Articles of Incorporation (Articles) provide that the Company shall indemnify any person who incur expenses by reason of the fact that he or she is or was an officer, director, employee or agent of the company and that this indemnification shall be mandatory on all circumstances in which indemnification is permitted by law. Article XII of our Articles provide that the Company shall indemnify its directors and officers from personal liability for lawful acts of the Company has permitted by law. The foregoing provisions shall not eliminate or limit the liability of a director for (i) any breach of the director's duty of loyalty to us or our stockholders, (ii) acts or omissions not in good faith or, which involve intentional misconduct or a knowing violation of law, (iii) the payment of dividends in violation of Section 78.300 of the Nevada Revised Statutes; or (iv) any transaction from which the director derived an improper personal benefit.

Article VII of our Amended and Restated Bylaws (Bylaws) provide for indemnification of our directors, officers, and employees in most cases for any liability suffered by them or arising out of their activities as directors, officers, and employees if they acted in good faith and in a manner they reasonably believed to be in, or not opposed to, the best interests of the Company, and with respect to any criminal action to proceeding, have no reasonable cause to believe their conduct was unlawful. To the extent that our directors and officers have been successful on the merits of otherwise in defense of any action, suit, or proceeding, the Company shall indemnify them against expenses, including attorneys' fees, actually and reasonably incurred. Any other indemnification, unless ordered by a court, shall be made by the Company only in the specific case on a determination that the indemnification has met the applicable standard or conduct set forth in the Bylaws. The determination shall be made by disinterested directors, stockholders, or independent legal counsel. Our Bylaws, therefore, limit the liability of directors to the maximum extent permitted by Nevada law (Section 78.751 of the NRS).

Indemnification Agreements

The Company has entered into Indemnification Agreements with all of the Company's directors. Under the Indemnification Agreement, the Company agrees to indemnify the director against any and all expenses incurred if the director 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 Company also maintains directors' and officers' liability insurance under which its directors and officers are insured against loss (as defined in the policy) as a result of certain claims brought against them in such capacities.

At present, there is no pending litigation or proceeding involving any of our directors or officers in which indemnification or advancement is sought. We are not aware of any threatened litigation that may result in claims for advancement or indemnification.

Item 15. Recent Sales of Unregistered Securities

Warrant

On July 3, 2019, we issued Cleveland a three-year warrant (the Cleveland Warrant) to purchase the Company's common stock in a number equal to one-half percent (0.5%) of the number of shares of common stock outstanding after giving effect to the total number of shares of common stock sold in a public offering. The Cleveland Warrant had an exercise price equal to the per share public offering price. On September 1, 2019, the Cleveland Warrant was amended and restated to change the warrant coverage from 0.5% to 1% of the number of shares of common stock outstanding after giving effect to the total number of shares of common stock sold in the next private or public offering (Offering). In addition, the exercise price was also changed to equal the per share price of common stock sold in the Offering. The closing of a private offering constituting the Offering occurred on July 24, 2020. Upon such closing, the Warrant represented a right to purchase up to 83,205 shares of common stock at $4.00 per share (subject to beneficial ownership limitations). The Warrant and the common stock underlying the Cleveland Warrant, as amended, 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. Such securities were offered and sold in reliance upon exemptions from registration pursuant to Rule 506(b) of Regulation D promulgated under Section 4(a)(2) under the Securities Act.

Private Placements

From May 2016 to August 2016, we sold 975,000 shares of common stock to eight (8) accredited investors, at $4.00 per share, for an aggregate of $3,900,000, of which $2,125,000 was in cash and $1,775,000 was settlement of outstanding loan.

From March 2018 to June 2018, we sold an aggregate of 571,429 shares of our common stock to fifteen (15) accredited investors, at 7.00 per share, for an aggregate of $4,000,000.

From December 2018 to January 2019, we sold an aggregate of 399,257 shares of common stock to three (3) accredited investor, at $11.00 per share, for an aggregate purchase price of **$**4,391,820.

On April 22, 2020, we sold and issued an aggregate of 66,250 shares of common stock, at $4.00 per share, for an aggregate purchase price of $265,000 in cash to two (2) accredited investors.

On June 30, 2020, we completed an initial closing of the private placement offering of up to 2,000,000 shares of our common stock, pursuant to which we sold an aggregate of 275,000 shares of our common stock at $4.00 per share, for an aggregate purchase price of $1,100,000 to six (6) accredited investors. The $1,100,000 aggregate purchase price for such shares was paid in cash. Esenjay and Mr. Dutt, our president and chief executive officer, participated in the initial closing in the amount of $300,000 and $50,000, respectively.

On July 24. 2020, we completed an additional closing of the private placement offering of up to 2,000,000 shares of common stock, pursuant to which we sold an aggregate of 800,000 shares of our common stock at $4.00 per share, for an aggregate purchase price of $3,200,000, to twenty (20) accredited investors. The aggregate purchase price for such shares was paid in cash. Mr. Cosentino, our director, participated in the closing by acquiring 62,500 shares common stock at a purchase price of $250,000.

The offers, sales, and issuances of the securities described above were deemed to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act or Rule 506 of Regulation D promulgated thereunder as transactions by an issuer not involving a public offering. Each of the recipients of securities in these transactions was an accredited investor within the meaning of Rule 501 of Regulation D under the Securities Act.

Conversion of Debt

In October 2018, we issued 1,502,713 shares of common stock in connection with the conversion of an outstanding principal amount of $7,975,000 plus accrued and unpaid interest of $1,041,280. As an inducement for the conversion of principal and interest, we also issued 26,802 additional shares of common stock.

In October 2018, we issued 50,209 shares of common stock in exchange for the cancellation of a loan in the amount of $500,000 plus accrued interest of $102,510.

On June 30, 2020, we issued 1,845,830 shares of common stock to eight (8) accredited investors in connection with the conversion of approximately $7,383,000 in principal and accrued interest, under the LOC.

On June 30, 2020, we issued 125,000 shares of common stock to two (2) accredited investors in connection with the conversion of $500,000 in principal under the Esenjay Note.

On July 22, 2020, we issued 100,000 shares of common stock to one investor in connection with the conversion of $400,000 in principal under the Esenjay Note.

The offers, sales, and issuances of the securities described above were deemed to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act or Rule 506 of Regulation D promulgated thereunder as transactions by an issuer not involving a public offering. Each of the recipients of securities in these transactions was an accredited investor within the meaning of Rule 501 of Regulation D under the Securities Act.

Convertible Notes

On December 31, 2019, the promissory notes previously issued to the Lenders in connection with the LOC were amended to grant each of the Lenders a right convert their respective promissory note under the LOC into shares of our common stock at any time after the close of the next financing of the Company of at least $1,000,000 on or after December 31, 2019, and on or before the maturity date. The financing occurred on June 30, 2020 and, as a result, each of the Lenders had a right to convert the principal and accrued interest outstanding under their respective promissory notes into shares of common stock at $4.00 per share. As of July 28, 2020, there was approximately $5,289,709 in principal outstanding under such notes, which is convertible into 1,322,427 shares of common stock at $4.00 per share (subject to any beneficial ownership limitations).

On March 9, 2020, we issued Esenjay a convertible promissory note in the amount of $750,000 (the Esenjay Note). The Esenjay Note was convertible into shares of common stock at any time after the close of the next financing of at least $1,000,000 on or after December 31, 2019, and on or before the maturity date. The financing occurred on June 30, 2020 and, as a result, Esenjay has a right to convert the principal and accrued interest outstanding under the Esenjay Note into shares of common stock at $4.00 per share. On June 2, 2020, the convertible promissory note was amended to increase the principal amount to $1,400,000. As of July 28, 2020, following the conversion of $900,000 under the Esenjay Note into 225,000 shares of common stock at $4.00 per share, there was approximately $500,000 in principal outstanding under the Esenjay Note.

Advisory Agreements

On April 1, 2016, we agreed to issue 5,400 shares of common stock; on April 1, 2017, we agreed to issue 9,333 shares of common stock; and on April 1, 2018, we agreed to issue 3,884 to an entity to provide investor relations services. All shares of common stock issued to the entity was issued in reliance upon exemption from registration pursuant to Section 4(a)(2).

From March 14, 2018 to October 24, 2019, we issued an aggregate of 17,468 shares of restricted common stock, valued at approximately $233,000, to a consultant for services provided to us relating to the identification of strategic partners, suppliers and manufacturers in China. The common stock was issued in reliance upon exemption from registration pursuant to Section 4(a)(2) or Regulation S promulgated thereunder.

Options

From July 1, 2017 through July 28, 2020, we granted to our directors, officers and employee options to purchase an aggregate of 556,811 shares of our common stock under our equity compensation plans. Of such total options granted, options that were granted prior to February 13, 2019, in an aggregate of 326,039 shares at exercise prices ranging from approximately $4.60 to $19.80 per share were issued in reliance upon exemption from registration pursuant to Section 4(a)(2) or Rule 506 of Regulation D.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions or any public offering. All recipients had adequate access, through their relationships with us, to information about us. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the stock certificates issued in these transactions. The sales of these securities were made without any general solicitation or advertising.

Item 16. Exhibits and Financial Statement Schedules

(a) Exhibits

The following exhibits are filed herewith or incorporated by reference in this prospectus:

Exhibit No.	Description
1.1*	Form of Underwriting Agreement
2.1	Securities Exchange Agreement dated May 18, 2012. Incorporated by reference to Exhibit 2.1 on Form 8-K filed with the SEC on May 24, 2012.
2.2	Amendment No. 1 to the Securities Exchange Agreement dated June 13, 2012. Incorporated by reference to Exhibit 2.2 on Form 8-K filed with the SEC on June 18, 2012.
3.1	Restated Articles of Incorporation. Incorporated by reference to Exhibit 3.1 on Form 8-K filed with the SEC on February 19, 2015.
3.2	Amended and Restated Bylaws of Flux Power Holdings, Inc. Incorporated by reference to Exhibit 3.1 on Form 8-K filed with the SEC on May 31, 2012.
3.3	Certificate of Amendment to Articles of Incorporation. Incorporated by reference to Exhibit 3.1 on Form 8-K filed with the SEC on August 18, 2017.

3.4	Certificate of Change. Incorporated by reference to Exhibit 3.1 on Form 8-K filed with the SEC on July 12, 2019.
5.1*	Opinion of Lewis Brisbois Bisgaard & Smith LLP
10.1	Flux Power Holdings, Inc. 2010 Stock Plan. Incorporated by reference to Exhibit 10.5 on Form 8-K filed with the SEC on June 18, 2012.
10.2	Flux Power Holdings, Inc. 2010 Stock Plan: Form of Stock Option Agreement. Incorporated by reference to Exhibit 10.6 on Form 8-K filed with the SEC on June 18, 2012.
10.3	Form of Indemnification Agreement. Incorporated by reference to Exhibit 10.1 on Form 8-K filed with the SEC on April 9, 2019.
10.4	Terms of Employment with Ronald F. Dutt. Incorporated by reference to Exhibit 10.16 on Form 8-K filed with the SEC on December 13, 2012.
10.5	Amendment to the Employment Agreement, dated February 15, 2019 by and between Flux Power Holdings, Inc. and Ronald F. Dutt. Incorporated by reference to Exhibit 10.1 on Form 8-K filed with the SEC on February 19, 2019.
10.6	2014 Equity Incentive Plan. Incorporated by reference to Exhibit 10.23 on Form 10-Q filed with the SEC on May 15, 2015.
10.7	Amendment to the Flux Power Holdings Inc. 2014 Equity Incentive Plan. Incorporated by reference to Exhibit 10.20 on Form 10-K filed with the SEC on September 27, 2018.
10.8	Amended and Restated Credit Facility Agreement dated March 28, 2019. Incorporated by reference to Exhibit 10.1 on Form 8-K filed with the SEC on April 2, 2019.
10.9	Amended and Restated Security Agreement dated March 28, 2019. Incorporated by reference to Exhibit 10.2 on Form 8-K filed with the SEC on April 2, 2019.
10.10	Amended and Restated Secured Promissory Note dated March 28, 2019 (Esenjay). Incorporated by reference to Exhibit 10.4 on Form 8-K filed with the SEC on April 2, 2019.
10.11	Secured Promissory Note dated March 28, 2019 (Cleveland). Incorporated by reference to Exhibit 10.5 on Form 8-K filed with the SEC on April 2, 2019.
10.12	Lease Agreement dated April 25, 2019. Incorporated by reference to Exhibit 10.1 on Form 8-K filed with the SEC on April 30, 2019.
10.13	Loan Agreement dated July 3, 2019 (Cleveland). Incorporated by reference to Exhibit 10.1 on Form 8-K filed with the SEC on July 9, 2019
10.14	Unsecured Promissory Note (Cleveland) dated July 3, 2019. Incorporated by reference to Exhibit 10.2 on Form 8-K filed with the SEC on July 9, 2019.
10.15	Warrant (Cleveland) dated July 3, 2019. Incorporated by reference to Exhibit 10.3 on Form 8-K filed with the SEC on July 9, 2019.
10.16*	Form of Representative's Warrant
10.17	Factoring Agreement with CSNK Working Capital Finance Corp. d/b/a Bay View Funding dated August 23, 2019. Incorporated by reference to Exhibit 10.1 on Form 8-K filed with the SEC on August 26, 2019.
10.18	Amendment No. 1 to Unsecured Promissory Note (Cleveland) dated September 1, 2019. Incorporated by reference to Exhibit 10.1 on Form 8-K filed with the SEC on September 6, 2019.
10.19	Amended and Restated Warrant Certificate (Cleveland) dated July 3, 2019. Incorporated by reference to Exhibit 10.2 on Form 8-K filed with the SEC on September 6, 2019.
10.20	Second Amended and Restated Credit Facility Agreement dated October 10, 2019. Incorporated by reference to Exhibit 10.1 on Form 8-K filed with the SEC on October 16, 2019.
10.21	Amendment No. 1 to the Amended and Restated Security Agreement dated October 10, 2019. Incorporated by reference to Exhibit 10.2 on Form 8-K filed with the SEC on October 16, 2019.
10.22	Form of Amendment to Unsecured Promissory Note. Incorporated by reference to Exhibit 10.3 on Form 8-K filed with the SEC on October 16, 2019.
10.23	Amendment to the Amended and Restated Secured Promissory Note (Esenjay) dated October 10, 2019. Incorporated by reference to Exhibit 10.4 on Form 8-K filed with the SEC on October 16, 2019.
10.24	Second Amendment to the Unsecured Promissory Note (Cleveland) dated December 3, 2019. Incorporated by reference to Exhibit 10.1 on Form 8-K filed with the SEC on December 4, 2019.
10.25	Third Amendment to the Unsecured Promissory Note (Cleveland) dated December 31, 2019. Incorporated by reference to Exhibit 10.1 on Form 8-K filed with the SEC on January 6, 2020.

10.26	Second Amendment to the Amended and Restated Secured Promissory Note (Esenjay) dated December 31, 2019. Incorporated by reference to Exhibit 10.2 on Form 8-K filed with the SEC on January 6, 2020.
10.27	Form of Second Amendment to the Secured Promissory Note. Incorporated by reference to Exhibit 10.3 on Form 8-K filed with the SEC on January 6, 2020.
10.28	First Amendment to Standard Industrial/Commercial Multi Tenant Lease with Accutek dated March 1, 2020. Incorporated by reference to Exhibit 10.1 on Form 8-K filed with the SEC on March 5, 2020.
10.29	Convertible Promissory Note (Esenjay) dated March 9, 2020. Incorporated by reference to Exhibit 10.1 on Form 8-K filed with the SEC on March 13, 2020.
10.30	Fourth Amendment to the Unsecured Promissory Note (Cleveland), dated March 31, 2020. Incorporated by reference to Exhibit 10.1 on Form 8-K filed with the SEC on April 3, 2020.
10.31	Fifth Amendment to the Unsecured Promissory Note (Cleveland), dated April 30, 2020. Incorporated by reference to Exhibit 10.1 on Form 8-K filed with the SEC on May 4, 2020.
10.32	Promissory Note with Bank of America, NA dated May 1, 2020. Incorporated by reference to Exhibit 10.1 on Form 8-K filed with the SEC on May 7, 2020.
10.33	Sixth Amendment to the Unsecured Promissory Note (Cleveland), dated May 29, 2020. Incorporated by reference to Exhibit 10.1 on Form 8-K filed with the SEC on June 1, 2020.
10.34	Amended and Restated Convertible Promissory Note (Esenjay) dated June 2, 2020. Incorporated by reference to Exhibit 10.1 on Form 8-K filed with the SEC on June 5, 2020.
10.35	Third Amendment to the Amended and Restated Secured Promissory Note (Esenjay) dated June 30, 2020. Incorporated by reference to Exhibit 10.1 on Form 8-K filed with the SEC on July 7, 2020.
10.36	Form of Third Amendment to the Secured Promissory Note. Incorporated by reference to Exhibit 10.2 on Form 8-K filed with the SEC on July 7, 2020.
10.37	Seventh Amendment to the Unsecured Promissory Note (Cleveland) dated June 30, 2020. Incorporated by reference to Exhibit 10.1 on Form 8-K filed with the SEC on July 7, 2020.
10.38*	Form of Lock-Up Agreement
10.39	Eighth Amendment to the Unsecured Promissory Note (Cleveland) dated July 27, 2020. Incorporated by reference to Exhibit 10.1 on Form 8-K filed with the SEC on July 28, 2020.
14.1	Code of Business Conduct and Ethics. Incorporated by reference to Exhibit 99.4 on Form 8-K filed with the SEC on July 2, 2019.
23.1*	Consent of Squar Milner LLP, independent public accounting
23.2*	Consent of Lewis Brisbois Bisgaard & Smith LLP (included in Exhibit 5.1)
24.1*	Power of Attorney (included on the signature page)
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase
101.DEF**	XBRL Taxonomy Extension Definition Linkbase
101.LAB**	XBRL Taxonomy Extension Label Linkbase
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith.
** Previously filed.

Item 17. Undertakings

(a) The undersigned Registrant hereby undertakes:

(1) to file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement to:

(i) include any prospectus required by section 10(a)(3) of the Securities Act;

(ii) reflect in the prospectus any facts or events which, individually or together, represent a fundamental change in the information in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the SEC pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) that, for the purpose of determining any liability under the Securities Act, each post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) to remove from registration by means a post-effective amendment any of the securities that remain unsold at the end of the offering.

(4) that, for the purpose of determining liability under the Securities Act to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(5) that, for the purpose of determining liability of the Registrant under the Securities Act to any purchaser in the initial distribution of the securities, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the Registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) any preliminary prospectus or prospectus of the Registrant relating to the offering filed pursuant to Rule 424;

(ii) any free writing prospectus relating to the offering prepared by or on behalf of the Registrant or used or referred to by the Registrant;

(iii) the portion of any other free writing prospectus relating to the offering containing material information about the Registrant or its securities provided by or on behalf of the Registrant; and

(iv) any other communication that is an offer in the offering made by the Registrant to the purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant, the Registrant has been advised that in the opinion of the SEC, such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registration of expenses incurred or paid by a director, officer or controlling person to the Registrant 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 registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Amendment No. 3 to Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Vista, California on the 30th day of July, 2020.

Flux Power Holdings, Inc.

By: */s/ Ronald F. Dutt*
Ronald F. Dutt
Chief Executive Officer
(Principal Executive Officer)

By: */s/ Charles A. Scheiwe*
Charles A. Scheiwe
Chief Financial Officer
(Principal Financial and Principal Accounting Officer)

Known All Persons By These Presents, that each person whose signature appears below appoints Ronald Dutt as his or her true and lawful attorney-in-fact and agent, with full power of substitution, for him or her and in his or her name, place and stead, to sign any amendment (including post-effective amendments) to this registration statement (or any other registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933), and to file the same, with all exhibits thereto, and other documents in connection therewith, with the SEC, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she may do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or any of them, or of his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 3 to Registration Statement on Form S-1 has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Ronald F. Dutt Ronald F. Dutt	Chairman of the Board, Chief Executive Officer, And President *(Principal Executive Officer)*	July 30, 2020
/s/ Charles A. Scheiwe Charles A. Scheiwe	Chief Financial Officer (*Principal Financial and Principal Accounting Officer*)	July 30, 2020
/s/ Michael Johnson Michael Johnson	Director	July 30, 2020
/s/ Dale Robinette Dale Robinette	Director	July 30, 2020
/s/ Lisa Walters-Hoffert Lisa Walters-Hoffert	Director	July 30, 2020
/s/ John A. Cosentino, Jr. John A. Cosentino, Jr.	Director	July 30, 2020

Exhibit 1.1

FLUX POWER HOLDINGS, INC.

UNDERWRITING AGREEMENT

[●] Shares of Common Stock

_____, 2020

Roth Capital Partners, LLC
As the Representative of the
Several Underwriters Named on Schedule I hereto

c/o Roth Capital Partners, LLC
888 San Clemente Drive, Suite 400
Newport Beach, CA 92660

Ladies and Gentlemen:

Flux Power Holdings, Inc., a Nevada corporation (the "Company"), proposes, subject to the terms and conditions stated herein, to issue and sell to the underwriters named in **Schedule I** hereto (the "Underwriters," or each, an "Underwriter"), for whom Roth Capital Partners, LLC is acting as the representative (the "Representative"), an aggregate of [●] authorized but unissued shares (the "Firm Shares") of common stock, par value $0.001 per share (the "Common Stock"), of the Company. The Company also proposes to sell to the Underwriters, upon the terms and conditions set forth in Section 4 hereof, up to an additional [●] shares of Common Stock (the "Option Shares"). The Firm Shares and the Option Shares are hereinafter collectively referred to as the "Shares". The Shares, the Representative's Warrants (as defined below) and the Representative's Warrant Shares (as defined below) are collectively referred to as the "Securities."

The Company and the several Underwriters hereby confirm their agreement as follows:

1. Registration Statement and Prospectus.

The Company has prepared and filed with the Securities and Exchange Commission (the "Commission") a registration statement covering the Securities on Form S-1 (File No. 333-231766) under the Securities Act of 1933, as amended (the "Securities Act"), and the rules and regulations (the "Rules and Regulations") of the Commission thereunder, and such amendments to such registration statement (including post effective amendments) as may have been required to the date of this Agreement. Such registration statement, as amended (including any post effective amendments), has been declared effective by the Commission. Such registration statement, including amendments thereto (including post effective amendments thereto) and all documents and information deemed to be a part of the Registration Statement through incorporation by reference or otherwise at the time of effectiveness thereof (the "Effective Time"), the exhibits and any schedules thereto at the Effective Time or thereafter during the period of effectiveness and the documents and information otherwise deemed to be a part thereof or included therein by the Securities Act or otherwise pursuant to the Rules and Regulations at the Effective Time or thereafter during the period of effectiveness, is herein called the "Registration Statement." If the Company has filed or files an abbreviated registration statement pursuant to Rule 462(b) under the Securities Act (the "Rule 462 Registration Statement"), then any reference herein to the term Registration Statement shall include such Rule 462 Registration Statement. Any preliminary prospectus included in the Registration Statement or filed with the Commission pursuant to Rule 424(a) under the Securities Act is hereinafter called a "Preliminary Prospectus." The Preliminary Prospectus relating to the Securities that was included in the Registration Statement immediately prior to the pricing of the offering contemplated hereby is hereinafter called the "Pricing Prospectus."

The Company is filing with the Commission pursuant to Rule 424 under the Securities Act a final prospectus covering the Securities, which includes the information permitted to be omitted therefrom at the Effective Time by Rule 430A under the Securities Act. Such final prospectus, as so filed, is hereinafter called the "Final Prospectus." The Final Prospectus, the Pricing Prospectus and any preliminary prospectus in the form in which they were included in the Registration Statement or filed with the Commission pursuant to Rule 424 under the Securities Act is hereinafter called a "Prospectus."

2. Representations and Warranties of the Company Regarding the Offering.

(a) The Company represents and warrants to, and agrees with, the several Underwriters, as of the date hereof, as of the Closing Date (as defined in Section 4(d) below) and as of each Option Closing Date (as defined in Section 4(b) below), as follows:

(i) **No Material Misstatements or Omissions**. At the Effective Time, at the date hereof, at the Closing Date, and at each Option Closing Date, if any, the Registration Statement and any post-effective amendment thereto complied or will comply in all material respects with the requirements of the Securities Act and the Rules and Regulations and did not, does not, and will not, as the case may be, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. The Time of Sale Disclosure Package (as defined in Section 2(a)(iii)(A)(1) below) as of [●] (Eastern time) (the "Applicable Time") on the date hereof, at the Closing Date and on each Option Closing Date, if any, and the Final Prospectus, as amended or supplemented, as of its date, at the time of filing pursuant to Rule 424(b) under the Securities Act, at the Closing Date and at each Option Closing Date, if any, when considered together with the Time of Sale Disclosure Package, did not, does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The representations and warranties set forth in the two immediately preceding sentences shall not apply to statements in or omissions from the Registration Statement, the Time of Sale Disclosure Package or any Prospectus in reliance upon, and in conformity with, written information furnished to the Company by any Underwriter specifically for use in the preparation thereof, which written information is described in Section 7(f). The Registration Statement contains all exhibits and schedules required to be filed by the Securities Act or the Rules and Regulations. No order preventing or suspending the effectiveness or use of the Registration Statement or any Prospectus is in effect and no proceedings for such purpose have been instituted or are pending, or, to the knowledge of the Company, are contemplated or threatened by the Commission.

(ii) **Marketing Materials**. The Company has not distributed any prospectus or other offering material in connection with the offering and sale of the Shares other than the Time of Sale Disclosure Package and the roadshow or investor presentations delivered to and approved by the Representative for use in connection with the marketing of the offering of the Shares (the "Marketing Materials").

(iii) **Accurate Disclosure**. (A) The Company has provided a copy to the Underwriters of each Issuer Free Writing Prospectus (as defined below) used in the sale of the Shares. The Company has filed all Issuer Free Writing Prospectuses required to be so filed with the Commission, and no order preventing or suspending the effectiveness or use of any Issuer Free Writing Prospectus is in effect and no proceedings for such purpose have been instituted or are pending, or, to the knowledge of the Company, are contemplated or threatened by the Commission. When taken together with the rest of the Time of Sale Disclosure Package or the Final Prospectus, no Issuer Free Writing Prospectus, as of its issue date and at all subsequent times though the completion of the public offer and sale of the Shares, has, does or will include (1) any untrue statement of a material fact or omission to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or (2) information that conflicted, conflicts or will conflict with the information contained in the Registration Statement or the Final Prospectus. The representations and warranties set forth in the immediately preceding sentence shall not apply to statements in or omissions from the Time of Sale Disclosure Package, the Final Prospectus or any Issuer Free Writing Prospectus in reliance upon, and in conformity with, written information furnished to the Company by any Underwriter specifically for use in the preparation thereof, which written information is described in Section 7(f). As used in this paragraph and elsewhere in this Agreement:

(1) "Time of Sale Disclosure Package" means the Prospectus most recently filed with the Commission before the time of this Agreement, each Issuer Free Writing Prospectus, and the description of the transaction provided by the Underwriters included on **Schedule II**.

(2) "Issuer Free Writing Prospectus" means any "issuer free writing prospectus," as defined in Rule 433 under the Securities Act, relating to the Shares that (A) is required to be filed with the Commission by the Company, or (B) is exempt from filing pursuant to Rule 433(d)(5)(i) or (d)(8) under the Securities Act, in each case in the form filed or required to be filed with the Commission or, if not required to be filed, in the form retained in the Company's records pursuant to Rule 433(g) under the Securities Act.

(B) At the time of filing of the Registration Statement and at the date hereof, the Company was not and is not an "ineligible issuer," as defined in Rule 405 under the Securities Act or an "excluded issuer" as defined in Rule 164 under the Securities Act.

(C) Each Issuer Free Writing Prospectus listed on **Schedule III** satisfied, as of its issue date and at all subsequent times through the Prospectus Delivery Period (as defined below), all other conditions as may be applicable to its use as set forth in Rules 164 and 433 under the Securities Act, including any legend, record-keeping or other requirements.

(iv) **Financial Statements**. The financial statements of the Company, together with the related notes and schedules, included in the Registration Statement, the Time of Sale Disclosure Package and the Final Prospectus comply in all material respects with the applicable requirements of the Securities Act and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations of the Commission thereunder, and fairly present the financial condition of the Company as of the dates indicated and the results of operations and changes in cash flows for the periods therein specified in conformity with U.S. generally accepted accounting principles ("GAAP") consistently applied throughout the periods involved. No other financial statements or schedules are required under the Securities Act, the Exchange Act, or the Rules and Regulations to be included in the Registration Statement, the Time of Sale Disclosure Package or the Final Prospectus.

(v) **Independent Accountants.** To the Company's knowledge, Squar Milner LLP, which has expressed its opinion with respect to the financial statements included as a part of the Registration Statement, the Time of Sale Disclosure Package and the Final Prospectus, is an independent registered public accounting firm with respect to the Company within the meaning of the Securities Act and the Rules and Regulations.

(vi) **Accounting and Disclosure Controls.** The Company and its subsidiaries maintain systems of "internal control over financial reporting" (as defined under Rules 13a-15 and 15d-15 under the Exchange Act) that comply with the requirements of the Exchange Act and have been designed by, or under the supervision of, their respective principal executive and principal financial officers, or persons performing similar functions, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, including, but not limited to, internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences; and (v) the interactive data in eXtensible Business Reporting Language included or incorporated by references in the Registration Statement, the Time of Sale Disclosure Package and the Final Prospectus fairly present the information called for in all material respects and are prepared in accordance with the Commission's rules and guidelines applicable thereto. Since the date of the latest audited financial statements included in the Registration Statement, the Time of Sale Disclosure Package and the Final Prospectus, there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company maintains disclosure controls and procedures that have been designed to ensure that material information relating to the Company and any subsidiaries is made known to the Company's principal executive officer and principal financial officer by others within those entities; and such disclosure controls and procedures are effective.

(vii) **Forward-Looking Statements**. The Company had a reasonable basis for, and made in good faith, each "forward-looking statement" (within the meaning of Section 27A of the Securities Act or Section 21E of the Exchange Act) contained or incorporated by reference in the Registration Statement, the Time of Sale Disclosure Package, the Final Prospectus or the Marketing Materials.

(viii) **Statistical and Marketing-Related Data**. All statistical or market-related data included or incorporated by reference in the Registration Statement, the Time of Sale Disclosure Package or the Final Prospectus, or included in the Marketing Materials, are based on or derived from sources that the Company reasonably believes to be reliable and accurate, and the Company has obtained the written consent to the use of such data from such sources, to the extent required.

(ix) **Trading Market**. The Common Stock is registered pursuant to Section 12(b) of the Exchange Act and is approved for listing on the Nasdaq Capital Market ("Nasdaq"). There is no action pending by the Company or, to the Company's knowledge, the Nasdaq to delist the Common Stock from the Nasdaq, nor has the Company received any notification that the Nasdaq is contemplating terminating such listing. When issued, the Shares will be listed on the Nasdaq. The Company has taken all actions it deems reasonably necessary or advisable to take on or prior to the date of this Agreement to assure that it will be in compliance in all material respects with all applicable corporate governance requirements set forth in the rules of the Nasdaq that are then in effect and will take all action it deems reasonably necessary or advisable to assure that it will be in compliance in all material respects with other applicable corporate governance requirements set forth in the Nasdaq rules not currently in effect upon and all times after the effectiveness of such requirements.

(x) **Absence of Manipulation**. The Company has not taken, directly or indirectly, any action that is designed to or that has constituted or that would reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares.

(xi) **Investment Company Act**. The Company is not and, after giving effect to the offering and sale of the Shares and the application of the net proceeds thereof, will not be an "investment company," as such term is defined in the Investment Company Act of 1940, as amended.

3. Representations and Warranties Regarding the Company.

(a) The Company represents and warrants to, and agrees with, the several Underwriters, as of the date hereof and as of the Closing Date and as of each Option Closing Date, as follows:

(i) **Good Standing**. Each of the Company and its subsidiaries has been duly organized and is validly existing as a corporation or other entity in good standing under the laws of its jurisdiction of incorporation. Each of the Company and its subsidiaries has the power and authority (corporate or otherwise) to own its properties and conduct its business as currently being carried on and as described in the Registration Statement, the Time of Sale Disclosure Package and the Prospectus, and is duly qualified to do business as a foreign corporation or other entity in good standing in each jurisdiction in which it owns or leases real property or in which the conduct of its business makes such qualification necessary, except where the failure to so qualify would not have or be reasonably likely to result in a material adverse effect upon the business, prospects, properties, operations, condition (financial or otherwise) or results of operations of the Company and its subsidiaries, taken as a whole, or in its ability to perform its obligations under this Agreement ("Material Adverse Effect").

(ii) **Authorization**. The Company has the power and authority to enter into this Agreement and the Representative's Warrants and to authorize, issue and sell the Shares, the Representative's Warrants and the Representative's Warrant Shares as contemplated by this Agreement and the Representative's Warrants. This Agreement and the Representative's Warrants have been duly authorized by the Company, and when executed and delivered by the Company, and assuming the due authorization, execution and delivery by the other parties thereto, as applicable, will constitute the valid, legal and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except as rights to indemnity hereunder may be limited by federal or state securities laws and except as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting the rights of creditors generally and subject to general principles of equity.

(iii) **Contracts**. The execution, delivery and performance of this Agreement and the Representative's Warrants and the consummation of the transactions herein contemplated will not (A) result in a breach or violation of any of the terms and provisions of, or constitute a default under, any law, order, rule or regulation to which the Company or any subsidiary is subject, or by which any property or asset of the Company or any subsidiary is bound or affected, (B) conflict with, result in any violation or breach of, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any right of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) (a "Default Acceleration Event") of, any agreement, lease, credit facility, debt, note, bond, mortgage, indenture or other instrument (the "Contracts") or obligation or other understanding to which the Company or any subsidiary is a party or by which any property or asset of the Company or any subsidiary is bound or affected, except to the extent that such conflict, default, or Default Acceleration Event not reasonably likely to result in a Material Adverse Effect, or (C) result in a breach or violation of any of the terms and provisions of, or constitute a default under, the Company's Articles of Incorporation, as amended, or its amended and restated by-laws.

(iv) **No Violations of Governing Documents**. Neither the Company nor any of its subsidiaries is in violation, breach or default under its articles of incorporation, by-laws or other equivalent organizational or governing documents.

(v) **Consents**. No consents, approvals, orders, authorizations or filings are required on the part of the Company in connection with the execution, delivery or performance of this Agreement and the Representative's Warrants and the issue and sale of the Securities, except (A) the registration under the Securities Act of the Securities, which has been effected, (B) the necessary filings and approvals from the Nasdaq to list the Shares and the Representative's Warrant Shares, (C) such consents, approvals, authorizations, registrations or qualifications as may be required under state or foreign securities or Blue Sky laws and the rules of the Financial Industry Regulatory Authority, Inc. ("FINRA") in connection with the purchase and distribution of the Shares by the several Underwriters, (D) such consents and approvals as have been obtained and are in full force and effect, and (E) such consents, approvals, orders, authorizations and filings the failure of which to make or obtain is not reasonably likely to result in a Material Adverse Effect.

(vi) **Capitalization**. The Company has an authorized capitalization as set forth in the Registration Statement, the Time of Sale Disclosure Package and the Final Prospectus. All of the issued and outstanding shares of capital stock of the Company are duly authorized and validly issued, fully paid and nonassessable, and have been issued in compliance with all applicable securities laws, and conform to the description thereof in the Registration Statement, the Time of Sale Disclosure Package and the Final Prospectus. All of the issued shares of capital stock of each subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and, except as set forth in the Registration Statement, the Time of Sale Disclosure Package and the Final Prospectus, are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims. Except as disclosed in the Registration Statement, the Time of Sale Disclosure Package and the Final Prospectus and except for the issuances of options or restricted stock in the ordinary course of business, since the respective dates as of which information is provided in the Registration Statement, the Time of Sale Disclosure Package or the Final Prospectus, the Company has not entered into or granted any convertible or exchangeable securities, options, warrants, agreements, contracts or other rights in existence to purchase or acquire from the Company any shares of the capital stock of the Company. The Shares, when issued and paid for as provided herein, will be duly authorized and validly issued, fully paid and nonassessable, will be issued in compliance with all applicable securities laws, and will be free of preemptive, registration or similar rights and will conform to the description of the capital stock of the Company contained in the Registration Statement, the Time of Sale Disclosure Package and the Final Prospectus. The shares of Common Stock issuable upon the exercise of the Representative's Warrants (the "Representative's Warrant Shares "), when issued, paid for and delivered upon due exercise of the Warrants or the Representative's Warrants, as applicable, will be duly authorized and validly issued, fully paid and nonassessable, will be issued in compliance with all applicable securities laws, and will be free of preemptive, registration or similar rights. The Representative's Warrant Shares have been reserved for issuance. The Representative's Warrants, when issued, will conform in all material respects to the descriptions thereof set forth in the Registration Statement, the Time of Sale Disclosure Package and the Final Prospectus.

(vii) **Taxes**. The Company and each of its subsidiaries has (a) filed all foreign, federal, state and local tax returns (as hereinafter defined) required to be filed with taxing authorities prior to the date hereof or has duly obtained extensions of time for the filing thereof and (b) paid all taxes (as hereinafter defined) shown as due and payable on such returns that were filed and has paid all taxes imposed on or assessed against the Company or such respective subsidiary. The provisions for taxes payable, if any, shown on the financial statements included in the Registration Statement, the Time of Sale Disclosure Package and the Final Prospectus are sufficient for all accrued and unpaid taxes, whether or not disputed, and for all periods to and including the dates of such consolidated financial statements. To the knowledge of the Company, no issues have been raised (and are currently pending) by any taxing authority in connection with any of the returns or taxes asserted as due from the Company or its subsidiaries, and no waivers of statutes of limitation with respect to the returns or collection of taxes have been given by or requested from the Company or its subsidiaries. The term "taxes" means all federal, state, local, foreign, and other net income, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, license, lease, service, service use, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property, windfall profits, customs, duties or other taxes, fees, assessments, or charges of any kind whatever, together with any interest and any penalties, additions to tax, or additional amounts with respect thereto. The term "returns" means all returns, declarations, reports, statements, and other documents required to be filed in respect to taxes.

(viii) **Material Change**. Since the respective dates as of which information is given in the Registration Statement, the Time of Sale Disclosure Package or the Final Prospectus, (a) neither the Company nor any of its subsidiaries has incurred any material liabilities or obligations, direct or contingent, or entered into any material transactions other than in the ordinary course of business, (b) the Company has not declared or paid any dividends or made any distribution of any kind with respect to its capital stock; (c) there has not been any change in the capital stock of the Company or any of its subsidiaries (other than a change in the number of outstanding shares of Common Stock due to the issuance of shares upon the exercise of outstanding options or warrants, upon the conversion of outstanding shares of preferred stock or other convertible securities or the issuance of restricted stock awards or restricted stock units under the Company's existing stock awards plan, or any new grants thereof in the ordinary course of business), (d) there has not been any material change in the Company's long-term or short-term debt, and (e) there has not been the occurrence of any Material Adverse Effect.

(ix) **Absence of Proceedings**. There is not pending or, to the knowledge of the Company, threatened, any action, suit or proceeding to which the Company or any of its subsidiaries is a party or of which any property or assets of the Company or any of its subsidiaries is the subject before or by any court or governmental agency, authority or body, or any arbitrator or mediator, which is reasonably likely to result in a Material Adverse Effect

(x) **Permits**. The Company and each of its subsidiaries holds, and is in compliance with, all franchises, grants, authorizations, licenses, permits, easements, consents, certificates and orders ("Permits") of any governmental or self-regulatory agency, authority or body required for the conduct of its business as currently carried on as described in the Registration Statement, the Time of Sale Disclosure Package and the Final Prospectus, and all such Permits are in full force and effect, in each case except where the failure to hold, or comply with, any of them is not reasonably likely to result in a Material Adverse Effect or adversely affect the consummation of the transactions contemplated by this Agreement.

(xi) **Good Title**. The Company and each of its subsidiaries have good and marketable title to all property (whether real or personal) described in the Registration Statement, the Time of Sale Disclosure Package and the Final Prospectus as being owned by them that are material to the business of the Company, in each case free and clear of all liens, claims, security interests, other encumbrances or defects, except those that are disclosed in the Registration Statement, the Time of Sale Disclosure Package and the Final Prospectus and those that are not reasonably likely to result in a Material Adverse Effect. The property held under lease by the Company and its subsidiaries is held by them under valid, subsisting and enforceable leases with only such exceptions with respect to any particular lease as do not interfere in any material respect with the conduct of the business of the Company and its subsidiaries.

(xii) **Intellectual Property**. The Company and each of its subsidiaries owns or possesses or has valid right to use all patents, patent applications, trademarks, service marks, trade names, trademark registrations, service mark registrations, copyrights, licenses, inventions, trade secrets and similar rights ("Intellectual Property") necessary for the conduct of the business of the Company and its subsidiaries as currently carried on and as described in the Registration Statement, the Time of Sale Disclosure Package and the Final Prospectus. To the knowledge of the Company, no action or use by the Company or any of its subsidiaries involves or gives rise to any infringement of, or license or similar fees for, any Intellectual Property of others, except where such action, use, license or fee is not reasonably likely to result in a Material Adverse Effect. Neither the Company nor any of its subsidiaries has received any notice alleging any such infringement or fee. To the Company's knowledge, none of the technology employed by the Company or any subsidiary has been obtained or is being used by the Company or such subsidiary in violation of any contractual obligation binding on the Company or such subsidiary or, to the Company's knowledge, any of the officers, directors or employees of the Company or any subsidiary, or, to the Company's knowledge, otherwise in violation of the rights of any persons, except in each case for such violations as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(xiii) **Employment Matters**. There is (A) no unfair labor practice complaint pending against the Company, or any of its subsidiaries, nor to the Company's knowledge, threatened against it or any of its subsidiaries, before the National Labor Relations Board, any state or local labor relation board or any foreign labor relations board, and no grievance or arbitration proceeding arising out of or under any collective bargaining agreement is so pending against the Company or any of its subsidiaries, or, to the Company's knowledge, threatened against it and (B) no labor disturbance by the employees of the Company or any of its subsidiaries exists or, to the Company's knowledge, is imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its or its subsidiaries, principal suppliers, manufacturers, customers or contractors, that could reasonably be expected, singularly or in the aggregate, to have a Material Adverse Effect. The Company is not aware that any key employee or significant group of employees of the Company or any subsidiary plans to terminate employment with the Company or any such subsidiary.

(xiv) **ERISA Compliance**. No "prohibited transaction" (as defined in Section 406 of the Employee Retirement Income Security Act of 1974, as amended, including the regulations and published interpretations thereunder ("ERISA"), or Section 4975 of the Internal Revenue Code of 1986, as amended from time to time (the "Code")) or "accumulated funding deficiency" (as defined in Section 302 of ERISA) or any of the events set forth in Section 4043(b) of ERISA (other than events with respect to which the thirty (30)-day notice requirement under Section 4043 of ERISA has been waived) has occurred or could reasonably be expected to occur with respect to any employee benefit plan of the Company or any of its subsidiaries which would reasonably be expected to, singularly or in the aggregate, have a Material Adverse Effect. Each employee benefit plan of the Company or any of its subsidiaries is in compliance in all material respects with applicable law, including ERISA and the Code. The Company and its subsidiaries have not incurred and could not reasonably be expected to incur liability under Title IV of ERISA with respect to the termination of, or withdrawal from, any pension plan (as defined in ERISA). Each pension plan for which the Company or any of its subsidiaries would have any liability that is intended to be qualified under Section 401(a) of the Code is so qualified, and to the Company's knowledge nothing has occurred, whether by action or by failure to act, which could, singularly or in the aggregate, cause the loss of such qualification.

(xv) **Environmental Matters**. The Company and its subsidiaries are in compliance with all foreign, federal, state and local rules, laws and regulations relating to the use, treatment, storage and disposal of hazardous or toxic substances or waste and protection of health and safety or the environment which are applicable to their businesses ("Environmental Laws"), except where the failure to comply has not had and would not reasonably be expected to have, singularly or in the aggregate, a Material Adverse Effect. There has been no storage, generation, transportation, handling, treatment, disposal, discharge, emission, or other release of any kind of toxic or other wastes or other hazardous substances by, due to, or caused by the Company or any of its subsidiaries (or, to the Company's knowledge, any other entity for whose acts or omissions the Company or any of its subsidiaries is or may otherwise be liable) upon any of the property now or previously owned or leased by the Company or any of its subsidiaries, or upon any other property, in violation of any law, statute, ordinance, rule, regulation, order, judgment, decree or permit or which would, under any law, statute, ordinance, rule (including rule of common law), regulation, order, judgment, decree or permit, give rise to any liability, except for any violation or liability which has not had and would not reasonably be expected to have, singularly or in the aggregate, a Material Adverse Effect; and there has been no disposal, discharge, emission or other release of any kind onto such property or into the environment surrounding such property of any toxic or other wastes or other hazardous substances with respect to which the Company or any of its subsidiaries has knowledge.

(xvi) **SOX Compliance**. The Company is in compliance in all material respects with all applicable provisions of the Sarbanes-Oxley Act of 2002 and all rules and regulations promulgated thereunder or implementing the provisions thereof.

(xvii) **Money Laundering Laws**. The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any Governmental Entity (collectively, the "Money Laundering Laws"); and no action, suit or proceeding by or before any Governmental Entity involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened. "Governmental Entity" shall be defined as any arbitrator, court, governmental body, regulatory body, administrative agency or other authority, body or agency (whether foreign or domestic) having jurisdiction over the Company or any of its subsidiaries or any of their respective properties, assets or operations.

(xviii) **Foreign Corrupt Practices Act**. Neither the Company nor ,any of its subsidiaries, nor any director or officer of the Company or any subsidiary, nor, to the knowledge of the Company, any employee, representative, agent, affiliate of the Company or any of its subsidiaries or any other person acting on behalf of the Company or any of its subsidiaries, is aware of or has taken any action, directly or indirectly, that would result in a violation by such persons of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (the "FCPA"), including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any "foreign official" (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA and the Company and, to the knowledge of the Company, its affiliates have conducted their businesses in compliance with the FCPA and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith.

(xix) **OFAC**. Neither the Company nor any of its subsidiaries nor any director or officer of the Company or any subsidiary, nor, to the knowledge of the Company, any employee, representative, agent or affiliate of the Company or any of its subsidiaries or any other person acting on behalf of the Company or any of its subsidiaries is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC"); and the Company will not directly or indirectly use the proceeds of the offering of the Shares contemplated hereby, or lend, contribute or otherwise make available such proceeds to any person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

(xx) **Insurance**. The Company and each of its subsidiaries carries, or is covered by, insurance in such amounts and covering such risks as is adequate for the conduct of its business and the value of its properties and as is customary for companies engaged in similar businesses in similar industries.

(xxi) **Books and Records**. The minute books of the Company and each of its subsidiaries from and after January 1, 2015 have been made available to the Underwriters and counsel for the Underwriters, and such books (i) contain a complete summary of all meetings and actions of the board of directors (including each board committee) and shareholders of the Company (or analogous governing bodies and interest holders, as applicable) since January 1, 2015, and each of its subsidiaries since January 1, 2015 through the date of the latest meeting and action, and (ii) accurately in all material respects reflect all transactions referred to in such minutes.

(xxii) **No Undisclosed Contracts**. There is no Contract or document required by the Securities Act or by the Rules and Regulations to be described in the Registration Statement, the Time of Sale Disclosure Package or in the Final Prospectus or to be filed as an exhibit to the Registration Statements which is not so described or filed therein as required; and all descriptions of any such Contracts or documents contained in the Registration Statement, the Time of Sale Disclosure Package and in the Final Prospectus are accurate and complete descriptions of such documents in all material respects. Other than as described in the Registration Statement, the Time of Sale Disclosure Package and the Final Prospectus, no such Contract has been suspended or terminated for convenience or default by the Company or any subsidiary party thereto or any of the other parties thereto, and neither the Company nor any of its subsidiaries has received notice, and the Company has no knowledge, of any such pending or threatened suspension or termination.

(xxiii) **No Undisclosed Relationships**. No relationship, direct or indirect, exists between or among the Company or any of its subsidiaries on the one hand, and the directors, officers, stockholders (or analogous interest holders), customers or suppliers of the Company or any of its subsidiaries on the other hand, which is required to be described in the Registration Statement, the Time of Sale Disclosure Package or the Final Prospectus and which is not so described.

(xxiv) **Insider Transactions**. All transactions by the Company with office holders or control persons of the Company have been duly approved by the board of directors of the Company, or duly appointed committees or officers thereof, if and to the extent required under applicable law.

(xxv) **No Registration Rights**. No person or entity has the right to require registration of shares of Common Stock or other securities of the Company or any of its subsidiaries within 90 days of the date hereof because of the filing or effectiveness of the Registration Statement or otherwise, except for persons and entities who have expressly waived such right in writing or who have been given timely and proper written notice and have failed to exercise such right within the time or times required under the terms and conditions of such right. Except as described in the Registration Statement, the Time of Sale Disclosure Package and the Final Prospectus, there are no persons with registration rights or similar rights to have any securities registered by the Company or any of its subsidiaries under the Securities Act.

(xxvi) **Continued Business**. No supplier, customer, distributor or sales agent of the Company or any subsidiary has notified the Company or any subsidiary that it intends to discontinue or decrease the rate of business done with the Company or any subsidiary, except where such discontinuation or decrease has not resulted in and could not reasonably be expected to result in a Material Adverse Effect.

(xxvii) **No Finder's Fee**. There are no claims, payments, issuances, arrangements or understandings for services in the nature of a finder's, consulting or origination fee with respect to the introduction of the Company to any Underwriter or the sale of the Shares hereunder or any other arrangements, agreements, understandings, payments or issuances with respect to the Company that may affect the Underwriters' compensation, as determined by FINRA.

(xxviii) **No Fees.** Except as disclosed to the Representative in writing, the Company has not made any direct or indirect payments (in cash, securities or otherwise) to (i) any person, as a finder's fee, investing fee or otherwise, in consideration of such person raising capital for the Company or introducing to the Company persons who provided capital to the Company, (ii) any FINRA member, or (iii) any person or entity that has any direct or indirect affiliation or association with any FINRA member within the 12-month period prior to the date on which the Registration Statement was filed with the Commission ("Filing Date") or thereafter.

(xxix) **Proceeds**. None of the net proceeds of the offering will be paid by the Company to any participating FINRA member or any affiliate or associate of any participating FINRA member, except as specifically authorized herein.

(xxx) **No FINRA Affiliations**. To the Company's knowledge, no (i) officer or director of the Company or any of its subsidiaries, (ii) owner of 5% or more of any class of the Company's securities or (iii) owner of any amount of the Company's unregistered securities acquired within the 180-day period prior to the Filing Date, has any direct or indirect affiliation or association with any FINRA member. The Company will advise the Representative and counsel to the Underwriters if it becomes aware that any officer, director of the Company or any of its subsidiaries or any owner of 5% or more of any class of the Company's securities is or becomes an affiliate or associated person of a FINRA member participating in the offering.

(xxxi) **No Financial Advisor**. Other than the Underwriters, no person has the right to act as an underwriter or as a financial advisor to the Company in connection with the transactions contemplated hereby.

(xxxii) **Certain Statements**. The statements set forth in the Registration Statement, the Time of Sale Disclosure Package and the Final Prospectus under the captions "Business – Government Regulations," insofar as they purport to describe the provisions of the laws and documents referred to therein, are accurate, complete and fair in all material respects, and under the caption "Description of Capital Stock" insofar as they purport to constitute a summary of (i) the terms of the Company's outstanding securities, (ii) the terms of the Shares, and (iii) the terms of the documents referred to therein, are accurate, complete and fair in all material respects.

(xxxiii) **Prior Sales of Securities**. Except as set forth in the Registration Statement, the Time of Sale Disclosure Package and the Final Prospectus, the Company has not sold or issued any shares of Common Stock during the six-month period preceding the date hereof, including any sales pursuant to Rule 144A under, or Regulations D or S of, the Securities Act, other than shares issued pursuant to employee benefit plans, stock option plans or other employee compensation plans or pursuant to outstanding preferred stock, options, rights or warrants or other outstanding convertible securities.

(b) Any certificate signed by any officer of the Company and delivered to the Representative on behalf of the Underwriters or to counsel for the Underwriters shall be deemed a representation and warranty by the Company to the Underwriters as to the matters covered thereby.

4. Purchase, Sale and Delivery of Shares.

(a) On the basis of the representations, warranties and agreements herein contained, but subject to the terms and conditions herein set forth, the Company agrees to issue and sell the Firm Shares to the several Underwriters, and the several Underwriters agree, severally and not jointly, to purchase the Firm Shares set forth opposite the names of the Underwriters in Schedule I hereto. The purchase price to be paid by the Underwriters to the Company for each Firm Share shall be $[●] per share.

(b) The Company hereby grants to the Underwriters the option to purchase some or all of the Option Shares and, upon the basis of the warranties and representations and subject to the terms and conditions herein set forth, the Underwriters shall have the right, severally and not jointly, to purchase at the purchase price set forth in Section 4(a) all or any portion of the Option Shares as may be necessary to cover over-allotments made in connection with the transactions contemplated hereby. This option may be exercised by the Underwriters at any time and from time to time on or before the thirtieth (30^{th}) day following the date hereof, by written notice to the Company (the "Option Notice"). The Option Notice shall set forth the aggregate number of Option Shares as to which the option is being exercised, and the date and time when the Option Shares are to be delivered (such date and time being herein referred to as the "Option Closing Date"); *provided*, *however*, that the Option Closing Date shall not be earlier than the Closing Date (as defined below) nor earlier than the first business day after the date on which the option shall have been exercised nor later than the fifth business day after the date on which the option shall have been exercised unless the Company and the Representative otherwise agree. If the Underwriters elect to purchase less than all of the Option Shares, the Company agrees to sell to each Underwriter the number of Option Shares obtained by multiplying the number of Option Shares specified in such notice by a fraction, the numerator of which is the number of Option Shares set forth opposite the name of the Underwriter in Schedule I hereto under the caption "Number of Option Shares to be Sold" and the denominator of which is the total number of Option Shares.

(c) Payment of the purchase price for and delivery of the Option Shares shall be made on an Option Closing Date in the same manner and at the same office as the payment for the Firm Shares as set forth in subparagraph (d) below.

(d) The Firm Shares will be delivered by the Company to the Representative, for the respective accounts of the several Underwriters, against payment of the purchase price therefor by wire transfer of same day funds payable to the order of the Company at the offices of Roth Capital Partners, LLC, 888 San Clemente Drive, Suite 400, Newport Beach, CA 92660, or such other location as may be mutually acceptable, at 6:00 a.m. Pacific Time, on the date specified for regular way settlement in Rule 15c6-1(a) under the Exchange Act (or if the Firm Shares are priced after 4:30 p.m. Eastern time, the date specified therein), or at such other time and date as the Representative and the Company determine pursuant to Rule 15c6-1(a) under the Exchange Act, or, in the case of the Option Shares, at such date and time set forth in the Option Notice. The time and date of delivery of the Firm Shares is referred to herein as the "Closing Date." On the Closing Date, the Company shall deliver the Firm Shares, which shall be registered in the name or names and shall be in such denominations as the Representative may request on behalf of the Underwriters at least one (1) business day before the Closing Date, to the respective accounts of the several Underwriters, which delivery shall be made through the facilities of the Depository Trust Company's DWAC system.

(e) It is understood that the Representative has been authorized, for its own account and the accounts of the several Underwriters, to accept delivery of and receipt for, and make payment of the purchase price for, the Firm Shares the Underwriters have agreed to purchase. The Representative, individually and not as the Representative of the Underwriters, may (but shall not be obligated to) make payment for any Shares to be purchased by any Underwriter whose funds shall not have been received by the Representative by the Closing Date or any Option Closing Date, as the case may be, for the account of such Underwriter, but any such payment shall not relieve such Underwriter from any of its obligations under this Agreement.

(f) On the Closing Date, the Company shall issue to the Representative (and/or its designees), warrants (the 'Representative's Warrants"), in form and substance acceptable to the Representative, for the purchase of an aggregate of [●] shares of Common Stock, which shall be registered in the name or names and shall be in such denominations as the Representative may request at least one (1) business day before the Closing Date.

5. Covenants.

(a) The Company covenants and agrees with the Underwriters as follows:

(i) The Company shall prepare the Final Prospectus in a form approved by the Representative and file such Final Prospectus pursuant to Rule 424(b) under the Securities Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement, or, if applicable, such earlier time as may be required by the Rules and Regulations.

(ii) During the period beginning on the date hereof and ending on the later of the Closing Date or such date as determined by the Representative the Final Prospectus is no longer required by law to be delivered in connection with sales by an underwriter or dealer (the "Prospectus Delivery Period"), prior to amending or supplementing the Registration Statement, including any Rule 462 Registration Statement, the Time of Sale Disclosure Package or the Final Prospectus, the Company shall furnish to the Representative for review and comment a copy of each such proposed amendment or supplement, and the Company shall not file any such proposed amendment or supplement to which the Representative reasonably objects.

(iii) From the date of this Agreement until the end of the Prospectus Delivery Period, the Company shall promptly advise the Representative in writing (A) of the receipt of any comments of, or requests for additional or supplemental information from, the Commission, (B) of the time and date of any filing of any post-effective amendment to the Registration Statement or any amendment or supplement to the Time of Sale Disclosure Package, the Final Prospectus or any Issuer Free Writing Prospectus, (C) of the time and date that any post-effective amendment to the Registration Statement becomes effective and (D) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of any order preventing or suspending its use or the use of the Time of Sale Disclosure Package, the Final Prospectus or any Issuer Free Writing Prospectus, or of any proceedings to remove, suspend or terminate from listing or quotation the Common Stock from any securities exchange upon which it is listed for trading or included or designated for quotation, or of the threatening or initiation of any proceedings for any of such purposes. If the Commission shall enter any such stop order at any time during the Prospectus Delivery Period, the Company will use its reasonable efforts to obtain the lifting of such order at the earliest possible moment. Additionally, the Company agrees that it shall comply with the provisions of Rules 424(b) or 430A as applicable, under the Securities Act and will use its reasonable efforts to confirm that any filings made by the Company under Rule 424(b) or Rule 433 were received in a timely manner by the Commission (without reliance on Rule 424(b)(8) or 164(b) of the Securities Act).

(iv) (A) During the Prospectus Delivery Period, the Company will comply with all requirements imposed upon it by the Securities Act, as now and hereafter amended, and by the Rules and Regulations, as from time to time in force, and by the Exchange Act, as now and hereafter amended, so far as necessary to permit the continuance of sales of or dealings in the Shares as contemplated by the provisions hereof, the Time of Sale Disclosure Package, the Registration Statement and the Final Prospectus. If during the Prospectus Delivery Period any event occurs the result of which would cause the Final Prospectus (or if the Final Prospectus is not yet available to prospective purchasers, the Time of Sale Disclosure Package) to include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances then existing, not misleading, or if during such period it is necessary or appropriate in the opinion of the Company or its counsel or the Representative or counsel to the Underwriters to amend the Registration Statement or supplement the Final Prospectus (or if the Final Prospectus is not yet available to prospective purchasers, the Time of Sale Disclosure Package) to comply with the Securities Act, the Company will promptly notify the Representative, allow the Representative the opportunity to provide reasonable comments on such amendment, prospectus supplement or document, and will amend the Registration Statement or supplement the Final Prospectus (or if the Final Prospectus is not yet available to prospective purchasers, the Time of Sale Disclosure Package) or file such document (at the expense of the Company) so as to correct such statement or omission or effect such compliance.

(B) If at any time during the Prospectus Delivery Period there occurred or occurs an event or development the result of which such Issuer Free Writing Prospectus conflicted or would conflict with the information contained in the Registration Statement or any Prospectus or included or would include, when taken together with the Time of Sale Disclosure Package, an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances prevailing at that subsequent time, not misleading, the Company will promptly notify the Representative and will promptly amended or will promptly amend or supplement, at its own expense, such Issuer Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission.

(v) The Company shall take or cause to be taken all necessary action to qualify the Securities for sale under the securities laws of such jurisdictions as the Representative reasonably designates and to continue such qualifications in effect so long as required for the distribution of the Securities, except that the Company shall not be required in connection therewith to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified, to execute a general consent to service of process in any state or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise subject.

(vi) The Company will furnish to the Underwriters and counsel to the Underwriters copies of the Registration Statement, each Prospectus, any Issuer Free Writing Prospectus, and all amendments and supplements to such documents, in each case as soon as available and in such quantities as the Underwriters may from time to time reasonably request.

(vii) The Company will make generally available to its security holders as soon as practicable, but in any event not later than 15 months after the end of the Company's current fiscal quarter, an earnings statement (which need not be audited) covering a 12-month period that shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 of the Rules and Regulations.

(viii) The Company, whether or not the transactions contemplated hereunder are consummated or this Agreement is terminated, will pay or cause to be paid (A) all expenses (including transfer taxes allocated to the respective transferees) incurred in connection with the delivery to the Underwriters of the Securities (including all fees and expenses of the registrar and transfer agent of the Shares and the registrar and transfer agent of the Representative's Warrants (if other than the Company), and the cost of preparing and printing stock certificates and warrant certificates, if any), (B) all expenses and fees (including, without limitation, fees and expenses of the Company's counsel) in connection with the preparation, printing, filing, delivery, and shipping of the Registration Statement (including the financial statements therein and all amendments, schedules, and exhibits thereto), the Securities, the Time of Sale Disclosure Package, any Prospectus, the Final Prospectus, any Issuer Free Writing Prospectus and any amendment thereof or supplement thereto, (C) all reasonable filing fees and reasonable fees and disbursements of the Underwriters' counsel incurred in connection with the qualification of the Securities for offering and sale by the Underwriters or by dealers under the securities or blue sky laws of the states and other jurisdictions that the Representative shall designate, (D) the reasonable filing fees and reasonable fees and disbursements of counsel to the Underwriters incident to any required review and approval by FINRA, of the terms of the sale of the Shares, (F) listing fees, if any, and (G) all other costs and expenses incident to the performance of its obligations hereunder that are not otherwise specifically provided for herein. The Company will reimburse the Representative for the Underwriters' reasonable out-of-pocket expenses, including legal fees and disbursements, in connection with the purchase and sale of the Shares contemplated hereby up to an aggregate of $125,000 (including amounts payable pursuant to clauses (C) and (D) above). If this Agreement is terminated by the Representative in accordance with the provisions of Section 6, Section 9 or Section 10, the Company will reimburse the Underwriters for all out-of-pocket disbursements (including, but not limited to, reasonable fees and disbursements of counsel, travel expenses, postage, facsimile and telephone charges) incurred by the Underwriters in connection with their investigation, preparing to market and marketing the Shares or in contemplation of performing their obligations hereunder.

(ix) The Company intends to apply the net proceeds from the sale of the Shares to be sold by it hereunder for the purposes set forth in the Registration Statement, the Time of Sale Disclosure Package and the Final Prospectus under the heading "Use of Proceeds".

(x) The Company has not taken and will not take, directly or indirectly, during the Prospectus Delivery Period, any action designed to or which might reasonably be expected to cause or result in, or that has constituted, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares.

(xi) The Company represents and agrees that, unless it obtains the prior written consent of the Representative, and each Underwriter, severally, and not jointly, represents and agrees that, unless it obtains the prior written consent of the Company, it has not made and will not make any offer relating to the Shares that would constitute an Issuer Free Writing Prospectus; provided that the prior written consent of the parties hereto shall be deemed to have been given in respect of the free writing prospectuses included in **Schedule III**. Any such free writing prospectus consented to by the Company and the Representative is hereinafter referred to as a "Permitted Free Writing Prospectus." The Company represents that it has treated or agrees that it will treat each Permitted Free Writing Prospectus as an "issuer free writing prospectus," as defined in Rule 433, and has complied or will comply with the requirements of Rule 433 applicable to any Permitted Free Writing Prospectus, including timely Commission filing where required, legending and record-keeping.

(xii) The Company hereby agrees that, without the prior written consent of the Representative, it will not, during the period ending ninety (90) days after the date hereof ("Lock-Up Period"), (i) offer, pledge, issue, sell, contract to sell, purchase, contract to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock; or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise; or (iii) file any registration statement with the Commission relating to the offering of any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock. The restrictions contained in the preceding sentence shall not apply to (1) the Securities to be sold hereunder, (2) the issuance of Common Stock upon the exercise of options or warrants or the conversion of outstanding preferred stock or other outstanding convertible securities disclosed as outstanding in the Registration Statement (excluding exhibits thereto), the Time of Sale Disclosure Package, and the Final Prospectus, or (3) the issuance of employee stock options not exercisable during the Lock-Up Period and the grant of restricted stock awards or restricted stock units or shares of Common Stock pursuant to equity incentive plans described in the Registration Statement (excluding exhibits thereto), the Time of Sale Disclosure Package, and the Final Prospectus.

(xiii) The Company hereby agrees, during a period of three years from the effective date of the Registration Statement, to furnish to the Representative copies of all reports or other communications (financial or other) furnished to shareholders, and to deliver to the Representative as soon as reasonably practicable upon availability, copies of any reports and financial statements furnished to or filed with the Commission or any national securities exchange on which any class of securities of the Company is listed; provided, that any information or documents available on the Commission's Electronic Data Gathering, Analysis and Retrieval System shall be considered furnished for purposes of this Section 5(a)(xiii).

(xiv) The Company hereby agrees to engage and maintain, at its expense, a registrar and transfer agent for the Common Stock and a registrar and transfer agent for the Representative's Warrants (if other than the Company).

(xv) The Company hereby agrees to use its reasonable best efforts to obtain approval to list the Shares and the Representative's Warrant Shares on the Nasdaq.

(xvi) The Company hereby agrees not to take, directly or indirectly, any action designed to cause or result in, or that has constituted or might reasonably be expected to constitute, under the Exchange Act or otherwise, the stabilization or manipulation of the price of any securities of the Company to facilitate the sale or resale of the Shares.

6. Conditions of the Underwriters' Obligations. The respective obligations of the several Underwriters hereunder to purchase the Shares are subject to the accuracy, as of the date hereof and at all times through the Closing Date, and on each Option Closing Date (as if made on the Closing Date or such Option Closing Date, as applicable), of and compliance with all representations, warranties and agreements of the Company contained herein, the performance by the Company of its obligations hereunder and the following additional conditions:

(a) If filing of the Final Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, is required under the Securities Act or the Rules and Regulations, the Company shall have filed the Final Prospectus (or such amendment or supplement) or such Issuer Free Writing Prospectus with the Commission in the manner and within the time period so required (without reliance on Rule 424(b)(8) or 164(b) under the Securities Act); the Registration Statement shall remain effective; no stop order suspending the effectiveness of the Registration Statement or any part thereof, any Rule 462 Registration Statement, or any amendment thereof, nor suspending or preventing the use of the Time of Sale Disclosure Package, any Prospectus, the Final Prospectus or any Issuer Free Writing Prospectus shall have been issued; no proceedings for the issuance of such an order shall have been initiated or threatened by the Commission; any request of the Commission or the Representative for additional information (to be included in the Registration Statement, the Time of Sale Disclosure Package, any Prospectus, the Final Prospectus, any Issuer Free Writing Prospectus or otherwise) shall have been complied with to the satisfaction of the Representative.

(b) The Shares and the Representative's Warrant Shares, shall be approved for listing on the Nasdaq, subject to official notice of issuance.

(c) FINRA shall have raised no objection to the fairness and reasonableness of the underwriting terms and arrangements.

(d) The Representative shall not have reasonably determined, and advised the Company, that the Registration Statement, the Time of Sale Disclosure Package, any Prospectus, the Final Prospectus, or any amendment thereof or supplement thereto, or any Issuer Free Writing Prospectus, contains an untrue statement of fact which, in the reasonable opinion of the Representative, is material, or omits to state a fact which, in the reasonable opinion of the Representative, is material and is required to be stated therein or necessary to make the statements therein not misleading.

(e) On the Closing Date and on each Option Closing Date, there shall have been furnished to the Representative, for the benefit of the Underwriters, the opinion and negative assurance letters of Lewis Brisbois Bisgaard & Smith LLP, counsel to the Company, each dated the Closing Date or the Option Closing Date, as applicable, and addressed to the Underwriters, in form and substance reasonably satisfactory to the Representative.

(f) On the Closing Date and on each Option Closing Date, there shall have been furnished to the Representative, for the benefit of the Underwriters, the negative assurance letter of Lowenstein Sandler LLP, counsel to the Underwriters, dated the Closing Date or the Option Closing Date, as applicable, and addressed to the Underwriters, in form and substance reasonably satisfactory to the Representative.

(g) The Representative, for the benefit of the Underwriters, shall have received a letter of Squar Milner LLP, on the date hereof and on the Closing Date and on each Option Closing Date, addressed to the Underwriters, confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualifications of accountants under Rule 2-01 of Regulation S-X of the Commission, and confirming, as of the date of each such letter (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the Registration Statement, the Time of Sale Disclosure Package and the Final Prospectus, as of a date not prior to the date hereof or more than five days prior to the date of such letter), the conclusions and findings of said firm with respect to the financial information and other matters required by the Underwriters.

(h) On the Closing Date and on each Option Closing Date, there shall have been furnished to the Representative, for the benefit of the Underwriters, a certificate, dated the Closing Date and on each Option Closing Date and addressed to the Underwriter, signed by the chief executive officer and the chief financial officer of the Company, in their capacity as officers of the Company, to the effect that:

(i) The representations and warranties of the Company in this Agreement that are qualified by materiality or by reference to any Material Adverse Effect are true and correct in all respects, and all other representations and warranties of the Company in this Agreement are true and correct, in all material respects, as if made at and as of the Closing Date and on the Option Closing Date, and the Company has complied in all material respects with all the agreements and satisfied all the conditions on its part required to be performed or satisfied at or prior to the Closing Date or on the Option Closing Date, as applicable;

(ii) No stop order or other order (A) suspending the effectiveness of the Registration Statement or any part thereof or any amendment thereof, (B) suspending the qualification of the Securities for offering or sale, or (C) suspending or preventing the use of the Time of Sale Disclosure Package, any Prospectus, the Final Prospectus or any Issuer Free Writing Prospectus, has been issued, and no proceeding for that purpose has been instituted or, to their knowledge, is contemplated by the Commission or any state or regulatory body; and

(iii) There has been no occurrence of any event resulting or reasonably likely to result in a Material Adverse Effect during the period from and after the date of this Agreement and prior to the Closing Date or on the Option Closing Date, as applicable.

(i) On or before the date hereof, the Representative shall have received duly executed lock-up agreements (each a "Lock-Up Agreement") in the form set forth on **Exhibit A** hereto, by and between the Representative and each of the parties specified in **Schedule IV**.

(j) The Company shall have furnished to the Underwriters and their counsel such additional documents, certificates and evidence as the Representative or counsel to the Underwriters may have reasonably requested.

If any condition specified in this Section 6 shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by the Representative by notice to the Company at any time at or prior to the Closing Date or on the Option Closing Date, as applicable, and such termination shall be without liability of any party to any other party, except that Section 5(a)(viii), Section 7 and Section 9 shall survive any such termination and remain in full force and effect.

7. Indemnification and Contribution.

(a) The Company agrees to indemnify, defend and hold harmless each Underwriter, its affiliates, directors and officers and employees, and each person, if any, who controls such Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any losses, claims, damages or liabilities to which such party may become subject, under the Securities Act or otherwise (including in settlement of any litigation if such settlement is effected with the written consent of the Company), insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon (i) an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, including the information deemed to be a part of the Registration Statement at the time of effectiveness and at any subsequent time pursuant to Rule 430A of the Rules and Regulations, or arise out of or are based upon the omission from the Registration Statement, or alleged omission to state therein, a material fact required to be stated therein or necessary to make the statements therein not misleading (ii) an untrue statement or alleged untrue statement of a material fact contained in the Time of Sale Disclosure Package, any Prospectus, the Final Prospectus, or any amendment or supplement thereto, any Issuer Free Writing Prospectus, or the Marketing Materials or in any other materials used in connection with the offering of the Shares, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, (iii) in whole or in part, any inaccuracy in the representations and warranties of the Company contained herein, or (iv) in whole or in part, any failure of the Company to perform its obligations hereunder or under law, and will reimburse such party for any legal or other expenses reasonably incurred by such party in connection with evaluating, investigating or defending against such loss, claim, damage, liability or action; *provided, however*, that such indemnity shall not inure to the benefit of any Underwriter (or any person controlling such Underwriter) in any such case to the extent that any such loss, claim, damage, liability or action arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, the Time of Sale Disclosure Package, any Prospectus, the Final Prospectus, or any amendment or supplement thereto or any Issuer Free Writing Prospectus, in reliance upon and in conformity with written information furnished to the Company by the related Underwriter specifically for use in the preparation thereof, which written information is described in Section 7(f).

(b) Each Underwriter, severally and not jointly, will indemnify, defend and hold harmless the Company, its directors and each officer of the Company who signs the Registration Statement and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any losses, claims, damages or liabilities to which such party may become subject, under the Securities Act or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of such Underwriter), insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Time of Sale Disclosure Package, any Prospectus, the Final Prospectus, or any amendment or supplement thereto or any Issuer Free Writing Prospectus, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, the Time of Sale Disclosure Package, any Prospectus, the Final Prospectus, or any amendment or supplement thereto or any Issuer Free Writing Prospectus in reliance upon and in conformity with written information furnished to the Company by such Underwriter specifically for use in the preparation thereof, which written information is described in Section 7(f), and will reimburse such party for any legal or other expenses reasonably incurred by such party in connection with evaluating, investigating, and defending against any such loss, claim, damage, liability or action. The obligation of each Underwriter to indemnify the Company (including any controlling person, director or officer thereof) shall be limited to the amount of the underwriting discount applicable to the Shares to be purchased by such Underwriter hereunder actually received by such Underwriter.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the failure to notify the indemnifying party shall not relieve the indemnifying party from any liability that it may have to any indemnified party except to the extent such indemnifying party has been materially prejudiced by such failure. In case any such action shall be brought against any indemnified party, and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate in, and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of the indemnifying party's election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof; *provided*, *however*, that if (i) the indemnified party has reasonably concluded (based on advice of counsel) that there may be legal defenses available to it or other indemnified parties that are different from or in addition to those available to the indemnifying party, (ii) a conflict or potential conflict exists (based on advice of counsel to the indemnified party) between the indemnified party and the indemnifying party (in which case the indemnifying party will not have the right to direct the defense of such action on behalf of the indemnified party), or (iii) the indemnifying party has not in fact employed counsel reasonably satisfactory to the indemnified party to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action, the indemnified party shall have the right to employ a single counsel to represent it in any claim in respect of which indemnity may be sought under subsection (a) or (b) of this Section 7, in which event the reasonable fees and expenses of such separate counsel shall be borne by the indemnifying party or parties and reimbursed to the indemnified party as incurred.

The indemnifying party under this Section 7 shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party against any loss, claim, damage, liability or expense by reason of such settlement or judgment. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement, compromise or consent to the entry of judgment in any pending or threatened action, suit or proceeding in respect of which any indemnified party is a party or could be named and indemnity was or would be sought hereunder by such indemnified party, unless such settlement, compromise or consent (a) includes an unconditional release of such indemnified party from all liability for claims that are the subject matter of such action, suit or proceeding and (b) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) If the indemnification provided for in this Section 7 is unavailable or insufficient to hold harmless an indemnified party under subsection (a) or (b) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in subsection (a) or (b) above, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering and sale of the Shares or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and the Underwriters on the other in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discount received by the Underwriters, in each case as set forth in the table on the cover page of the Final Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Underwriters and the parties' relevant intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (d) were to be determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in the first sentence of this subsection (d). The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending against any action or claim that is the subject of this subsection (d). Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount of the of the underwriting discount applicable to the Shares to be purchased by such Underwriter hereunder actually received by such Underwriter. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' respective obligations to contribute as provided in this Section 7 are several in proportion to their respective underwriting commitments and not joint.

(e) The obligations of the Company under this Section 7 shall be in addition to any liability that the Company may otherwise have and the benefits of such obligations shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act; and the obligations of each Underwriter under this Section 7 shall be in addition to any liability that each Underwriter may otherwise have and the benefits of such obligations shall extend, upon the same terms and conditions, to the Company's directors, the officers of the Company signing the Registration Statement, and each person who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act.

(f) For purposes of this Agreement, each Underwriter severally confirms, and the Company acknowledges, that there is no information concerning such Underwriter furnished in writing to the Company by such Underwriter specifically for preparation of or inclusion in the Registration Statement, the Time of Sale Disclosure Package, any Prospectus, the Final Prospectus or any Issuer Free Writing Prospectus, other than the statement set forth in the last paragraph on the cover page of the Prospectus, the marketing and legal names of each Underwriter, and the statements set forth in the "Underwriting" section of the Registration Statement, the Time of Sale Disclosure Package, and the Final Prospectus only insofar as such statements relate to the amount of selling concession and re-allowance, if any, or to over-allotment, stabilization and related activities that may be undertaken by such Underwriter.

8. Representations and Agreements to Survive Delivery. All representations, warranties, and agreements of the Company contained herein or in certificates delivered pursuant hereto, including, but not limited to, the agreements of the several Underwriters and the Company contained in Section 5(a)(viii) and Section 7 hereof, shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the several Underwriters or any controlling person thereof, or the Company, its directors, the officers of the Company signing the Registration Statement, or any of its controlling persons, and shall survive delivery of, and payment for, the Shares to and by the Underwriters hereunder.

9. Termination of this Agreement.

(a) The Representative shall have the right to terminate this Agreement by giving notice to the Company as hereinafter specified at any time at or prior to the Closing Date or any Option Closing Date (as to the Option Shares to be purchased on such Option Closing Date only), if in the discretion of the Representative, (i) there has occurred any material adverse change in the securities markets or any event, act or occurrence that has materially disrupted, or in the opinion of the Representative, will in the future materially disrupt, the securities markets or there shall be such a material adverse change in general financial, political or economic conditions or the effect of international conditions on the financial markets in the United States is such as to make it, in the judgment of the Representative, inadvisable or impracticable to market the Shares or enforce contracts for the sale of the Shares, (ii) trading in the Company's Common Stock shall have been suspended by the Commission, the Nasdaq or the OTCQB or trading in securities generally on the Nasdaq Stock Market, the NYSE or the NYSE American shall have been suspended, (iii) minimum or maximum prices for trading shall have been fixed, or maximum ranges for prices for securities shall have been required, on the Nasdaq Stock Market, the NYSE or the NYSE American, by such exchange or by order of the Commission or any other governmental authority having jurisdiction, (iv) a banking moratorium shall have been declared by federal or state authorities, (v) there shall have occurred any attack on, outbreak or escalation of hostilities or act of terrorism involving the United States, any declaration by the United States of a national emergency or war, any substantial change or development involving a prospective substantial change in United States or international political, financial or economic conditions or any other calamity or crisis, or (vi) the Company suffers any loss by strike, fire, flood, earthquake, accident or other calamity, whether or not covered by insurance, or (vii) in the judgment of the Representative, there has been, since the time of execution of this Agreement or since the respective dates as of which information is given in the Registration Statement, the Time of Sale Disclosure Package or the Final Prospectus, any material adverse change in the assets, properties, condition, financial or otherwise, or in the results of operations, business affairs or business prospects of the Company and its subsidiaries considered as a whole, whether or not arising in the ordinary course of business. Any such termination shall be without liability of any party to any other party except that the provisions of Section 5(a)(viii) and Section 7 hereof shall at all times be effective and shall survive such termination.

(b) If the Representative elect to terminate this Agreement as provided in this Section, the Company and the other Underwriters shall be notified promptly by the Representative by telephone, confirmed by letter.

10. Substitution of Underwriters. If any Underwriter or Underwriters shall default in its or their obligations to purchase Shares hereunder on the Closing Date or any Option Closing Date and the aggregate number of Shares which such defaulting Underwriter or Underwriters agreed but failed to purchase does not exceed ten percent (10%) of the total number of Shares to be purchased by all Underwriters on such Closing Date or Option Closing Date, the other Underwriters shall be obligated severally, in proportion to their respective commitments hereunder, to purchase the Shares which such defaulting Underwriter or Underwriters agreed but failed to purchase on such Closing Date or Option Closing Date. If any Underwriter or Underwriters shall so default and the aggregate number of Shares with respect to which such default or defaults occur is more than ten percent (10%) of the total number of Shares to be purchased by all Underwriters on such Closing Date or Option Closing Date and arrangements satisfactory to the remaining Underwriters and the Company for the purchase of such Shares by other persons are not made within forty-eight (48) hours after such default, this Agreement shall terminate.

If the remaining Underwriters or substituted Underwriters are required hereby or agree to take up all or part of the Shares of a defaulting Underwriter or Underwriters on such Closing Date or Option Closing Date as provided in this Section 10, (i) the Company shall have the right to postpone such Closing Date or Option Closing Date for a period of not more than five (5) full business days in order to permit the Company to effect whatever changes in the Registration Statement, the Final Prospectus, or in any other documents or arrangements, which may thereby be made necessary, and the Company agrees to promptly file any amendments to the Registration Statement or the Final Prospectus which may thereby be made necessary, and (ii) the respective numbers of Shares to be purchased by the remaining Underwriters or substituted Underwriters shall be taken as the basis of their underwriting obligation for all purposes of this Agreement. Nothing herein contained shall relieve any defaulting Underwriter of its liability to the Company or any other Underwriter for damages occasioned by its default hereunder. Any termination of this Agreement pursuant to this Section 10 shall be without liability on the part of any non-defaulting Underwriters or the Company, except that the representations, warranties, covenants, indemnities, agreements and other statements set forth in Section 2 and 3, the obligations with respect to expenses to be paid or reimbursed pursuant to Section 5 and the provisions of Section 5(a)(viii) and Section 9 and Sections 11 through 18, inclusive, shall not terminate and shall remain in full force and effect.

As used in this Agreement, the term "Underwriter" shall be deemed to include any person substituted for a defaulting Underwriter under this Section 10. Any action taken under this Section 10 shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

11. Notices. Except as otherwise provided herein, all communications hereunder shall be in writing and, if to the Representative, shall be mailed, delivered or telecopied to Roth Capital Partners, LLC, 888 San Clemente Drive, Suite 400, Newport Beach, CA 92660, telecopy number: (949) 720-7227, Attention: Managing Director; and if to the Company, shall be mailed, delivered or telecopied to it at 2685 S. Melrose Drive, Vista, CA 92081, telecopy number: (760) 741-3535, Attention: Ronald F. Dutt; or in each case to such other address as the person to be notified may have requested in writing. Any party to this Agreement may change such address for notices by sending to the parties to this Agreement written notice of a new address for such purpose.

12. Persons Entitled to Benefit of Agreement. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns and the controlling persons, officers and directors referred to in Section 7. Nothing in this Agreement is intended or shall be construed to give to any other person, firm or corporation any legal or equitable remedy or claim under or in respect of this Agreement or any provision herein contained. The term "successors and assigns" as herein used shall not include any purchaser, as such purchaser, of any of the Shares from any Underwriter.

13. Absence of Fiduciary Relationship. The Company acknowledges and agrees that: (a) each Underwriter has been retained solely to act as underwriter in connection with the sale of the Shares and that no fiduciary, advisory or agency relationship between the Company and any Underwriter has been created in respect of any of the transactions contemplated by this Agreement, irrespective of whether the Underwriter has advised or is advising the Company on other matters; (b) the price and other terms of the Shares set forth in this Agreement were established by the Company following discussions and arms-length negotiations with the Underwriters and the Company is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transactions contemplated by this Agreement; (c) it has been advised that the Underwriters and their affiliates are engaged in a broad range of transactions that may involve interests that differ from those of the Company and that no Underwriter has any obligation to disclose such interest and transactions to the Company by virtue of any fiduciary, advisory or agency relationship; and (d) it has been advised that each Underwriter is acting, in respect of the transactions contemplated by this Agreement, solely for the benefit of such Underwriter, and not on behalf of the Company.

14. Amendments and Waivers. No supplement, modification or waiver of this Agreement shall be binding unless executed in writing by the party to be bound thereby. The failure of a party to exercise any right or remedy shall not be deemed or constitute a waiver of such right or remedy in the future. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (regardless of whether similar), nor shall any such waiver be deemed or constitute a continuing waiver unless otherwise expressly provided.

15. Partial Unenforceability. The invalidity or unenforceability of any section, paragraph, clause or provision of this Agreement shall not affect the validity or enforceability of any other section, paragraph, clause or provision.

16. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

17. Submission to Jurisdiction. The Company irrevocably (a) submits to the jurisdiction of the Supreme Court of the State of New York, Borough of Manhattan or the United States District Court for the Southern District of New York for the purpose of any suit, action, or other proceeding arising out of this Agreement, or any of the agreements or transactions contemplated by this Agreement, the Registration Statement, the Time of Sale Disclosure Package, any Prospectus and the Final Prospectus (each a "Proceeding"), (b) agrees that all claims in respect of any Proceeding may be heard and determined in any such court, (c) waives, to the fullest extent permitted by law, any immunity from jurisdiction of any such court or from any legal process therein, (d) agrees not to commence any Proceeding other than in such courts, and (e) waives, to the fullest extent permitted by law, any claim that such Proceeding is brought in an inconvenient forum. THE COMPANY (ON BEHALF OF ITSELF AND, TO THE FULLEST EXTENT PERMITTED BY LAW, ON BEHALF OF ITS RESPECTIVE EQUITY HOLDERS AND CREDITORS) HEREBY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM BASED UPON, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, THE REGISTRATION STATEMENT, THE TIME OF SALE DISCLOSURE PACKAGE, ANY PROSPECTUS AND THE FINAL PROSPECTUS.

18. Counterparts. This Agreement may be executed and delivered (including by facsimile transmission or electronic mail) in one or more counterparts and, if executed in more than one counterpart, the executed counterparts shall each be deemed to be an original and all such counterparts shall together constitute one and the same instrument.

[*Signature Page Follows*]

Please sign and return to the Company the enclosed duplicates of this letter whereupon this letter will become a binding agreement between the Company and the several Underwriters in accordance with its terms.

Very truly yours,

FLUX POWER HOLDINGS, INC.

By: _____
Name: Ronald F. Dutt
Title: Chief Executive Officer

Confirmed as of the date first above-mentioned
by the Representative of the several Underwriters.

ROTH CAPITAL PARTNERS, LLC

By: _____
Name: Aaron M. Gurewitz
Title: Head of Equity Capital Markets

SCHEDULE I

Name	Number of Firm Shares to be Purchased	Number of Option Shares to be Purchased
Roth Capital Partners, LLC		
National Securities Corporation		
Total		

SCHEDULE II

FLUX POWER HOLDINGS, INC.

[●] Shares of Common Stock

Final Term Sheet

Issuer:	Flux Power Holdings, Inc. (the "Company")
Symbol:	FLUX
Securities:	[●] shares of common stock, par value $0.001 per share (the "Common Stock")
Over-allotment option:	[●] shares
Public offering price:	$[●] per share of Common Stock
Underwriting discount:	$[●] per share of Common Stock
Expected net proceeds:	Approximately $[●] million ($[●] if the overallotment option is exercised in full) (after deducting the underwriting discount and estimated offering expenses payable by the Company).
Trade date:	_____, 2020
Settlement date:	_____, 2020
Underwriters:	Roth Capital Partners, LLC
	National Securities Corporation

SCHEDULE III

Free Writing Prospectus

None.

SCHEDULE IV

List of parties executing lock-up agreements

Ronald F. Dutt
Charles A Scheiwe
Jonathan A. Berry
Michael Johnson
Lisa Walters-Hoffert
Dale Robinette
John A. Cosentino, Jr.

Exhibit 5.1

LEWIS BRISBOIS

LEWIS BRISBOIS BISGAARD & SMITH LLP

July 29, 2020

Board of Directors
Flux Power Holdings, Inc.
2685 S. Melrose, Dr.
Vista, CA 92081

Re: Common Stock of Flux Power Holdings, Inc.
Registration Statement on Form S-1

Ladies and Gentlemen:

We act as counsel to Flux Power Holdings, Inc., a Nevada corporation (the "Company"), in connection with its registration statement on Form S-1 (File No. 333-231766), as amended (the "Registration Statement"), filed with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), relating to the proposed public offering of shares of common stock of the Company, par value $0.001 per share (the "Shares"), with a proposed maximum aggregate offering price of $18,492,000.00, including Shares issuable upon exercise of a warrant to be granted by the Company. The Shares will be sold by the Company pursuant to an underwriting agreement to be entered into by and between the Company and Roth Capital Partners, LLC as the representatives of the several underwriters to be named therein (the "Agreement").

In rendering the opinion set forth herein, we have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records, certificates of public officials and other instruments as we have deemed necessary or advisable.

In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all items submitted to us as originals, the conformity with originals of all items submitted to us as copies, and the authenticity of the originals of such copies. As to any facts material to the opinions expressed herein that we did not independently establish or verify, we have relied upon statements and representations of officers and other representatives of the Company and public officials.

Based upon and subject to and limited by the foregoing, we are of the opinion that following the (i) execution and delivery by the Company of the Agreement, (ii) effectiveness of the Registration Statement, (iii) issuance of the Shares pursuant to the terms of the Agreement, and (iv) receipt by the Company of the consideration for the Shares specified in the Company's board of director resolutions, the Shares will be duly authorized for issuance and, when issued, delivered and paid for in accordance with the terms of the Agreement, will be validly issued, fully paid and nonassessable;

We consent to the inclusion of this opinion as an exhibit to the Registration Statement and further consent to all references to us under the caption “Legal Matters” in the Prospectus. In giving this consent, we do not admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission.

Our opinion is limited to the federal laws of the United States and the laws of the State of Nevada.

Sincerely,

/s/ LEWIS BRISBOIS BISGAARD & SMITH LLP

Exhibit 10.16

[FORM OF REPRESENTATIVES' WARRANT]

THE HOLDER OF THIS WARRANT BY ITS ACCEPTANCE HEREOF, AGREES THAT IT WILL NOT SELL, TRANSFER OR ASSIGN THIS WARRANT EXCEPT AS HEREIN PROVIDED AND THE HOLDER OF THIS WARRANT AGREES THAT IT WILL NOT SELL, TRANSFER, ASSIGN, PLEDGE OR HYPOTHECATE THIS WARRANT FOR A PERIOD OF ONE HUNDRED EIGHTY DAYS FOLLOWING THE LATER OF THE DATE THAT THE REGISTRATION STATEMENT (AS DEFINED BELOW) IS DECLARED EFFECTIVE BY THE SECURITIES AND EXCHANGE COMMISSION OR THE COMMENCEMENT OF SALES OF THE OFFERING TO WHICH THIS WARRANT RELATES TO ANYONE OTHER THAN (I) THE REPRESENTATIVE (AS DEFINED BELOW) AN UNDERWRITER OR A SELECTED DEALER IN CONNECTION WITH THE OFFERING, OR (II) A BONA FIDE OFFICER OR PARTNER OF THE REPRESENTATIVE OR OF ANY SUCH UNDERWRITER OR SELECTED DEALER.

THIS PURCHASE WARRANT IS NOT EXERCISABLE PRIOR TO [●][1]. VOID AFTER 5:00 P.M., EASTERN TIME, [●][2].

FLUX POWER HOLDINGS, INC.

Warrant To Purchase Common Stock

Warrant No.: RW-1
Number of Shares of Common Stock: [●]
Date of Issuance: [●]("**Issuance Date**")

Flux Power Holdings, Inc., a Nevada corporation (the "**Company**"), hereby certifies that, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, [●], the registered holder hereof or its permitted assigns (the "**Holder**"), is entitled, upon the terms and subject to the conditions set forth below, to purchase from the Company, at the Exercise Price (as defined below) then in effect, at any time or times on or after [●] [3](the "**Initial Exercisability Date**"), but not after 11:59 p.m., Eastern time, on the Expiration Date (as defined below), up to [●]([●][4]) fully paid non-assessable shares of Common Stock (as defined below), subject to adjustment as provided herein (the "**Warrant Shares**"). Except as otherwise defined herein, capitalized terms in this Warrant to Purchase Common Stock (including any Warrants to Purchase Common Stock issued in exchange, transfer or replacement hereof, this "**Warrant**"), shall have the meanings set forth in Section 16. This Warrant is one of the Representatives' Warrants to Purchase Common Stock (the "**Warrants**") issued pursuant to (i) that certain Underwriting Agreement, dated as of [●](the "**Subscription Date**") by and between the Company and Roth Capital Partners, LLC (the "**Representative**"), of the several underwriters named therein (the "**Underwriting Agreement**"), (ii) the Company's Registration Statement on Form S-1 (File number 333-231766 (the "**Registration Statement**") and (iii) the Company's prospectus dated [●] (the "**Prospectus**") relating to the offering (the "**Offering**") of the securities referenced therein (the "**Securities**").

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[1] Date that is 180 days from the effective date of the offering.

[2] Date that is five years from the effective date of the offering.

[3] Date that is 180 days from the effective date of the offering.

[4] Aggregate of 6.0% of the shares sold in the offering.

1. EXERCISE OF WARRANT.

(a) Mechanics of Exercise. Upon the terms and subject to the conditions hereof (including, without limitation, the limitations set forth in Section 1(f)), this Warrant may be exercised by the Holder at any time or times on or after the Initial Exercisability Date, in whole or in part, by delivery (whether via facsimile, electronic mail or otherwise) of a written notice, in the form attached hereto as Exhibit A (the "**Exercise Notice**"), of the Holder's election to exercise this Warrant. Within one (1) Trading Day following the delivery of the Exercise Notice, the Holder shall make payment to the Company of an amount equal to the Exercise Price in effect on the date of such exercise multiplied by the number of Warrant Shares as to which this Warrant is being exercised (the "**Aggregate Exercise Price**") in cash by wire transfer of immediately available funds or by notifying the Company that this Warrant is being exercised pursuant to a Cashless Exercise (as defined in Section 1(d)). The Holder shall not be required to deliver the original Warrant in order to effect an exercise hereunder (until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full), nor shall any ink-original signature or medallion guarantee (or other type of guarantee or notarization) with respect to any Exercise Notice be required. Execution and delivery of the Exercise Notice with respect to less than all of the Warrant Shares shall have the same effect as cancellation of the original Warrant and issuance of a new Warrant evidencing the right to purchase the remaining number of Warrant Shares and the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within three (3) Trading Days of the date on which the final Notice of Exercise is delivered to the Company. On or before the first (1st) Trading Day following the date on which the Holder has delivered the applicable Exercise Notice, the Company shall transmit by facsimile or electronic mail an acknowledgment of confirmation of receipt of the Exercise Notice, in the form attached to the Exercise Notice, to the Holder and the Company's transfer agent (the "**Transfer Agent**"). So long as the Holder delivers the Aggregate Exercise Price (or notice of a Cashless Exercise, if applicable) on or prior to the first (1st) Trading Day following the date on which the Exercise Notice has been delivered to the Company, then on or prior to the earlier of (i) the second (2nd) Trading Day and (ii) the number of Trading Days comprising the Standard Settlement Period, in each case following the date on which the Exercise Notice has been delivered to the Company, or, if the Holder does not deliver the Aggregate Exercise Price (or notice of a Cashless Exercise, if applicable) on or prior to the first (1st) Trading Day following the date on which the Exercise Notice has been delivered to the Company, then on or prior to the first (1st) Trading Day following the date on which the Aggregate Exercise Price (or notice of a Cashless Exercise, if applicable) is delivered (such earlier date, or if later, the earliest day on which the Company is required to deliver Warrant Shares pursuant to this Section 1(a), the "**Share Delivery Date**"), the Company shall (X) provided that the Transfer Agent is participating in The Depository Trust Company ("**DTC**") Fast Automated Securities Transfer Program, credit such aggregate number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the Holder's or its designee's balance account with DTC through its Deposit / Withdrawal At Custodian system, or (Y) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, issue and dispatch by overnight courier to the address as specified in the Exercise Notice, a certificate, registered in the name of the Holder or its designee, for the number of Warrant Shares to which the Holder is entitled pursuant to such exercise. The Company shall be responsible for all fees and expenses of the Transfer Agent and all fees and expenses with respect to the issuance of Warrant Shares via DTC, if any, including without limitation for same day processing. Upon delivery of the Exercise Notice, the Holder shall be deemed for all corporate purposes to have become the holder of record and beneficial owner of the Warrant Shares with respect to which this Warrant has been exercised, irrespective of the date such Warrant Shares are credited to the Holder's DTC account or the date of delivery of the certificates evidencing such Warrant Shares, as the case may be. If this Warrant is physically delivered to the Company in connection with any exercise pursuant to this Section 1(a) and the number of Warrant Shares represented by this Warrant submitted for exercise is greater than the number of Warrant Shares being acquired upon an exercise, then the Company shall as soon as practicable and in no event later than three (3) Trading Days after any exercise and at its own expense, issue and deliver to the Holder (or its designee) a new Warrant (in accordance with Section 7(d)) representing the right to purchase the number of Warrant Shares issuable immediately prior to such exercise under this Warrant, less the number of Warrant Shares with respect to which this Warrant is exercised. No fractional Warrant Shares are to be issued upon the exercise of this Warrant, but rather the number of Warrant Shares to be issued shall be rounded to the nearest whole number. The Company shall pay any and all transfer, stamp, issuance and similar taxes, costs and expenses (including, without limitation, fees and expenses of the Transfer Agent) which may be payable with respect to the issuance and delivery of Warrant Shares upon exercise of this Warrant. The Company's obligations to issue and deliver Warrant Shares in accordance with the terms and subject to the conditions hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination; provided, however, that the Company shall not be required to deliver Warrant Shares with respect to an exercise prior to the Holder's delivery of the Aggregate Exercise Price (or notice of a Cashless Exercise, if applicable) with respect to such exercise.

(b) Exercise Price. For purposes of this Warrant, "**Exercise Price**" means $[●][5] per share, subject to adjustment as provided herein.

(c) Company's Failure to Timely Deliver Securities. If the Company fails for any reason to deliver to the Holder the Warrant Shares subject to a Notice of Exercise by the Share Delivery Date, the Company shall pay to the Holder, in cash, as liquidated damages and not as a penalty, for each $1,000 of Warrant Shares subject to such exercise (based on the VWAP of the Common Stock on the date of the applicable Notice of Exercise), $10 per Trading Day (increasing to $20 per Trading Day on the fifth Trading Day after such liquidated damages begin to accrue) for each Trading Day after such Share Delivery Date until such Warrant Shares are delivered or Holder rescinds such exercise. In addition to any other rights available to the Holder, if the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant Shares in accordance with the provisions of Section 1(a) above pursuant to an exercise on or before the Share Delivery Date, and if after such date the Holder is required by its broker to purchase (in an open market transaction or otherwise) or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Warrant Shares which the Holder anticipated receiving upon such exercise (a "**Buy-In**"), then the Company shall (A) pay in cash to the Holder the amount, if any, by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (1) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue times (2) the price at which the sell order giving rise to such purchase obligation was executed, and (B) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored (in which case such exercise shall be deemed rescinded) or deliver to the Holder the number of shares of Common Stock that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted exercise of shares of Common Stock with an aggregate sale price giving rise to such purchase obligation of $10,000, under clause (A) of the immediately preceding sentence the Company shall be required to pay the Holder $1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof. The Company's current transfer agent participates in the DTC Fast Automated Securities Transfer Program (" **FAST**"). In the event that the Company changes transfer agents while this Warrant is outstanding, the Company shall use commercially reasonable efforts to select a transfer agent that participates in FAST. While this Warrant is outstanding, the Company shall request its transfer agent to participate in FAST with respect to this Warrant.

(d) Cashless Exercise. Notwithstanding anything contained herein to the contrary, the Holder may, in its sole discretion, exercise this Warrant in whole or in part and, in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the Aggregate Exercise Price, elect instead to receive upon such exercise the "Net Number" of shares of Common Stock determined according to the following formula (a "**Cashless Exercise**"):

$$\text{Net Number} = \frac{(A \times B) - (A \times C)}{B}$$

For purposes of the foregoing formula:

A= the total number of shares with respect to which this Warrant is then being exercised.

B= the average of the Closing Sale Prices of the shares of Common Stock (as reported by Bloomberg) for five consecutive Trading Days ending on the date immediately preceding the Exercise Date.

C= the Exercise Price then in effect for the applicable Warrant Shares at the time of such exercise.

[5] 120% of the public offering price per share set forth in the final prospectus.

If Warrant Shares are issued in such a cashless exercise, the Company acknowledges and agrees that in accordance with Section 3(a)(9) of the Securities Act of 1933, as amended, the Warrant Shares shall take on the registered characteristics of the Warrants being exercised, and the holding period of the Warrants being exercised may be tacked on to the holding period of the Warrant Shares. The Company agrees not to take any position contrary to this Section 1(d). Except as expressly set forth in Section 4(b) herein, nothing in this Warrant shall require the Company to effect cash settlement of this Warrant.

(e) Disputes. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall promptly issue to the Holder the number of Warrant Shares that are not disputed and resolve such dispute in accordance with Section 11.

(f) Beneficial Ownership. Notwithstanding anything to the contrary contained herein, the Holder shall not be entitled to receive shares of Common Stock upon exercise this Warrant to the extent that after giving effect to such exercise, the Holder together with the other Attribution Parties collectively would beneficially own in excess of 4.99% (the "**Maximum Percentage**") of the number of shares of Common Stock outstanding immediately after giving effect to such exercise. For purposes of the foregoing sentence, the aggregate number of shares of Common Stock beneficially owned by the Holder and the other Attribution Parties shall include the number of shares of Common Stock held by the Holder and all other Attribution Parties plus the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which the determination of such sentence is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (A) exercise of the remaining, unexercised portion of this Warrant beneficially owned by the Holder or any of the other Attribution Parties and (B) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company (including, without limitation, any convertible notes or convertible preferred stock or warrants, including the other Warrants) beneficially owned by the Holder or any other Attribution Party subject to a limitation on conversion or exercise analogous to the limitation contained in this Section 1(f). For purposes of this Section 1(f), beneficial ownership shall be calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the "**1934 Act**"), it being acknowledged by the Holder that the Company is not representing to the Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 1(f) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates and Attribution Parties) and of which portion of this Warrant is exercisable shall be in the sole discretion of the Holder, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined by the Holder in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Warrant, in determining the number of outstanding shares of Common Stock the Holder may acquire upon the exercise of this Warrant without exceeding the Maximum Percentage, the Holder may rely on the number of outstanding shares of Common Stock as reflected in (x) the Company's most recent Annual Report on Form 10-K, Quarterly Report on Form 10-Q and Current Reports on Form 8-K or other public filing with the Securities and Exchange Commission (the "**SEC**"), as the case may be, (y) a more recent public announcement by the Company or (z) any other written notice by the Company or the Transfer Agent setting forth the number of shares of Common Stock outstanding (the "**Reported Outstanding Share Number**"). If the Company receives an Exercise Notice from the Holder at a time when the actual number of outstanding shares of Common Stock is less than the Reported Outstanding Share Number, the Company shall (i) notify the Holder in writing of the number of shares of Common Stock then outstanding and, to the extent that such Exercise Notice would otherwise cause the Holder's beneficial ownership, as determined pursuant to this Section 1(f), to exceed the Maximum Percentage, the Holder must notify the Company of a reduced number of Warrant Shares to be purchased pursuant to such Exercise Notice (the number of shares by which such purchase is reduced, the "**Reduction Shares**") and (ii) as soon as reasonably practicable, the Company shall return to the Holder any exercise price paid by the Holder for the Reduction Shares. For any reason at any time, upon the written request of the Holder, the Company shall within two (2) Business Days confirm orally and in writing or by electronic mail to such Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder and any other Attribution Party since the date as of which the Reported Outstanding Share Number was reported. In the event that the issuance of Common Stock to the Holder upon exercise of this Warrant results in the Holder and the other Attribution Parties being deemed to beneficially own, in the aggregate, more than the Maximum Percentage of the number of outstanding shares of Common Stock (as determined under Section 13(d) of the 1934 Act), the number of shares so issued by which the Holder's and the other Attribution Parties' aggregate beneficial ownership exceeds the Maximum Percentage (the "**Excess Shares**") shall be deemed null and void and shall be cancelled ab initio, and the Holder shall not have the power to vote or to transfer the Excess Shares. As soon as reasonably practicable after the issuance of the Excess Shares has been deemed null and void, the Company shall return to the Holder the exercise price paid by the Holder for the Excess Shares. Upon delivery of a written notice to the Company, the Holder may from time to time increase or decrease the Maximum Percentage to any other percentage not in excess of 4.99% as specified in such notice; provided that (i) any such increase in the Maximum Percentage will not be effective until the sixty-first (61^{st}) day after such notice is delivered to the Company and (ii) any such increase or decrease will apply only to the Holder and the other Attribution Parties and not to any other holder of Warrants that is not an Attribution Party of the Holder. For purposes of clarity, the shares of Common Stock issuable pursuant to the terms of this Warrant in excess of the Maximum Percentage shall not be deemed to be beneficially owned by the Holder for any purpose including for purposes of Section 13(d) or Rule 16a-1(a)(1) of the 1934 Act. No prior inability to exercise this Warrant pursuant to this paragraph shall have any effect on the applicability of the provisions of this paragraph with respect to any subsequent determination of exercisability. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 1(f) to the extent necessary to correct this paragraph or any portion of this paragraph which may be defective or inconsistent with the intended beneficial ownership limitation contained in this Section 1(f) or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitation contained in this paragraph may not be waived and shall apply to a successor holder of this Warrant.

(g) Required Reserve Amount. So long as this Warrant remains outstanding, the Company shall at all times keep reserved for issuance under this Warrant a number of shares of Common Stock at least equal to 100% of the maximum number of shares of Common Stock as shall be necessary to satisfy the Company's obligation to issue shares of Common Stock under the Warrants then outstanding (without regard to any limitations on exercise) (the "**Required Reserve Amount**"); provided that at no time shall the number of shares of Common Stock reserved pursuant to this Section 1(g) be reduced other than in connection with any exercise of Warrants or such other event covered by Section 2 below. The Required Reserve Amount (including, without limitation, each increase in the number of shares so reserved) shall be allocated pro rata among the holders of the Warrants based on the number of shares of Common Stock issuable upon exercise of Warrants held by each holder thereof on the Issuance Date (without regard to any limitations on exercise) (the "**Authorized Share Allocation**"). In the event that a holder shall sell or otherwise transfer any of such holder's Warrants, each transferee shall be allocated a pro rata portion of such holder's Authorized Share Allocation. Any shares of Common Stock reserved and allocated to any Person which ceases to hold any Warrants shall be allocated to the remaining holders of Warrants, pro rata based on the number of shares of Common Stock issuable upon exercise of the Warrants then held by such holders thereof (without regard to any limitations on exercise).

(h) Insufficient Authorized Shares. If at any time while this Warrant remains outstanding the Company does not have a sufficient number of authorized and unreserved shares of Common Stock to satisfy its obligation to reserve for issuance the Required Reserve Amount (an "**Authorized Share Failure**"), then the Company shall promptly take all action reasonably necessary to increase the Company's authorized shares of Common Stock to an amount sufficient to allow the Company to reserve the Required Reserve Amount for this Warrant then outstanding. Without limiting the generality of the foregoing sentence, as soon as practicable after the date of the occurrence of an Authorized Share Failure, but in no event later than ninety (90) days after the occurrence of such Authorized Share Failure, the Company shall hold a meeting of its stockholders for the approval of an increase in the number of authorized shares of Common Stock. In connection with such meeting, the Company shall provide each stockholder with a proxy statement and shall use its reasonable best efforts to solicit its stockholders' approval of such increase in authorized shares of Common Stock and to cause its board of directors to recommend to the stockholders that they approve such proposal. Notwithstanding the foregoing, if any such time of an Authorized Share Failure, the Company is able to obtain the written consent of a majority of the shares of its issued and outstanding shares of Common Stock to approve the increase in the number of authorized shares of Common Stock, the Company may satisfy this obligation by obtaining such consent and submitting for filing with the SEC an Information Statement on Schedule 14C.

2. ADJUSTMENT OF EXERCISE PRICE AND NUMBER OF WARRANT SHARES UPON SUBDIVISION OR COMBINATION OF COMMON STOCK. (a) Stock Dividends and Splits. If the Company at any time on or after the Subscription Date subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Exercise Price in effect immediately prior to such subdivision will be proportionately reduced and the number of Warrant Shares will be proportionately increased. If the Company at any time on or after the Subscription Date combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Exercise Price in effect immediately prior to such combination will be proportionately increased and the number of Warrant Shares will be proportionately decreased. Any adjustment under this Section 2(a) shall become effective at the close of business on the date the subdivision or combination becomes effective.

(b) Voluntary Adjustment by Company. The Company may at any time during the term of this Warrant reduce the then current Exercise Price to any amount and for any period of time deemed appropriate by the Board of Directors of the Company.

3. [RESERVED]

4. FUNDAMENTAL TRANSACTIONS. The Company shall not enter into or be party to a Fundamental Transaction unless the Successor Entity assumes in writing all of the obligations of the Company under this Warrant in accordance with the provisions of this Section 4, including agreements to deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant, including, without limitation, which is exercisable for a corresponding number of shares of capital stock equivalent to the shares of Common Stock acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such adjustments to the number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction). Notwithstanding the foregoing, in the event of an all-cash sale of the Company, at the Company's option, the Company or the Successor Entity shall have the right to purchase this Warrant from the Holder by paying to the Holder on the effective date of the Fundamental Transaction, cash in an amount equal to the Black-Scholes Value of the remaining unexercised portion of this Warrant on the date of such Fundamental Transaction. Except in the case of the purchase of this Warrant pursuant to the terms of the immediately preceding sentence, upon the consummation of each Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for the Company (so that from and after the date of the applicable Fundamental Transaction, the provisions of this Warrant and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant with the same effect as if such Successor Entity had been named as the Company herein. Notwithstanding the foregoing, and without limiting Section 1(f) hereof, the Holder may elect, at its sole option, by delivery of written notice to the Company to waive this Section 4 to permit the Fundamental Transaction without the assumption of this Warrant. In addition to and not in substitution for any other rights hereunder, prior to the consummation of each Fundamental Transaction pursuant to which holders of shares of Common Stock are entitled to receive securities or other assets with respect to or in exchange for shares of Common Stock (a "**Corporate Event**"), the Company shall make appropriate provision to insure that the Holder will thereafter have the right to receive upon an exercise of this Warrant at any time after the consummation of the applicable Fundamental Transaction but prior to the Expiration Date, in lieu of the shares of the Common Stock (or other securities, cash, assets or other property (except such items still issuable under Sections 3 and 4(a) above, which shall continue to be receivable thereafter)) issuable upon the exercise of the Warrant prior to such Fundamental Transaction, such shares of stock, securities, cash, assets or any other property whatsoever (including warrants or other purchase or subscription rights) (collectively, the "**Corporate Event Consideration**") which the Holder would have been entitled to receive upon the happening of the applicable Fundamental Transaction had this Warrant been exercised immediately prior to the applicable Fundamental Transaction (without regard to any limitations on the exercise of this Warrant). The provision made pursuant to the preceding sentence shall be in a form and substance reasonably satisfactory to the Holder. The provisions of this Section 4 shall apply similarly and equally to successive Fundamental Transactions and Corporate Events. Notwithstanding anything to the contrary, in the event of a Fundamental Transaction, the Company or any Successor Entity shall, at the Holder's option, exercisable at any time concurrently with, or within 30 days after, the consummation of the Fundamental Transaction (or, if later, the date of the public announcement of the applicable Fundamental Transaction), purchase this Warrant from the Holder by paying to the Holder an amount of cash equal to the Black-Scholes Value of the remaining unexercised portion of this Warrant on the date of the consummation of such Fundamental Transaction; provided, however, if the Fundamental Transaction is not within the Company's control, including not approved by the Company's Board of Directors, Holder shall only be entitled to receive from the Company or any Successor Entity, as of the date of consummation of such Fundamental Transaction, the same type or form of consideration (and in the same proportion), at the Black-Scholes Value of the unexercised portion of this Warrant, that is being offered and paid to the holders of Common Stock of the Company in connection with the Fundamental Transaction, whether that consideration be in the form of cash, shares or any combination thereof, or whether the holders of Common Stock are given the choice to receive from among alternative forms of consideration in connection with the Fundamental Transaction.

5. NONCIRCUMVENTION. The Company hereby covenants and agrees that the Company will not, by amendment of its Certificate of Incorporation or Bylaws, or through any reorganization, transfer of assets, consolidation, merger, scheme, arrangement, dissolution, issuance or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, and will at all times in good faith carry out all of the provisions of this Warrant and take all action as may be required to protect the rights of the Holder. Without limiting the generality of the foregoing, the Company (i) shall not increase the par value of any shares of Common Stock receivable upon the exercise of this Warrant above the Exercise Price then in effect, (ii) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of this Warrant, and (iii) shall, so long as any of the Warrants are outstanding, take all action necessary to reserve and keep available out of its authorized and unissued shares of Common Stock, solely for the purpose of effecting the exercise of the Warrants, the number of shares of Common Stock as shall from time to time be necessary to effect the exercise of the Warrants then outstanding (without regard to any limitations on exercise).

6. WARRANT HOLDER NOT DEEMED A STOCKHOLDER. Except as otherwise specifically provided herein, the Holder, solely in such Person's capacity as a holder of this Warrant, shall not be entitled to vote or receive dividends or be deemed the holder of capital stock of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon the Holder, solely in such Person's capacity as the Holder of this Warrant, any of the rights of a stockholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the Holder of the Warrant Shares which such Person is then entitled to receive upon the due exercise of this Warrant. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of this Warrant or otherwise) or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company. Notwithstanding this Section 6, the Company shall provide the Holder with copies of the same notices and other information given to the stockholders of the Company generally, contemporaneously with the giving thereof to the stockholders; provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of any corporate action required to be specified in such notice.

7. REISSUANCE OF WARRANTS.

(a) Transfer of Warrant. If this Warrant is to be transferred, the Holder shall surrender this Warrant to the Company and deliver a completed and executed form or assignment, substantially in the form of the Assignment Form attached hereto as Exhibit B, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Warrant (in accordance with Section 7(d)), registered as the Holder may request, representing the right to purchase the number of Warrant Shares being transferred by the Holder and, if less than the total number of Warrant Shares then underlying this Warrant is being transferred, a new Warrant (in accordance with Section 7(d)) to the Holder representing the right to purchase the number of Warrant Shares not being transferred.

(b) Lost, Stolen or Mutilated Warrant. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant, and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary form (but without the obligation to post a bond) and, in the case of mutilation, upon surrender and cancellation of this Warrant, the Company shall execute and deliver to the Holder a new Warrant (in accordance with Section 7(d)) representing the right to purchase the Warrant Shares then underlying this Warrant.

(c) Exchangeable for Multiple Warrants. This Warrant is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for a new Warrant or Warrants (in accordance with Section 7(d)) representing in the aggregate the right to purchase the number of Warrant Shares then underlying this Warrant, and each such new Warrant will represent the right to purchase such portion of such Warrant Shares as is designated by the Holder at the time of such surrender.

(d) Issuance of New Warrants. Whenever the Company is required to issue a new Warrant pursuant to the terms of this Warrant, such new Warrant (i) shall be of like tenor with this Warrant, (ii) shall represent, as indicated on the face of such new Warrant, the right to purchase the Warrant Shares then underlying this Warrant (or in the case of a new Warrant being issued pursuant to Section 7(a) or Section 7(c), the Warrant Shares designated by the Holder which, when added to the number of shares of Common Stock underlying the other new Warrants issued in connection with such issuance, does not exceed the number of Warrant Shares then underlying this Warrant), (iii) shall have an issuance date, as indicated on the face of such new Warrant which is the same as the Issuance Date, and (iv) shall have the same rights and conditions as this Warrant.

8. NOTICES. Whenever notice is required to be given under this Warrant, including, without limitation, an Exercise Notice, unless otherwise provided herein, such notice shall be given in writing, (i) if delivered (a) from within the domestic United States, by first-class registered or certified airmail, or nationally recognized overnight express courier, postage prepaid, electronic mail or by facsimile or (b) from outside the United States, by International Federal Express, electronic mail or facsimile, and (ii) will be deemed given (A) if delivered by first-class registered or certified mail domestic, three (3) Business Days after so mailed, (B) if delivered by nationally recognized overnight carrier, one (1) Business Day after so mailed, (C) if delivered by International Federal Express, two (2) Business Days after so mailed and (D) at the time of transmission, if delivered by electronic mail to the email address specified in this Section 8 prior to 5:00 p.m. (New York time) on a Trading Day, (E) the next Trading Day after the date of transmission, if delivered by electronic mail to the email address specified in this Section 8 on a day that is not a Trading Day or later than 5:00 p.m. (New York time) on any Trading Day and (F) if delivered by facsimile, upon electronic confirmation of delivery of such facsimile, and will be delivered and addressed as follows:

(i) if to the Company, to:

Flux Power Holdings, Inc.
2685 S. Melrose Drive
Vista, CA 92081
Attention: Chief Financial Officer
Facsimile: 760-741-3535
Email: cscheiwe@fluxpower.com

(ii) if to the Holder, at such address or other contact information delivered by the Holder to Company or as is on the books and records of the Company.

The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Warrant, including in reasonable detail a description of such action and the reason therefor. Without limiting the generality of the foregoing, the Company will give written notice to the Holder (i) immediately upon any adjustment of the Exercise Price, setting forth in reasonable detail, and certifying, the calculation of such adjustment and (ii) at least fifteen (15) days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the shares of Common Stock, (B) with respect to any grants, issuances or sales of any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of Common Stock or (C) for determining rights to vote with respect to any Fundamental Transaction, dissolution or liquidation; provided in each case that such information shall be made known to the public prior to or in conjunction with such notice being provided to the Holder; provided, further, that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. It is expressly understood and agreed that the time of exercise specified by the Holder in each Exercise Notice shall be definitive and may not be disputed or challenged by the Company.

9. AMENDMENT AND WAIVER. Except as otherwise provided herein, the provisions of this Warrant may be amended or waived and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the written consent of the Holders of Warrants to purchase a majority of the Warrant Shares sold pursuant to the Registration Statement.

10. GOVERNING LAW; JURISDICTION; JURY TRIAL. This Warrant shall be governed by and construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Warrant shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. The Company hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. The Company hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to the Company at the address set forth in Section 8(i) above or such other address as the Company subsequently delivers to the Holder and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Nothing contained herein shall be deemed or operate to preclude the Holder from bringing suit or taking other legal action against the Company in any other jurisdiction to collect on the Company's obligations to the Holder, to realize on any collateral or any other security for such obligations, or to enforce a judgment or other court ruling in favor of the Holder. If either party shall commence an action, suit or proceeding to enforce any provisions of this Warrant, the prevailing party in such action, suit or proceeding shall be reimbursed by the other party for their reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such action or proceeding. **THE COMPANY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS WARRANT OR ANY TRANSACTION CONTEMPLATED HEREBY.**

11. DISPUTE RESOLUTION. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall submit the disputed determinations or arithmetic calculations via facsimile or electronic mail within two (2) Business Days of receipt of the Exercise Notice or other event giving rise to such dispute, as the case may be, to the Holder. If the Holder and the Company are unable to agree upon such determination or calculation of the Exercise Price or the Warrant Shares within three (3) Business Days of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall, within two (2) Business Days submit via facsimile or electronic mail (a) the disputed determination of the Exercise Price to an independent, reputable investment bank selected by the Company and approved by the Holder or (b) the disputed arithmetic calculation of the Warrant Shares to the Company's independent, outside accountant. The Company shall cause at its expense the investment bank or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than ten (10) Business Days from the time it receives the disputed determinations or calculations. Such investment bank's or accountant's determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error.

12. REMEDIES, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF. The remedies provided in this Warrant shall be cumulative and in addition to all other remedies available under this Warrant, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the right of the Holder to pursue actual damages for any failure by the Company to comply with the terms of this Warrant. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the Holder shall be entitled, in addition to all other available remedies, to an injunction restraining any breach, without the necessity of showing economic loss and without any bond or other security being required.

13. TRANSFER. The registered Holder of this Warrant agrees by his, her or its acceptance hereof, that such Holder will not: (a) sell, transfer, assign, pledge or hypothecate this Warrant for a period of one hundred eighty (180) days following the later of the date that the Registration Statement is declared effective by the SEC or the commencement of sales of the Offering (the later of such dates, the "**Transferability Date**") to anyone other than: (i) a Representative or an underwriter or a selected dealer participating in the Offering, or (ii) a bona fide officer or partner of a Representative or of any such underwriter or selected dealer, in each case in accordance with FINRA Conduct Rule 5110(g)(1), or (b) cause this Warrant or the securities issuable hereunder to be the subject of any hedging, short sale, derivative, put or call transaction that would result in the effective economic disposition of this Warrant or the securities hereunder, except as provided for in FINRA Rule 5110(g)(2). On and after the Transferability Date, transfers to others may be made subject to compliance with applicable securities laws.

14. SEVERABILITY; CONSTRUCTION; HEADINGS. If any provision of this Warrant is prohibited by law or otherwise determined to be invalid or unenforceable by a court of competent jurisdiction, the provision that would otherwise be prohibited, invalid or unenforceable shall be deemed amended to apply to the broadest extent that it would be valid and enforceable, and the invalidity or unenforceability of such provision shall not affect the validity of the remaining provisions of this Warrant so long as this Warrant as so modified continues to express, without material change, the original intentions of the parties as to the subject matter hereof and the prohibited nature, invalidity or unenforceability of the provision(s) in question does not substantially impair the respective expectations or reciprocal obligations of the parties or the practical realization of the benefits that would otherwise be conferred upon the parties. The parties will endeavor in good faith negotiations to replace the prohibited, invalid or unenforceable provision(s) with a valid provision(s), the effect of which comes as close as possible to that of the prohibited, invalid or unenforceable provision(s). This Warrant shall be deemed to be jointly drafted by the Company and the Holder and shall not be construed against any Person as the drafter hereof. The headings of this Warrant are for convenience of reference and shall not form part of, or affect the interpretation of, this Warrant.

15. DISCLOSURE. Upon receipt or delivery by the Company of any notice in accordance with the terms of this Warrant, unless the Company has in good faith determined that the matters relating to such notice do not constitute material, nonpublic information relating to the Company or its subsidiaries, the Company shall contemporaneously with any such receipt or delivery publicly disclose such material, nonpublic information on a Current Report on Form 8-K or otherwise. In the event that the Company believes that a notice contains material, nonpublic information relating to the Company or its subsidiaries, the Company so shall indicate to such Holder contemporaneously with delivery of such notice, and in the absence of any such indication, the Holder shall be allowed to presume that all matters relating to such notice do not constitute material, nonpublic information relating to the Company or its subsidiaries.

16. CERTAIN DEFINITIONS. For purposes of this Warrant, the following terms shall have the following meanings:

(a) "**Affiliate**" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 under the Securities Act of 1933, as amended.

(b) "**Attribution Parties**" means, collectively, the following Persons and entities: (i) any investment vehicle, including, any funds, feeder funds or managed accounts, currently, or from time to time after the Subscription Date, directly or indirectly managed or advised by the Holder's investment manager or any of its Affiliates or principals, (ii) any direct or indirect Affiliates of the Holder or any of the foregoing, (iii) any Person acting or who could be deemed to be acting as a Group together with the Holder or any of the foregoing and (iv) any other Persons whose beneficial ownership of the Company's Common Stock would or could be aggregated with the Holder's and the other Attribution Parties for purposes of Section 13(d) of the 1934 Act. For clarity, the purpose of the foregoing is to subject collectively the Holder and all other Attribution Parties to the Maximum Percentage.

(c) "**Bid Price**" means, for any security as of the particular time of determination, the bid price for such security on the Principal Market as reported by Bloomberg as of such time of determination, or, if the Principal Market is not the principal securities exchange or trading market for such security, the bid price of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg as of such time of determination, or if the foregoing does not apply, the bid price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg as of such time of determination, or, if no bid price is reported for such security by Bloomberg as of such time of determination, the average of the bid prices of any market makers for such security as reported in the "pink sheets" by OTC Markets Group Inc. (formerly Pink Sheets LLC) as of such time of determination. If the Bid Price cannot be calculated for a security as of the particular time of determination on any of the foregoing bases, the Bid Price of such security as of such time of determination shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved in accordance with the procedures in Section 11. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during such period.

(d) "**Bloomberg**" means Bloomberg Financial Markets.

(e) "**Black-Scholes Value**" means the value of this Warrant calculated using the Black-Scholes Option Pricing Model obtained from the "OV" function on Bloomberg determined as of the day immediately following the public announcement of the applicable Fundamental Transaction, or, if the Fundamental Transaction is not publicly announced, the date the Fundamental Transaction is consummated, for pricing purposes and reflecting (i) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the remaining term of this Warrant as of such date of request, (ii) an expected volatility equal to the greater of 100% and the 100 day volatility obtained from the HVT function on Bloomberg as of the Trading Day immediately following the public announcement of the applicable Fundamental Transaction, or, if the Fundamental Transaction is not publicly announced, the date the Fundamental Transaction is consummated, (iii) the underlying price per share used in such calculation shall be the greater of (x) the highest Weighted Average Price of the Common Stock during the period beginning on the Trading Day prior to the execution of definitive documentation relating to the applicable Fundamental Transaction and ending on (A) the Trading Day immediately following the public announcement of such Fundamental Transaction, if the applicable Fundamental Transaction is publicly announced or (B) the Trading Day immediately following the consummation of the applicable Fundamental Transaction if the applicable Fundamental Transaction is not publicly announced and (y) the sum of the price per share being offered in cash, if any, plus the value of any non-cash consideration, if any, being offered in the Fundamental Transaction, (iv) a zero cost of borrow and (v) a 365 day annualization factor.

(f) "**Business Day**" means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law or executive order to remain closed; provided, however, for clarification, commercial banks shall not be deemed to be authorized or required by law or executive order to close due to "stay at home", "shelter-in-place", "non-essential employee" or any other similar orders or restrictions or the closure of any physical branch locations at the direction of any governmental entity so long as the electronic funds transfer systems (including for wire transfers) of commercial banks in such location generally are open for use by customers on such day.

(g) "**Closing Bid Price**" and "**Closing Sale Price**" means, for any security as of any date, the last closing bid price and last closing trade price, respectively, for such security on the Principal Market, as reported by Bloomberg, or, if the Principal Market begins to operate on an extended hours basis and does not designate the closing bid price or the closing trade price, as the case may be, then the last bid price or the last trade price, respectively, of such security prior to 4:00:00 p.m., New York time, as reported by Bloomberg, or, if the Principal Market is not the principal securities exchange or trading market for such security, the last closing bid price or last trade price, respectively, of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or if the foregoing do not apply, the last closing bid price or last trade price, respectively, of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no closing bid price or last trade price, respectively, is reported for such security by Bloomberg, the average of the bid prices, or the ask prices, respectively, of any market makers for such security as reported in the OTC Link or "pink sheets" by OTC Markets Group Inc. (formerly Pink OTC Markets Inc.). If the Closing Bid Price or the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Bid Price or the Closing Sale Price, as the case may be, of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved pursuant to Section 11. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination, reclassification or other similar transaction during the applicable calculation period.

(h) "**Common Stock**" means (i) the Company's Common Stock, par value $0.001 per share, and (ii) any capital stock into which such Common Stock shall have been changed or any capital stock resulting from a reclassification of such Common Stock.

(i) "**Convertible Securities**" means any stock or securities (other than Options) directly or indirectly convertible into or exercisable or exchangeable for shares of Common Stock.

(j) "**Eligible Market**" means The Nasdaq Capital Market, the NYSE American LLC, The Nasdaq Global Select Market, The Nasdaq Global Market or The New York Stock Exchange, Inc.

(k) "**Expiration Date**" means the five-year anniversary of the effective date of the offering.

(l) "**Fundamental Transaction**" means (A) that the Company shall, directly or indirectly, including through subsidiaries, Affiliates or otherwise, in one or more related transactions, (i) consolidate or merge with or into (whether or not the Company is the surviving corporation) another Subject Entity (but excluding a merger effected solely for the purpose of changing the jurisdiction of incorporation of the Company),, or (ii) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company or any of its "significant subsidiaries" (as defined in Rule 1-02 of Regulation S-X) to one or more Subject Entities, or (iii) make, or allow one or more Subject Entities to make, or allow the Company to be subject to or have its shares of Common Stock be subject to or party to one or more Subject Entities making, a purchase, tender or exchange offer that is accepted by the holders of at least either (x) 50% of the outstanding shares of Common Stock, (y) 50% of the outstanding shares of Common Stock calculated as if any shares of Common Stock held by all Subject Entities making or party to, or Affiliated with any Subject Entities making or party to, such purchase, tender or exchange offer were not outstanding; or (z) such number of shares of Common Stock such that all Subject Entities making or party to, or Affiliated with any Subject Entity making or party to, such purchase, tender or exchange offer, become collectively the beneficial owners (as defined in Rule 13d-3 under the 1934 Act) of at least 50% of the outstanding shares of Common Stock, or (iv) consummate a stock purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with one or more Subject Entities whereby all such Subject Entities, individually or in the aggregate, acquire, either (x) at least 50% of the outstanding shares of Common Stock, (y) at least 50% of the outstanding shares of Common Stock calculated as if any shares of Common Stock held by all the Subject Entities making or party to, or Affiliated with any Subject Entity making or party to, such stock purchase agreement or other business combination were not outstanding; or (z) such number of shares of Common Stock such that the Subject Entities become collectively the beneficial owners (as defined in Rule 13d-3 under the 1934 Act) of at least 50% of the outstanding shares of Common Stock, or (v) reorganize, recapitalize or reclassify its shares of Common Stock, (B) that the Company shall, directly or indirectly, including through subsidiaries, Affiliates or otherwise, in one or more related transactions, allow any Subject Entity individually or the Subject Entities in the aggregate to be or become the "beneficial owner" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, whether through acquisition, purchase, assignment, conveyance, tender, tender offer, exchange, reduction in outstanding shares of Common Stock, merger, consolidation, business combination, reorganization, recapitalization, spin-off, scheme of arrangement, reorganization, recapitalization or reclassification or otherwise in any manner whatsoever, of either (x) at least 50% of the aggregate ordinary voting power represented by issued and outstanding shares of Common Stock, (y) at least 50% of the aggregate ordinary voting power represented by issued and outstanding shares of Common Stock not held by all such Subject Entities as of the Subscription Date calculated as if any shares of Common Stock held by all such Subject Entities were not outstanding, or (z) a percentage of the aggregate ordinary voting power represented by issued and outstanding shares of Common Stock or other equity securities of the Company sufficient to allow such Subject Entities to effect a statutory short form merger or other transaction requiring other stockholders of the Company to surrender their Common Stock without approval of the stockholders of the Company or (C) directly or indirectly, including through subsidiaries, Affiliates or otherwise, in one or more related transactions, the issuance of or the entering into any other instrument or transaction structured in a manner to circumvent, or that circumvents, the intent of this definition in which case this definition shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this definition to the extent necessary to correct this definition or any portion of this definition which may be defective or inconsistent with the intended treatment of such instrument or transaction.

(m) "**Group**" means a "group" as that term is used in Section 13(d) of the 1934 Act and as defined in Rule 13d-5 thereunder.

(n) "**Options**" means any rights, warrants or options to subscribe for or purchase shares of Common Stock or Convertible Securities.

(o) "**Parent Entity**" of a Person means an entity that, directly or indirectly, controls the applicable Person, including such entity whose common stock or equivalent equity security is quoted or listed on an Eligible Market (or, if so elected by the Holder, any other market, exchange or quotation system), or, if there is more than one such Person or such entity, the Person or such entity designated by the Holder or in the absence of such designation, such Person or entity with the largest public market capitalization as of the date of consummation of the Fundamental Transaction.

(p) "**Person**" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity and a government or any department or agency thereof.

(q) "**Principal Market**" means The Nasdaq Capital Market.

(r) **"Standard Settlement Period"** means the standard settlement period, expressed in a number of Trading Days, for the Company's primary trading market or quotation system with respect to the Common Stock that is in effect on the date of delivery of an applicable Exercise Notice.

(s) "**Subject Entity**" means any Person, Persons or Group or any Affiliate or associate of any such Person, Persons or Group.

(t) "**Successor Entity**" means one or more Person or Persons (or, if so elected by the Holder, the Company or Parent Entity) formed by, resulting from or surviving any Fundamental Transaction or one or more Person or Persons (or, if so elected by the Holder, the Company or the Parent Entity) with which such Fundamental Transaction shall have been entered into.

(u) "**Trading Day**" means any day on which the Common Stock is traded on the Principal Market, or, if the Principal Market is not the principal trading market for the Common Stock, then on the principal securities exchange or securities market on which the Common Stock is then traded.

(v) "**Weighted Average Price**" means, for any security as of any date, the dollar volume-weighted average price for such security on the Principal Market during the period beginning at 9:30:01 a.m., New York time (or such other time as the Principal Market publicly announces is the official open of trading), and ending at 4:00:00 p.m., New York time (or such other time as the Principal Market publicly announces is the official close of trading), as reported by Bloomberg through its "Volume at Price" function or, if the foregoing does not apply, the dollar volume-weighted average price of such security in the over-the-counter market on the electronic bulletin board for such security during the period beginning at 9:30:01 a.m., New York time (or such other time as such market publicly announces is the official open of trading), and ending at 4:00:00 p.m., New York time (or such other time as such market publicly announces is the official close of trading), as reported by Bloomberg, or, if no dollar volume-weighted average price is reported for such security by Bloomberg for such hours, the average of the highest Closing Bid Price and the lowest closing ask price of any of the market makers for such security as reported in the OTC Link or "pink sheets" by OTC Markets Group Inc. (formerly Pink OTC Markets Inc.). If the Weighted Average Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Weighted Average Price of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved pursuant to Section 11 but with the term "Weighted Average Price" being substituted for the term "Exercise Price." All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination, reclassification or other similar transaction during the applicable calculation period.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Warrant to Purchase Common Stock to be duly executed as of the Issuance Date set out above.

FLUX POWER HOLDINGS, INC.

By: _____
Name:
Title:

EXHIBIT A

EXERCISE NOTICE

TO BE EXECUTED BY THE REGISTERED HOLDER TO EXERCISE THIS WARRANT TO PURCHASE COMMON STOCK

FLUX POWER HOLDINGS, INC.

The undersigned holder hereby exercises the right to purchase _____ shares of Common Stock ("**Warrant Shares**") of Flux Power Holdings, Inc., a Nevada corporation (the "**Company**"), evidenced by the attached Warrant to Purchase Common Stock (the "**Warrant**"). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Warrant.

1. Form of Exercise Price. The Holder intends that payment of the Exercise Price shall be made as:

_____ a "Cash Exercise" with respect to _____ Warrant Shares; and/or

_____ a "Cashless Exercise" with respect to _____ Warrant Shares.

2. Payment of Exercise Price. In the event that the holder has elected a Cash Exercise with respect to some or all of the Warrant Shares to be issued pursuant hereto, the holder shall pay the Aggregate Exercise Price in the sum of $_____ to the Company in accordance with the terms of the Warrant.

3. Delivery of Warrant Shares. The Company shall deliver to the holder _____ Warrant Shares in accordance with the terms of the Warrant.

Date: _____ __, _____

_____

Name of Registered Holder

By: _____
Name:
Title:

ACKNOWLEDGMENT

The Company hereby acknowledges this Exercise Notice and hereby directs Issuer Direct Corporation to issue the above indicated number of shares of Common Stock on or prior to the applicable Share Delivery Date.

FLUX POWER HOLDINGS, INC.

By: _____
Name:
Title:

EXHIBIT B

ASSIGNMENT FORM

FLUX POWER HOLDINGS, INC.

(To assign the foregoing Warrant, execute this form and supply required information. Do not use this form to purchase shares.)

FOR VALUE RECEIVED, the foregoing Warrant and all rights evidenced thereby are hereby assigned to

Name: _____
(Please Print)

Address: _____
(Please Print)

Dated: _____ __, _____

Holder's Signature: _____

Holder's Address: _____

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatever. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

Exhibit 10.38

Lock-Up Agreement

Roth Capital Partners, LLC
888 San Clemente Drive
Newport Beach, CA 92660

Ladies and Gentlemen:

The undersigned understands that you, as the representative (the "Representative") of the several underwriters named therein, propose to enter into an Underwriting Agreement (the "Underwriting Agreement") with Flux Power Holdings, Inc., a Nevada corporation (the "Company"), relating to a proposed offering of securities of the Company (the "Offering") including shares of the Common Stock, par value $0.001 per share (the "Common Stock"). Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Underwriting Agreement.

In consideration of the foregoing, and in order to induce you to participate the Offering, and for other good and valuable consideration receipt of which is hereby acknowledged, the undersigned hereby agrees that, without the prior written consent of the Representative (which consent may be withheld in their sole discretion), the undersigned will not, during the period (the "Lock-Up Period") beginning on the date hereof and ending on the date 90 days after the date of the final prospectus relating to the Offering (the "Final Prospectus"), (1) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, or file (or participate in the filing of) a registration statement with the Securities and Exchange Commission in respect of, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for shares of Common Stock (including without limitation, shares of Common Stock which may be deemed to be beneficially owned by the undersigned in accordance with the rules and regulations of the Securities and Exchange Commission and securities which may be issued upon exercise of a stock option or warrant), (2) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the shares of, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of shares of Common Stock or such other securities, in cash or otherwise, (3) make any demand for or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for shares of Common Stock, or (4) publicly announce an intention to effect any transaction specific in clause (1), (2) or (3) above.

Notwithstanding the foregoing, the restrictions set forth in clause (1) and (2) above shall not apply to (a) transfers (i) as a bona fide gift or gifts, provided that the donee or donees thereof agree to be bound in writing by the restrictions set forth herein, or (ii) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned, provided that the trustee of the trust agrees to be bound in writing by the restrictions set forth herein, and provided further that any such transfer shall not involve a disposition for value, (b) the acquisition or exercise of any stock option issued pursuant to the Company's existing stock option plan, including any exercise effected by the delivery of shares of Common Stock of the Company held by the undersigned, or (c) the purchase or sale of the Company's securities pursuant to a plan, contract or instruction that satisfies all of the requirements of Rule 10b5-1(c)(1)(i)(B) that was in effect prior to the date hereof. For purposes of this Lock-Up Agreement, "immediate family" shall mean any relationship by blood, marriage or adoption, not more remote than first cousin.

The foregoing restrictions are expressly agreed to preclude the undersigned from engaging in any hedging or other transaction which is designed to or reasonably expected to lead to or result in a sale or disposition of shares of Common Stock even if such securities would be disposed of by someone other than the undersigned. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put option or put equivalent position or call option or call equivalent position) with respect to any of the shares of Common Stock or with respect to any security that includes, relates to, or derives any significant part of its value from such shares.

The undersigned hereby represents and warrants that the undersigned has full power and authority to enter into this Lock-Up Agreement. All authority herein conferred or agreed to be conferred and any obligations of the undersigned shall be binding upon the successors, assigns, heirs or personal representatives of the undersigned.

The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar or depositary against the transfer of the undersigned's shares of Common Stock except in compliance with the foregoing restrictions.

The undersigned understands that, if the Underwriting Agreement does not become effective, or if the Underwriting Agreement (other than the provisions thereof which survive termination) shall terminate or be terminated prior to payment for and delivery of the securities to be sold thereunder, the undersigned shall be released from all obligations under this Lock-Up Agreement.

This Lock-Up Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflict of laws principles thereof. The undersigned irrevocably (i) submits to the jurisdiction of the Supreme Court of the State of New York, Borough of Manhattan and the United States District Court for the Southern District of New York, for the purpose of any suit, action, or other proceeding arising out of this Lock-Up Agreement (each a "Proceeding"), (ii) agrees that all claims in respect of any Proceeding may be heard and determined in any such court, (iii) waives, to the fullest extent permitted by law, any immunity from jurisdiction of any such court or from any legal process therein, (iv) agrees not to commence any Proceeding other than in such courts, and (v) waives, to the fullest extent permitted by law, any claim that such Proceeding is brought in an inconvenient forum.

Very truly yours,

Name:

Dated: ____ 2020

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the use in this Amendment No. 3 to the Registration Statement (No. 333-231766) on Form S-1 of Flux Power Holdings, Inc. of our report dated September 12, 2019, relating to the consolidated financial statements of Flux Power Holdings, Inc., appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to our firm under the heading "Experts" in such Prospectus.

/s/ SQUAR MILNER LLP

San Diego, CA
July 30, 2020