

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): February 16, 2024

FLUX POWER HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Nevada (State or Other Jurisdiction of Incorporation)	001-31543 (Commission File Number)	92-3550089 (IRS Employer Identification No.)
2685 S. Melrose Drive, Vista, California (Address of Principal Executive Offices)		92081 (Zip Code)
	877-505-3589 (Registrant's telephone number, including area code)	

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.001 par value	FLUX	Nasdaq Capital Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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 pursuant to Section 13(a) of the Exchange Act.

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

(a) On February 21, 2024, Ms. Cheemin Bo-Linn notified the Board of Directors (the "Board") of Flux Power Holdings, Inc. (the "Company") of her decision to not stand for re-election at the Company's next annual meeting of shareholders, scheduled to be held on April 18, 2024 (the "Annual Meeting"). Ms. Bo-Linn will serve out the remainder of her terms, which will expire at the Annual Meeting. Ms. Bo-Linn's decision to not stand for re-election was not the result of any disagreement with the Company or its management on any matter relating to the Company's operations, policies or practices. As a show of appreciation for Ms. Bo-Linn's services as a director to the Company, the Board approved to accelerate the vesting of 18,561 unvested restricted stock units, effective as of date of the Annual Meeting.

(b) On February 16, 2024, the Company and Mr. Charles Scheiwe agreed to the stepping down of Mr. Scheiwe as the Company's Chief Financial Officer and Secretary, including all positions with the Company and Flux Power, Inc., a wholly-owned subsidiary of the Company ("Flux") and transitioning to a consultant for the Company ("the "Transition"), effective March 1, 2024 (the "Separation Date").

Through the Separation Date, Mr. Scheiwe will be entitled to continue to receive his current salary. In addition, in connection with the Transition, the Board approved the accelerated vesting of unvested portions of outstanding awards previously granted to Mr. Scheiwe under the Company's 2014 Equity Incentive Plan and 2021 Equity Incentive Plan (the "2021 Plan").

In connection with the Transition, the Company and Mr. Scheiwe will enter into a Separation and Release Agreement (the "Separation Agreement"), under which Mr. Scheiwe will be entitled to: (i) cash severance of \$205,200, which is an amount equal to 12 months of Mr. Scheiwe's base salary in effect as of the Separation Date, (ii) a one-time payment of \$22,840.68, less required withholdings, to cover the COBRA premiums for COBRA continuation coverage for a period of twelve (12) months following the Separation Date, and (iii) provided that Mr. Scheiwe timely elects and enrolls in the life insurance continuation coverage, reimbursement for an amount equal to twelve (12) months of such life insurance continuation coverage. The Separation Agreement additionally includes a customary general release of claims by Mr. Scheiwe in favor of the Company and certain related parties.

To facilitate the Transition, the Company and Mr. Scheiwe will enter into a consulting agreement (the "Consulting Agreement") for a term of 12 months beginning on March 4, 2024 and ending March 3, 2025. Under the Consulting Agreement, Mr. Scheiwe (i) will provide certain consulting services to the Company at an hourly rate of \$150,

and (ii) will be entitled to reimbursement for reasonable expenses incurred in performing the consulting services. Either the Company or Mr. Scheiwe may terminate the Consulting Agreement by providing at least 30 days' prior notice to the other party. In the event of such termination, Mr. Scheiwe will be entitled to receive all earned but unpaid consulting fees as of the date of termination, but will have no further rights to payment of any consulting fees or other compensation. The Consulting Agreement also includes customary confidentiality and non-solicitation provisions.

The foregoing description of the Separation Agreement and Consulting Agreement are subject to, and qualified in its entirety to the terms of the form of Separation Agreement and form of Consulting Agreement, which are attached hereto as Exhibits 10.1 and 10.2 respectively to this Current Report on Form 8-K and incorporated by reference herein.

(c) On February 22, 2024, as a result of Mr. Scheiwe's stepping down in connection with the Transition, the Board appointed Mr. Kevin S. Royal as Chief Financial Officer and Corporate Secretary, to be effective March 4, 2024.

Kevin S. Royal. Mr. Royal has over 20 years of experience with publicly traded companies, leading Finance, Accounting, IT, HR, Legal, Investor Relations, and M&A. Since 2023, Mr. Royal has served as a consultant for MCA Financial group. Prior to joining the Company, Mr. Royal served as Executive Vice President and Chief Financial Officer of Zovio Inc. (f/k/a Bridgepoint Education, Inc.) from October 2015 until September 2022. Mr. Royal also previously served as Senior Vice President, Chief Financial Officer, Treasurer and Secretary of Maxwell Technologies, Inc., a developer, manufacturer and marketer of energy storage and power delivery solutions from April 2009 to May 2015. Mr. Royal has held a series of senior finance positions, including appointments as senior vice president and chief financial officer within the semiconductor industry. Mr. Royal has also served as an auditor for 10 years with Ernst & Young LLP, where he became a certified public accountant. Mr. Royal received his Bachelor of Business Administration in Accounting from Harding University and is a Certified Public Accountant in the State of California (inactive).

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In connection with Mr. Royal's appointment as Chief Financial Officer and Corporate Secretary, the Company entered into an employment agreement with Mr. Royal, which provides for an annual base salary of \$330,000, effective March 4, 2024 (the "Employment Agreement"). The Employment Agreement includes terms relating to change in control, termination, severance, benefits and the acceleration of vesting of options and restricted stock units upon certain events. In addition, Mr. Royal will be eligible for a 60% cash bonus, as a percentage of base salary, and incentive stock options to purchase up to 55,000 shares of the Company's common stock (the "Options") under the 2021 Plan. The Options will be subject to the terms and conditions provided in the form of Incentive Stock Option Agreement under the 2021 Plan (the "2021 Option Agreement"), will have an exercise price based on the Company's 10-day volume weighted average price on the grant date, and will expire ten (10) years from the grant date and vest in four (4) equal annual installments commencing one year after the grant date.

The foregoing summary of the Employment Agreement and Options are subject to, and qualified in its entirety to the terms set forth in the Employment Agreement, attached hereto as Exhibit 10.3, and the 2021 Option Agreement, which is filed as Exhibit 4.6 on Form S-8 (File No. 333-267974) filed with SEC on October 21, 2022, and are incorporated herein by reference to this Current Report on Form 8-K.

Item 9.01 Financial Statements and Exhibits.

Exhibit	Exhibit Description
10.1	Form of Separation and Release Agreement (Charles Scheiwe)
10.2	Form of Consulting Agreement (Charles Scheiwe)
10.3	Employment Agreement (Kevin S. Royal)
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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SIGNATURES

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

Flux Power Holdings, Inc.
a Nevada corporation

By: /s/ Ronald F. Dutt
Ronald F. Dutt, Chief Executive Officer

Dated: February 23, 2024

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SEPARATION AND RELEASE

This Separation and Release ("Release") confirms the terms of your separation from employment with Flux Power Holdings, Inc., a Nevada corporation and Flux Power, Inc., a California corporation (collectively, the "Company") and Insperty PEO Services, L.P. ("Insperty").

You agree that you have been paid all wages, salary, bonuses, commissions, expense reimbursements, and any other amounts that you are owed, if any. You also agree that you have been paid what you are owed for any vacation time, sick time, paid time off or paid leave of absence, or in connection with any severance or deferred compensation plan, if eligible, and that you have been given all time off to which you were entitled under any policy or law, including but not limited to leave under the Family and Medical Leave Act and the California Family Rights Act, if eligible. You acknowledge that you have received all notices and benefits to which you may have been entitled to under the Family and Medical Leave Act and/or analogous state statutes.

The Company will pay you a lump-sum payment of 205 THOUSAND 200 HUNDRED and 00/100 DOLLARS (\$205,200.00), less required withholdings and deductions, in connection with your separation from the Company and Insperty.

The Company has also agreed to pay you an additional 22 THOUSAND 8 HUNDRED 40 and 68/100 DOLLARS (\$22,840.68), less required withholdings, for you to use to help defray the costs in continuing your coverage under the Insperty Group Health Plan, should you be eligible for and elect COBRA coverage. **Please note that it is solely your responsibility to enroll in COBRA and to make the monthly premium payments on a timely basis. If you do not timely enroll in and pay for COBRA, you will not be eligible to receive COBRA continuation coverage.** The COBRA payments should be made payable as outlined in the Insperty COBRA documentation mailed to you under separate cover.

Additionally, the Company has also agreed to reimburse you for an amount equal to twelve (12) full month(s) for Life Insurance continuation, should you elect and enroll.

You agree that these payments are something of value and that you are not already entitled to payment of this additional compensation. You agree that the additional compensation to be paid under this Release is due solely from the Company and that Insperty has no obligation to pay the additional compensation, even though its payment may be processed through Insperty.

You are solely responsible for any and all tax obligations or other obligations under federal and/or state law pertaining to the receipt of the additional compensation in this Release, and you hereby agree to hold the Company and Insperty and their respective affiliates harmless from any and all liability relating to such obligations.

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In exchange for providing you with this additional compensation, you agree to fully release the Company and Insperty and their respective current and former parent companies, subsidiaries, and other affiliated companies as well as any of their respective current and former insurers, directors, officers, agents, shareholders, and employees (collectively, the "Released Parties") from any claims you may have against them as of the date you sign this Release, whether such claims arise from common law, statute, regulation, or contract. This Release includes but is not limited to rights and claims arising under Title VII of the Civil Rights Act, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Americans with Disabilities Act, the Genetic Information Nondiscrimination Act, the Family and Medical Leave Act, the California Fair Employment and Housing Act, the California Pregnancy Discrimination Act, and any state leave or workers' compensation retaliation law. By accepting the additional compensation, you have agreed to release the Released Parties from any liability arising out of your employment with and separation from the Company and Insperty. This would include, among other things, claims alleging breach of contract, defamation, emotional distress, harassment, retaliation, or discrimination based on age, gender, race, religion, national origin, disability or any other status under local, state, or federal law.

RIGHTS RESERVED: This Release does not prevent you from pursuing any workers' compensation benefits to which you may be entitled. This Release also does not prevent you from filing an administrative charge or participating in an investigation before any governmental agency charged with enforcement of any federal, state, or local law, including, but not limited to, the Equal Employment Opportunity Commission, any similar state or local agency, the National Labor Relations Board, or the Securities and Exchange Commission ("SEC"). This Release does not prevent you from engaging in any concerted activity for the purpose of collective bargaining or other mutual aid and protection. You do agree, however, that by signing this Release, you waive any right to recover monetary damages or other individual relief in connection with any such charge you file or investigation in which you participate. Notwithstanding the foregoing, nothing herein prohibits you from seeking or obtaining a whistleblower award from the SEC (and not the Released Parties) pursuant to Section 21F of the Securities Exchange Act of 1934, as amended.

The Company agrees that it will neither intentionally contest nor appeal any award of unemployment benefits to you in the state in which you were employed. You understand, however, that if questioned by the state unemployment commission regarding any unemployment claim you may choose to file, Insperty (and the Company, if applicable) must respond truthfully to any such requests for information and provide material facts to the full extent required by law. The unemployment commission, not Insperty or the Company, will decide whether you are entitled to benefits.

You agree that this Release does not alter any agreements or promises you made prior to or during your employment concerning arbitration, intellectual property, confidentiality, non-solicitation, or non-competition.

You agree and understand that you are waiving your rights under Section 1542 of the Civil Code of the State of California. Section 1542 provides:

A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.

You agree that you are the only person who is able to assert any right or claim arising out of your employment with or separation from the Company and Insperty. You promise that you have not assigned, pledged or otherwise sold such rights or claims, nor have you relied on any promises other than those contained in this Release.

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You agree that neither this Release nor the payment of the additional compensation being offered to you for this Release is an admission by the Company or Insperty of any liability or unlawful conduct of any kind. You agree that the additional compensation being offered in exchange for your release of claims and rights is sufficient.

You agree not to disparage the Company or to do anything that portrays the Company, its products or personnel in a negative light or that might injure the Company's business or affairs. This would include, but is not limited to, disparaging remarks about the Company as well as its shareholders, officers, directors, employees, agents, advisors, partners, affiliates, consultants, products, formulae, business processes, corporate structure or organization, and marketing methods. Nothing in this paragraph affects your rights under the paragraph in this Release entitled "Rights Reserved" or prevents you from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that you have reason to believe is unlawful.

You agree to return to the Company, before you sign this Release, all property belonging to either the Company or Insuperity. This would include, for example, documents, files, forms, customer information and lists, confidential business information, keys, computer equipment such as laptop computers and printers, electronic equipment, cell phones and similar handheld devices, pagers and Company-issued credit cards.

You agree to keep this Release strictly confidential and not to discuss its terms or existence with any person, except with your immediate family, tax preparers, and attorneys, provided that any person with whom you discuss the Release also agrees to keep it confidential. You agree to assume responsibility for any such person's confidentiality obligations. You may, however, fully respond to questions from governmental entities or discuss this Release if required to do so by law. Additionally, nothing in this Release shall prohibit you, if covered by the SEC's whistleblower policies under the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, from reporting and providing information regarding alleged securities law violations at the Company to the SEC or prevents you from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that you have reason to believe is unlawful. However, the amount of the additional compensation paid under this Agreement shall remain confidential.

You agree that, if you violate the terms of this Release, you will reimburse the Released Parties for any attorneys' fees, costs, or other damages arising from your breach of the Release, unless you are challenging your waiver of claims under the Age Discrimination in Employment Act. You agree that, if any portion of this Release is found to be unenforceable, the remainder of the Release will remain enforceable.

Before signing this Release, you should make sure that you understand what you are signing, what benefits you are receiving, and what rights you are giving up, including your rights under the Age Discrimination in Employment Act. You should also consult an attorney about the contents and meaning of this Release. Attached as Exhibits A and B are lists of affected or not affected positions. You have 45 days to consider this Release, which will expire if not executed within that period. You must deliver the timely executed Release to Linda Villalobos, Insuperity HR Specialist, within 49 days of the date this Release is presented to you. Also, for a period of seven (7) days after you have signed the Release, you may revoke the Release by providing written notice of your revocation to Linda Villalobos, Insuperity HR Specialist. The additional compensation being offered to you will be paid after the seven (7) day period, if you do not revoke the Release.

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Any modifications to this Release do not become part of this Release unless expressly agreed to in writing by you and the Company.

If this Release fully and accurately describes the complete Release concerning your separation of employment and your agreement to release the Released Parties for any acts occurring prior to the date you sign this Release, please confirm by signing and dating this Release. By signing this Release, you agree that your waiver of rights and claims is knowing and voluntary. You further confirm that you fully understand the benefits you are receiving and the rights and claims you are waiving under this Release and that you have accepted those benefits and waived those rights and claims of your own free will.

This Release was presented to Charles A. Scheiwe on _____, 2024.

ACCEPTED AND AGREED TO:

Charles A. Scheiwe

Date

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CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (this “**Agreement**”) is made and entered into as of February 22, 2024, by and between Flux Power Holding, Inc., a Nevada corporation (the “**Company**”), and Charles A. Scheiwe (“**Scheiwe**”).

WHEREAS, the Company and Scheiwe have previously entered into that certain Executive Employment Agreement, effective as of February 12, 2021 (the “**Employment Agreement**”), which provides for Scheiwe’s employment as Chief Financial Officer of the Company;

WHEREAS, the Company and Scheiwe agreed that Scheiwe to step down from his position as Chief Financial Officer of the Company, and as an employee of the Company and its subsidiaries, and pursuant to the terms and conditions of the Separation and Release Agreement, dated as of even date with this Agreement, provide for the termination of the Employment Agreement; and

WHEREAS, in connection with Scheiwe’s resignation, the Company desires to retain Scheiwe to provide certain consulting services to the Company as of March 4, 2024 in accordance with the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual promises contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. CONSULTING SERVICES

1.1. Term and Commitment. During the period commencing on March 4, 2024 and ending on March 3, 2025, or such earlier date on which Scheiwe’s consulting relationship with the Company is terminated as provided herein (the “**Consulting Period**”), Scheiwe shall, at the Company’s request, provide consulting services to the Company as set forth in Section 1.2 below (the “**Consulting Services**”) during the Consulting Period.

1.2. Services to be Provided. Scheiwe shall provide the Consulting Services to the Company with respect to the matters set forth on Schedule A attached hereto, or such other matters as the parties may mutually determine.

1.3. Non-Exclusive Relationship. The Consulting Services being provided by Scheiwe are on a non-exclusive basis, and Scheiwe shall be entitled to perform or engage in any activity not inconsistent with or otherwise prohibited by this Agreement or by the surviving provisions of the Employment Agreement.

1.4. Compensation. During the Consulting Period, the Company shall pay Scheiwe an hourly rate of \$150 for Consulting Services to be performed by Scheiwe (the “**Consulting Fee**”). The Company shall pay Scheiwe the Consulting Fee for such services promptly, but in no event later than 30 days following the last day of the month with respect to which such services are performed.

1.5. Tax Obligations. Scheiwe shall be responsible for the payment of all taxes owed on all amounts paid to Scheiwe by the Company hereunder with respect to the Consulting Services and shall protect the Company from any liability for the payment of any taxes of any kind with respect to the consulting fees paid to Scheiwe hereunder.

1.6. Reimbursable Costs. The Company shall reimburse Scheiwe in accordance with general policies and practices of the Company for actual and reasonable expenses incurred in performing the Consulting Services (“**Reimbursable Costs**”), payable within 30 days of receipt of an invoice. To the extent that any reimbursements provided to Scheiwe under this Section 1.6 are deemed to constitute compensation to Scheiwe, such amounts shall be paid or reimbursed reasonably promptly, but not later than December 31 of the year following the year in which the expense was incurred. The amount of any reimbursements that constitute compensation in one year shall not affect the amount of reimbursements constituting compensation that are eligible for payment or reimbursement in any subsequent year, and Scheiwe’s right to such payments or reimbursement of any such expenses shall not be subject to liquidation or exchange for any other benefit.

1.7. Duties of Scheiwe. Scheiwe shall (i) dedicate such time commitment to the Consulting Services as is reasonably necessary to perform such Consulting Services, provided that, Scheiwe shall not be obligated to perform such Consulting Services for more than 180 hours per month; (ii) comply with all applicable federal, state and municipal laws and regulations required to enable Scheiwe to render to the Company the Consulting Services called for herein; (iii) continue to comply with the confidentiality and non-solicitation covenants described in Section 2 below; and (iv) maintain the confidentiality of all Company records, trade secrets and other confidential information to which Scheiwe may have or obtain knowledge or access during the Consulting Period. Upon termination of the Consulting Period, Scheiwe shall return to the Company all Company property in his possession, including without limitation, keys, credit cards, telephone calling cards, computer hardware and software, cellular and portable telephone equipment, manuals, books, laptop, notebooks, financial statements, reports and other documents.

1.8. Assignment. Neither party hereto shall assign any rights or delegate any obligations under this Agreement, except as otherwise may be agreed in writing by both parties; *provided*, that the Company may, without such consent, assign its rights and obligations to one or more of its affiliates.

1.9. Retention of Authority. Throughout the Consulting Period, the Company shall retain all authority and control over the business, policies, operations, and assets of the Company. Scheiwe shall not knowingly violate any rules or policies of the Company or violate any applicable law in connection with the performance of the Consulting Services. The Company does not, by virtue of this Agreement, delegate to Scheiwe any of the powers, duties or responsibilities vested in the Company by law or under the organizational documents of the Company.

1.10. Independent Consultant Status. In performing the Consulting Services herein, the Company and Scheiwe agree that Scheiwe shall at all times be acting as an independent contractor and not as an employee of the Company. The parties acknowledge that Scheiwe was, prior to the Separation Date, an employee of the Company, serving as Chief Financial Officer of the Company, but that such employment relationship is terminated as of the Separation Date as set forth herein. The Company and Scheiwe agree that Scheiwe will not be an employee of the Company during the Consulting Period and that Scheiwe, and not the Company, shall have the authority to direct and control Scheiwe’s performance of his or her activities hereunder. Nothing contained in this Agreement shall be construed to create a partnership or joint venture between the Company and Scheiwe, nor to authorize either party hereunder to act as general or special agent of the other party in any respect. Scheiwe shall not, by virtue of performing the Consulting Services, be entitled to any employee benefits provided by the Company to its employees during the Consulting Period.

2. CONFIDENTIALITY, NON-SOLICITATION

2.1. Reaffirmation of Prior Agreements. Scheiwe hereby acknowledges and agrees that Scheiwe is bound by certain confidentiality covenants set forth in Section 9 of the Employment Agreement. Notwithstanding anything contained in this Agreement, Scheiwe hereby reaffirms the covenants and provisions set forth in Section 9 of the Employment Agreement as it related to confidentiality and acknowledges and agrees that the provisions of Section 9 of the Employment Agreement shall survive the termination of Scheiwe’s employment with the Company and shall remain in full force and effect.

3. TERMINATION

3.1. Termination by the Company. The Company may terminate the Consulting Period and Scheiwe’s services as a consultant hereunder at any time and for any

reason by providing at least 10 days' prior written notice to Scheiwe in accordance with Section 5.12 below. In the event of such termination, Scheiwe shall be entitled to receive (at the times set forth in Section 1.4) all earned but unpaid Consulting Fees as of the date of termination, ("**Earned Amounts**"), and shall have no further rights to payment of any Consulting Fees or other compensation hereunder.

3.2. Termination by Scheiwe. Scheiwe may terminate the Consulting Period and Scheiwe's services as a consultant hereunder at any time and for any reason by providing at least 30 days' prior written notice to the Company in accordance with Section 5.12 below, which notice may, in the Company's sole discretion, be waived by the Company without payment in lieu thereof. In the event of such termination, Scheiwe shall be entitled to receive all Earned Amounts, and shall have no further rights to payment of any consulting fees or other compensation hereunder.

4. DISPUTE RESOLUTION

4.1. Arbitration. Any disagreement, dispute, controversy or claim arising out of or relating to this Agreement or the interpretation of this Agreement or any arrangements relating to this Agreement or contemplated in this Agreement or the breach, termination or invalidity thereof shall be settled by final and binding arbitration administered by JAMS in San Diego, California in accordance with the then existing JAMS Arbitration Rules and Procedures for Employment Disputes. In the event of such an arbitration proceeding, Scheiwe and the Company shall select a mutually acceptable neutral arbitrator from among the JAMS panel of arbitrators. In the event Scheiwe and the Company cannot agree on an arbitrator, the Administrator of JAMS will appoint an arbitrator. Neither Scheiwe nor the Company nor the arbitrator shall disclose the existence, content, or results of any arbitration hereunder without the prior written consent of all parties. Except as provided herein, the Federal Arbitration Act shall govern the interpretation, enforcement and all proceedings. The arbitrator shall apply the substantive law (and the law of remedies, if applicable) of the state of California, or federal law, or both, as applicable, and the arbitrator is without jurisdiction to apply any different substantive law. The arbitrator shall have the authority to entertain a motion to dismiss and/or a motion for summary judgment by any party and shall apply the standards governing such motions under the Federal Rules of Civil Procedure. The arbitrator shall render an award and a written, reasoned opinion in support thereof. Judgment upon the award may be entered in any court having jurisdiction thereof.

4.3. Nonexclusive Remedy. Notwithstanding the above provisions regarding arbitration, the parties each retain their respective rights to seek injunctive relief or other provisional remedies provided under the law in any court having competent jurisdiction.

5. MISCELLANEOUS

5.1. Severability. In construing this Agreement, if any portion of this Agreement shall be found to be invalid or unenforceable, the remaining terms and provisions of this Agreement shall be given effect to the maximum extent permitted without considering the void, invalid or unenforceable provision.

5.1. Parties in Interest. This Agreement shall inure to the benefit of, and shall be binding upon, the parties hereto and their respective successors and permitted assigns. No transfer of any interest hereunder shall be deemed to release the transferor from any of its obligations hereunder. Nothing in this Agreement is intended to confer any right or remedy under this Agreement on any person other than the parties to this Agreement and their respective successors and permitted assigns, or to relieve or discharge any obligation or liability of any person to any party to this Agreement, or to give any person any right of subrogation or action over or against any party to this Agreement or to any affiliate thereof.

5.2. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without reference to principles of conflict of laws that would result in the application of any law other than that of the State of California.

5.3. Final and Entire Agreement. This Agreement, together with the Release, represents the final and entire agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements, negotiations and discussions between the parties hereto and/or their respective counsel with respect to the subject matter hereof.

5.4. Amendment. Any amendment to this Agreement must be in writing, signed by duly authorized representatives of the parties, and stating the intent of the parties to amend this Agreement.

5.5. Acknowledgment. Scheiwe acknowledges that he has read and understands the Agreement, is fully aware of its legal effect, and has entered into it freely based on Scheiwe's own judgment.

5.6. Cooperation in Legal Proceedings. Scheiwe agrees that, after the Separation Date, upon the reasonable request of the Company, Scheiwe shall cooperate with and assist the Company in undertaking and preparing for legal and other proceedings relating to the affairs of the Company and its subsidiaries. Scheiwe shall be reimbursed for the reasonable expenses Scheiwe incurs in connection with any such cooperation and/or assistance, and, following the termination of the Consulting Period, shall receive from the Company reasonable *per diem* compensation in connection therewith. Any such reimbursements and *per diem* compensation shall be paid to Scheiwe no later than the 1st day of the month immediately following the month in which such expenses were incurred or such cooperation and/or assistance was provided (subject to Scheiwe's timely submission to the Company of proper documentation with respect thereto).

5.7. Non-Disparagement. Scheiwe agrees that Scheiwe will not make any statement, publicly or privately, which would reasonably be expected to disparage the Company, any of its subsidiaries or any of their respective employees, officers or directors. The Company agree that it will not make any statement, publicly or privately, which would reasonably be expected to disparage Scheiwe. Notwithstanding the foregoing, this Section 5. shall not preclude Scheiwe or the Company from making any statement to the extent required by law or legal process.

5.8. Effect of Waivers and Consents. No waiver of any default or breach by any party hereto shall be implied from any omission by a party to take any action on account of such default or breach if such default or breach persists or is repeated and no express waiver shall affect any default or breach other than the default or breach specified in the express waiver, and that only for the time and to the extent therein stated. One or more waivers of any covenant, term or condition of this Agreement by a party shall not be construed to be a waiver of any subsequent breach of the same covenant, term or condition. The consent or approval by any party shall not be deemed to waive or render unnecessary the consent to or approval of said party of any subsequent or similar acts by a party.

5.9. Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Scheiwe: at Scheiwe's most recent address on the records of the Company;

If to the Company: FLUX POWER HOLDINGS, INC.
Attn: Chief Executive Officer
2685 S. Melrose Drive
Vista, CA 92081

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

5.10. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be an original, but all of which taken together shall constitute one instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have each executed this Agreement as of the date first above written.

Flux Power Holdings, Inc.,
a Nevada corporation

By: _____

Name: Ronald Dutt

Title: Chief Executive Officer

Charles A. Scheiwe

SCHEDULE A
CONSULTING SERVICES

EXECUTIVE EMPLOYMENT AGREEMENT

This EXECUTIVE EMPLOYMENT AGREEMENT (this “Agreement”) is made and entered into as of February 22, 2024 with an employment date of March 4, 2024 (the “Effective Date”), by and between Flux Power Holdings, Inc., a Nevada corporation with its principal place of business at 2685 S. MELROSE DRIVE, VISTA CA 92081 (the “Company”), and Kevin S. Royal, an individual residing in the state of California (“Employee”). Employee and the Company also referred to herein each as a “party” and collectively as “parties”

RECITALS

WHEREAS, Company desires to engage the services of the Employee and Employee desires to provide such services pursuant to the terms of this Agreement;

WHEREAS, the Company and Employee desire to formally memorialize and set forth the terms and conditions pursuant to which Employee is employed by the Company;

WHEREAS, the Company recognizes that Employee has gained extensive knowledge and experience in Employee’s career, and that such knowledge and experience have significant value to the Company; and

WHEREAS, the Company and Employee desire that Employee provide such knowledge and experience to the Company subject to the provisions set forth herein.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are mutually acknowledged, the Company and Employee hereby agree as follows:

AGREEMENT

Section 1. Definitions.

(a) “Accrued Obligations” shall mean: (i) all accrued but unpaid Base Salary through the date of termination of Employee’s employment, (ii) all accrued but unused PTO through the date of termination of Employee’s employment, and (iii) any unpaid or unreimbursed expenses incurred in accordance with Section 6 below.

(b) “Base Salary” shall mean the salary provided for in Section 3(a) below or any increased or decreased salary pursuant to Section 3(a), exclusive of any other compensation received by Employee regardless of form.

(c) “Board” shall mean the Board of Directors of the Company.

(d) “Cause” shall mean: (i) Employee’s failure to provide the Services required by this Agreement, including, but not limited to, Employee’s failure to obey any lawful directive of the Company’s CEO or the Company’s Board, (ii) a breach of the Employee’s duty of loyalty to the Company, (iii) a breach of Employee’s fiduciary duties to the Company, (iii) Employee’s personal dishonesty or willful misconduct, (iv) Employee’s willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease-and-desist order, and/or (v) a breach by the Employee of any provision of this Agreement.

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(e) “Compensation Committee” shall mean the Company’s Compensation Committee of the Board.

(f) “Change in Control” shall mean an event involving one transaction or a related series of transactions, in which: (i) the Company issues securities equal to 50% or more of the Company’s issued and outstanding voting securities, determined as a single class, to any individual, firm, partnership, limited liability company, or other entity, including a “group” within the meaning of Exchange Act Rule 13d-3, (ii) the Company issues voting securities equal to 50% or more of the issued and outstanding voting stock of the Company in connection with a merger, consolidation or other business combination, (iii) the Company is acquired in a merger, consolidation, combination or reorganization in which the Company is not the surviving company, or (iv) all or substantially all of the Company’s assets are sold or transferred. For the purpose of “Change in Control” definition, the term “Company” will be interpreted to include the Flux Power, Inc., a California corporation, if applicable.

(g) “Change in Control Termination” shall have the meaning set forth in Section 7(e).

(h) “Code” shall mean the Internal Revenue Code of 1986, as amended.

(i) “Company” shall have the meaning set forth in the preamble hereto.

(j) “Competitive Activities” shall mean any business activities involving, or related to: (i) the design, develop, manufacture, supply, sale, distribution and support of lithium-ion battery and related products, and/or (ii) any other products or services which the Company or its subsidiaries design, develop, manufacture, supply, sell, distribute or provide (or have committed plans to develop, design, supply, manufacture, sell, distribute or provide) during the term of Employee’s employment by the Company.

(k) “Confidential Information” shall mean all confidential information, proprietary information, and/or Trade Secret Information belonging to the Company including, but not limited to, customer lists, customer identities and information, information regarding service providers, manufacturing processes, product designs or other intellectual property, marketing data or plans, sales data or plans, management organization information, operating policies or manuals, business plans, operations or techniques, financial records or data, or other financial, commercial, business or technical information: (i) of or relating to the Company or any of its subsidiaries, or (ii) that the Company or any of its subsidiaries may receive belonging to suppliers, customers or other Persons who do business with the Company or its subsidiaries. However, Confidential Information shall not include any information that is in the public domain or hereafter enters the public domain, in each case, without the breach by Employee of Employee’s obligations under this Agreement.

(l) “Developments” shall have the meaning set forth in Section 8.

(m) “Effective Date” shall have the meaning set forth in the preamble.

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(n) “Employee” shall have the meaning set forth in the preamble hereto.

(o) “Parachute Payment” shall have the meaning set forth in Section 12(b).

(p) "Person" shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust (charitable or non-charitable), unincorporated organization or other form of business entity.

(q) "Plan" means the Company's 2014 Equity Incentive Plan, as amended, modified, supplemented or superseded after the date of this Agreement (for the avoidance of doubt, such term shall include any successor plan of the Company that replaces the Plan).

(r) "Release Expiration Date" shall mean the date which is twenty-one (21) days following Employee's termination of employment, or, in the event that such termination of employment is "in connection with an exit incentive or other employment termination program" (as such phrase is defined in the Age Discrimination in Employment Act of 1967), the date which is forty-five (45) days following Employee's termination of employment.

(s) "Release" shall mean a written release agreement signed by Employee in favor of the Company, its subsidiaries, its affiliates, and any other Persons required by the Company, which shall be in a form and which shall contain content acceptable to the Company, and which shall include, in addition to any other terms required by the Company, appropriate non-disparagement provisions, appropriate confidentiality provisions, and a general release pursuant to California Civil Code §1542.

(t) "Restricted Period" shall have the meaning set forth in Section 9.

(u) "Services" shall mean such duties as are customarily performed by one holding such the position of CFO in other businesses or enterprises of the same or similar nature, as well as such other duties and responsibilities as the Company's CEO and/or the Board shall reasonably assign to Employee from time to time, including duties and responsibilities relating to the Company's wholly-owned and partially owned subsidiaries and other affiliates.

(v) "Term of Employment" shall have the meaning set forth in Section 2(a) below.

(w) "Trade Secret Information" shall mean means information belonging to the Company, including formulas, patterns, compilations, programs, devices, methods, techniques, or processes, that derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use, and that is the subject of reasonable efforts by the Company to keep secret.

Section 2. Employment by Company.

(a) Term of Employment; Employment Status. Employee shall provide the Services pursuant to this Agreement until the termination of Employee's employment for any reason (such period, the "Term of Employment"). Notwithstanding the foregoing, or anything to the contrary herein, nothing in this Agreement: (i) confers upon Employee the right to continue in the employment of the Company or to the right to hold any particular office or position with the Company, (ii) except as set forth herein, entitles Employee to receive any specified annual salary or bonus or other compensation or (iii) interferes with or restricts in any way the right of the Company to terminate Employee's employment at any time, with or without Cause.

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(b) Position. Company agrees to hire Employee in the position of Chief Financial Officer ("CFO") of the Company. As the Company's CFO, Employee shall report to the Company's Chief Executive Officer ("CEO") and the Board, as well as any other Person that the CEO and/or the Board may designate.

(c) Employment Duties; Conflicting Activities. Employee shall devote Employee's full business time, attention, skill and best efforts to the performance of Employee's duties under this Agreement and shall not engage in any other business or occupation during the Term of Employment, including, without limitation, any activity that: (i) conflicts with the interests of the Company or its subsidiaries, (ii) interferes with the proper and efficient performance of Employee's duties for the Company, or (iii) interferes with the exercise of Employee's duty to act in the Company's best interests. Notwithstanding the foregoing, nothing herein shall preclude Employee from: (a) serving, with the prior written consent of the Board, as a member of the board of directors or advisory boards (or their equivalents in the case of a non-corporate entity) of non-competing businesses and charitable organizations, (b) engaging in charitable activities and community affairs, and (c) managing Employee's personal investments and affairs; provided, however, that the activities set out in clauses (a), (b) and (c) shall be limited by Employee so as not to materially interfere, individually or in the aggregate, with the performance of Employee's duties and responsibilities hereunder.

(d) Place of Employment. Except as authorized by the Company, Employee shall be required to provide the Services in-person at the Company's headquarters in Vista, California (or such other location as may be designated as the Company's corporate headquarters by the Board in its sole and exclusive discretion), although Employee understands and agrees that Employee will be required to travel from time to time for business reasons.

Section 3. Compensation. As consideration for the Services, the representations and warranties contained herein, and performing the Employee's other obligations under this Agreement:

(a) Base Salary. The Company shall pay the Employee an annualized Base Salary of \$190,000, subject to any increases or decreases as may be approved by the Board or the Compensation Committee from time to time in its sole and exclusive discretion, to be paid in accordance with the regular payroll practices of the Company..

(b) Annual Bonus and Equity Compensation. Employee shall be eligible to receive an annual target cash bonus and/or awards of restricted stock units or other equity-based incentive, upon any terms that may be established by the Board or the Compensation Committee in their sole and exclusive discretion.

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Section 4. Employee Benefits. During the Term of Employment, Employee shall be entitled to participate in health, insurance, retirement and other benefits provided to other senior executives of the Company, subject to any applicable terms and conditions. Also during the Term of Employment, Employee shall be entitled to the same number of holidays, vacation days, sick days and other benefits as are generally allowed to senior executives of the Company, subject to any policies and practices of the Company applicable thereto.

Section 5. Key-Man Insurance. At any time during the Term of Employment, the Company shall have the right to insure the life of Employee for the sole benefit of the Company, in such amounts, and with such terms, as it may determine. All premiums payable thereon shall be the obligation of the Company. Employee shall have no interest in any such policy, but agrees to cooperate with the Company in taking out such insurance by submitting to physical examinations, supplying all information required by each insurance company, and executing all necessary documents, provided that no financial obligation is imposed on Employee by any such documents.

Section 6. Reimbursement of Business Expenses. During the Term of Employment, Employee is authorized to incur reasonable business expenses necessary for the performance of the Services, and the Company shall promptly reimburse Employee for all such expenses following its receipt of any documentation required by the Company's policies. Notwithstanding the foregoing, Employee shall not be authorized to incur any single business expense in excess of \$500 or total combined business expenses in excess of \$1,000 without the Company's advance written approval.

Section 7. Termination of Employment.

(a) General. Notwithstanding Section 2, or anything to the contrary herein, the Term of Employment shall terminate upon the earliest to occur of: (i)

Employee's death, (ii) a termination of Employee's employment by the Company with or without Cause, or (iii) a termination by Employee. Upon any termination of Employee's employment for any reason, unless otherwise requested by the Company in writing, Employee shall immediately resign from any and all directorships, committee memberships or any other positions Employee holds with the Company or any of its subsidiaries or affiliates that the Employee did not automatically cease to hold as the result of Employee's termination.

(b) Termination due to Death. Employee's employment shall terminate automatically upon Employee's death. In the event Employee's employment is terminated due to Employee's death, Employee's estate or beneficiaries, as the case may be, shall be entitled to the Accrued Obligations. Following such termination of Employee's employment by the reason of death, except as set forth in this Section 7(b), Employee shall have no further rights to any compensation or any other benefits under this Agreement.

(c) Termination by the Company for Cause. The Company may terminate Employee's employment at any time for Cause. In the event the Company terminates Employee's employment for Cause, Employee shall be entitled only to the Accrued Obligations. Following such termination of Employee's employment for Cause, except as set forth in this Section 7(c), Employee shall have no further rights to any compensation or any other benefits under this Agreement.

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(d) Termination by the Company without Cause. The Company may terminate Employee's employment at any time without Cause. In the event Employee's employment is terminated by the Company without Cause (other than due to death) during the Term of Employment, Employee shall be entitled to receive:

(i) The Accrued Obligations; and

(ii) Subject to the limitations set forth in Section 12(b), within thirty (30) days (or forty-five (45) days in the event that such termination of employment is "in connection with an exit incentive or other employment termination program" (as such phrase is defined in the Age Discrimination in Employment Act of 1967)) after the date that Employee executes and delivers a Release to the Company, or, to the extent required by Section 409A of Code, on the first day of the seventh month following such date, and subject to the Release under Section 7(i), as a severance payment for services previously rendered to the Company, a lump sum equal to six (6) months of Base Salary (at the rate in effect immediately prior to the date Employee's employment terminates).

Following such termination of Employee's employment without Cause, except as set forth in this Section 7(d) and Section 7(h), Employee shall have no further rights to any compensation or any other benefits under this Agreement.

(e) Change in Control Termination. If (i) a Change in Control occurs during the Term of Employment, (ii) within twenty four (24) months after the effective date of such Change in Control the occurrence of one or more of the following conditions; (X) failure by the Company to comply with any provision of this Agreement, (Y) reduction of Employee's Base Salary without the prior written consent of the Employee, or (Z) a substantial and material diminution in Employee's title, duties or responsibilities which the Employee currently maintains without the prior written consent of the Employee, and (iii) within ninety (90) days thereafter Employee or the Company terminates Employee's employment (an employment termination that satisfies the foregoing conditions, a "Change in Control Termination"), then Employee shall be entitled to receive:

(i) The Accrued Obligations; and

(ii) Subject to the limitations set forth in Section 12(b), within thirty (30) days (or forty-five (45) days in the event that such termination of employment is "in connection with an exit incentive or other employment termination program" (as such phrase is defined in the Age Discrimination in Employment Act of 1967)) after the date that Employee executes and delivers a Release to the Company or, to the extent required by Section 409A of the Code, on the first day of the seventh month following such date, and subject to the Release under Section 7(i), a lump sum equal to six (6) months of Base Salary in effect immediately prior to the date Employee's employment terminates (without regard to any decrease in the rate of Employee's Base Salary made after such Change in Control).

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Following such termination of Employee's employment, except as set forth in this Section 7(e) and Section 7(h) of this Agreement, Employee shall have no further right to any compensation or any other benefits under this Agreement.

(f) Termination by Employee. Employee may terminate Employee's employment with the Company at any time. In the event of a termination of employment by Employee, other than a termination of employment by Employee that qualifies as a Change in Control Termination, Employee shall be entitled only to the Accrued Obligations. Following such termination by Employee, except as set forth in this Section 7(f), Employee shall have no further rights to any compensation or any other benefits under this Agreement.

(g) Benefits. Upon the occurrence of a termination of Employee's employment pursuant to Sections 7(d) or (e), the Company shall also cause to be continued, for a period of twelve (12) months, such life, medical and dental insurance coverage as is otherwise maintained by the Company for full-time employees (based on the Base Salary in effect immediately prior to the date Employee's employment terminates), subject to the limitations set forth in such plans, programs or policies, provided that Employee shall continue to pay all amounts in respect of such coverage that an employee receiving the same level of coverage is or would be required to pay (the employee contribution).

(h) Release. Notwithstanding any provision herein to the contrary, the Company may require that, prior to payment of any amount or provision of any benefit pursuant to Sections 7(d), (e), or (g) (other than the Accrued Obligations), Employee shall have executed, on or prior to the Release Expiration Date, a Release, and that any waiting periods contained in such Release have expired. In the event that Employee fails to execute a Release in favor of the Company and its subsidiaries and affiliates and their respective related parties on or prior to the Release Expiration Date, Employee shall not be entitled to any payments or benefits pursuant to Sections 7(d), (e), or (g) (other than the Accrued Obligations).

(i) Exclusive Rights. The severance benefits specified in Section 7 shall be in lieu of any severance pay or other severance benefit that the Company may provide to terminated employees pursuant to policies of the Company that may at that time be in effect and (ii) shall not in any way affect Employee's entitlement to the receipt of a pro-rated cash bonus or other cash incentive that Employee is otherwise eligible to earn in the ordinary course, during the partial year prior to date of termination, pursuant to each plan or program (whether or not such plan or program has been formalized or is in written form) of the Company in effect for such year that provides for cash bonuses or other cash incentives (provided that the Company goals that trigger the obligation of the Company to pay any such cash bonus or other cash incentives are satisfied).

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Section 8. Work Product

(a) Employee agrees that all inventions, innovations, improvements, technical information, systems, software developments, methods, designs, analyses, formulas, strategies, drawings, reports, service marks, trademarks, trade names, logos, products, equipment, and all similar or related information and materials (whether patentable or unpatentable) (collectively, "Inventions") which relate to the Company's actual or anticipated business, research and development, or existing or future products or

services and which are conceived, developed, or made by Employee (whether or not during usual business hours and whether or not alone or in conjunction with any other Person) during the Term of Employment belong in all instances to the Company. Employee will promptly disclose such Work Product to the Company and perform all actions reasonably requested by the Company (whether during or after the Term of Employment) to establish and confirm the Company's ownership of such Work Product (including, without limitation, the execution and delivery of assignments, consents, powers of attorney, and other instruments) and to provide reasonable assistance to the Company (whether during or after the Term) in connection with the prosecution of any applications for patents, trademarks, brands, trade names, service marks, or reissues thereof or in the prosecution or defense of interferences relating to any Work Product. Employee recognizes and agrees that the Work Product, to the extent copyrightable, constitutes works for hire under the copyright laws of the United States and that to the extent Work Product constitutes works for hire, the Work Product is the exclusive property of the Company, and all right, title, and interest in the Work Product vests in the Company. To the extent Work Product is not works for hire, the Work Product, and all of Employee's right, title, and interest in Work Product, including without limitation every priority right, is hereby assigned to the Company.

(b) Employee shall, during the Term of Employment and at any time thereafter, assist and cooperate fully with the Company in obtaining for the Company the grant of letters patent, copyrights, and any other intellectual property rights relating to the Work Product in the United States and/or such other countries as the Company may designate. With respect to Work Product, Employee shall, during the Term of Employment and at any time thereafter, execute all applications, statements, instruments of transfer, assignment, conveyance or confirmation, or other documents, furnish all such information to the Company and take all such other appropriate lawful actions as the Company requests that are necessary to establish the Company's ownership of such Work Product. Employee will not assert or make a claim of ownership of any Work Product, and Employee will not file any applications for patents or copyright or trademark registration relating to any Work Product.

(c) Employee agrees that the Company shall not be required to designate Employee as the inventor or author of any Work Product. Employee hereby irrevocably and unconditionally waives and releases, to the extent permitted by applicable law, all of Employee's rights to such designation and any rights concerning future modifications to any Work Product. To the extent permitted by applicable law, Employee hereby waives all claims to moral rights in and to any Work Product.

(d) Employee will not, in the course of employment with the Company, incorporate into or in any way use in creating any Work Product any pre-existing invention, improvement, development, concept, discovery, works, or other proprietary right or information owned by Employee or in which Employee has an interest without the Company's prior written permission. Employee hereby grants the Company a nonexclusive, royalty-free, fully-paid, perpetual, irrevocable, sublicensable, worldwide license to make, have made, modify, use, sell, copy, and distribute, and to use or exploit in any way and in any medium, whether or not now known or existing, such item as part of or in connection with such Work Product. Employee will not incorporate any invention, improvement, development, concept, discovery, intellectual property, or other proprietary information owned by any party other than Employee into any Work Product without the Company's prior written permission.

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(e) Employee hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as Employee's agent and attorney-in-fact, to act for and on Employee's behalf to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of patents, copyright, trademark, and mask work registrations with the same legal force and effect as if executed by Employee, if the Company is unable because of Employee's unavailability, dissolution, mental or physical incapacity, or for any other reason, to secure Employee's signature for the purpose of applying for or pursuing any application for any United States or foreign patents or mask work or copyright or trademark registrations covering the Work Product owned by the Company pursuant to this Section.

Section 9. Confidentiality; Restricted Activities. Employee agrees that some restrictions on Employee's activities are necessary to protect the goodwill, Confidential Information and other legitimate interests of the Company and its affiliates:

(a) Employee shall not disclose Confidential Information to, or use Confidential Information for the benefit of, any Person, except: (i) to the extent required by an order of a court having jurisdiction over Employee or under subpoena from an appropriate government agency, in which event, Employee shall use Employee's good faith efforts to consult with the General Counsel of the Company prior to responding to any such order or subpoena, or (ii) as required in the performance of Employee's obligations under this Agreement.

(b) Employee agrees that, during the Term of Employment, Employee shall not, directly or indirectly, individually or jointly, own any interest in, operate, join, control or participate as a partner, director, principal, officer, or agent of, enter into the employment of, act as a consultant to, or perform any services for any Person (other than the Company or its subsidiaries), that engages in any Competitive Activities. Notwithstanding anything herein to the contrary, this Section 9 shall not prevent Employee from acquiring or holding as an investment securities: (x) of the Company or (y) representing not more than three percent (3%) of the outstanding voting securities of any other publicly-held corporation.

(c) Without limiting the remedies available to the Company, Employee acknowledges that a breach of any of the covenants contained in this Section 9 may result in material irreparable injury to the Company or its subsidiaries for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such a breach or threat thereof, the Company shall be entitled to seek a temporary restraining order and/or a preliminary or permanent injunction, without the necessity of proving irreparable harm or injury as a result of such breach or threatened breach of this Section 9, restraining Employee from engaging in activities prohibited by this Section 9 or such other relief as may be required specifically to enforce any of the covenants in this Section 9. Notwithstanding any other provision herein to the contrary, the Restricted Period shall be tolled during any period of violation of Section 9(b) and during any other period required for litigation during which the Company seeks to enforce such covenants against Employee if it is ultimately determined that Employee was in breach of such covenants.

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(d) If any court of competent jurisdiction shall at any time determine that any covenant or agreement contained in this Section 9 exceeds the temporal, geographic or other limitations permitted by applicable law in any jurisdiction and renders such covenant or agreement unenforceable, the other provisions of this Section 9 shall nevertheless remain in effect and such covenant or agreement shall be deemed to be reformed and modified to the maximum temporal, geographic or other limitation permitted by law under the circumstances, and the Company and Employee each agree that any such court shall be expressly empowered to so reform and modify such covenant or agreement.

(e) Employee acknowledges and agrees that: (A) the agreements and covenants contained in this Section 9 (i) are reasonable and valid in geographical and temporal scope and in all other respects, (ii) are essential to protect the value of the business, assets and confidential information of the Company and its subsidiaries, and (iii) will not impose any undue hardship on Employee, and (B) Employee has and will obtain valuable knowledge (including knowledge of the Company's trade secrets, customer relationships and other confidential information), contacts, know-how, training and experience and such knowledge, know-how, contacts, training and experience could be used to the substantial detriment of the Company and its subsidiaries. Employee further acknowledges that the Company's agreement to enter into the Agreement and to make the payments and take the actions contemplated herein is conditioned upon Employee's agreement to the terms set forth in this Section 9 and the Company's agreement to enter into the Agreement constitutes good and valuable consideration for Employee's agreement to the restrictions set forth in this Section 9.

(f) In the event of the termination of Employee's employment for any reason, Employee shall deliver to the Company all of: (i) the property of the Company and (ii) the documents and data of any nature and in whatever medium of the Company, and Employee shall not take with Employee any such property, documents or data or any reproduction thereof, or any documents containing or pertaining to any Confidential Information.

Section 10. Injunctive Relief. Without limiting the remedies available to the Company, Employee acknowledges that a breach of any of the covenants contained in Section 9 hereof may result in material irreparable injury to the Company or its subsidiaries or affiliates for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such a breach or threat thereof, the Company shall be entitled to obtain a temporary restraining order

and/or a preliminary or permanent injunction, without the necessity of proving irreparable harm or injury as a result of such breach or threatened breach of Section 9 hereof, restraining Employee from engaging in activities prohibited by Section 9 hereof or such other relief as may be required specifically to enforce any of the covenants in Section 9 hereof. Notwithstanding any other provision to the contrary, the Restricted Period shall be tolled during any period of violation of any of the covenants in Section 9(b) or (c) hereof and during any other period required for litigation during which the Company seeks to enforce such covenants against Employee if it is ultimately determined that Employee was in breach of such covenants.

Section 11. Representations and Warranties of Employee. Employee represents and warrants to the Company that:

(a) Employee is entering into this Agreement voluntarily and that Employee's employment hereunder and compliance with the terms and conditions hereof will not conflict with or result in the breach by Employee of any agreement to which Employee is a party or by which Employee may be bound;

(b) Employee has not, and in connection with Employee's employment with the Company will not, violate any non-solicitation or other similar covenant or agreement by which Employee is or may be bound; and

(c) In connection with Employee's employment with the Company, Employee has not and will not disclose or use any confidential or proprietary information Employee may have obtained in connection with Employee's employment by any prior employer.

Section 12. Taxes.

(a) The Company may withhold from any payments made under this Agreement, including payments made pursuant to Section 7, all applicable taxes, including, but not limited to, income, employment and social insurance taxes, as shall be required by law. Employee acknowledges and represents that the Company has not provided any tax advice to Employee in connection with this Agreement and that Employee has been advised by the Company to seek tax advice from Employee's own tax advisors regarding this Agreement and payments that may be made to Employee pursuant to this Agreement, including, specifically, the application of the provisions of Sections 280G or 409A of the Code to such payments.

(b) In the event that any amount otherwise payable pursuant to Section 7 would be deemed to constitute a parachute payment (a "Parachute Payment") within the meaning of Section 280G of the Code, and if any such Parachute Payment, when added to any other payments which are deemed to constitute Parachute Payments, would otherwise result in the imposition of an excise tax under Section 4999 of the Code, the amounts payable hereunder shall be reduced by the smallest amount necessary to avoid the imposition of such excise tax. Any such limitation shall be applied to such compensation and benefit amounts, and in such order, as the Company shall determine in its sole discretion.

Section 13. Set Off; Mitigation. The Company's obligation to pay Employee the amounts provided and to make the arrangements provided hereunder shall be subject to set-off, counterclaim or recoupment of amounts owed by Employee to the Company or its subsidiaries or affiliates. Employee shall not be required to mitigate the amount of any payment provided for pursuant to this Agreement by seeking other employment or otherwise and the amount of any payment provided for pursuant to this Agreement shall not be reduced by any compensation earned as a result of Employee's other employment or otherwise.

Section 14. Delay in Payment. Notwithstanding any provision in this Agreement to the contrary, any payment otherwise required to be made hereunder to Employee at any date as a result of the termination of Employee's employment shall be delayed for such period of time as may be necessary to meet the requirements of section 409A(a)(2)(B)(i) of the Code. On the earliest date on which such payments can be made without violating the requirements of section 409A(a)(2)(B)(i) of the Code, there shall be paid to Employee, in a single cash lump sum, an amount equal to the aggregate amount of all payments delayed pursuant to the preceding sentence.

Section 15. Successors and Assigns; No Third-Party Beneficiaries.

(a) The Company. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns. Neither this Agreement nor any of the rights, obligations or interests arising hereunder may be assigned by the Company without Employee's prior written consent, to a Person other than a subsidiary, affiliate or parent entity of the Company, or their respective successors or assigns; provided, however, that, in the event of the merger, consolidation, transfer or sale of all or substantially all of the assets of the Company with or to any other Person, this Agreement shall, subject to the provisions hereof, be freely assignable to, and be binding upon and inure to the benefit of, each such Person, without Employee's consent, and, to the extent the Agreement has been so assigned, such Person shall discharge and perform all the promises, covenants, duties and obligations of the Company hereunder.

(b) Employee. Employee's rights and obligations under this Agreement shall not be transferable by Employee, by assignment or otherwise, without the prior written consent of the Company; provided, however, that if Employee shall die, all amounts then payable to Employee hereunder shall be paid in accordance with the terms of this Agreement to Employee's devisee, legatee or other designee or, if there be no such designee, to Employee's estate.

(c) No Third-Party Beneficiaries. Except as otherwise set forth in Section 7(b) or this Section 15, nothing expressed or referred to in this Agreement will be construed to give any person or entity other than the Company (and its subsidiaries and affiliates) and Employee any legal or equitable right, remedy or claim under or with respect to this Agreement or any provision of this Agreement.

Section 16. Waiver and Amendments. Any waiver, alteration, amendment or modification of any of the terms of this Agreement shall be valid only if made in writing and signed by each of the parties hereto; provided, however, that any such waiver, alteration, amendment or modification is approved by the Board. No waiver by either of the parties hereto of their rights hereunder shall be deemed to constitute a waiver with respect to any subsequent occurrences or transactions hereunder unless such waiver specifically states that it is to be construed as a continuing waiver.

Section 17. Severability. If any covenants or such other provisions of this Agreement are found to be invalid or unenforceable by a final determination of a court of competent jurisdiction: (i) the remaining terms and provisions hereof shall be unimpaired, and (ii) the invalid or unenforceable term or provision hereof shall be deemed replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision hereof.

Section 18. Governing Law and Jurisdiction. This Agreement is governed by and is to be construed under the laws of the State of California without regard to conflict of laws rules.

Section 19. Notices.

(a) Every notice or other communication relating to this Agreement shall be in writing, and shall be mailed to or delivered to the party for whom it is intended at such address as may from time to time be designated by it in a notice mailed or delivered to the other party as herein provided, provided that, unless and until some other

address be so designated, all notices or communications by Employee to the Company shall be mailed or delivered to the Company at its principal executive office, and all notices or communications by the Company to Employee may be given to Employee personally or may be mailed to Employee at Employee's last known address, as reflected in the Company's records.

(b) Any notice so addressed shall be deemed to be given: (i) if delivered by hand, on the date of such delivery; (ii) if mailed by courier or by overnight mail, on the first business day following the date of such mailing; and (iii) if mailed by registered or certified mail, on the third (3rd) business day after the date of such mailing.

Section 20. Section Headings. The headings of the sections and subsections of this Agreement are inserted for convenience only and shall not be deemed to constitute a part thereof, affect the meaning or interpretation of this Agreement or of any term or provision hereof.

Section 21. Entire Agreement. This Agreement, together with any exhibits attached hereto, constitutes the entire understanding and agreement of the parties hereto regarding the subject matter hereof. This Agreement supersedes all prior negotiations, discussions, correspondence, communications, understandings and agreements between the parties hereto relating to the subject matter of this Agreement, including, without limitation, any severance or termination agreement between the Company and Employee, if any.

Section 22. Survival of Operative Sections. Upon any termination of Employee's employment with the Company, the provisions of Section 7 through Section 22 of this Agreement (together with any related definitions set forth in Section 1 hereof) shall survive to the extent necessary to give effect to the provisions thereof.

Section 23. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument. The execution of this Agreement may be by actual or facsimile (including by way of PDF files) signature.

* * *

[Signatures to appear on the following page.]

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IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

COMPANY:

FLUX POWER HOLDINGS, INC.

By: /s/ Ronald F. Dutt

Ronald F. Dutt
Chief Executive Officer and President

EMPLOYEE:

/s/ Kevin S. Royal

Kevin S. Royal

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