

ACTIVE POWER, INC.

COMPENSATION COMMITTEE CHARTER

(as revised and adopted by the Board of Directors on October 23, 2014)

PURPOSE

The purpose of the Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Active Power, Inc. (the “Company”) is to discharge certain responsibilities of the Board relating to executive compensation policies and programs, including developing compensation policies, overseeing the implementation of the policies and benefit plans, administering the Company’s various stock plans and the issuance of stock options and other stock-related awards, and to make recommendations to the Board regarding its remaining responsibilities relating to executive compensation.

MEMBERSHIP

The members of the Committee are appointed by the Board, considering the recommendation of its Nominating and Corporate Governance Committee. The members of the Committee may be removed by the Board on its own motion or on the recommendation of its Nominating and Corporate Governance Committee.

The Committee shall consist of at least two (2) members of the Board who meet the following criteria (in each case to the extent that such requirements are effective from time to time):

1. Each member will be an independent director in accordance with the applicable rules of The Nasdaq Stock Market (“Nasdaq”), subject to the exceptions under such rules;
2. Each member will be a non-employee director under Rule 16b-3 adopted by the Securities and Exchange Commission (the “SEC”) under Section 16 of the Securities Exchange Act of 1934, as amended; and
3. Each member will meet any other requirements imposed by applicable law, regulations or rules.

With respect to the approval of any compensation that is intended to be “performance based” within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (“Rule 162(m)”), for any key employee whose compensation is subject to Section 162(m), such approval shall be made by those members of the Committee who are outside directors within the meaning of Section 162(m).

The Board may appoint the Chairperson of the Committee (the “Chairperson”). Alternatively, the Board may direct that the members of the Committee elect the Chairperson.

RESPONSIBILITIES AND AUTHORITY

The responsibilities and authority of the Committee shall include:

1. Establishing the corporate goals and objectives that pertain to the variable compensation of the Company’s Chief Executive Officer (the “CEO”);

2. Evaluating the CEO's performance against each of his or her goals and objectives pursuant to the Company's plans and, after considering the full Board's evaluation of his or her performance, determine the salary and contingent compensation of the CEO. In determining compensation, the Committee will consider the Company's performance, the compensation of chief executive officers at comparable companies, the awards given to the CEO in past years, and such other factors as the Committee deems relevant;
3. When the Committee meets to evaluate and vote on the compensation of the Company's CEO, the Committee shall meet in executive session without the presence of the CEO. The CEO may be present during deliberations to determine the compensation of all other officers of the Company, but may not vote;
4. In consultation with the CEO, determining the salaries and contingent compensation of key employees who report directly to the CEO and other individuals who are deemed to be "officers" of the Company under Rule 16a-1(f) of the SEC (collectively with the CEO, the "Executive Officers"), including establishing incentive compensation plans for such individuals, establishing targets and incentive awards under such plans and making any determinations required to be made by the Board or a committee of the Board under such plans;
5. Making recommendations to the Board regarding the compensation of Board members;
6. Reviewing and approving the terms of offer letters, employment agreements, severance agreements, change-in-control agreements, indemnification agreements and other material agreements between the Company and its Executive Officers;
7. Making recommendations to the Board regarding adopting or amending equity incentive plans (including changes in the number of shares reserved for issuance thereunder);
8. Administering the Company's stock plans, granting stock options, stock appreciation rights, restricted stock units and other equity awards and approving modifications of such awards and the related forms of agreement, provided that the Board may also perform these functions and may delegate to another committee of the Board the concurrent authority to make such awards to individuals other than Executive Officers;
9. Overseeing the administration of other material employee benefit plans of the Company, including the Company's 401(k) plan;
10. Reviewing and approving policies and procedures relating to the perquisites and expense accounts of the Company's Executive Officers;
11. Reviewing and discussing with management the Company's Compensation Discussion and Analysis (CD&A) to be included in the Company's proxy statement or annual report on Form 10-K and issuing any report required to be prepared by the Committee for inclusion in the Company's proxy statement or annual report on Form 10-K, as required by rules of the SEC;
12. Conducting assessment of risks relating to compensation plans and arrangements;

13. Considering the view of stockholders on executive compensation matters, including advisory votes to approve executive compensation, stockholder proposals and related matters;
14. At least once every sixth year or as otherwise required by applicable SEC rules, the Committee shall recommend to the Board of Directors for inclusion in the annual proxy statement a stockholder proposal regarding the frequency of stockholder advisory votes to approve executive compensation (a “Say When on Pay” stockholder advisory vote);
15. Reviewing and assessing the adequacy and scope of this Charter annually and recommending any proposed changes to the Board for approval; and
16. Performing such other duties as may be requested by the Board or as assigned by the Company’s certificate of incorporation, bylaws or applicable law, rule or regulation.

INVESTIGATIONS, STUDIES AND OUTSIDE ADVISERS; CONSIDERATION OF INDEPENDENCE FACTORS

The Committee may conduct or authorize investigations into, or studies of, matters within the Committee’s scope of responsibility, with full access to all books, records, facilities and personnel of the Company.

The Committee shall have the authority to retain compensation consultants, independent legal counsel (including the Company’s regular legal counsel), accounting, actuarial or other advisors. To the extent required by applicable Nasdaq or SEC rules, in retaining such consultants or other advisors, the Committee shall consider the following independence factors:

1. The provision of other services to the Company by the person employing the advisor.
2. The amount of fees received from the Company by the advisor as a percentage of the total revenue of the advisor.
3. The policies and procedures of the advisor that are designed to prevent conflicts of interest.
4. Any business or personal relationship of the advisor with a Committee member.
5. Any stock of the Company owned by the advisor.
6. Any business or personal relationship of the advisor with an Executive Officer of the Company.

The Company shall be responsible for paying reasonable compensation, as determined by the Committee, for such advisors. The Committee shall have the authority to approve such advisors’ compensation and other retention terms and to oversee their work.

The Committee shall also have the authority to terminate its advisors.

MEETINGS

The Committee shall meet with the Chairperson of the Board and CEO at the start of each fiscal year to discuss the incentive compensation programs to be in effect for such fiscal year and the performance targets triggering payout under those programs. At the end of each fiscal year, the Committee shall meet to review performance under those programs and award bonuses thereunder, subject to consultation with the Board. At that time, the Committee shall also adjust base salary levels, subject to consultation with the Board, and review the overall performance of the Company's employee benefit plans. The Committee shall also meet as and when necessary to effect equity awards under the Company's stock plans to Executive Officers and other employees of the Company.

The Chairperson will determine how often the Committee meets. The Chairperson, in consultation with the other members of the Committee, will also schedule the Committee meetings and establish the agenda for each meeting. Any action required or permitted to be taken at any meeting of the Committee may be taken without a meeting if all of the members of the Committee consent thereto in writing or by electronic transmission, and such writings or transmissions show the date of execution or transmission and are filed with the minutes of the Committee. The consent will be effective on the date of the last signature or electronic transmission.

The Committee may request that any directors, officers or employees of the Company, or other persons whose advice and counsel are sought by the Committee, attend any meeting of the Committee to provide such pertinent information as the Committee requests.

MINUTES

The Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of meetings of the Board.

REPORTS

The Committee will provide reports to the Board on the Committee's deliberations and actions. The minutes of Committee meetings and actions by the unanimous written consent of the Committee members will be made available to all Board members.

COMPENSATION

Members of the Committee will receive such fees, if any, for their service as Committee members, and shall be paid in such form of consideration, as is determined by the Board in accordance with the applicable rules of Nasdaq, the SEC and the Internal Revenue Code.

DELEGATION OF AUTHORITY

The Committee may, to the extent permitted under applicable law, the rules of Nasdaq, the SEC and the Internal Revenue Code, and the Company's Certificate of Incorporation and Bylaws, form and delegate authority to subcommittees when appropriate. For example, the Committee may delegate authority for overseeing the administration of the Company's 401(k) plan to a subcommittee; provided that any such subcommittee shall report to the Committee at least annually, or more frequently if warranted.