

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Flux Power Holdings, Inc.

Form: 8-K

Date Filed: 2019-07-09

Corporate Issuer CIK: 1083743

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): July 3, 2019

FLUX POWER HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or Other Jurisdiction of Incorporation)

000-25909

(Commission File Number)

86-0931332

(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: None

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 1.01 Entry into a Material Definitive Agreement.

On July 3, 2019, Flux Power Holdings, Inc. (the "Registrant") and Flux Power, Inc., a wholly-owned subsidiary of the Registrant (the "Company"), entered into a certain loan agreement with Cleveland Capital, L.P., a Delaware limited partnership and a minority stockholder of the Registrant ("Cleveland"), 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 is due on September 1, 2019, unless repaid earlier from a percentage of proceeds from certain identified accounts receivable. In connection with the Loan, the Registrant issued Cleveland a three-year warrant (the "Cleveland Warrant") to purchase the Registrant'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 has an exercise price equal to the per share public offering price.

Cleveland is a minority stockholder of the Registrant. Cleveland is also a lender pursuant to a certain amended and restated credit facility agreement dated March 28, 2019 by and among Cleveland, the Company, Esenjay Investments, LLC, ("Esenjay"), and additional lenders to such agreement ("Additional Lenders"). In connection therewith, Cleveland was also issued a secured promissory note. To secure the obligations under such note, Cleveland entered into a certain amended and restated credit facility agreement dated March 28, 2019, with the Company, Esenjay and the Additional Lenders.

The foregoing description of the terms of the Loan Agreement, the Unsecured Promissory Note, and the Cleveland Warrant, does not purport to be complete and is qualified in its entirety by reference to the full text of the respective agreements, copies of which are filed hereto as Exhibits 10.1, 10.2, and 10.3, and are incorporated herein by reference.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information disclosed in Item 1.01 of this Current Report on Form 8-K is incorporated by reference into this Item 2.03.

Item 9.01 Financial Statements and Exhibits

Exhibit No.**Exhibit Description**

10.1	Loan Agreement dated July 3, 2019
10.2	Unsecured Promissory Note dated July 3, 2019
10.3	Cleveland Warrant dated July 3, 2019

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

Dated: July 9, 2019

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

LOAN AGREEMENT

THIS LOAN AGREEMENT (this "Agreement"), dated as of July 3, 2019, by and between, Flux Power Holdings, Inc., a Nevada corporation ("Flux"), Flux Power, Inc., a California corporation ("Borrower," and together with Flux, the "Company"), and Cleveland Capital, L.P. ("Lender"). Cleveland, Flux and Borrower each a "Party" and collectively, the "Parties".

RECITALS

WHEREAS, Borrower is in the process of obtaining an asset based line of credit and wishes to obtain a short-term loan until such line of credit has been established; and

WHEREAS, Lender wishes to provide Borrower with a loan in the amount of One Million Dollar (\$1,000,000) ("Loan") pursuant to the terms and conditions of this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the above recitals and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Parties hereby agree as follows:

1. The Loan.

(a) Issuance of Notes. Subject to the terms and conditions hereof, Borrower shall issue and sell to Lender, and Lender shall purchase from Borrower, an unsecured promissory note in the form of Exhibit A hereto (the "Note"), for an aggregate principal amount of One Million Dollars (\$1,000,000). The terms and conditions of the Note are set forth in the form of Note, in substantially the form attached hereto as Exhibit A.

(b) Issuance of Warrant. In order to induce Lender to enter into this Agreement and as additional consideration for the Loan, Flux shall issue and sell to Lender, and Lender shall purchase from Flux, a three (3) year warrant ("Warrant") based on the terms and conditions set forth in the warrant attached hereto as Exhibit B.

(c) This Agreement, Warrant, the Note, together with all other agreements, documents, and instruments heretofore or hereafter executed in connection therewith or with the Loan to be made under this Agreement, as the same may be amended, supplemented or modified from time to time, shall collectively be referred to herein as the "Loan Documents."

2. Representations and Warranties of The Company. The Company represents and warrants to Lender that:

(a) Corporate Existence and Power.

(i) The Company is a corporation duly organized, validly existing and in good standing under the laws of the state of incorporation.

(ii) The Company has the power and authority to own its properties and assets and to carry out its business as now being conducted.

(iii) The Company has the power and authority to execute, deliver and perform the Loan Documents to which it is a party, to borrow and guaranty the Loan and the interest, fees and expenses payable in connection therewith in accordance with the terms thereof, to execute, deliver and perform its obligations under the Loan Documents to which it is a party and any other documents made by it as contemplated hereby.

(b) Authorization and Approvals. All corporate action on the part of the Company, its board of directors, and shareholders necessary for the (a) authorization, execution, delivery and performance by it of the Loan Documents to which it is a party, and (b) the performance of its obligations under the Loan Documents to which it is a party, has been taken. This Agreement and the other Loan Documents to which it is a party, when executed and delivered by the Company, shall constitute the valid and binding obligations of Borrower, enforceable thereagainst in accordance with their respective terms.

(c) Requisite Power and Authority. The Company has all of the requisite power, authority, and capacity to execute, deliver, and comply with the terms of this Agreement, and such execution, delivery, and compliance does not conflict with, or constitute a default under, the Company's Articles of Incorporation or By-laws, any law, regulation or order, or any agreement to which the Company is a party or by which the Company may be bound. All action on the Company's part necessary for the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, and the performance of all obligations of the Company hereunder has been taken. This Agreement has been duly executed and delivered by the Company.

(d) Compliance with Laws, Etc. The execution and delivery of this Agreement and the Loan Documents to which it is a party does not and will not violate any requirement of law or any contractual obligation of the Company.

(e) Defaults. The Company is not currently in default of any contractual obligation that would have a material adverse effect on the Company's business, assets or financial condition.

(f) Litigation. There is no litigation, arbitration or other proceedings taking place, pending or to the knowledge of the Company threatened against the Company or any of its assets which questions the validity of this Agreement or the right of Borrower to enter into it or to consummate the transactions contemplated hereby.

3. Representations and Warranties of The Lender. The Lender represents and warrants to the Company that:

(a) Requisite Power and Authority. Lender has all of the requisite power, authority, and capacity to execute, deliver, and comply with the terms of this Agreement, and such execution, delivery, and compliance does not conflict with, or constitute a default under, any instruments governing Lender, any law, regulation or order, or any agreement to which Lender is a party or by which Lender may be bound. All action on Lender's part necessary for the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, and the performance of all obligations of Lender hereunder has been taken. This Agreement has been duly executed and delivered by Lender.

(b) Accredited Status. Lender is an accredited investor as such term is defined under Rule 501 of the Securities Act of 1933, as amended ("Securities Act").

(c) Investment Intent; Authority. This Agreement is made with the Lender in reliance upon such Lender's representation to the Company, evidenced by Lender's execution of this Agreement, that Lender is acquiring the Warrant and underlying common stock of Flux ("Securities") for

investment for Lender's own account for investment and not with a view to, or for resale in connection with, any distribution or public offering thereof within the meaning of the Securities Act. Lender has the full right, power, authority and capacity to enter into and perform this Agreement and this Agreement will constitute a valid and binding obligation upon the Lender, except as the same may be limited by bankruptcy, insolvency, moratorium, and other laws of general application affecting the enforcement of creditors' rights.

(d) Securities Not Registered. Lender understands and acknowledges that the offering of the Securities pursuant to this Agreement will not be registered under the Securities Act on the grounds that the offering and sale of securities contemplated by this Agreement are exempt from registration under the Securities Act, and that the Company's reliance upon such exemption is predicated upon such Lender's representations set forth in this Agreement. Lender acknowledges and understands that resale of the Securities may be restricted indefinitely unless they are subsequently registered under the Securities Act or equivalent applicable state registration or an exemption from such registration as is available.

(e) No Transfer. Lender covenants not to dispose of any of Lender's Securities other than in conjunction with an effective registration statement under the Securities Act or in compliance with Rule 144 promulgated under the Securities Act or pursuant to another exemption from registration or to an entity affiliated with such Lender and other than in compliance with the applicable securities regulations laws of any state.

(f) Knowledge and Experience. Lender is an existing shareholder of the Flux and is familiar with the Company's business and the risks related to the purchase of the Securities. Lender believes it has received all the information it considers necessary or appropriate for deciding whether to purchase the Securities. Lender has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of the Securities and the business, properties, prospects and financial condition of the Company. Lender (i) has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of Lender's prospective investment in the Securities, (ii) has the ability to bear the economic risks of Lender's prospective investment, and (iii) has not been offered any of the Securities by any form of advertisement, article, notice or other communication published in any newspaper, magazine, or similar media or broadcast over television or radio, or any seminar or meeting whose attendees have been invited by any such media.

(g) Lender acknowledges and agrees that the Securities and Exchange Commission has not reviewed the offer and sale of the Securities, and that the Securities has not been registered under the Securities Act or any other applicable securities laws of any state or jurisdiction, and Lender cannot sell or otherwise transfer the Securities except as permitted under the Securities Act and applicable state securities laws or an exemption therefrom, provided that Lender delivers to Flux an opinion of counsel (which opinion and counsel are satisfactory to Flux) confirming the availability of such exemption upon Flux's request. Lender understands and agrees that the certificate(s) representing the shares of common stock of Flux will bear one or more restrictive legends determined by counsel to Flux to be necessary or appropriate in order to comply with United States federal or state securities law or to secure or protect any applicable exemptions from registration or qualification, including substantially the following legend(s) and Lender agrees to abide by the terms thereof:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. THESE SHARES MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE ASSIGNED

EXCEPT PURSUANT TO (i) A REGISTRATION STATEMENT RELATED TO THE SECURITIES WHICH IS EFFECTIVE UNDER THE SECURITIES ACT, (ii) RULE 144 PROMULGATED UNDER THE SECURITIES ACT OR (iii) AN OPINION OF COUNSEL OR OTHER EVIDENCE SATISFACTORY TO THE COMPANY AND ITS COUNSEL THAT AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAWS IS AVAILABLE.

4. Notices. Any notice, request, instruction, or other document to be given hereunder by any party hereto to any other party will be in writing and will be given by delivery in person, by facsimile transmission, by email or other electronic communication, by overnight courier or by registered or certified mail, postage prepaid (and will be deemed given when delivered if delivered by hand, when transmission confirmation is received if delivered by facsimile, three (3) days after mailing if mailed by United States mail, and one (1) business day after deposited with an overnight courier service if delivered by overnight courier), as follows:

If to Company:	Flux Power, Inc. Attn: President and CEO 2685 S. Melrose Drive Vista, CA 92081 rdutt@fluxpwr.com
If to Lender:	Cleveland Capital, L.P. 1250 Linda Street, Suite 304 Rocky River, OH 44116

or at such other address of which any party may, from time to time, advise the other party by notice in writing given in accordance with the foregoing. The date of receipt of any such notice shall be deemed to be the date of delivery or facsimile (with confirmation) thereof.

5. Entire Agreement. This Agreement, the other Loan Documents, and the other agreements entered into in connection herewith supersede all prior negotiations and agreements (whether written or oral) and constitute the entire understanding among the parties hereto.

6. Fees and Expenses. Except as otherwise set forth herein, each Party will bear its own expenses and legal fees incurred on its behalf with respect to this Agreement and the transaction contemplated hereby; provided, the Borrower shall, upon written request, promptly reimburse the Lender for its legal expenses in an amount not to exceed \$5,000.

7. Successors. This Agreement shall inure to the benefit of and be binding upon the parties named herein and their respective successors and assigns.

8. Headings. The section headings contained in this Agreement are for convenience only and shall not control or affect the meaning or construction of any of the provisions of this Agreement.

9. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of New York without reference to principles of conflict of law and, in the event of any litigation or other dispute in connection with this Agreement or any of the exhibits attached hereto, the venue and jurisdiction of which shall be in San Diego County, California.

10. Delay, Etc. No delay or omission to exercise any right, power or remedy accruing to any party hereto shall impair any such right, power or remedy of such party nor be construed to be a waiver of any such right, power or remedy, nor constitute any course of dealing or performance hereunder.

11. Costs and Attorneys' Fees. The Company agrees, within thirty (30) days of demand to pay, or reimburse, each of the Lenders for its payment of all costs and expenses, if any, in connection with the enforcement of this Agreement or any other Loan Document and stamp and other similar taxes, if any, incident to the execution and delivery of the documents (including, without limitation, the Note) herein contemplated and to hold such Lender free and harmless in connection with any liability arising from the nonpayment of any such stamp or similar taxes.

12. Waiver and Amendment. Any of the terms and provisions of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but only by a written instrument executed by such party. This Agreement may be amended only by an agreement in writing executed by the Parties.

13. Counterparts; Electronic Transmission. This Agreement may be executed in one or more counterparts (any of which may be delivered by fax or electronic mail transmission), each of which will for all purposes be deemed to be an original and all of which will constitute the same instrument.

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

FLUX:

Flux Power Holdings, Inc.,
a Nevada corporation



Ronald F. Dutt, President and Chief Executive Officer

BORROWER:

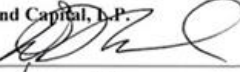
Flux Power, Inc.,
a California corporation



Ronald F. Dutt, President and Chief Executive Officer

LENDER:

Cleveland Capital, L.P.

By:  _____

Wade Massey
Name

Co-Managing Member, CLEVELAND CAPITAL MGT, L.L.C.
Title

GP OF CLEVELAND CAPITAL LP.

EXHIBIT A

FORM OF PROMISSORY NOTE

4816-0155-7659.4

EXHIBIT B
FORM OF WARRANT

4816-0155-7659.4

UNSECURED PROMISSORY NOTE

\$1,000,000

Vista, California
July 3, 2019

FOR VALUE RECEIVED, Flux Power, Inc., a California corporation ("Borrower"), hereby unconditionally promises to pay to Cleveland Capital, L.P., or its registered assigns ("Holder"), the principal amount of One Million Dollar (\$1,000,000) ("Principal Amount") pursuant to that certain Loan Agreement, dated July 3, 2019, by and between Flux Power, Holdings, Inc., a Nevada corporation, Borrower and Holder (the "Loan Agreement"), together with interest thereon in accordance with the terms hereof, from the date hereof until the date on which this Unsecured Promissory Note (the "Note") is paid in full. All capitalized terms used and not defined herein shall have the meanings ascribed to them in the Loan Agreement.

1. Terms of Note.

(a) Interest Rate. Interest on the then outstanding Principal Amount of this Note shall accrue at a rate per annum equal to fifteen percent (15%), beginning on the date of this Note. All interest shall be calculated on the basis of the actual daily balances of Principal Amount outstanding for the exact number of days elapsed, using a year of three hundred sixty (360) days.

(b) Maturity Date. Except as otherwise provided herein, the entire Principal Amount of this Note, together with all accrued but unpaid interest payable thereon, shall be due and payable in full on the earlier of: (i) September 1, 2019 (the "Maturity Date") or (ii) the occurrence of an Event of Default (as defined below); provided, however, the Borrower shall make periodic payments of interest and principal within ten (10) days upon receipt of cash from accounts receivables identified in Schedule A ("Receivables"), an amount equal to 100% of cash received from such Receivables. Such payments shall be applied first to the payment of unpaid interest and second to reduce the outstanding Principal amount.

2. Voluntary Prepayment. Outstanding Principal Amount, together with interest thereon, may be prepaid, in whole or in part, at any time prior to the Maturity Date without penalty.

3. Events of Default. Upon the occurrence of any of the following events ("Event of Default"), the Borrower shall be in default hereunder:

(a) failure by the Borrower to pay when due any of the principal or accrued and unpaid interest hereunder; or

(b) the Borrower (i) applies for or consents to the appointment of a receiver, trustee, custodian or liquidator of itself or any part of its property, (ii) becomes subject to the appointment of a receiver, trustee, custodian or liquidator of itself or any part of its property if such appointment is not terminated or dismissed within thirty (30) days, (iii) makes an assignment for the benefit of creditors, (iv) is adjudicated as bankrupt or insolvent, (v) institutes any proceedings under the United States Bankruptcy Code or any other federal or state bankruptcy, reorganization, receivership, insolvency or other similar law affecting the rights of creditors generally, or files a petition or answer seeking reorganization or an arrangement with creditors to take advantage of any insolvency law, or files an answer admitting the material allegations of a bankruptcy, reorganization or insolvency petition filed against it, or (vi) becomes subject to any proceedings under the United States Bankruptcy Code or any other federal or state bankruptcy, reorganization, receivership, insolvency or other similar law affecting the rights of creditors

generally, which proceeding is not dismissed within thirty (30) days of filing, or has an order for relief entered against it in any proceeding under the United States Bankruptcy Code, or (vii) is unable to pay its debts as they come due.

If an Event of Default occurs, all indebtedness under this Note shall become immediately due and payable, and the Borrower shall immediately pay to Holder all amounts outstanding hereunder. Holder shall, following and during the continuance of an Event of Default, also have all other rights which Holder may have pursuant to applicable law.

5. Amendment and Waiver. Neither party may assign this Note nor any right or interest arising out of this Note, in whole or in part, without consent of the other party. Any term of this Note may be amended and the observance of any term of this Note may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Borrower and Holder.

6. Place of Payment. Payments of principal and interest and all notices and other communications to Holder hereunder or with respect hereto are to be delivered to Holder at the address identified in the Loan Agreement or to such other address as specified by Holder by prior written notice to the Borrower, including any transferee of this Note.

7. Costs of Collection. In the event that the Borrower fails to pay when due (including, without limitation upon acceleration in connection with an Event of Default) the full amount of principal and/or interest hereunder, the Borrower shall indemnify and hold harmless Holder of any portion of this Note from and against all costs and expenses incurred in connection with the enforcement of this provision or collection of such principal and interest, including, without limitation, attorneys' fees and expenses.

8. Waivers. The Borrower hereby waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note.

9. Mutilated, Destroyed, Lost and Stolen Note. In case the Note shall be mutilated, lost, stolen or destroyed, the Borrower shall issue a new Note of like date, tenor and denomination and deliver the same in exchange and substitution for and upon surrender and cancellation of the mutilated Note, or in lieu of a lost, stolen or destroyed Note, upon receipt of evidence satisfactory to the Borrower of the loss, theft or destruction of such Note.


10. Interest Savings Clause. In the event any interest is paid on this Note which is deemed to be in excess of the then legal maximum rate, then that portion of the interest payment representing an amount in excess of the then legal maximum rate shall be deemed a payment of principal and applied against the principal of this Note.

11. Governing Law. THIS NOTE AND THE RIGHTS AND DUTIES OF THE BORROWER AND HOLDER HEREOF SHALL BE GOVERNED BY, CONSTRUED IN AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS EXECUTED AND TO BE PERFORMED ENTIRELY WITHIN THAT STATE.

IN WITNESS WHEREOF, the Borrower has executed and delivered this Note on July 3, 2019.

BORROWER:

Flux Power, Inc.

By: 
Name: Ronald Dutt
Title: Chief Executive Officer

THIS WARRANT CERTIFICATE AND THE SECURITIES ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES LAWS OR THE ISSUER SHALL HAVE RECEIVED AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE ISSUER THAT REGISTRATION OF SUCH SECURITIES UNDER THE SECURITIES ACT AND UNDER THE PROVISIONS OF APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED.

FLUX POWER HOLDINGS, INC.

WARRANT CERTIFICATE

Issue Date: July 3, 2019

No.: 2019-1

THIS WARRANT CERTIFICATE is given by Flux Power Holdings, Inc. (the "*Issuer*") in connection with the Loan Agreement dated July 3, 2019 ("*Agreement*"), by and among the Issuer, Flux Power, Inc. a California corporation and wholly owned subsidiary of the Issuer (the "*Borrower*") and Cleveland Capital, L.P. ("*Cleveland*").

This Warrant Certificate ("*Warrant Certificate*") certifies that for value received, Cleveland Capital, L.P. or its registered assigns (the "*Holder*") is entitled to subscribe for and purchase, during the Term (as hereinafter defined), the number of Warrants ("*Warrants*") as determined below, each of which entitles the Holder thereof to purchase during the term, one fully paid and non-assessable share of common stock, \$.001 par value per share, of the Issuer, at an exercise price per share equal to the per share price of common stock sold in a public offering ("*Offering*") of the Issuer's common stock that has been registered with the Securities and Exchange Commission on Registration Statement on Form S-1 (the "*Warrant Price*"), as may be adjusted, subject, however, to the provisions and upon the terms and conditions hereinafter set forth. Capitalized terms used in this Warrant Certificate and not otherwise defined herein shall have the respective meanings specified in Section 7 hereof.

1. Warrant Coverage. The number of Warrants that Holder will be entitled to purchase shall be equal to 0.5% of the total issued and outstanding shares of Common Stock immediately following the closing of the Offering.

2. Term. The term of this Warrant Certificate shall commence on the Issue Date and shall expire at 6:00 p.m., Eastern Time, on the third anniversary of the Issue Date (such period being the "*Term*").

3. Method of Exercise; Payment; Issuance of New Warrant Certificate; Transfer and Exchange.

(a) Time of Exercise. The purchase rights represented by this Warrant Certificate may be exercised at any time during the Term after the initial closing of the Offering.

(b) Method of Exercise. Each Warrant shall entitle the Holder to purchase one share of common stock of the Issuer at the Warrant Price. The Holder hereof may exercise the Warrants, in whole or in part, by the surrender of the Warrant Certificate (with the exercise form attached hereto duly executed) at the principal office of the Issuer, and by the payment to the Issuer of an amount of consideration therefor equal to the Warrant Price in effect on the date of such exercise multiplied by the number of shares of Warrant Stock with respect to which the Warrant Certificate is then being exercised, payable at such Holder's election by certified or official bank check or by wire transfer to an account designated by the Issuer.

(c) Cashless Exercise. The Holder may, at its election exercised in its sole discretion, exercise this Warrant and, in lieu of making the cash payment otherwise contemplated to be made to the Issuer upon such exercise in payment of the Warrant Price for the Warrant Shares specified in this Warrant, elect instead to receive upon such exercise the net number of shares of Common Stock (represented by "X") determined according to the following formula (a "*Cashless Exercise*"):

$$X = \frac{(A \times B) - (A \times C)}{B}$$

For purposes of the foregoing formula:

X= the number of shares of Warrant Stock to be issued to the Holder.

A= the total number of shares with respect to which this Warrant is then being exercised.

B= the average of the Closing Prices of Issuer's Common Stock for the five Trading Day immediately preceding the date of the notification by the Holder to the Issuer of a Cashless Exercise.

C= the Warrant Price then in effect at the time of such exercise (as adjusted)

(d) Issuance of Stock Certificates. In the event of any exercise of the Warrants in accordance with and subject to the terms and conditions hereof, certificates for the shares of Warrant Stock so purchased shall be dated the date of such exercise and delivered to the Holder hereof as soon as reasonable practicable and in no event shall such certificate be delivered later than ten (10) business days from the date in which the notice of election was received by the Issuer.

(d) Transferability of Warrant. Subject to Section 3(e) hereof, the Warrants may be transferred by a Holder, in whole or in part, without the consent of the Issuer. If transferred pursuant to this paragraph, the Warrants may be transferred on the books of the Issuer by the Holder hereof in person or by duly authorized attorney, upon surrender of this Warrant Certificate at the principal office of the Issuer, properly endorsed (by the Holder executing an assignment in the form attached here to) and upon

payment of any necessary transfer tax or other governmental charge imposed upon such transfer. This Warrant Certificate is exchangeable at the principal office of the Issuer for Warrants to purchase the same aggregate number of shares of Warrant Stock, each new Warrant to represent the right to purchase such number of shares of Warrant Stock as the Holder hereof shall designate at the time of such exchange. All Warrants issued on transfers or exchanges shall be dated the Issue Date and shall be identical with this Warrant Certificate except as to the number of shares of Warrant Stock issuable pursuant thereto.

(e) Compliance with Securities Laws.

(i) The Holder of this Warrant Certificate, by acceptance hereof, acknowledges that the Warrants and the shares of Warrant Stock to be issued upon exercise hereof are being acquired solely for the Holder's own account and not as a nominee for any other party, and for investment, and agrees that the Holder will not acquire the Warrant Stock, offer, sell or otherwise dispose of this Warrant or any shares of Warrant Stock to be issued upon exercise hereof except pursuant to an effective registration statement, or an exemption from registration, under the Securities Act and any applicable state securities laws. Holder represents and warrants that Holder is an "accredited" investor as such term is defined under Rule 501 of the Securities Act of 1933, as amended.

(ii) This Warrant Certificate and all certificates representing shares of Warrant Stock issued upon exercise hereof shall be stamped or imprinted with a legend in substantially the following form:

THIS WARRANT CERTIFICATE, THE WARRANTS, AND THE SECURITIES ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES LAWS OR THE ISSUER SHALL HAVE RECEIVED AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE ISSUER THAT REGISTRATION OF SUCH SECURITIES UNDER THE SECURITIES ACT AND UNDER THE PROVISIONS OF APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED.

(g) Loss, Theft, Destruction of Warrants. Upon receipt of evidence satisfactory to the Issuer of the ownership of and the loss, theft, destruction or mutilation of any Warrant and, in the case of any such loss, theft or destruction, upon receipt of indemnity or security satisfactory to the Issuer or, in the case of any such mutilation, upon surrender and cancellation of such Warrant, the Issuer will make and deliver, in lieu of such lost, stolen, destroyed or mutilated Warrant, a new Warrant of like tenor and representing the right to purchase the same number of shares of Warrant Stock.

(h) Beneficial Ownership Restrictions. In no event shall the Holder be entitled to exercise any portion of this Warrant if the number of shares of Common Stock to be issued pursuant to such conversion or exercise, when aggregated with all other shares of Common Stock owned by the Holder at such time, would result in the Holder beneficially owning (as determined in accordance with Section 13(d) of the Securities and Exchange Act of 1934, and the rules thereunder) in excess of 9.99% of the then issued and outstanding shares of Common Stock outstanding at such time; provided, however, that upon the Holder providing the Issuer with sixty-one (61) days notice (the "*Waiver Notice*") that the Holder would like to waive this Section 3(h) with regard to any or all shares of Common Stock issuable

upon conversion or exercise of this Warrant, this Section 3(h) shall be of no force or effect with regard to those shares of Common Stock referenced in the Waiver Notice.

4. Adjustment of Warrant Price and Number of Shares Issuable Upon Exercise. The Warrant Price and the Warrant Share Number shall be subject to adjustment from time to time as set forth in this Section 4. The Issuer shall give the Holder notice of any event described below that requires an adjustment pursuant to this Section 3 in accordance with the notice provisions set forth in Section 5.

(a) Recapitalization, Reorganization, Reclassification, Consolidation, Merger or Sale.

(i) In case the Issuer after the Issue Date shall do any of the following (each, a "**Triggering Event**"): (A) consolidate or merge with or into any other Person and the Issuer shall not be the continuing or surviving corporation of such consolidation or merger, or (B) permit any other Person to consolidate with or merge into the Issuer and the Issuer shall be the continuing or surviving Person but, in connection with such consolidation or merger, any Capital Stock of the Issuer shall be changed into or exchanged for Securities of any other Person or cash or any other property, or (C) transfer all or substantially all of its properties or assets to any other Person, or (D) effect a capital reorganization or reclassification of its Capital Stock, then, and in the case of each such Triggering Event, proper provision shall be made to the Warrant Price and the number of shares of Warrant Stock that may be purchased upon exercise of this Warrant Certificate so that, upon the basis and the terms and in the manner provided in this Warrant Certificate the Holder of this Warrant Certificate shall be entitled upon the exercise hereof at any time after the consummation of such Triggering Event, to the extent the Warrants are not exercised prior to such Triggering Event, to receive at the Warrant Price as adjusted to take into account the consummation of such Triggering Event, in lieu of the Warrant Stock issuable upon such exercise of the Warrants prior to such Triggering Event, the Securities, cash and property to which such Holder would have been entitled upon the consummation of such Triggering Event if such Holder had exercised the rights represented by this Warrant Certificate immediately prior thereto subject to adjustments (subsequent to such corporate action) as nearly equivalent as possible to the adjustments provided for elsewhere in this Section 4. Upon the occurrence of a Triggering Event, the Issuer shall notify the Holder in writing of such Triggering Event and provide the calculations in determining the amount of issuable Securities, cash or property issuable upon exercise of the new warrant and the adjusted Warrant Price. Upon the Holder's request, the continuing or surviving corporation as a result of such Triggering Event shall issue to the Holder a new warrant of like tenor evidencing the right to purchase the adjusted amount of Securities, cash or property and the adjusted Warrant Price pursuant to the terms and provisions of this Section 4(a)(i).

(b) Stock Dividends, Subdivisions and Combinations. If at any time the Issuer shall:

(i) make or issue or set a record date for the holders of the Common Stock for the purpose of entitling them to receive a dividend payable in, or other distribution of, shares of Common Stock,

(ii) subdivide its outstanding shares of Common Stock into a larger number of shares of Common Stock, or

(iii) combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock,

then (A) the number of shares of Warrant Stock for which this Warrant Certificate is exercisable immediately after the occurrence of any such event shall be adjusted to equal the number of shares of Warrant Stock which a record holder of the same number of shares of Warrant Stock for which

this Warrant Certificate is exercisable immediately prior to the occurrence of such event would own or be entitled to receive after the happening of such event, and (B) the Warrant Price then in effect shall be adjusted to equal (1) the Warrant Price then in effect multiplied by the number of shares of Warrant Stock for which this Warrant is exercisable immediately prior to the adjustment divided by (2) the number of shares of Warrant Stock for which this Warrant is exercisable immediately after such adjustment.

5. Notice of Adjustments. Whenever the Warrant Price or Warrant Share Number is adjusted pursuant to Section 4 hereof (for purposes of this Section 5, each an "*Adjustment*"), the Issuer shall cause its Chief Financial Officer to prepare and execute a certificate setting forth, in reasonable detail, the event requiring the Adjustment, the amount of the Adjustment, the method by which such Adjustment was calculated (including a description of the basis on which the Board made any determination hereunder), and the Warrant Price and Warrant Share Number after giving effect to such Adjustment, and shall cause copies of such certificate to be delivered to the Holder of this Warrant Certificate promptly after each Adjustment.

6. Fractional Shares. No fractional shares of Warrant Stock will be issued in connection with any exercise hereof, but in lieu of such fractional shares, the Issuer shall round the number of shares to be issued upon exercise up to the nearest whole number of shares.

7. Definitions. For the purposes of this Warrant Certificate, the following terms have the following meanings:

"*Agreement*" has the meaning set forth in the preamble,

"*Board*" means the Board of Directors of the Issuer.

"*Borrower*" means Flux Power, Inc., a California corporation and wholly-owned subsidiary of Issuer.

"*Capital Stock*" means and includes (i) any and all shares, interests, participations or other equivalents of or interests in (however designated) corporate stock, including, without limitation, shares of preferred or preference stock, (ii) all partnership interests (whether general or limited) in any Person which is a partnership, (iii) all membership interests or limited liability company interests in any limited liability company, and (iv) all *equity* or ownership interests in any Person of any other type.

"*Cashless Exercise*" has meaning set forth in Section 3(c).

"*Closing Price*" means, for any date, the closing price per share of the Common Stock for such date (or, if not a Trading Day, the nearest preceding date that is a Trading Day) on the primary Trading Market on which the Common Stock is then listed or quoted.

"*Common Stock*" means the common stock, \$0.001 par value per share, of the Issuer and any other Capital Stock into which such stock may hereafter be changed.

"*Issuer*" means Flux Power Holdings, Inc., a Nevada corporation, and its successors.

"*Issue Date*" means date set forth on face of this Warrant Certificate.

"*Note*" has the meaning set forth in Section 1.

"*Offering*" has the meaning set forth in the Preamble.

“**Person**” means an individual, corporation, limited liability company, partnership, joint stock company, trust, unincorporated organization, joint venture, Governmental Authority or other entity of whatever nature.

“**Securities**” means any debt or equity securities of any Person, whether now or hereafter authorized, any instrument convertible into or exchangeable for Securities or a Security, and any option, warrant or other right to purchase or acquire any Security. “**Security**” means one of the Securities.

“**Securities Act**” means the Securities Act of 1933, as amended, or any similar federal statute then in effect.

“**Term**” has the meaning set forth in Section 2.

“**Trading Day**” means (a) a day on which the Common Stock is eligible to be traded on a registered national securities exchange, or (b) if the Common Stock is not eligible to be traded on any registered national securities exchange, a day on which the Common Stock is authorized for quotation on the OTC Bulletin Board (or any similar organization or agency succeeding its functions of reporting prices), or (c) if the Common Stock is not eligible to be traded on a registered national stock exchange or authorized for quotation on the OTC Bulletin Board, a day on which the Common Stock is quoted in the over-the-counter market as reported by the OTC Markets Group, Inc. (or any similar organization or agency succeeding its functions of reporting prices); provided, however, that in the event that the Common Stock is not listed or quoted as set forth in (a), (b) or (c) hereof, then Trading Day shall mean any day except Saturday, Sunday and any day which shall be a legal holiday or a day on which banking institutions in the State of New York are authorized or required by law or other government action to close.

“**Trading Market**” means whichever of the New York Stock Exchange, NYSE American, the NASDAQ Global Select Market, the NASDAQ Global Market, the NASDAQ Capital Market, the OTC Bulletin Board, or the Pink Sheets, on which the Common Stock is listed or quoted for trading on the date in question.

“**Warrant Share Number**” means at any time the aggregate number of shares of Warrant Stock which may at such time be purchased upon exercise of this Warrant Certificate, after giving effect to all prior adjustments and increases to such number made or required to be made under the terms hereof.

“**Warrant Stock**” means Common Stock issued or issuable upon exercise of any Warrant or Warrants or otherwise issuable pursuant to any Warrant or Warrants.

8. Amendment and Waiver. Any term, covenant, agreement or condition in this Warrant Certificate may be amended or waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Issuer and the Holder.

9. Governing Law. This Warrant Certificate shall be governed by and construed in accordance with the internal laws of the State of New York, without giving effect to any of the conflicts of law principles which would result in the application of the substantive law of another jurisdiction. This Warrant Certificate shall not be interpreted or construed with any presumption against the party causing this Warrant Certificate to be drafted.

10. Notices. All notices and other communications given or made pursuant to this Warrant Certificate shall be in writing and shall be deemed effectively given upon the earlier of actual receipt or: (i) personal delivery to the party to be notified, (ii) when sent, if sent by electronic mail or facsimile

during normal business hours of the recipient, and if not sent during normal business hours, then on the recipient's next business day, (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (iv) one (1) business day after deposit with a nationally recognized overnight courier, freight prepaid, specifying next business day delivery, with written verification of receipt. All communications shall be sent to the respective parties at the address indicated for such party in the Purchase Agreement, or at such other address as such party may designate by 10 days advance written notice to the other party given in the foregoing manner.

11. Successors and Assigns. This Warrant Certificate and the rights evidenced hereby shall inure to the benefit of and be binding upon the successors and assigns of the Issuer, the Holder hereof and (to the extent provided herein) the holders of Warrant Stock issued pursuant hereto, and shall be enforceable by any such Holder or holder of Warrant Stock.

12. Modification and Severability. If, in any action before any court or agency legally empowered to enforce any provision contained herein, any provision hereof is found to be unenforceable, then such provision shall be deemed modified to the extent necessary to make it enforceable by such court or agency. If any such provision is not enforceable as set forth in the preceding sentence, the unenforceability of such provision shall not affect the other provisions of this Warrant Certificate, but this Warrant Certificate shall be construed as if such unenforceable provision had never been contained herein.


13. Titles and Subtitles. The titles and subtitles used in this Warrant Certificate are used for convenience only and are not to be considered in construing or interpreting this Warrant Certificate.

14. Force Majeure. Neither party shall be liable for any delays or failures in performance resulting from acts beyond its reasonable control including, without limitation, acts of God, terrorist acts, shortage of supply, breakdowns or malfunctions, interruptions or malfunction of computer facilities, or loss of data due to power failures or mechanical difficulties with information storage or retrieval systems, labor difficulties, war, or civil unrest.

(Intentionally Left Blank)

IN WITNESS WHEREOF, the Issuer has executed this Warrant Certificate as of the day and year first above written.

FLUX POWER HOLDINGS, INC.

By: 
Name: Ronald Dutt
Title: Chief Executive Officer

Acknowledged and Agreed Upon By:

"Holder"


Cleveland Capital, L.P.

EXERCISE FORM
WARRANT
FLUX POWER HOLDINGS, INC.

The undersigned _____, pursuant to the provisions of the within Warrant Certificate (the "*Warrant*"), hereby elects to exercise _____ warrants to purchase shares of Common Stock of Flux Power Holdings, Inc. covered by the Warrant. The Holder beneficially owns or is deemed to be beneficially own _____ shares of Common Stock as of date hereof.

Holder represents and warrants that Holder is acquiring the Warrant Stock pursuant to an effective registration statement, or an exemption from registration, under the Securities Act and any applicable state securities laws.

The undersigned intends that payment of the Warrant Price shall be made as (check one):

Cash Exercise
Cashless Exercise

If the Holder has elected a Cash Exercise, the Holder shall pay the sum of \$ _____ by certified or official bank check (or via wire transfer) to the Issuer in accordance with the terms of the Warrant.

If the Holder has elected a Cashless Exercise, a certificate shall be issued to the Holder for the number of shares equal to the whole number portion of the product of the calculation set forth below, which is _____. The Issuer shall pay a cash adjustment in respect of the fractional portion of the product of the calculation set forth below in an amount equal to the product of the fractional portion of such product and the average of the Closing Prices of Common Stock for the five Trading Day prior to the date of exercise, which product is _____.

$$X = \frac{(A \times B) - (A \times C)}{B}$$

Where:

_____ is the number of shares of Warrant Stock to be issued to the Holder ("X")

_____ is the total number of shares with respect to which this Warrant is then being exercised ("A")

_____ the average of the Closing Prices of Issuer's Common Stock for the five Trading Day immediately preceding the date of the notification by the Holder to the Issuer of a Cashless Exercise ("B")

_____ is the Warrant Price then in effect at the time of such exercise ("C")

Dated: _____

Signature _____

Print _____

Name _____

Address _____

ASSIGNMENT

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers unto _____, _____ warrants under Warrant Certificate No. _____ and all rights evidenced thereby and does irrevocably constitute and appoint _____, attorney, to transfer the said Warrant on the books of the within named corporation.

Dated: _____ Signature _____
Address _____

FOR USE BY THE ISSUER ONLY:

This Warrant Certificate No. W- _____ cancelled (or transferred or exchanged) this _____ day of _____, _____ shares of Common Stock issued therefor in the name of _____, Warrant No. W- _____ issued for _____ shares of Common Stock in the name of _____.