

CHARTER OF THE COMPENSATION COMMITTEE
OF
ACTIVE POWER, INC.

I. MEMBERSHIP

The Compensation Committee shall consist of at least two (2) non-employee Board members appointed by the Board. A non-employee Board member shall not be eligible to serve on the Compensation Committee unless he or she meets the following requirements:

- is not a current employee;
- is not a former employee receiving compensation for prior services;
- has never been an officer; and
- does not receive remuneration, directly or indirectly (other than certain de minimis remuneration), for services in any capacity other than as a director.

II. FUNCTIONS

The functions of the Committee shall be as follows:

1. The Committee shall have sole and exclusive authority to grant stock options and stock appreciation rights, and effect direct stock issuances, under the Company's equity incentive plans, including the 2000 Stock Incentive Plan ("the 2000 Plan"), to the Company's executive officers and employee Board members subject to the short-swing profit restrictions of the Federal securities laws.
2. The Committee shall have separate but concurrent authority with the Board to grant stock options and stock appreciation rights, and effect direct stock issuances, under the 2000 Plan to all other individuals eligible to receive such grants or issuances.
3. The Committee shall establish, subject to review by the Board, the compensation payable to the Company's executive officers and other key employees, including the adjustment of base salary each year, the implementation and administration of incentive compensation programs for such executive officers and key employees and the authorization of all awards to such individuals under these incentive programs.

4. The Committee shall have overall responsibility for the administration of all of the Company's employee benefit and equity plans.
5. The Committee shall approve all perquisites, equity incentive awards, special cash payments or loans made or paid to the Company's executive officers and other key employees.
6. The Committee shall assist the Board in succession planning for executive officers.
7. The Committee shall perform any other responsibilities from time to time assigned by Board resolution.

III. MEETINGS

The Committee shall meet with the Chairman of the Board and Chief Executive Officer prior to 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 Board review. At that time the Committee shall also adjust base salary levels, subject to Board review, and review the overall performance of the Company's employee benefit plans. The Committee shall also meet as and when necessary to effect stock option grants and/or direct stock issuances under the Company's equity plans, including the 2000 Plan, to executive officers and other employees of the Company. The Committee shall convene periodically as necessary to act upon any other matters within its jurisdiction under this charter.

IV. MINUTES

Minutes shall be kept of each meeting of the Committee and will be provided to each member of the Board. Any action of the Committee, other than equity incentive awards to executive officers, shall be subject to revision, modification or rescission by the Board.