

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): November 4, 2005

ACTIVE POWER, INC.

(Exact Name of Registrant as Specified in Its Charter)

000-30939

(Commission File Number)

Delaware

74-2961657

(State of Other Jurisdiction of Incorporation)

(IRS Employer
Identification No.)

2128 W. Braker Lane, BK12, Austin, Texas

78758

(Address of Principal Executive Offices)

(Zip Code)

(512) 836-6464

(Registrant's Telephone Number, Including Area Code)

N/A

(Former Name or Former Address, if Changed Since Last Report)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registration 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))

ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT.

In connection with our promotion of Jim Clishem to the position of President and Chief Operating Officer of Active Power, as described in Item 5.02 of this Current Report on Form 8-K, Active Power entered into a letter agreement with Mr. Clishem relating to the terms of his employment. The letter agreement is attached as Exhibit 99.1 to this Form 8-K and is incorporated herein by reference and the terms thereof are described in Item 5.02 of this Form 8-K.

On November 7, 2005, we entered into a letter agreement with Sriram Sivaram, our Vice President of Sales and Marketing, pursuant to which we agreed to pay Mr. Sivaram a severance payment in the event he is terminated other than for cause prior to November 7, 2006 pursuant to which we would pay Mr. Sivaram his salary through November 7, 2006. A copy of the letter agreement is attached as Exhibit 99.2 to this Form 8-K and is incorporated herein by reference.

ITEM 5.02 DEPARTURE OF DIRECTORS OR PRINCIPAL OFFICERS; ELECTION OF DIRECTORS;
APPOINTMENT OF PRINCIPAL OFFICERS.

On November 4, 2005, Active Power appointed Jim Clishem as its President and Chief Operating Officer. Mr. Clishem previously served as Active Power's Vice President of Marketing and Business Development. Joseph F. Pinkerton, III will continue to serve as Chairman of the Board and as Active Power's Chief Executive Officer and will continue to be Active Power's principal executive officer.

Mr. Clishem has served as Active Power's Vice President of Marketing and Business Development since May 2005. From August 2004 to May 2005, Mr. Clishem served as Vice President of Business Development for Peregrine Systems, a private enterprise software company where he focused primarily on global alliances. From October 1999 to January 2004, Mr. Clishem served as Chief Executive Officer of XodiAx, a managed IT services business that he founded. Mr. Clishem remained the Chairman of XodiAx until July 2004. From August 1995 to September 1999, Mr. Clishem served as Vice President of Data Services for Broadwing Communications, LLC, and other entities later acquired by Broadwing. Mr. Clishem holds a BSEE and MSEE from the University of Louisville and an executive MBA from Southern Methodist University.

In connection with Mr. Clishem's promotion, we entered into a letter agreement with Mr. Clishem, a copy of which is attached as Exhibit 99.2 hereto and incorporated herein by reference, which sets forth the following terms of Mr. Clishem's employment:

- o Annualized salary of \$250,000;
- o An MBO bonus target that represents up to 100% of the annualized salary;
- o 300,000 option shares to vest over 4 years of employment;
- o 50,000 shares of common stock upon acceptance of this offer for a purchase price of \$0.001 per share, for an aggregate payment of \$50. The shares will be subject to a lock-up agreement prohibiting their sale or transfer for a period of one year after issuance. Active Power will have the right to repurchase these shares for \$0.001 per share for a period of one year from the date of the agreement in the event of Mr. Clishem terminating his employment or his employment is terminated by Active Power for cause. This repurchase right will lapse upon the consummation of a change of control (as defined in the agreement) of Active Power.

- o 50,000 shares of common stock upon acceptance of this offer for a purchase price of \$0.001 per share, for an aggregate payment of \$50. The shares will be subject to a lock-up agreement prohibiting their sale or transfer for a period of one year after issuance. Active Power will have the right to repurchase these shares for \$0.001 per share for a period of one year from the date of the agreement if (i) Mr. Clishem terminates his employment or such employment is terminated by Active Power for cause or (ii) Mr. Clishem fails to meet certain company objectives which shall be determined and agreed on by Mr. Clishem, Active Power's Compensation Committee and Joe Pinkerton for 2006. This repurchase right will lapse upon the consummation of a change of control (as defined in the agreement) of Active Power.

ITEM 7.01 REGULATION FD DISCLOSURE.

On November 8, 2005, the Company issued a press release announcing our promotion of Mr. Clishem, which is attached hereto as Exhibit 99.3. This exhibit is furnished, not filed, pursuant to Regulation FD.

ITEM 9.01. EXHIBITS AND FINANCIAL STATEMENTS.

(c) EXHIBITS

- | | |
|--------------|---|
| Exhibit 99.1 | Letter Agreement dated November 7, 2005 by and between Registrant and Jim Clishem |
| Exhibit 99.2 | Letter Agreement dated November 7, 2005 by and between Registrant and Sriram Sivaram. |
| Exhibit 99.3 | Press Release dated November 8, 2005 |

SIGNATURE

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.

ACTIVE POWER, INC.

Dated: November 8, 2005

By: /s/ Joseph F. Pinkerton III

Joseph F. Pinkerton III
Chairman of the Board and
Chief Executive Officer

LETTER AGREEMENT

[LOGO OF ACTIVE POWER(R)]

November 7, 2005

Mr. Jim Clishem
 2128 W. Braker Lane, BK12
 Austin, TX 78758

Dear Jim:

This letter is to confirm the offer of employment with Active Power, Inc. ("Active Power"), in the position of President and Chief Operating Officer, reporting to Joe Pinkerton. In consideration of the services to be provided by you during the term of your employment, your initial compensation shall be as follows:

- (a) Biweekly (every 14 days) pay of \$9,617.00, which if annualized is \$250,000.
- (b) An MBO bonus target that represents up to 100% of your annualized salary. Details to be determined and agreed on by you, Active Power's Compensation Committee and Joe Pinkerton for 2006.
- (c) 300,000 option shares to vest over 4 years of employment subject to Board approval after your employment start date, to be granted upon commencement of employment as President and Chief Operating Officer. A Notice of Grant of Stock Option will be provided following Board approval.
- (d) 50,000 shares of common stock upon acceptance of this offer for a purchase price of \$0.001 per share for an aggregate payment of \$50. The shares will be subject to a lock-up agreement prohibiting their sale or transfer for a period of one year after issuance. Active Power will have the right to repurchase these shares for \$0.001 per share for a period of one year in the event you terminate your employment or your employment is terminated by Active Power for cause. This repurchase right will lapse upon the consummation of a change of control of Active Power. A Restricted Stock Purchase Agreement will be provided upon issuance of the shares.
- (e) 50,000 shares of common stock upon acceptance of this offer for a purchase price of \$0.001 per share for an aggregate payment of \$50. The shares will be subject to a lock-up agreement prohibiting their sale or transfer for a period of one year after issuance. Active Power will have the right to repurchase these shares for \$0.001 per share for a period of one year if (i) you terminate your employment or your employment is terminated by Active Power for cause or (ii) you fail to meet certain company objectives which shall be determined and agreed on by you, Active Power's Compensation Committee and Joe Pinkerton for 2006. This repurchase right will lapse upon the consummation of a change of control of Active Power. A Restricted Stock Purchase Agreement will be provided upon issuance of the shares.
- (f) Miscellaneous: you shall continue to be entitled to participate in any pension or profit-sharing plan, group life insurance plan, hospitalization insurance plan, medical services plan, or any other plan or arrangement of Active Power now or hereafter existing for the benefit of employees generally.

Please note that your employment at Active Power is "at will", meaning either you or Active Power can terminate the employment relationship at any time, with or without notice and with or without cause. Nothing contained in this confirmation of employment, your offer of employment, or in any other communication, oral or written, between you and Active Power, may modify the at-will relationship, which may only be modified by a written agreement signed by the Chief Executive Officer of Active Power designating a specific term of employment.

I'm excited about your decision to step up into the new role.

Sincerely,

Accepted: /s/ Jim Clishem

Jim Clishem

/s/ Joe Pinkerton

Date: November 7, 2005

Joe Pinkerton
Chairman & CEO

LETTER AGREEMENT

[LOGO OF ACTIVE POWER(R)]

November 7, 2005

VIA HAND DELIVERY

Sriram Sivaram
Active Power, Inc.
2128 W. Braker Lane, B12
Austin, TX 78758

RE: LETTER AGREEMENT

Dear Sriram:

This letter addresses your continued employment at Active Power, Inc. ("Active Power"), and outlines some financial items related to that employment. Specifically, provided that you remain an employee of Active Power, Active Power warrants that it will guarantee your title as a vice president and your base salary beginning on the date of this letter, each through November 7, 2006.

In the event of your Involuntary Termination (as defined below) by Active Power prior to November 7, 2006, Active Power shall pay you an amount equal to your then current salary for the period beginning from the date your service for Active Power terminates and ending on November 7, 2006. If your employment with Active Power terminates due to a reason other than your Involuntary Termination, Active Power will have no obligation to make any severance or other payment to you pursuant to this letter agreement. Furthermore, this letter agreement does not alter your status as an employee at will, nor does it obligate Active Power to provide you with any compensation or benefits, other than as specifically set forth herein.

For purposes of this letter agreement, "Involuntary Termination" means (i) Active Power's termination of your employment other than due to the commission by you of any act of fraud, embezzlement or dishonesty, any unauthorized use or disclosure by you of confidential information or trade secrets of Active Power, or any intentional wrongdoing by you, whether by omission or commission, which adversely affects Active Power's business or affairs in a material manner or (ii) your voluntary resignation following (A) a change in your position with Active Power which materially reduces your duties and responsibilities or the level of management to which you report, (B) a reduction in your level of compensation (including base salary, fringe benefits and target bonus under any corporate-performance based bonus or incentive programs) by more than 15% or (C) a relocation of your place of employment by more than 50 miles, provided and only if such change, reduction or relocation is effected by Active Power without your consent..

If you have any questions regarding this matter, please do not hesitate to call me at the above-listed number.

I HAVE READ THIS LETTER AGREEMENT CAREFULLY AND UNDERSTAND ITS TERMS.

Dated: November 7, 2005

/s/ Sriram Sivaram

Signature of Employee

ACCEPTED AND AGREED TO:

Sriram Sivaram

Print Name of Employee

Active Power, Inc.

By: /s/ Joseph F. Pinkerton

Name: Joseph F. Pinkerton
Title: Chairman and CEO

Address

PRESS RELEASE DATED NOVEMBER 8, 2005

[LOGO OF ACTIVE POWER(R)]

ACTIVE POWER PROMOTES JIM CLISHEM TO PRESIDENT AND COO

Austin, Texas (November 8, 2005) -- Active Power, Inc. (NASDAQ: ACPW) today announced that Jim Clishem, its Vice President of Marketing and Business Development, has been named the Company's President and Chief Operating Officer.

Mr. Clishem joined Active Power five months ago, bringing extensive expertise in the computer, telecommunications and managed IT services industries. Clishem came to the Company from Peregrine Systems, Inc., a publicly traded enterprise software company, where he served as Vice President of Business Development focusing on global alliances since 2004. From 1999 until it was sold in 2004, he was founder-CEO of XodiAx, a profitable managed IT services business, which was recognized by Inc Magazine as one of the fastest growing privately held companies in the country. Clishem also served as Vice President of Data Services for Broadwing Communications, where he had P&L responsibility for a \$150 million business unit. He has also held various senior roles at MCI, Ericsson, and Tandem Computers.

"With the launch of our new CoolAir(TM) DC product line next week, Active Power is significantly expanding its sales and marketing efforts to support this new business and Jim brings a wealth of experience in these areas," said Joe Pinkerton, Chairman and CEO of Active Power. "Jim has led sales and marketing organizations, run profitable businesses and transformed a startup into a profitable entity in under two years. He is intimately familiar with the backup power needs of data center and telecom customers, having been a customer of this equipment during his tenure at several successful telecom and managed IT services businesses."

"I'm extremely excited about the opportunity that Joe and the Board of Directors have given me," said Clishem. "I'm eager to begin taking a more prominent role in the day-to-day operations of Active Power and in the strategic direction of the business. My first priorities are to successfully manage the commercial launch of CoolAir DC, drive revenue growth across all product lines and accelerate the Company toward profitability."

Mr. Clishem will continue to report to Pinkerton, who remains the Company's Chairman and Chief Executive Officer.

ABOUT ACTIVE POWER:

Active Power, Inc. (www.activepower.com) designs, manufactures and markets battery-free backup power products that provide the consistent, reliable electric power required by today's digital economy. An ISO 9001-registered company, Active Power is the first to commercialize a flywheel energy storage system, CleanSource(R), that provides a highly reliable, low-cost and non-toxic replacement for lead-acid batteries used in conventional power quality installations. Active Power has also recently developed a new battery-free extended runtime product line (CoolAir(TM)) based on its proprietary thermal and compressed air storage technology. For more information visit www.activepower.com, e-mail info@activepower.com or call toll free 877-BUYACPW (289-2279).

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS:

This release may contain forward-looking statements that involve risks and uncertainties. Any forward looking statements and all other statements that may be made in this news release that are not historical facts are subject to a number of risks and uncertainties, and actual results may differ materially. Specific risks include delays in new product development, product performance and quality issues and the acceptance of our current and new products by the power quality market. Please refer to Active Power filings with the Securities and Exchange Commission for more information on the risk factors that could cause actual results to differ.

Active Power, CleanSource and our Active Power logo are registered trademarks of Active Power, Inc. All other trademarks are the properties of their respective companies.

ACTIVE POWER CONTACTS:

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