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

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2014

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ______

Commission File Number: 000-30939

ACTIVE POWER, INC.
(Exact name of registrant as specified in its charter)

Delaware	**74-2961657**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2128 W. Braker Lane, BK 12, Austin, Texas	**78758**
(Address of principal executive offices)	**(Zip Code)**

(512) 836-6464
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☐		Accelerated Filer ☒
Non-Accelerated Filer ☐	(Do not check if a smaller reporting company)	Smaller Reporting Company ☐

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

The number of shares of common stock, par value of $0.001 per share, outstanding at July 29, 2014 was 23,090,255.

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PART I – FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements.

Active Power, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except par value)

	June 30, 2014	December 31, 2013
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 16,188	$ 12,261
Restricted cash	7	520
Accounts receivable, net of allowance for doubtful accounts of $220 and $313 at June 30, 2014 and December 31, 2013, respectively	8,233	9,075
Inventories, net	11,531	12,020
Prepaid expenses and other	468	680
Total current assets	36,427	34,556
Property and equipment, net	2,625	3,056
Deposits and other	298	295
Total assets	$ 39,350	$ 37,907
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,888	$ 2,993
Accrued expenses	4,262	5,583
Deferred revenue	2,844	2,749
Revolving line of credit	5,535	5,535
Total current liabilities	15,529	16,860
Long-term liabilities	697	741
Stockholders' equity:		
Preferred stock - $0.001 par value; 2,000 shares authorized	-	-
Common stock - $0.001 par value; 40,000 and 30,000 shares authorized; 23,149 and 19,452 shares issued and 23,082 and 19,388 shares outstanding at June 30, 2014 and December 31, 2013, respectively	23	19
Treasury stock	(226)	(215)
Additional paid-in capital	302,058	290,964
Accumulated deficit	(279,455)	(271,168)
Other accumulated comprehensive income	724	706
Total stockholders' equity	23,124	20,306
Total liabilities and stockholders' equity	$ 39,350	$ 37,907

See accompanying notes.

Active Power, Inc.
Condensed Consolidated Statement of Operations and Comprehensive Loss
(in thousands, except per share amounts; unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	**2013**	**2014**	**2013**
		(restated)		(restated)
Revenues:				
Product revenue	$ 7,484	$ 15,385	$ 14,941	$ 26,835
Service and other revenue	2,670	4,810	6,151	7,784
Total revenue	10,154	20,195	21,092	34,619
Cost of goods sold:				
Cost of product revenue	6,352	10,623	12,257	18,589
Cost of service and other revenue	1,887	2,650	3,992	4,754
Total cost of goods sold	8,239	13,273	16,249	23,343
Gross profit	1,915	6,922	4,843	11,276
Operating expenses:				
Research and development	1,600	1,800	3,680	3,431
Selling and marketing	3,152	3,033	6,040	5,970
General and administrative	1,469	1,579	3,075	2,713
Total operating expenses	6,221	6,412	12,795	12,114
Income (loss) from Operations	(4,306)	510	(7,952)	(838)
Interest expense, net	(106)	(82)	(207)	(164)
Other income (expense), net	(1)	(96)	(128)	(87)
Net income (loss)	$ (4,413)	$ 332	$ (8,287)	$ (1,089)
Net income (loss) per share, basic	$ (0.19)	$ 0.02	$ (0.38)	$ (0.06)
Net income (loss) per share, diluted	$ (0.19)	$ 0.02	$ (0.38)	$ (0.06)
Shares used in computing net income (loss) per share, basic	23,114	19,296	21,851	19,261
Shares used in computing net income (loss) per share, diluted	23,114	19,491	21,851	19,261
Comprehensive income (loss):				
Net income (loss)	$ (4,413)	$ 332	$ (8,287)	$ (1,089)
Translation gain (loss) on subsidiaries denominated in foreign currencies	20	102	18	(199)
Comprehensive income (loss):	$ (4,393)	$ 434	$ (8,269)	$ (1,288)

See accompanying notes.

Active Power, Inc.
Condensed Consolidated Statement of Stockholders' Equity
(in thousands; unaudited)

	Common Stock		Treasury Stock					
	Number of Shares	Par Value	Number of Shares	At Cost	Additional Paid-In Capital	Accumulated Deficit	Accumulated Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at December 31, 2013	19,452	$ 19	51	$ (215)	$ 290,964	$ (271,168)	$ 706	$ 20,306
Employee stock option exercises	34	-	-	-	108	-	-	108
Release of Restricted Stock	12	-	-	-	-	-	-	-
Shares held in treasury	-	-	4	(11)	-	-	-	(11)
Net translation gain on foreign subsidiaries	-	-	-	-	-	-	18	18
Stock-based compensation	-	-	-	-	552	-	-	552
Sale of common stock, net of issuance costs	3,651	4	-	-	10,434	-	-	10,438
Net loss	-	-	-	-	-	(8,287)	-	(8,287)
Balance at June 30, 2014	23,149	$ 23	55	$ (226)	$ 302,058	$ (279,455)	$ 724	$ 23,124

See accompanying notes.

Active Power, Inc.
Condensed Consolidated Statement of Cash Flows
(in thousands; unaudited)

	Six Months Ended June 30,	
	2014	**2013**
		(restated)
Operating activities		
Net loss	$ (8,287)	$ (1,089)
Adjustments to reconcile net loss to cash provided by (used in) operating activites:		
Depreciation expense	620	559
Change to allowance for doubtful accounts	(93)	(76)
Gain on disposal of fixed assets	(19)	(13)
Impairment on fixed assets	-	(17)
Stock-based compensation	552	528
Changes in operating assets and liabilities:		
Restricted cash	513	(615)
Accounts receivable	935	2,867
Inventories	489	(1,276)
Prepaid expenses and other assets	209	(3,023)
Accounts payable	(105)	3,604
Accrued expenses	(1,321)	502
Deferred revenue	95	(435)
Long term liabilities	(44)	(24)
Net cash provided by (used in) operating activities	(6,456)	1,492
Investing activities		
Purchases of property and equipment	(189)	(739)
Proceeds from sale of fixed assets	19	68
Net cash used in investing activities	(170)	(671)
Financing activities		
Proceeds from public offering of common stock, net of issuance costs	10,438	-
Proceeds from employee stock purchases	108	435
Issuance costs, shelf registration	-	(20)
Taxes paid related to net share settlement of equity awards	(11)	(49)
Net cash provided by financing activities	10,535	366
Translation gain (loss) on subsidiaries in foreign currencies	18	(199)
Change in cash and cash equivalents	3,927	988
Cash and cash equivalents, beginning of period	12,261	13,524
Cash and cash equivalents, end of period	$ 16,188	$ 14,512

See accompanying notes.

Active Power, Inc.
Notes to Condensed Consolidated Financial Statements
June 30, 2014
(unaudited)

1. Basis of Presentation

Active Power, Inc. and its subsidiaries (collectively, "we", "us", "Active Power" or "Company") design, manufacture, sell, and service flywheel-based uninterruptible power supply ("UPS") products that use kinetic energy to provide short-term power as a cleaner alternative to conventional electro-chemical battery-based energy storage. We also design, manufacture, sell, and service modular infrastructure solutions ("MIS") that integrate critical power components into a pre-packaged, purpose built enclosure that may include our UPS products as a component. Our products and solutions are based on our patented flywheel and power electronics technology and are designed to ensure continuity for data centers and other mission critical operations in the event of power disturbances.

Our products and solutions are designed to deliver continuous conditioned power during power disturbances and outages, voltage sags and surges, and provide ride-through power in the event of utility failure, supporting operations until utility power is restored or a longer term alternative power source, such as a diesel generator, is started. We sell our products globally through our direct sales force, manufacturers' representatives, international distributors, Original Equipment Manufacturer ("OEM") channels, and IT partners in the Americas, Europe, the Middle East and Africa ("EMEA"), and in the Asia Pacific Regions ("APAC").

We also offer services, including hardware and software maintenance, on all Active Power products, and other professional services such as assessment and implementation, for our customers' infrastructure projects.

We were founded as a Texas Corporation in 1992 and reincorporated in Delaware in 2000. Our headquarters are in Austin, Texas, with international offices in the United Kingdom, Germany, and China.

The accompanying condensed consolidated balance sheet as of December 31, 2013, which has been derived from our audited financial statements, and the unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for interim financial statements and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim reporting, and include the accounts of the Company and its consolidated subsidiaries. All intercompany transactions and balances have been eliminated upon consolidation. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring items) necessary to present fairly the consolidated financial position of the Company and its consolidated results of operations and cash flows. These interim financial statements should be read in conjunction with the financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013. Please refer to our filing on Form 10-Q/A for the period ended June 30, 2013 for information regarding the restatement of our financial results for the period ended June 30, 2013.

2. Significant Accounting Policies and Supplemental Balance Sheet Information

For a complete description of our principal accounting policies see Note 1. "Summary of Significant Accounting Policies," to our Consolidated Financial Statements and Notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013. Shown below are certain of our principal accounting policies.

Restricted Cash

Our restricted cash balance of $7,000 as of June 30, 2014 consists of a deposit guarantee for our building lease in the United Kingdom, which expires in October 2014. As of December 31, 2013 our restricted cash balance was $0.5 million which consisted primarily of secured performance and deposit guarantees. As of the period ended June 30, 2014 all of these guarantees were satisfied.

Receivables

Accounts receivable consist of the following (in thousands):

	June 30, 2014	December 31, 2013
Trade receivables	$ 8,453	$ 9,388
Less: Allowance for doubtful accounts	(220)	(313)
	$ 8,233	$ 9,075

We estimate an allowance for doubtful accounts based on factors related to the credit risk of each customer. Historically, our credit losses have been minimal, primarily because the majority of our revenues were generated from large customers, such as Caterpillar, Inc. ("Caterpillar") and Hewlett Packard Corporation ("HP").

Inventories

Inventories consist of the following (in thousands, net of allowance):

	June 30, 2014	December 31, 2013
Raw materials	$ 4,934	$ 4,521
Work in process	2,004	2,429
Finished goods	4,593	5,070
	$ 11,531	$ 12,020

Accrued Expenses

Accrued expenses consist of the following (in thousands):

	June 30, 2014	December 31, 2013
Compensation, severance and benefits	$ 1,925	$ 2,685
Warranty liability	378	529
Taxes	562	483
Professional fees	391	759
Other	1,006	1,127
	$ 4,262	$ 5,583

Warranty Liability

Generally, the warranty period for our power quality products is 12 months from the date of commissioning or 18 months from the date of shipment from Active Power, whichever period is shorter. Occasionally, we offer longer warranty periods to certain customers. The warranty period for products sold to our primary OEM customer, Caterpillar, is 12 months from the date of shipment to the end-user, or up to 36 months from shipment from Active Power. This is dependent upon Caterpillar complying with our storage requirements for our products in order to preserve this warranty period beyond the standard 18-month limit. We provide for the estimated cost of product warranties at the time revenue is recognized and this accrual is included in accrued expenses and long-term liabilities on the accompanying consolidated balance sheet.

Changes in our warranty liability are presented in the following table (in thousands):

Balance at December 31, 2013	$	562
Warranty expense		245
Payments		(374)
Adjustments		(33)
Balance at June 30, 2014	$	400
Warranty liability included in accrued expenses	$	378
Long-term warranty liability		22
Balance at June 30, 2014	$	400

Revenue Recognition

In general, we recognize revenue when four criteria are met: (i) persuasive evidence that an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the sales price is fixed or determinable; and (iv) collectability is reasonably assured. Our revenue-generating transactions generally fall into one of the following categories of revenue recognition:

- We recognize product revenue at the time of shipment for a significant portion of all products sold directly to customers and through distributors because title and risk of loss pass on delivery to the common carrier. Our customers and distributors do not have the right to return products. If title and risk of loss pass at some other point in time, we recognize such revenue for our customers when the product is delivered to the customer and title and risk of loss have passed. We may enter into bill-and-hold arrangements and when this happens delivery may not occur, but other criteria are reviewed to determine proper timing of revenue recognition.

- We recognize installation, service and maintenance revenue at the time the service is performed.

- We recognize revenue associated with extended maintenance agreements ("EMAs") over the life of the contracts using the straight-line method, which approximates the expected timing in which applicable services are performed. Amounts collected in advance of revenue recognition are recorded as a current liability in the deferred revenue line of the consolidated balance sheet or as a long-term liability based on the time from the balance sheet date to the future date of revenue recognition.

- We recognize revenue on certain rental programs over the life of the rental agreement using the straight-line method. Amounts collected in advance of revenue recognition are recorded as a current or long-term liability based on the time from the balance sheet date to the future date of revenue recognition.

- Shipping costs reimbursed by the customer are included in revenue.

When collectability is not reasonably assured, we defer revenue and will recognize revenue on a cost recovery basis as payments are received.

Multiple element arrangements ("MEAs") are arrangements to sell products to customers that frequently include multiple deliverables. Our most significant MEAs include the sale of one or more of our CleanSource® UPS or CleanSource PowerHouse products, combined with one or more of the following products: design services, project management, commissioning and installation services, spare parts or consumables, and EMAs. Delivery of the various products or performance of services within the arrangement may or may not coincide. Certain services related to design and consulting may occur prior to product delivery. Commissioning and installation typically take place within six months of product delivery, depending upon customer requirements. EMAs, consumables, and repair, maintenance or consulting services generally are delivered over a period of one to five years. In certain arrangements revenue recognized is limited to the amount invoiced or received that is not contingent on the delivery of future products and services.

When arrangements include multiple elements, we allocate revenue to each element based on the relative selling price and recognize revenue when the elements have standalone value and the four criteria for revenue recognition have been met. We establish the selling price of each element based on Vendor Specific Objective Evidence ("VSOE") if available, Third Party Evidence ("TPE") if VSOE is not available, or Best Estimate of Selling Price ("BESP") if neither VSOE nor TPE is available. We generally determine selling price based on amounts charged separately for the delivered and undelivered elements to similar customers in standalone sales of the specific elements. When arrangements include an EMA, we recognize revenue related to the EMA at the stated contractual price on a straight-line basis over the life of the agreement.

Any taxes imposed by governmental authorities on our revenue-producing transactions with customers are shown in our consolidated statements of operations on a net-basis; that is, excluded from our reported revenues.

Recently issued accounting pronouncements not yet adopted

In May 2014, the FASB issued ASU 2014-09, "*Revenue from Contracts with Customers*", "*Topic 606".* This ASU will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance, and creates a Topic 606 Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company will adopt this guidance January 1, 2017. We are evaluating the new guidelines to see if it will have a significant impact on our consolidated results of operation, financial condition and cash flows.

3. Net Income (Loss) Per Share

The following table sets forth the computation of basic and diluted net income (loss) per share (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013 (restated)	2014	2013 (restated)
Net income (loss)	$ (4,413)	$ 332	$ (8,287)	$ (1,089)
Basic and dilutive:				
Weighted-average shares of common stock oustanding	23,114	19,296	21,851	19,261
Dilutive effect of employee stock options and restricted stock awards	-	195	-	-
Weighted-average shares for diluted net income per share	23,114	19,491	21,851	19,261
Basic net income (loss) per share	$ (0.19)	$ 0.02	$ (0.38)	$ (0.06)
Diluted net income (loss) per share	$ (0.19)	$ 0.02	$ (0.38)	$ (0.06)

The calculation of diluted loss per share excludes 2,388,398 and 2,310,756 shares of common stock issuable upon exercise of employee stock options for the six months ended June 30, 2014 and 2013, respectively, and non-vested shares of common stock issuable upon exercise of 30,656 and 138,993 restricted stock units for the six months ended June 30, 2014 and 2013, respectively, because their inclusion would be anti-dilutive.

4. Fair Value of Financial Instruments

Fair value is measured based on an exit price, representing the amount that would be received to sell an asset or paid to satisfy a liability in an orderly transaction between market participants. Fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, fair value is established, which categorizes the inputs used in measuring fair value as follows:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Significant observable inputs other than quoted prices in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3—One or more significant inputs that are unobservable and supported by little or no market data.

Inputs are referred to as assumptions that market participants would use in pricing the asset or liability. The uses of inputs in the valuation process are categorized into a three-level fair value hierarchy.

Our financial instruments consist principally of cash and cash equivalents, accounts receivable, accounts payable and our revolving line of credit. We believe all of these financial instruments are recorded at amounts that approximate their current market values.

Our Level 1 assets consist of cash equivalents, which are primarily invested in money-market funds. These assets are classified as Level 1 because they are valued using quoted prices in active markets and other relevant information generated by market transactions involving identical assets and liabilities.

Our cash and cash equivalents include money-market funds for which the fair value was determined using Level 1 inputs and was $3.1 million as of June 30, 2014 and December 31, 2013. For cash and cash equivalents, accounts receivable, and accounts payable, the carrying amount approximates fair value because of the relative short maturity of those instruments.

5. Guarantees

In certain geographical regions, particularly Europe, we are sometimes required to issue performance guarantees to our customers as a condition of sale. These guarantees usually provide financial protection to our customers in the event that we fail to fulfill our delivery or warranty obligations. We secure these guarantees with standby letters of credit through our bank. At June 30, 2014, we had a $7,000 deposit guarantee outstanding for our building lease in the United Kingdom which will expire on October 24, 2014. At December 31, 2013, we had a $0.5 million performance guarantee outstanding to a customer that was secured with a letter of credit. This guarantee expired on April 17, 2014. Our restricted cash, as shown on the balance sheet, is related to these guarantees.

6. Revolving Line of Credit

The Company’s Loan and Security Agreement consisted of the following:

	June 30, 2014	December 31, 2013
Total Outstanding Debt	$ 5,535	$ 5,535
Less: current portion of debt	5,535	5,535
Long term debt, less current portion	$ -	$ -

On July 28, 2014, we entered into a Third Amendment to Second Amended and Restated Loan and Security Agreement with Silicon Valley Bank (“SVB”), which amends our existing Second Amended and Restated Loan and Security Agreement with SVB (as amended, “Loan Agreement”). We believe the renegotiated Loan Agreement will provide us with greater flexibility in managing our working capital. Among other changes, the amendment to the Loan Agreement:

- extended the Loan Agreement by three years through a new maturity date of August 5, 2017;
- increased the aggregate facility size from $12,500,000 to $15,000,000, subject to certain borrowing bases;
- increased our inventory and purchase order availability from $3,500,000 to $7,000,000;
- reduced the finance charge to a per annum rate equal to Silicon Valley Bank's prime rate, subject to a minimum prime rate of 4.00%, plus (a) 0.50% for eligible accounts, inventory and purchase orders when we are Borrowing Base Eligible (as defined in the Loan Agreement), or (b) 1.20% for eligible accounts when the we are not Borrowing Base Eligible; and
- added the qualifying receivables and cash of our German subsidiary for the purposes of providing additional credit availability and for the purpose of covenant calculations.

The loans made to us under the Loan Agreement are secured by a lien on substantially all of our assets, including the assets of Active Power Solutions Limited, our wholly-owned United Kingdom subsidiary, and the assets of Active Power (Germany) GmbH, our indirect wholly-owned German subsidiary. The only direct or indirect subsidiaries of Active Power, Inc. that are not guarantors under the Loan Agreement are immaterial subsidiaries that are not operating companies. There are no restrictions on the ability of any of the subsidiary guarantors to transfer funds to Active Power, Inc. in the form of loans, advances or dividends, except as provided by applicable law. On July 28, 2014 Active Power (Germany) GmbH, a wholly-owned subsidiary of Active Power (Switzerland) AG, entered into a Borrower Joinder Supplement with Active Power and Silicon Valley Bank, under which Active Power (Germany) GmbH guaranteed all of the obligations of Active Power under the Loan Agreement and secured its obligations under the Loan Agreement with a security interest on substantially all of its assets.

The other key terms of the Loan Agreement remain unchanged, including customary affirmative covenants, a minimum liquidity ratio, the borrowing base eligibility (formerly called "streamline ratio"), reporting requirements, and other terms and conditions. We are currently in compliance with all loan covenants under the loan facility. As of June 30, 2014, we had outstanding borrowings of $5.5 million under this loan facility and, based on the borrowing base formula, the additional amount available to us for use ranged between $1.7 million and $3.5 million during the quarter. For further information regarding this loan facility, refer to our Annual Report on Form 10-K for the year ended December 31, 2013, and to our Current Report on Form 8-K filed on July 29, 2014.

7. Stockholders' Equity

On May 28, 2014, our stockholders approved an amendment to the Company's Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 30 million shares to 40 million shares.

In March 2014, we sold approximately 3.7 million shares of common stock at a purchase price of $3.15 per share in a public underwritten offering made under a shelf registration statement that we had filed with the SEC and that had been declared effective in June 2013. This offering resulted in proceeds, net of expenses including underwriting discounts, commissions and fees of $0.8 million and professional service expenses of $0.2 million, of approximately $10.5 million. The proceeds from this offering will be used by us to help fund our working capital requirements and for general corporate purposes.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, the financial statements and notes thereto included in Item 1 of this Form 10-Q and the financial statements and notes thereto and our Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2013 included in our 2013 Annual Report on Form 10-K. This report contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, that involve risks and uncertainties. Our expectations with respect to future results of operations that may be embodied in oral and written forward-looking statements, including any forward-looking statements that may be included in this report, are subject to risks and uncertainties that must be considered when evaluating the likelihood of our realization of such expectations. Our actual results could differ materially. The words "believe," "expect," "intend," "plan," "project," "will" and similar phrases as they relate to us are intended to identify such forward-looking statements. In addition, please see the "Risk Factors" in Part 1, Item 1A, of our 2013 Annual Report on Form 10-K and in Part II, Item 1A, of this Form 10-Q for a discussion of items that may affect our future results.

Overview

Active Power designs, manufactures, sells, and services flywheel-based uninterruptible power supply ("UPS") products that use kinetic energy to provide short-term power as a cleaner alternative to conventional electro-chemical battery-based energy storage. We also design, manufacture, sell, and service modular infrastructure solutions ("MIS") that integrate critical power components into a pre-packaged, purpose built enclosure that may include our UPS products as a component. Our products and solutions are based on our patented flywheel and power electronics technology and are designed to ensure continuity for data centers and other mission critical operations in the event of power disturbances.

Our products and solutions are designed to deliver continuous, conditioned power during power disturbances and outages, voltage sags and surges, and to provide ride-through power in the event of utility failure, supporting operations until utility power is restored or a longer term alternative power source, such as a diesel generator, is started.

We offer services, including hardware and software maintenance, on all Active Power products, and other professional services such as assessment and implementation for our customers' infrastructure projects.

We were founded as Texas Corporation in 1992 and reincorporated in Delaware in 2000. Our headquarters are in Austin, Texas, and we have international offices in the United Kingdom, Germany, and China.

Results of Operations

Three Months and Six Months Ended June 30, 2014 Compared to Three Months and Six Months Ended June 30, 2013

($ in thousands)	Three Months Ended June 30, 2014	% of total revenue	2013 (restated)	% of total revenue	Variance 2014 vs. 2013 $	%
Product revenue	$ 7,484	74%	$ 15,385	76%	$ (7,901)	-51%
Service and other revenue	2,670	26%	4,810	24%	(2,140)	-44%
Total revenue	10,154	100%	20,195	100%	(10,041)	-50%
Cost of product revenue	6,352	63%	10,623	53%	(4,271)	-40%
Cost of service and other revenue	1,887	19%	2,650	13%	(763)	-29%
Total cost of goods sold	8,239	81%	13,273	66%	(5,034)	-38%
Gross profit	1,915	19%	6,922	34%	(5,007)	-72%
Operating expenses:						
Research and development	1,600	16%	1,800	9%	(200)	-11%
Selling and marketing	3,152	31%	3,033	15%	119	4%
General and administrative	1,469	14%	1,579	8%	(110)	-7%
Total operating expenses	6,221	61%	6,412	32%	(191)	-3%
Income (loss) from Operations	(4,306)	-42%	510	3%	(4,816)	-944%
Interest expense, net	(106)	-1%	(82)	0%	(24)	-29%
Other income (expense), net	(1)	0%	(96)	0%	95	99%
Net income (loss)	$ (4,413)	-43%	$ 332	2%	$ (4,745)	-1429%

($ in thousands)	Six Months Ended June 30, 2014	% of total revenue	2013 (restated)	% of total revenue	Variance 2014 vs. 2013 $	%
Product revenue	$ 14,941	71%	$ 26,835	78%	$ (11,894)	-44%
Service and other revenue	6,151	29%	7,784	22%	(1,633)	-21%
Total revenue	21,092	100%	34,619	100%	(13,527)	-39%
Cost of product revenue	12,257	58%	18,589	54%	(6,332)	-34%
Cost of service and other revenue	3,992	19%	4,754	14%	(762)	-16%
Total cost of goods sold	16,249	77%	23,343	67%	(7,094)	-30%
Gross profit	4,843	23%	11,276	33%	(6,433)	-57%
Operating expenses:						
Research and development	3,680	17%	3,431	10%	249	7%
Selling and marketing	6,040	29%	5,970	17%	70	1%
General and administrative	3,075	15%	2,713	8%	362	13%
Total operating expenses	12,795	61%	12,114	35%	681	6%
Loss from Operations	(7,952)	-38%	(838)	-2%	(7,114)	-849%
Interest expense, net	(207)	-1%	(164)	0%	(43)	-26%
Other income (expense), net	(128)	-1%	(87)	0%	(41)	-47%
Net loss	$ (8,287)	-39%	$ (1,089)	-3%	$ (7,198)	661%

Product revenue. Our product revenue was derived from the following sources:

($ in thousands)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013 (restated)	Variance $	Variance %
Product revenue:				
UPS product revenue	$ 6,159	$ 2,816	$ 3,343	119%
Modular Infrastructure Solutions	1,325	12,569	(11,244)	-89%
Total product revenue	$ 7,484	$ 15,385	$ (7,901)	-51%

($ in thousands)	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013 (restated)	Variance $	Variance %
Product revenue:				
UPS product revenue	$ 12,795	$ 10,236	$ 2,559	25%
Modular Infrastructure Solutions	2,146	16,599	(14,453)	-87%
Total product revenue	$ 14,941	$ 26,835	$ (11,894)	-44%

Total product revenue for the three-month period ended June 30, 2014 decreased by $7.9 million, or 51%, compared to the same period in 2013. The decrease was driven primarily by an $11.2 million reduction in MIS sales, where large orders in the second quarter of 2013 were not repeated in 2014 and we saw reduced demand from our IT channel partners. UPS revenue was up $3.3 million, or 119%. We expect product mix to continue to fluctuate as we may obtain large customer orders for either UPS or MIS products in any particular quarter.

Product revenue for the six-month period ended June 30, 2014 decreased by $11.9 million, or 44%, compared to the same period in 2013. This decrease was primarily due to the 87% reduction in MIS revenues in the first half of 2014 compared to the same period in 2013 due to a large order in the second quarter of 2013 that was not repeated in 2014. UPS product revenues for the first half of 2014 increased by approximately $2.6 million, or 25%, compared to the first half of 2013.

Product revenue from our OEM channel for the three-month period ended June 30, 2014 was $1.6 million, an increase of approximately $0.6 million, or 55%, compared to revenue of $1.0 million for the second quarter of 2013. For the six-month period ended June 30, 2014, product revenue from our OEM channel was $3.1 million, an increase of $0.1 million, or 4%, compared to $3.0 million for the same period in 2013. The size and volume of orders from our OEM channel can fluctuate significantly on a quarterly basis, and we continue to see a small number of large transactions from our OEM channel. Sales to Caterpillar, our primary OEM channel, represented $1.6 million and $3.1 million, or 21% of our product revenue, for each of the three-month and six-month periods ended June 30, 2014, compared to $1.0 million and $3.0 million, or 6% and 11% of our product revenue, in the comparable periods of 2013. Caterpillar remains one of our largest UPS customers as well as our largest OEM customer.

Product revenue from our IT channel for the second quarter of 2014 was $0, compared to $7.9 million for the second quarter of 2013. For the six-month period ended June 30, 2014, product revenue from our IT channel was $0.8 million, a decrease of $8.0 million, or 91%, compared to $8.8 million for the same period of 2013. These reductions reflects decreased demand for our MIS products during the first half of 2014 from our IT channel partners, primarily HP. The level of orders from this channel fluctuates depending on our partners' success and the end user's need for infrastructure solutions.

Product revenue in the Americas was $4.1 million, or 55% of our product revenue, for the three-month period ended June 30, 2014, compared to $14.6 million, or 95% of our product revenue, for the same period in 2013. For the six-month period ended June 30, 2014, our sales in the Americas were $9.1 million, or 61% of our total product revenue, compared to $24.7 million, or 92% for the same period in 2013. The decrease reflects lower MIS revenues which historically have largely originated in the North American market.

We sell products directly to customers in APAC and EMEA and also through a network of international distributors. Product sales to customers in APAC were $0.5 million, or 7% of our total product revenue, in the three-month period ended June 30, 2014, compared to $0.4 million, or 3%, for the same period in 2013. Our sales in APAC were $1.2 million in the six-month period ended June 30, 2014, compared to $0.1 million for the same period in 2013. The increases were primarily driven by lower revenue in the 2013 period associated with adjustments made to revenue from distributors in China. See Footnote 2 to our June 30, 2013 Form 10-Q/A for more information regarding adjustments to our revenues for the six-month period ended June 30, 2013 in the APAC region.

Product revenue in EMEA was $2.9 million, or 39% of product revenue, in the three-month period ended June 30, 2014, compared to $0.4 million, or 2%, for the same period of 2013. Our sales in EMEA were $4.6 million in the six-month period ended June 30, 2014, compared to $2.1 million for the same period in 2013. The increase in Product revenue in EMEA is primarily attributable to a large UPS sale in the current three month period ending June 30, 2014.

Service and other revenue. Service and other revenue decreased by approximately $2.1 million, or 44%, for the three-month period ended June 30, 2014, compared to the same period of 2013. This decrease primarily reflects lower professional fees and other service revenue associated with MIS product sales recorded in the second quarter of 2014. For the six-month period ended June 30, 2014, our service and other revenue decreased by approximately $1.6 million, or 21%, compared to the same period of 2013.

Cost of product revenue. The cost of product revenue as a percentage of total product revenue was 85% and 82% for the three-month and six-month periods ended June 20, 2014, compared to 69% for each of the same periods in 2013. The increase in costs as a percentage of revenue reflects a lower rate of absorption of overhead costs due to the lower revenue and production. During the first half of 2014 and 2013, we operated a manufacturing facility that has a manufacturing and testing capacity significantly greater than required by our current product revenue levels.

Cost of service and other revenue. The cost of service and other revenue was 71% of service and other revenue in the three-month period ended June 30, 2014, compared to 55% for the same period of 2013. The cost of service and other revenue was 65% of service and other revenue in the six-month period ended June 30, 2014, compared to 61% for the same period of 2013. These increases reflect a shift in the types of services provided, with professional services being down in 2014 compared to the same periods in 2013 due to large projects which were not repeated in 2014. The utilization of our service personnel will be affected by the number of MIS solution products implemented in a particular period, and in periods where we have a low number of installation projects we would expect our costs as a percentage of revenue to increase due to lower employee utilization.

Gross profit. For the three-month period ended June 30, 2014, our gross profit was 19% of revenue, compared to 34% for the second quarter of 2013. For the six-month period ended June 30, 2014, our gross profit was 23% of revenue, compared to 33% for the same period of 2013.These margin decreases are related to under absorption of fixed overhead costs in manufacturing and service due to the lower revenue and manufacturing production in the three and six month periods of 2014.

Research and development. Research and development expenses were approximately $0.2 million, or 11%, lower in the second quarter of 2014 compared to the second quarter of 2013. The decrease was primarily due to reduced costs for development activities on our next generation of UPS product incurred in the second quarter of 2013 that did not repeat in the second quarter of 2014.

For the six-month period ended June 30, 2014, our research and development expense was $3.7 million, compared to $3.4 million for the same period of 2013. The increase was due to higher payroll, benefits and severance costs, partially offset by lower consulting and recruiting costs.

Selling and marketing. Selling and marketing costs were approximately $3.2 million in the second quarter of 2014, which was relatively flat compared to the second quarter of 2013.

Selling and marketing expenses were approximately $6.0 million for the six-month period ended June 30, 2014, which was relatively flat compared to the same period in 2013.

General and administrative. General and administrative expenses for the second quarter of 2014 were approximately $1.5 million, which was relatively flat compared to the same period in 2013.

General and administrative expenses for the six-month period ended June 30, 2014 increased approximately $0.4 million, or 13%, compared to the same period in 2013 due to higher compensation expenses.

Interest expense, net. Net interest expense increased approximately $24,000 and $43,000 for the three and six months ended June 30, 2014, respectively, compared to the same periods in 2013. The interest expense incurred during 2014 and 2013 was in connection with the outstanding balance on our revolving credit facility.

Other income (expense), net. Other income (expense), net was $1,000 and $0.1 million for the three months ended June 30, 2014 and 2013, respectively, and primarily reflects foreign exchange losses or gains on bank accounts and sales contracts held in foreign currencies.

Other income (expense), net for the six month period ended June 30, 2014 increased approximately $41,000, or 47%, compared to the same period in 2013, and primarily reflects foreign exchange losses or gains on bank accounts and sales contracts held in foreign currencies.

Liquidity and Capital Resources

Our primary sources of liquidity at June 30, 2014 are our cash and cash equivalents, our bank credit facilities and projected cash flows from operating activities. If we meet our cash flow projections, we expect we will have adequate capital resources to continue operating our business for at least the next twelve months. Our projections and our assumptions around the adequacy of our liquidity are based on estimates regarding expected revenues and future costs. However, there are scenarios in which our revenues may not meet our projections, our costs may exceed our estimates or our working capital needs may be greater than anticipated. Further, our estimates may change and future events or developments may also affect our estimates. Any of these factors may change our expectation of cash usage in the remainder of 2014 and beyond or significantly affect our level of liquidity.

On July 28, 2014, we entered into a Third Amendment to Second Amended and Restated Loan and Security Agreement with Silicon Valley Bank ("SVB"), which amends our existing Second Amended and Restated Loan and Security Agreement with SVB (as amended, "Loan Agreement"). We believe the renegotiated Loan Agreement will provide us with greater flexibility in managing our working capital. Among other changes, the amendment to the Loan Agreement:

- extended the Loan Agreement by three years through a new maturity date of August 5, 2017;
- increased the aggregate facility size from $12,500,000 to $15,000,000, subject to certain borrowing bases;
- increased our inventory and purchase order availability from $3,500,000 to $7,000,000;
- reduced the finance charge to a per annum rate equal to Silicon Valley Bank's prime rate, subject to a minimum prime rate of 4.00%, plus (a) 0.50% for eligible accounts, inventory and purchase orders when we are Borrowing Base Eligible (as defined in the Loan Agreement), or (b) 1.20% for eligible accounts when we are not Borrowing Base Eligible; and
- added the qualifying receivables and cash of our German subsidiary for the purposes of providing additional credit availability and for the purpose of covenant calculations.

The loans made to us under the Loan Agreement are secured by a lien on substantially all of our assets, including the assets of Active Power Solutions Limited, our wholly-owned United Kingdom subsidiary, and the assets of Active Power (Germany) GmbH, our indirect wholly-owned German subsidiary. The only direct or indirect subsidiaries of Active Power, Inc. that are not guarantors under the Loan Agreement are immaterial subsidiaries that are not operating companies. There are no restrictions on the ability of any of the subsidiary guarantors to transfer funds to Active Power, Inc. in the form of loans, advances or dividends, except as provided by applicable law. On July 28, 2014 Active Power (Germany) GmbH, a wholly-owned subsidiary of Active Power (Switzerland) AG, entered into a Borrower Joinder Supplement with Active Power and Silicon Valley Bank, under which Active Power (Germany) GmbH guaranteed all of the obligations of Active Power under the Loan Agreement and secured its obligations under the Loan Agreement with a security interest on substantially all of its assets.

The other key terms of the Loan Agreement remain unchanged, including customary affirmative covenants, a minimum liquidity ratio, the borrowing base eligibility (formerly called "streamline ratio"), reporting requirements, and other terms and conditions. We are currently in compliance with all loan covenants under the loan facility. As of June 30, 2014, we had outstanding borrowings of $5.5 million under this loan facility and, based on the borrowing base formula, the additional amount available to us for use ranged between $1.7 million and $3.5 million during the quarter. For further information regarding this loan facility, refer to our Annual Report on Form 10-K for the year ended December 31, 2013, and to our Current Report on Form 8-K filed on July 29, 2014.

In March 2014, we sold approximately 3.7 million shares of common stock at a purchase price of $3.15 per share, for proceeds, net of fees and expenses, of approximately $10.5 million, in a public underwritten offering made under a shelf registration statement that we had filed with the Securities and Exchange Commission and that had been declared effective in June 2013. The proceeds from this offering will be used by us to help fund our working capital requirements and for general corporate purposes.

Should additional funding be required or desirable, we would expect to raise the required funds through borrowings or public or private sales of debt or equity securities. If we raise additional funds through the issuance of convertible debt or equity securities, the ownership of our existing stockholders could be significantly diluted. If we obtain additional debt financing, a substantial portion of our operating cash flow may be dedicated to the payment of principal and interest on such indebtedness, and the terms of the debt securities issued could impose significant restrictions on our operations. We do not know whether we will be able to secure additional funding, or funding on terms acceptable to us, to continue our operations as planned. If financing is not available, we may be required to reduce, delay or eliminate certain activities or to license or sell to others some of our proprietary technology.

The following table summarizes the changes in cash provided by (used in) operating activities:

($ in thousands)	**Six Months Ended June 30,**		**Variance**	
	2014	**2013** (restated)	**$**	**%**
Cash provided by (used in) operating activities	$ (6,456)	$ 1,492	$ (7,948)	-533%

Cash used in operating activities was $6.5 million in the six-month period ended June 30, 2014 compared to cash provided by operating activities of $1.5 million the same period of 2013. Cash used in operating activities in 2014 was primarily due to higher net losses combined with a reduction in accrued expenses. Cash provided by operating activities in 2013 was primarily driven by a source of cash resulting from a decrease from working capital reductions including a reduction in accounts receivables and an increase in accounts payable partially offset by an increase in prepaid expenses and other assets and inventories.

The fluctuations in working capital can be impacted by the timing of product orders and shipments. In the six-month period ended June 30, 2014, we saw a decrease in receivables of $0.9 million, a decrease of approximately $0.5 million in inventory, and a decrease of $0.5 million in restricted cash compared to December 31, 2013. There was also a decrease in accrued expenses of $1.3 million from December 31, 2013 to June 30, 2014. These changes reflect the frequent changes in our working capital that can result in very large fluctuations in inventory, payables and receivables based on the large size of some of our orders.

The following table summarizes the changes in cash used in investing activities:

($ in thousands)	**Six Months Ended June 30,**		**Variance**	
	2014	**2013** (restated)	**$**	**%**
Cash used in investing activities	$ (170)	$ (671)	$ 501	75%

Investing activities primarily consist of purchases of property and equipment. Capital expenditures were $0.6 million, or 74% lower in the six-month period ending June 30, 2014, compared to the same period of 2013, as we invested less in capital improvements during the first half of 2014.

Our capital expenditures for the next 12 months will be in line with the previous six month period ending June 30, 2014.

The following table summarizes the changes in cash provided by financing activities:

($ in thousands)	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013 (restated)	Variance $	Variance %
Cash provided by financing activities	$ 10,535	$ 366	$ 10,169	2778%

Funds provided by financing activities in the period ending June 30, 2014 primarily includes the sale of common stock at a purchase price of $3.15 per share, for proceeds, net of fees and expenses, of approximately $10.5 million, in a public underwritten offering, and also reflects the proceeds from the exercise of employee stock options.

Funds provided during the six-month ended June 30, 2013 primarily reflect the proceeds received from stock option exercises.

We believe that our cash and cash equivalents, projected cash flows from operations and sources of available liquidity will be sufficient to fund our operations for the next twelve months. However, a sudden change in business volume, positive or negative, from any of our business or channel partners, or in our direct business, or any customer-driven events such as order or delivery deferral, could significantly impact our revenues and cash needs. We do have some opportunity to adjust expenditures or take other measures to reduce our cash consumption or to identify additional sources of funding if we anticipate an increase in our working capital requirements due to increased revenues or changes in our revenue mix. A significant increase in sales, especially in our MIS business, would likely increase our working capital requirements, due to the longer production time and cash cycle of sales of these products.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

For a description of our market risks, see Part I, Item 7A in our 2013 Annual Report on Form 10-K. There have been no material changes in our exposures to market risk since December 31, 2013.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures.

Our Chief Executive Officer and our Chief Financial Officer, based on the evaluation of our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), required by paragraph (b) of Rule 13a-15 or Rule 15d-15, have concluded that, as of June 30, 2014, our disclosure controls and procedures were effective to ensure that the information we are required to disclose in reports that we file or submit under the Exchange Act, (i) is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting.

During the three months ended June 30, 2014, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and Rule 15d-15(d) under the Exchange Act that have materially affected, or that we believe are reasonably likely to materially affect, our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

SEC Inquiry

By letter dated September 30, 2013, the SEC Division of Enforcement notified us that it is conducting an investigation regarding us, including matters relating to our public statements regarding Digital China Information Services Company Limited ("Digital China") and our distribution relationships in China. We have been and intend to continue cooperating fully with the SEC.

Audit Committee Internal Investigation

The audit committee of our Board of Directors, with the assistance of independent counsel, conducted an investigation into the facts and circumstances surrounding our agreements and transactions with Qiyuan Network Systems Limited ("Qiyuan"), including the statements made regarding Qiyuan's affiliation with Digital China. The investigation was completed in February 2014.

Stockholder Litigation

On September 10, 2013, a purported class action complaint was filed in the United States District Court for the Western District of Texas against us and certain of our former executives. The case is captioned Don Lee v. Active Power, Inc., et. al., Civil Action No. 1:3-cv-00797. As amended, the complaint alleges that on February 19, 2013, we reported that we had begun working with an unnamed Chinese distributor partner, and that on April 30, 2013, we announced in press releases and conference calls that we had entered into a strategic distribution partnership with Digital China. However, on September 5, 2013, after the close of trading, we disclosed that our partnership was with Qiyuan Network System Limited, which is neither an affiliate nor a subsidiary of Digital China. The amended complaint asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder, and seeks unspecified damages on behalf of all stockholders who purchased common stock between February 19 and September 5, 2013. On March 7, 2014, we filed a motion to dismiss the class action complaint. Our motion was denied by the Court on July 2, 2014.

On September 13, 2013 and October 14, 2013, two separate stockholders filed complaints in the District Court of Travis County, Texas, purporting to bring derivative actions on behalf of us against certain current and former officers and directors of the Company. The first derivative action is captioned Okumura v. Almgren, et. al., Cause No. D-1-GN-13-003230, and the second derivative action is captioned Shaev v. Milner, et. al., Cause No. D-1-GN-13-003557. The allegations of each derivative complaint mirror those of the class action complaint, and they assert claims for breach of fiduciary duty, unjust enrichment, and/or abuse of control and seek damages on our behalf. These derivative actions were stayed by agreement pending resolution of the motion to dismiss in the securities class action. The stay has been lifted and we are in discussions with the plaintiffs to consolidate the two derivative cases and set a schedule for the filing of a consolidated derivative petition and defendants' pleading in response.

We have directors' and officers' and corporate liability insurance to cover risks associated with the stockholder litigation, and we have notified our insurers of the complaints described above. Due to the early stage of each litigation, it is not possible to estimate the amount or range of possible loss that might result from adverse judgments or settlements of the actions.

Item 1A. Risk Factors.

You should carefully consider the risks described below and in Item 1A of our 2013 Annual Report on Form 10-K before making a decision to invest in our common stock or in evaluating Active Power and our business. The risks and uncertainties described below and in our 2013 Annual Report on Form 10-K are not the only ones we face. Additional risks and uncertainties that we do not presently know, or that we currently view as immaterial, may also impair our business operations.

The information presented below updates, and should be read in conjunction with, the risk factors and information disclosed in our 2013 Annual Report on Form 10-K. Except as presented below, there have been no material changes from the risk factors described in our 2013 Annual Report on Form 10-K.

Our business could be impacted by changes in liquidity and by customer credit risk on receivables.

We have a history of operating losses and have not yet reached operating profitability on an annual basis. We incurred a net loss of $4.4 million in the quarter ended June 30, 2014. If our revenues do not meet our expectations, our costs exceed our estimates, or our working capital needs are greater than anticipated, we may not have adequate liquidity to continue operating our business. Our cash requirements will depend on many factors, including:

- future sales growth;
- the demand for our products;
- the gross profit we are able to generate from our sales;
- the timing, level, and extent of our research and development funding;
- the rate of expansion of our sales and marketing activities;
- the rate of expansion of our manufacturing processes;
- our overall level of operating expenses; and
- our default rates on receivables.

For example, a substantial increase in sales of our CleanSource PowerHouse or our modular IT infrastructure solutions products or a substantial increase in UPS sales may materially impact the amount of working capital required to fund our operations. In order to increase our MIS sales, we may be required to make larger investments in inventory and receivables. These larger investments may require us to obtain additional sources of working capital, debt, or equity financing in order to fund our business. Even if we obtain additional debt financing, a substantial portion of our operating cash flow may be dedicated to the payment of principal and interest on such indebtedness.

Most of our sales are on an open credit basis. As a result of our customer concentration, our failure to collect receivables from any of our customers in a timely manner could have a significant adverse effect on our liquidity. The collection risk may potentially increase as we sell more modular infrastructure solutions including CleanSource PowerHouse products due to their higher average selling price. If future actual default rates on receivables differ from those currently anticipated, our working capital could decrease and we may not have adequate liquidity to continue operating our business.

Tax Matters could adversely impact our results of operations and financial condition.

We are subject to potential income tax and other taxes in the United States and in foreign jurisdictions. Our tax liabilities are affected by the amount of income we have in various jurisdictions and the amounts we charge in intercompany transactions for products, services, funding and other items. We are subject to periodic tax audits in the United States and in other various jurisdictions. Tax authorities may disagree with our intercompany charges, cross-jurisdictional transfer pricing or other matters and assess additional taxes. One of our non-U.S. subsidiaries is subject to an ongoing examination. We assess the likelihood of adverse outcomes resulting from these examinations to determine the need for and adequacy of a provision for income taxes. However, the outcomes from these examinations could have an adverse effect on our provision for income taxes and cash tax liability. In addition, our income taxes and other tax liability in the future could be adversely affected by numerous factors including changes in tax laws, regulations, accounting principles or interpretations thereof, which could adversely impact our results of operations and financial condition.

Item 6. Exhibits.

See Index to Exhibits below following the signature page to this report, which is incorporated herein by reference.

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 thereunto duly authorized.

	ACTIVE POWER, INC. (Registrant)
August 1, 2014 (Date)	/s/ Mark A. Ascolese **Mark A. Ascolese** **President and Chief Executive Officer** **(Principal Executive Officer)**
August 1, 2014 (Date)	/s/ James A. Powers **James A. Powers** **Chief Financial Officer and Secretary** **(Principal Financial and Accounting Officer)**

INDEX TO EXHIBITS

Exhibit No.	Description of Exhibit
3.1†	Restated Certificate of Incorporation of Active Power, Inc., as amended
3.2*	Second Amended and Restated Bylaws of Active Power, Inc., as amended (filed as Exhibit 3.2 to Active Power Inc.'s Quarterly Report on Form 10-Q filed on May 1, 2014)
4.1*	Specimen certificate for shares of Common Stock (filed as Exhibit 4.1 to Active Power's IPO Registration Statement on Form S-1 (SEC File No. 333-36946))
4.2*	See Exhibits 3.1 and 3.2 for provisions of the Certificate of Incorporation and Bylaws of the registrant defining the rights of holders of common stock
10.1*	Third Amendment to Second Amended and Restated Loan and Security Agreement with Silicon Valley Bank, dated July 28, 2014 (filed as Exhibit 10.1 to Active Power's Current Report on Form 8-K filed on July 29, 2014)
31.1†	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2†	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1††	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2††	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101††	The following financial statements from the Active Power's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, formatted in XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations and Comprehensive Loss, (iii) Condensed Consolidated Statements of Cash Flows, and (iv) Notes to Condensed Consolidated Financial Statements.

* Incorporated by reference to the indicated filing.
† Filed with this report.
†† Furnished with this report.

Exhibit 3.1

RESTATED CERTIFICATE OF INCORPORATION
OF
ACTIVE POWER, INC.

Active Power, Inc., a corporation organized and existing under the Delaware General Corporation Law (the “DGCL”), Does Hereby Certify:

First: The original Certificate of Incorporation of this corporation was filed with the Secretary of State of Delaware on March 29, 2000 under the name “Active Power, Inc.” An Amended and Restated Certificate of Incorporation was filed with the Secretary of State of Delaware on August 4, 2000, a Certificate of Correction was filed with the Secretary of State of Delaware on June 6, 2006 and a Certificate of Amendment to Amended and Restated Certificate of Incorporation was filed with the Secretary of State of Delaware on June 6, 2006.

Second: The Restated Certificate of Incorporation of Active Power, Inc. in the form attached hereto as Annex A has been duly adopted in accordance with the provisions of Section 245 of the DGCL by the directors of this corporation. Pursuant to Section 245 of the DGCL, this Restated Certificate of Incorporation of Active Power, Inc. is an integration into a single instrument of all provisions of Active Power’s certificate of incorporation that are no in effect and therefore approval by the stockholders of this corporation is not required.

Third: The Restated Certificate of Incorporation so adopted reads in full as set forth in Annex A attached hereto and is incorporated herein by this reference.

In Witness Whereof, Active Power, Inc. has caused this Restated Certificate of Incorporation to be signed by its duly authorized and elected officer this 7th day of June, 2006.

ACTIVE POWER, INC.

By: /s/ Michael Chibib
Michael Chibib
Vice President and General Counsel

RESTATED CERTIFICATE OF INCORPORATION
OF
ACTIVE POWER, INC.

ARTICLE I

The name of this corporation shall be Active Power, Inc. (the "Company").

ARTICLE II

The address of the registered office of the Company in the State of Delaware is 1209 Orange Street, City of Wilmington, County of New Castle, State of Delaware. The name of the registered agent at that address is The Corporation Trust Company.

ARTICLE III

The purpose of the Company is to engage in any lawful act or activity for which corporations may be organized under the DGCL.

ARTICLE IV

A. Authorized Shares. The aggregate number of shares that the Company shall have authority to issue is One Hundred Sixty Million (160,000,000), (a) One Hundred Fifty Million (150,000,000) shares of which shall be common stock, par value $0,001 per share ("Common Stock"), and (b) Ten Million (10,000,000) shares of which shall be preferred stock, par value $0.001 per share ("Preferred Stock"). Of such shares of Preferred Stock, Four Hundred Thousand (400,000) shall be designated as "Series A Junior Participating Preferred Stock," the rights, preferences and privileges of which are set forth in the Certificate of Designation of Series A Junior Participating Preferred Stock of Active Power filed with the Secretary of State of Delaware on December 18, 2001.

B. Common Stock. Each share of Common Stock shall have one vote on each matter submitted to a vote of the stockholders of the Company. Subject to the provisions of applicable law and the rights of the holders of the outstanding shares of Preferred Stock, if any, the holders of shares of Common Stock shall be entitled to receive, when and as declared by the Board of Directors of the Company, out of the assets of the Company legally available therefor, dividends or other distributions, whether payable in cash, property or securities of the Company. The holders of shares of Common Stock shall be entitled to receive, in proportion to the number of shares of Common Stock held, the net assets of the Company upon dissolution after any preferential amounts required to be paid or distributed to holders of outstanding shares of Preferred Stock, if any, are so paid or distributed.

C. Preferred Stock.

1. Series. The Preferred Stock may be issued from time to time by the Board of Directors as shares of one or more series. The description of shares of each additional series of Preferred Stock, including any designations, preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications, and terms and conditions of redemption shall be as set forth in resolutions adopted by the Board of Directors.

2. Rights and Preferences. The Board of Directors is expressly authorized, at any time, by adopting resolutions providing for the issuance of, or providing for a change in the number of, shares of any particular series of Preferred Stock and, if and to the extent from time to time required by law, by filing certificates of amendment or designation which are effective without stockholder action, to increase or decrease the number of shares included in each series of Preferred Stock, but not below the number of shares then issued, and to set in any one or more respects the designations, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, or terms and conditions of redemption relating to the shares of each such series. The authority of the Board of Directors with respect to each series of Preferred Stock shall include, but not be limited to, setting or changing the following:

a. the dividend rate, if any, on shares of such series, the times of payment and the date from which dividends shall be accumulated, if dividends are to be cumulative;

b. whether the shares of such series shall be redeemable and, if so, the redemption price and the terms and conditions of such redemption;

c. the obligation, if any, of the Company to redeem shares of such series pursuant to a sinking fund;

d. whether shares of such series shall be convertible into, or exchangeable for, shares of stock of any other class or classes and, if so, the terms and conditions of such conversion or exchange, including the price or prices or the rate or rates of conversion or exchange and the terms of adjustment, if any;

e. whether the shares of such series shall have voting rights, in addition to the voting rights provided by law, and, if so, the extent of such voting rights;

f. the rights of the shares of such series in the event of voluntary or involuntary liquidation, dissolution or winding-up of the Company; and

g. any other relative rights, powers, preferences, qualifications, limitations or restrictions thereof relating to such series.

ARTICLE V

A director of the Company shall not be personally liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (a) for any breach of the director's duty of loyalty to the Company or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) under Section 174 of the Delaware General Corporation Law or (d) for any transaction from which the director derived any improper personal benefit. If the Delaware General Corporation Law is amended after approval by the stockholders of this Article to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Company shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law as so amended.

ARTICLE VI

The management of the business and the conduct of the affairs of the Company shall be vested in its Board of Directors. The number of directors which shall constitute the whole Board of Directors shall be fixed by, or in the manner provided in, the Bylaws of the Company.

ARTICLE VII

Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws of the Company may provide. The books of the Company may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Company.

ARTICLE VIII

Election of directors at an annual or special meeting of stockholders need not be by written ballot unless the Bylaws of the Company shall so provide.

ARTICLE IX

A. At each annual meeting of stockholders, directors of the Company shall be elected to hold office until the expiration of the term for which they are elected, and until their successors have been duly elected and qualified. Effective immediately following the closing of the initial public offering of the Company's capital stock pursuant to an effective registration statement filed under the Securities Act of 1933, as amended (the "Initial Public Offering"), the directors of the Company shall be divided into three classes as nearly equal in size as is practicable, hereby designated as Class I, Class II and Class III. The initial Class I, Class II and Class III directors shall be those directors designated and elected by resolution of the Board of Directors or stockholders prior to the Initial Public Offering. The term of office of the initial Class I directors shall expire at the first annual meeting of stockholders following the closing of the Initial Public Offering (the "First Public Company Annual Meeting"); the term of office of the initial Class II directors shall expire at the next succeeding annual meeting of stockholders; and the term of office of the initial Class III directors shall expire at the second succeeding annual meeting of stockholders. At each annual meeting after the First Public Company Annual Meeting, directors to replace those of a Class whose terms expire at such annual meeting shall be elected to hold office until the third succeeding annual meeting and until their respective successors shall have been duly elected and qualified. If the number of directors is hereafter changed, any newly created directorships or decrease in directorships shall be so apportioned among the classes as to make all classes as nearly equal in number as is practicable.

B. Vacancies occurring on the Board of Directors for any reason may be filled by vote of a majority of the remaining members of the Board of Directors, although less than a quorum, at a meeting of the Board of Directors. A person so elected by the Board of Directors to fill a vacancy shall hold office until the next succeeding annual meeting of stockholders of the Company and until his or her successor shall have been duly elected and qualified.

ARTICLE X

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter, amend or repeal the Bylaws of the Company.

ARTICLE XI

Effective upon the closing of the Initial Public Offering, stockholders of the Company may not take action by written consent in lieu of a meeting but must take any actions at a duly called annual or special meeting.

ARTICLE XII

Notwithstanding any other provisions of this Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of the capital stock required by law or this Certificate of Incorporation, effective as of the Initial Public Offering, the affirmative vote of the holders of at least two-thirds (2/3) of the combined voting power of all of the then-outstanding shares of the Company entitled to vote shall be required to alter, amend or repeal Articles IX or XI or this Article XII, or any provisions thereof.

ARTICLE XIII

Subject to Article XII above, the Company reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred on stockholders herein are granted subject to this reservation.

* * *

CERTIFICATE OF AMENDMENT OF
RESTATED CERTIFICATE OF INCORPORATION OF
ACTIVE POWER, INC.

Active Power, Inc., a corporation organized and existing under the laws of the State of Delaware, Does Hereby Certify:

First: The name of this corporation is Active Power, Inc.

Second: The original Certificate of Incorporation of this corporation was filed with the Secretary of State of the State of Delaware on March 29, 2000. A Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on June 7, 2006.

Third: Pursuant to Section 242 of the General Corporate Law of the State of Delaware (the "DGCL"), this Certificate of Amendment of Restated Certificate of Incorporation amends and restates Article IV, Section A of the Restated Certificate of Incorporation of this corporation to read in its entirety as follows:

> "A. Authorized Shares. Effective as of 5:00 p.m., Eastern time, on the date this Certificate of Amendment of Restated Certificate of Incorporation is filed with the Secretary of State of the State of Delaware, each five (5) shares of the Company's Common Stock, par value $0.001 per share, issued and outstanding shall, automatically and without any action on the part of the respective holders thereof, be combined and converted into one (1) share of Common Stock, par value $0.001 per share, of the Company. No fractional shares shall be issued and, in lieu thereof, any holder of less than one (1) share of Common Stock shall be entitled to receive cash for such holder's fractional share based upon the closing sales price of the Company's Common Stock as reported on the Nasdaq Capital Market, as of the date this Certificate of Amendment is filed with the Secretary of State of the State of Delaware. The aggregate number of shares that the Company shall have authority to issue is Thirty Two Million (32,000,000), (a) Thirty Million (30,000,000) shares of which shall be common stock, par value $0.001 per share ("Common Stock"), and (b) Two Million (2,000,000) shares of which shall be preferred stock, par value $0.001 per share ("Preferred Stock"). Of such shares of Preferred Stock, Eighty Thousand (80,000) shall be designated as "Series A Junior Participating Preferred Stock," the rights, preferences and privileges of which are set forth in the Certificate of Designation of Series A Junior Participating Preferred Stock of Active Power filed with the Secretary of State of Delaware on December 18, 2001."

Fourth: This Certificate of Amendment of Restated Certificate of Incorporation has been duly adopted by the board of directors and stockholders of this corporation in accordance with the provisions of Section 242 of the DGCL.

IN WITNESS WHEREOF, Active Power, Inc. has caused this Certificate of Amendment of Restated Certificate of Incorporation to be signed by J. Douglas Milner, its President and Chief Executive Officer, this 21st day of December, 2012.

ACTIVE POWER, INC.

By: /s/ J. Douglas Milner
J. Douglas Milner,
President and Chief Executive Officer

CERTIFICATE OF AMENDMENT OF
RESTATED CERTIFICATE OF INCORPORATION OF
ACTIVE POWER, INC.

Active Power, Inc., a corporation organized and existing under the laws of the State of Delaware, Does Hereby Certify:

First: The name of this corporation is Active Power, Inc.

Second: The original Certificate of Incorporation of this corporation was filed with the Secretary of State of the State of Delaware on March 29, 2000. A Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on June 7, 2006, and a Certificate of Amendment of Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on December 21, 2012.

Third: Pursuant to Section 242 of the General Corporate Law of the State of Delaware (the "DGCL"), this Certificate of Amendment of Restated Certificate of Incorporation amends and restates Article IV, Section A of the Restated Certificate of Incorporation of this corporation to read in its entirety as follows:

"A. Authorized Shares. The aggregate number of shares that the Company shall have authority to issue is Forty-Two Million (42,000,000), (a) Forty Million (40,000,000) shares of which shall be common stock, par value $0.001 per share ("Common Stock"), and (b) Two Million (2,000,000) shares of which shall be preferred stock, par value $0.001 per share ("Preferred Stock"). Of such shares of Preferred Stock, Eighty Thousand (80,000) shall be designated as "Series A Junior Participating Preferred Stock," the rights, preferences and privileges of which are set forth in the Certificate of Designation of Series A Junior Participating Preferred Stock of Active Power filed with the Secretary of State of Delaware on December 18, 2001."

Fourth: This Certificate of Amendment of Restated Certificate of Incorporation has been duly adopted by the board of directors and stockholders of this corporation in accordance with the provisions of Section 242 of the DGCL.

IN WITNESS WHEREOF, Active Power, Inc. has caused this Certificate of Amendment of Restated Certificate of Incorporation to be signed by Mark A. Ascolese, its President and Chief Executive Officer, this 28th day of May, 2014.

ACTIVE POWER, INC.

By: /s/ Mark A. Ascolese
Mark A. Ascolese,
President and Chief Executive Officer

Exhibit 31.1

CERTIFICATIONS

I, Mark A. Ascolese, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Active Power, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2014

/s/ Mark A. Ascolese

Mark A. Ascolese
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, James A. Powers, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Active Power, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2014

/s/ James A. Powers

James A. Powers
Chief Financial
Officer and Secretary
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Active Power, Inc. (the "Company") for the period ending June 30, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark A. Ascolese, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Mark A. Ascolese
Mark A. Ascolese
President and Chief Executive Officer
August 1, 2014

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Active Power, Inc. (the “Company”) for the period ending June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, James A. Powers, Chief Financial Officer and Secretary of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ James A. Powers
James A. Powers
Chief Financial Officer and Secretary
August 1, 2014