

October 24, 2008

BALQON CORPORATION

RELATED PARTY TRANSACTION POLICIES AND PROCEDURES

Policy

It is the policy of the Board of Directors (the “*Board*”) of Balqon Corporation (“*Balqon*”) that all Interested Transactions with Related Parties, as those terms are defined in this policy, shall be subject to approval or ratification in accordance with the procedures set forth below.

Procedures

Our Audit Committee (“*Committee*”) shall review the material facts of all Interested Transactions that require the Committee’s approval and either approve or disapprove of the entry into the Interested Transaction, subject to the exceptions described below. If advance Committee approval of an Interested Transaction is not feasible, then the Interested Transaction shall be considered and, if the Committee determines it to be appropriate, ratified at the Committee’s next regularly scheduled meeting. In determining whether to approve or ratify an Interested Transaction, the Committee will take into account, among other factors it deems appropriate, whether the Interested Transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the Related Person’s interest in the transaction.

The Committee has reviewed the Interested Transactions described below in “Standing Pre-Approval for Certain Interested Transactions” and determined that each of the Interested Transactions described therein shall be deemed to be pre-approved or ratified (as applicable) by the Committee under the terms of this policy. In addition, the Board has delegated to the Chair of the Committee the authority to pre-approve or ratify (as applicable) any Interested Transaction with a Related Party in which the aggregate amount involved is expected to be less than \$120,000. In connection with each regularly scheduled meeting of the Committee, a summary of each new Interested Transaction deemed preapproved pursuant to paragraph (3) or (4) under “Standing Pre-Approval for Certain Interested Transactions” below and each new Interested Transaction pre-approved by the Chair in accordance with this paragraph shall be provided to the Committee for its review.

No director shall participate in any discussion or approval of an Interested Transaction for which he or she is a Related Party, except that the director shall provide all material information concerning the Interested Transaction to the Committee.

If an Interested Transaction will be ongoing, the Committee may establish guidelines for Balqon’s management to follow in its ongoing dealings with the Related Party. Thereafter, the Committee, on at least an annual basis, shall review and assess ongoing relationships with the Related Party to see that they are in compliance with the Committee’s guidelines and that the Interested Transaction remains appropriate.

Definitions

An “**Interested Transaction**” is any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) in which:

- (1) the aggregate amount involved will or may be expected to exceed \$120,000 in any calendar year,
- (2) Balqon is a participant, and
- (3) any Related Party has or will have a direct or indirect interest (other than solely as a result of being a director or a less than 10% beneficial owner of another entity).

A “**Related Party**” is any:

- (a) person who is or was (since the beginning of the last fiscal year for which Balqon has filed a Form 10-K and proxy statement, even if they do not presently serve in that role) an executive officer, director or nominee for election as a director,
- (b) greater than 5% beneficial owner of our common stock, or
- (c) immediate family member of any of the foregoing. Immediate family member includes a person’s spouse, parents, stepparents, children, stepchildren, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, and brothers- and sisters-in-law and anyone residing in such person’s home (other than a tenant or employee).

Standing Pre-Approval for Certain Interested Transactions

The Nominating and Corporate Governance Committee has reviewed the types of Interested Transactions described below and determined that each of the following Interested Transactions shall be deemed to be preapproved by the Committee, even if the aggregate amount involved will exceed \$120,000.

1. Employment of executive officers. Any employment by Balqon of an executive officer of Balqon if:
 - (a) the related compensation is required to be reported in Balqon’s proxy statement under Item 402 of the Securities and Exchange Commission’s (“**SEC’s**”) compensation disclosure requirements (generally applicable to “named executive officers”); or
 - (b) the executive officer is not an immediate family member of another executive officer or director of Balqon, the related compensation would be reported in our proxy statement under Item 402 of the SEC’s compensation disclosure requirements if the executive officer was a “named executive officer,” and our

Compensation Committee approved (or recommended that the Board approve) such compensation.

2. Director compensation. Any compensation paid to a director if the compensation is required to be reported in our proxy statement under Item 402 of the SEC's compensation disclosure requirements.
3. Certain transactions with other companies. Any transaction with another company at which a Related Person's only relationship is as a director and/or beneficial owner of less than 10% of that company's equity interests.
4. Transactions where all shareholders receive proportional benefits. Any transaction where the Related Person's interest arises solely from the ownership of our common stock and all holders of our common stock received the same benefit on a pro rata basis (e.g., dividends or stock splits).
5. Transactions involving competitive bids. Any transaction involving a Related Party where the rates or charges involved are determined by competitive bids.
6. Regulated transactions. Any transaction with a Related Party involving the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority.
7. Certain banking-related services. Any transaction with a Related Party involving services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services.

Disclosure

All Related Party Transactions that are required to be disclosed in our filings with the SEC, as required by the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, and related rules and regulations thereunder, shall be so disclosed in accordance with such laws, rules and regulations.

The material features of these Policies and Procedures shall be disclosed in our Annual Report on Form 10-K or in our proxy statement, as required by applicable laws, rules and regulations. In addition, Balqon shall post these Policies and Proceedings on its website and update it as necessary.

Other Agreements

Management shall institute appropriate administrative measures to provide that all Related Party Transactions are not in violation of, and are approved in accordance with, any requirements of Balqon's material agreements.

Interpretation

This policy is intended to comply with Item 404 of Regulation S-K. Notwithstanding anything herein to the contrary, this policy shall be interpreted only in such a manner as to comply with Item 404 of Regulation S-K.

In any circumstance where this statement of policies and procedures differs from any existing or newly enacted law, rule or regulation governing Balqon, the law, rule or regulation will take precedence over these policies and procedures until such time as the policies and procedures are changed to conform to the law, rule or regulation.