
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934**

Date of Report (Date of Earliest Event Reported): April 29, 2011

POWER SOLUTIONS INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction
of incorporation)

000-52213
(Commission
File Number)

33-0963637
(IRS Employer
Identification No.)

655 Wheat Lane, Wood Dale, IL
(Address of principal executive offices)

60191
(Zip Code)

Registrant's telephone number, including area code: (630) 350-9400

Format, Inc.
3553 Camino Mira Costa, Suite E, San Clemente, California 92672
(Former name or former address, if changed since last report)

Copies to:
Katten Muchin Rosenman LLP
525 W. Monroe Street
Chicago, IL 60661
Tel.: (312) 902-5493
Fax: (312) 577-8858
Attn: Mark D. Wood, Esq.

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☒ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Cautionary Note Regarding Forward-Looking Statements

This Current Report on Form 8-K includes forward-looking statements that reflect our expectations and projections about our future results, performance, prospects and opportunities. These statements can be identified by the fact that they do not relate strictly to historical or current facts. We have tried to identify forward-looking statements by using words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “project,” “potential,” “should,” “will,” “will be,” “would” and similar expressions, but this is not an exclusive way of identifying such statements. Our actual results, performance and achievements may differ materially from those expressed in, or implied by, the forward-looking statements contained in this Form 8-K as a result of various risks, uncertainties and other factors, including those described below under the heading “Risk Factors” and elsewhere in this Form 8-K.

Forward-looking statements speak only as of the date of this Form 8-K. Except as expressly required under federal securities laws and the rules and regulations of the SEC, we do not undertake any obligation to update any forward-looking statements to reflect events or circumstances arising after the date of this prospectus, whether as a result of new information or future events or otherwise. You should not place undue reliance on the forward-looking statements included in this prospectus or that may be made elsewhere from time to time by us, or on our behalf. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

Industry Data

This Form 8-K includes industry and market data and other information, which we have obtained from, or is based upon, market research, independent industry publications or other publicly available information. Although we believe each such source to have been reliable as of its respective date, we have not independently verified the information contained in such sources. Any such data and other information is subject to change based on various factors, including those described below under the heading “Risk Factors” and elsewhere in this Form 8-K.

Item 1.01	Entry into a Material Definitive Agreement.
Item 2.01	Completion of Acquisition or Disposition of Assets.
Item 2.03	Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.
Item 4.01	Changes in Registrant’s Certifying Accountant
Item 5.01	Changes in Control of Registrant.
Item 5.02	Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.
Item 5.03	Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.
Item 5.06	Change in Shell Company Status.

All of the information required by each of the above-listed items is presented below.

On April 29, 2011, Power Solutions International, Inc. (f/k/a Format, Inc.) (the “Company”) completed a reverse merger transaction (the “Reverse Merger”), in which PSI Merger Sub, Inc., a Delaware corporation that was newly-created as a wholly-owned subsidiary of the Company (“Merger Sub”), merged with and into The W Group, Inc., a Delaware corporation (“The W Group”), and The W Group remained as the surviving corporation of the merger, becoming a wholly-owned subsidiary of the Company. The Reverse Merger was consummated under Delaware corporate law pursuant to an Agreement and Plan of Merger, dated as of April 29, 2011 (the “Merger Agreement”), as discussed below. Concurrently with the closing of the Reverse Merger, the Company completed a private placement (the “Private Placement”) of shares of its newly designated Series A Convertible Preferred Stock, liquidation preference of \$1,000 per share (the “Company Preferred Stock”), together with warrants to purchase shares of the Company’s common stock (the “Company Common Stock”), par value \$0.001 per share (the “Private Placement Warrants”), to 29 accredited investors (including 22 institutions and seven individuals), and receiving total gross proceeds of approximately \$18,000,000 at the closing of the Private Placement. See “The Reverse Merger – Terms of Company Preferred Stock” below for a description of the Company Preferred Stock and “The Private Placement – Private Placement Warrants” below for a description of the Private Placement Warrants.

As a result of the Reverse Merger, the Company has succeeded to the business of The W Group, and is now engaged, through The W Group, in the business of developing, manufacturing, distributing and supporting integrated power solutions for off-highway industrial market applications and equipment of original equipment manufacturers. The W Group’s power systems include alternative fuel and standard fuel and hybrid power solutions ranging from under 1 liter to over 22 liters, that meet, and in many cases produce emissions at levels significantly lower than those required by, emission standards of the United States Environmental Protection Agency (“EPA”) and the California Air Resources Board (“CARB”).

Prior to the Reverse Merger, the Company’s corporate name was Format, Inc. Prior to the consummation of the Reverse Merger, the Company entered into an Agreement and Plan of Merger with Power Solutions International, Inc., a Nevada corporation and the Company’s wholly-owned subsidiary formed solely for the purpose of effecting the change of the Company’s corporate name (“Name Change Merger Sub”), pursuant to which, on April 29, 2011, Name Change Merger Sub was merged with and into the Company, and the Company remained as the surviving corporation. Upon filing of the Articles of Merger reflecting the merger of Name Change Merger Sub with and into the Company with the Nevada Secretary of State on April 29, 2011, the Company changed its corporate name from Format, Inc. to Power Solutions International, Inc., without obtaining shareholder approval, in accordance with Section 92A.180 of the Nevada Revised Statutes.

Prior to the consummation of the Reverse Merger, the Company’s trading symbol was FRMT.OB. The Company has requested a trading symbol change with the Financial Industry Regulatory Authority (“FINRA”) to correspond with its name change to Power Solutions International, Inc., in accordance with the policies of FINRA; however, as of the date of this Current Report on Form 8-K, this trading symbol change request has not yet been given effect by FINRA. Accordingly, the Company’s trading symbol will remain FRMT.OB until such time as our trading symbol change request has been given effect by FINRA.

In connection with, and prior to the consummation of, the Reverse Merger, the board of directors of the Company approved a 1-for-32 reverse stock split (the “Reverse Split”) of shares of Company Common Stock, immediately following the effectiveness of which every 32 shares of issued and outstanding Company Common Stock will be

automatically converted into one share of Company Common Stock. The Reverse Split will not affect the number of authorized shares of capital stock of the Company or the par value of the Company Common Stock. See “The Reverse Merger – Reverse Split and Migratory Merger” below.

Concurrently with the closing of the Reverse Merger, on April 29, 2011, the Company entered into a purchase agreement (the “Private Placement Purchase Agreement”) with 29 accredited investors and completed the Private Placement to these investors of an aggregate of 18,000 shares of Company Preferred Stock, together with Private Placement Warrants, at a purchase price of \$1,000 per share and related Private Placement Warrants. Each share of Company Preferred Stock is initially convertible into 2,666.666667 shares (subject to adjustment as set forth in the Certificate of Designation (as defined below)) of Company Common Stock, subject to the limitations on conversion set forth in the Certificate of Designation, at an initial conversion price of \$0.375 per share, subject to adjustment as set forth in the Certificate of Designation, and upon the terms and conditions set forth in the Certificate of Designation. Accordingly, the shares of Company Preferred Stock issued in the Private Placement are initially convertible into an aggregate of 48,000,000 shares of Company Common Stock, subject to the limitations on conversion, and upon the terms and conditions set forth in the Certificate of Designation. See “The Reverse Merger – Terms of Company Preferred Stock” below for a description of the Company Preferred Stock. For every one share of Company Common Stock issuable upon conversion of Company Preferred Stock purchased in the Private Placement, each investor in the Private Placement also received a warrant to purchase initially one-half of a share of Company Common Stock at an initial exercise price of \$0.40625 per share, subject to adjustment as set forth in the Private Placement Warrants. Accordingly, the Private Placement Warrants represent the right to purchase initially an aggregate of 24,000,000 shares of Company Common Stock, subject to the limitations on exercise set forth in the Private Placement Warrants. In connection with the Private Placement, the Company also issued to ROTH Capital Partners, LLC a warrant to purchase initially 3,360,000 shares of Company Common Stock (the “Roth Warrant”), subject to the limitations on exercise set forth in the Roth Warrant, and upon the terms and conditions set forth in the Roth Warrant. See “Private Placement – Private Placement Warrants” for a description of the Private Placement Warrants and “Private Placement – Roth Warrant” and “Transaction Fees and Use of Proceeds” for a description of the Roth Warrant. The Company received total gross proceeds of \$18,000,000 in consideration for the sale of the shares of Company Preferred Stock and the Private Placement Warrants in the Private Placement.

In connection with the Reverse Merger and the Private Placement, the Company entered into a stock repurchase and debt satisfaction agreement (the “Repurchase Agreement”) with Ryan Neely, the Company’s sole director and executive officer immediately prior to the closing of the Reverse Merger, and his wife, Michelle Neely. Pursuant to the Repurchase Agreement, at the time of consummation of the Reverse Merger, (1) the Company repurchased 3,000,000 shares of Company Common Stock from Ryan Neely and Michelle Neely, which represented approximately 79.57% of the shares of Company Common Stock outstanding immediately prior to the consummation of the Reverse Merger and the Private Placement (without giving effect to the Reverse Split), and immediately thereafter the Company cancelled those shares, and (2) Ryan Neely and Michelle Neely terminated all of their right, title and interest in and to, and released the Company from any and all obligations it had with respect to, the loans made by Ryan Neely and Michelle Neely to the Company from time to time (which, as of the closing of the transactions contemplated by the Repurchase Agreement, were in aggregate principal amount of \$114,156), in exchange for aggregate consideration of \$360,000 (collectively, the “Stock Repurchase”).

After the closing of the Reverse Merger, the Private Placement and the Stock Repurchase, the Company had outstanding 10,770,083 shares of Company Common Stock and 113,960.90289 shares of Company Preferred Stock (but without giving effect to the Reverse Split). On a pro forma basis, as if the Reverse Split was consummated concurrently with the closing of the Reverse Merger, the Company would have had outstanding 9,833,333 shares of Company Common Stock and no shares of Company Preferred Stock. See “The Reverse Merger – Terms of Company Preferred Stock” below for a description of the Company Preferred Stock, including the automatic conversion thereof into shares of Company Common Stock upon the effectiveness of the Reverse Split.

The Reverse Merger

General

On April 29, 2011, the Company and The W Group entered into the Merger Agreement and consummated the Reverse Merger. Pursuant to the Merger Agreement, in exchange for all of the outstanding shares of common stock of The W Group held by the three stockholders of The W Group at the closing of the Reverse Merger, the Company issued an aggregate of 10,000,000 shares of Company Common Stock and 95,960.90289 shares of Company Preferred Stock

to the three stockholders of The W Group; provided, that, pursuant to a Purchase and Sale Agreement (the “Principal Purchase and Sale Agreement”) entered into on April 28, 2011, and effective on the closing of the Reverse Merger, between Gary Winemaster and Thomas Somodi, the Chief Executive Officer and President and the Chief Operating Officer and Chief Financial Officer, respectively, of The W Group at the closing of the Reverse Merger, Mr. Winemaster agreed to purchase from Mr. Somodi, and Mr. Somodi agreed to sell to Mr. Winemaster, all of the shares of Company Preferred Stock and Company Common Stock received by Mr. Somodi in the Reverse Merger, upon the terms and conditions set forth in the Principal Purchase and Sale Agreement. See “— Principal Purchase and Sale Transaction” below for a more detailed description of the terms of the Principal Purchase and Sale Agreement, the transactions contemplated thereby and the transactions entered into in connection therewith (such transactions are collectively referred to as, the “Principal Purchase and Sale Transaction”). Prior to the consummation of the Reverse Merger, The W Group made payments to the Company in the aggregate amount of \$32,500 to extend the term of the exclusive negotiations between the parties and as payment for expenses incurred by the Company in connection with the Company’s filing of its annual report on Form 10-K for its fiscal year ended December 31, 2010. Concurrently with the consummation of the Reverse Merger and the Private Placement, pursuant to the Repurchase Agreement, the Company also consummated the Stock Repurchase.

As of April 29, 2011, on a fully diluted basis, assuming each share of Company Preferred Stock had converted into, and each of the Private Placement Warrants and the Roth Warrant had been exercised for, shares of Company Common Stock (but subject to the limitations on conversion of Company Preferred Stock set forth in the Certificate of Designation and the limitations on exercise set forth in the Private Placement Warrants and the Roth Warrant), the shares of Company Common Stock issued and issuable to the former stockholders of The W Group pursuant to the Reverse Merger represent (1) approximately 86.11% of the outstanding shares of Company Common Stock, giving effect to the Reverse Merger, the Stock Repurchase, the Private Placement and the issuance of the Roth Warrant in connection with the Private Placement, and without giving effect to the Reverse Split, and (2) approximately 77.74% of the outstanding shares of Company Common Stock, giving effect to the Reverse Split. The number of shares of Company Preferred Stock and Company Common Stock issued in the Reverse Merger was determined as a result of arm’s-length negotiations among the relevant parties.

Following the closing of the Reverse Merger, on May 2, 2011, each of Gary Winemaster (the Company’s Chairman of the Board, Chief Executive Officer and President) and Kenneth Winemaster (the Company’s Senior Vice President and Secretary) transferred 295.008 shares of Company Preferred Stock (representing an aggregate of 590.016 shares of Company Preferred Stock) as a gift to Kenneth Landini, who was a member of the board of directors of The W Group immediately prior to the closing of the Reverse Merger and will be, commencing on the Information Statement Date (as defined below), a member of the Company’s board of directors. See “Form 10 Disclosure – Executive Officers and Directors” below for a discussion of the members of the board of directors of the Company, after giving effect to the Reverse Merger and the transactions entered into in connection therewith. As of May 4, 2011, the date immediately prior to the date of this Current Report on Form 8-K, after giving effect to the gift of shares to Mr. Landini, such shares represent approximately 0.40% of the outstanding shares of Company Common Stock on a fully diluted basis, calculated on the same basis as described above, without giving effect to the Reverse Split, and (2) approximately 0.46% of the outstanding shares of Company Common Stock, giving effect to the Reverse Split.

Copies of each of the Merger Agreement and the Repurchase Agreement are incorporated herein by reference and filed as Exhibits 2.1 and 10.1, respectively, to this Form 8-K. The descriptions of the Merger Agreement and the Repurchase Agreement, and the transactions contemplated thereby, set forth herein do not purport to be complete and are qualified in their entirety by reference to the full text of the exhibits filed herewith and incorporated by this reference.

Other than the transactions and agreements disclosed in this Form 8-K, the Company is not aware of any arrangements which may result in a change in control of the Company. No officer, director, promoter, or affiliate has, or proposes to have, any direct or indirect material interest in any asset proposed to be acquired by the Company through security holdings, contracts, options or otherwise.

Changes Resulting from the Reverse Merger

If prior to the Reverse Merger the Company was a “shell company,” as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which the Company has assumed to be the case for purposes of this Current Report on Form 8-K, as the result of the consummation of the Reverse Merger, the Company is no longer a shell company. The Company is continuing as a “smaller reporting company,” as defined under the Exchange Act, following the Reverse Merger (although the Form 10 information below is provided without using “scaled disclosure”).

The Company intends to carry on The W Group's business as its sole line of business. The Company has relocated its executive offices to those of The W Group at 655 Wheat Lane, Wood Dale, IL 60191. The Company's new telephone number is (630) 350-9400, its new fax number is (630) 350-0103, and its corporate website is www.powergreatlakes.com. The information on, or accessible through, the Company's website does not constitute part of, and is not incorporated by reference into, this Current Report.

Terms of Company Preferred Stock

In accordance with the Company's Articles of Incorporation, the Company's board of directors approved the filing of a certificate of designation (the "Certificate of Designation") designating and authorizing the issuance of up to 114,000 shares of Company Preferred Stock. The Certificate of Designation was filed with the Nevada Secretary of State, and became effective, on April 29, 2011.

Each share of Company Preferred Stock is initially convertible into shares of Company Common Stock at any time at the election of the holder thereof, subject to the limitations on conversion set forth in the Certificate of Designation (as described below), at an initial conversion price of \$0.375 per share, subject to full ratchet anti-dilution protection and to other adjustments for non-cash dividends, distributions, stock splits or other subdivisions or reclassifications of Company Common Stock. Giving effect to the Reverse Split, immediately following the closing of the Reverse Merger and the Private Placement, the conversion price at which each share of Company Preferred Stock will convert into shares of Company Common Stock would be \$12.00 per share. As of any date prior to the effectiveness of the Reverse Split, no holder of Company Preferred Stock will have the right to, and the Company will not have any obligation to issue to any holder, shares of Company Common Stock upon conversion of Company Preferred Stock in excess of the product (the product for any holder, the "Preferred Reservation Amount," and the sum of the Preferred Reservation Amounts for each of the holders of Company Preferred Stock, the "Aggregate Preferred Reservation Amount") of (1) the difference between the then-authorized number of shares of Company Common Stock less an amount equal to one hundred and ten percent (110%) of the number of shares of Company Common Stock outstanding as of the closing date of the Reverse Merger, multiplied by (2) a percentage equal to a fraction, the numerator of which is the number of shares of Company Common Stock issuable upon conversion of the shares of Company Preferred Stock then held by such holder (without giving effect to any limitation on conversion thereof), and of which the denominator is the total number of shares of Company Common Stock issuable upon conversion of all shares of Company Preferred Stock outstanding as of the closing of the Reverse Merger (without giving effect to any limitation on conversion thereof), giving effect to the consummation of the Reverse Merger and the Private Placement (the "Preferred Conversion Limitation"). The Company is obligated at all times prior to the effectiveness of the Reverse Split to reserve and keep available out of its authorized but unissued shares of Company Common Stock a number of shares of Company Common Stock equal to the Aggregate Preferred Reservation Amount, solely for the purpose of effecting the conversion of shares of Company Preferred Stock into shares of Company Common Stock pursuant to the Certificate of Designation.

Immediately following the effectiveness of the Reverse Split, each issued and outstanding share of Company Preferred Stock will automatically convert into a number of shares of Company Common Stock equal to \$1,000 divided by the conversion price then in effect. Accordingly, immediately following the effectiveness of the Reverse Split, the aggregate of 113,960.90289 outstanding shares of Company Preferred Stock, representing all of the shares of Company Preferred Stock issued in the Reverse Merger and in the Private Placement, will automatically convert into an aggregate of 9,496,742 shares of Company Common Stock (assuming a conversion price of \$12.00 per share, giving effect to the Reverse Split). See "—Reverse Split and Migratory Merger" below.

Each holder of a share of Company Preferred Stock is entitled to vote with the holders of Company Common Stock as a single class on all matters voted on by holders of Company Common Stock. Each share of Company Preferred Stock entitles the holder thereof to cast the number of votes equal to the total number of votes which could be cast in such vote by a holder of the number of shares of Company Common Stock into which such shares of Company Preferred Stock are convertible as of the date immediately prior to the record date for such vote (subject to the Preferred Conversion Limitation). Upon any liquidation, dissolution or winding up of the Company, each holder of Company Preferred Stock will be entitled to be paid, before any distribution or payment is made upon the Company Common

Stock, an amount in cash equal to the sum of \$1,000 plus the amount of any declared or accrued but unpaid dividends thereon as of such date, for each share of Company Preferred Stock held thereby (the “Preferred Liquidation Preference”), and such holder will not be entitled to any further payment.

No dividends are payable on the Company Preferred Stock, except that if the Company pays dividends on the Company Common Stock, the Company Preferred Stock will participate as if, for purposes thereof, each share of Company Preferred Stock had converted into shares of Company Common Stock after giving effect to the Reverse Split (i.e., without giving effect to the Preferred Conversion Limitation) as of the date immediately prior to the record date for such dividend. In the event the Reverse Split is not effective on or prior to August 27, 2011, each share of Company Preferred Stock will entitle the holder thereof to receive, when, as and if declared by the Company’s board of directors, non-cumulative cash dividends, accruing on a daily basis from August 27, 2011, through and including the date on which such dividends are paid, at the annual rate of two percent (2%) of the Preferred Liquidation Preference.

The holders of Company Preferred Stock are not entitled to any preemptive, subscription, redemption or other similar rights, and the Company does not have any right to redeem the Company Preferred Stock. All issued and outstanding shares of Company Preferred Stock are fully-paid and non-assessable.

A copy of the Certificate of Designation is incorporated herein by reference and filed as Exhibit 3.1 to this Form 8-K. The description of the Certificate of Designation set forth herein does not purport to be complete and is qualified in its entirety by reference to the full text of the exhibit filed herewith and incorporated by this reference.

Principal Purchase and Sale Transaction

The W Group and Thomas Somodi, its Chief Operating Officer and Chief Financial Officer, previously entered into (1) a subscription agreement, dated as of April 16, 2005, as amended by the amendment to subscription agreement, effective as of January 1, 2008 (the “Somodi Subscription Agreement”), and (2) an employment agreement, dated as of April 16, 2005, as amended by the amendment to employment agreement, effective as of January 1, 2008. See “Form 10 Disclosure – Executive Compensation – Employment Agreements” for a description of this employment agreement between Mr. Somodi and The W Group. Pursuant to the Somodi Subscription Agreement, Mr. Somodi acquired shares of common stock of The W Group, which represented 10% of the issued and outstanding shares of common stock of The W Group as of the date of such agreement and immediately prior to the closing of the Reverse Merger, and the Somodi Subscription Agreement provided that, upon any issuance or change in the structure of capital stock, The W Group would make an equitable adjustment to the shares held by Mr. Somodi so that Mr. Somodi would maintain an interest equal to 10% of the fully diluted capital stock of The W Group. The Somodi Subscription Agreement further provided (1) Mr. Somodi with the right to require The W Group to purchase his shares, and (2) The W Group with the right to require Mr. Somodi to sell his shares to The W Group, upon The W Group’s achievement of certain thresholds relating to the valuation of The W Group. Pursuant to the Somodi Subscription Agreement, Mr. Somodi further agreed to sell his shares, if requested by The W Group, to a third party in connection with a sale of The W Group.

Pursuant to the Merger Agreement, in exchange for all of the outstanding shares of common stock of The W Group held by the three stockholders of The W Group at the closing of the Reverse Merger, the Company issued an aggregate of 10,000,000 shares of Company Common Stock and 95,960.90289 shares of Company Preferred Stock to the three stockholders of The W Group. Pursuant to the Principal Purchase and Sale Agreement, entered into on April 28, 2011, and effective on the closing of the Reverse Merger, Gary Winemaster agreed to purchase from Mr. Somodi, and Mr. Somodi agreed to sell to Mr. Winemaster, 1,000,000 shares of Company Common Stock and 9,596.09002 shares of Company Preferred Stock (in each case without giving effect to the Reverse Split), representing all of the shares of Company Common Stock and Company Preferred Stock acquired by Mr. Somodi pursuant to the Merger Agreement, at an initial closing to occur within 90 days following the closing of the Reverse Merger, in exchange for (1) a cash payment equal to \$2,500,000, payable at such initial closing, (2) an additional cash payment equal to \$1,750,000, payable after the earlier of the hiring by the Company of a new Chief Financial Officer (which the Company has agreed to do as soon as reasonably practicable) and April 29, 2013, two years after the closing of the Reverse Merger (provided that Mr. Winemaster has agreed to make such payment in no event later than the later of 60 days after such earlier date and eight months following the closing of the Reverse Merger), and (3) Mr. Winemaster’s agreement to transfer to Mr. Somodi shares of Company Common Stock, or cash payment in lieu thereof, upon the Company’s achievement of certain market value per share of Company Common Stock milestones, as described in detail below.

Pursuant to the terms of the Principal Purchase and Sale Agreement, after the initial payment of \$2,500,000 at the initial closing, approximately 41% of the shares agreed to be purchased by Mr. Winemaster (on a pro forma,

as-converted basis, without giving effect to any limitations on conversion set forth in the Certificate of Designation) will be held in escrow until the remaining \$1,750,000 payment has been delivered pursuant to the terms of the Principal Purchase and Sale Agreement. At Mr. Winemaster's election, in lieu of depositing such shares to be held in escrow, Mr. Winemaster may pledge such shares to Mr. Somodi to secure Mr. Winemaster's obligation to make the remaining \$1,750,000 payment to Mr. Somodi.

As of May 4, 2011, giving effect to the closing of the Reverse Merger, the contemporaneous closing of the Private Placement and the respective gifts by each of Gary Winemaster and Kenneth Winemaster of shares of Company Preferred Stock to Kenneth Landini described above (but excluding the shares of Company Common Stock and Company Preferred Stock issued to Mr. Somodi in the Reverse Merger which Mr. Winemaster has agreed to purchase), Gary Winemaster beneficially owns approximately 47.16% of the Company's outstanding shares of Company Common Stock, on a fully diluted basis, subject to the limitations on conversion of Company Preferred Stock set forth in the Certificate of Designation and the limitations on exercise set forth in the Private Placement Warrants and the Roth Warrant (without giving effect to the Reverse Split), or approximately 42.53% on a pro forma, fully diluted basis as if the Reverse Split were consummated concurrently with the closing of the Reverse Merger. Mr. Winemaster's beneficial ownership of the Company's outstanding shares of Company Common Stock on a pro forma, fully diluted basis, as if Mr. Winemaster purchased the shares from Mr. Somodi pursuant to the Principal Purchase and Sale Agreement concurrently with the closing of the Reverse Merger (giving effect also to the gift of shares to Mr. Landini described above), would increase to approximately 55.77% on a fully diluted basis, but subject to the limitations on conversion of Company Preferred Stock set forth in the Certificate of Designation and the limitations on exercise set forth in the Private Placement Warrants and the Roth Warrant (without giving effect to the Reverse Split), or approximately 50.30% on a pro forma, fully diluted basis as if the Reverse Split were consummated concurrently with the closing of the Reverse Merger.

As additional consideration for the acquisition by Mr. Winemaster of the shares issued to Mr. Somodi in the Reverse Merger, Mr. Winemaster agreed to deliver to Mr. Somodi, within 90 days of the first date on which the Company first achieves Company Common Stock market value per share milestones as follows: (A) an aggregate of 3,933,333 shares of Company Common Stock (122,917 shares giving effect to the Reverse Split) after the first period of 10 consecutive trading days after the effectiveness of the Reverse Split on each of at least seven of which the market value per share of the outstanding Company Common Stock (calculated in accordance with the Principal Purchase and Sale Agreement) is at least \$0.6356 (\$20.3392 giving effect to the Reverse Split); (B) an additional aggregate of 4,720,000 shares of Company Common Stock (147,500 shares giving effect to the Reverse Split) after the first period of 10 consecutive trading days after the effectiveness of the Reverse Split on each of at least seven of which the market value per share of the outstanding Company Common Stock (calculated in accordance with the Principal Purchase and Sale Agreement) is at least \$0.7945 (\$25.424 giving effect to the Reverse Split); and (C) an additional aggregate of 3,146,656 shares of Company Common Stock (98,333 shares giving effect to the Reverse Split) after the first period of 10 consecutive trading days after the effectiveness of the Reverse Split on each of at least seven of which the market value per share of the outstanding Company Common Stock (calculated in accordance with the Principal Purchase and Sale Agreement) is at least \$0.9534 (\$30.5088 giving effect to the Reverse Split). All share numbers and share prices set forth above are subject to adjustment for stock splits, stock dividends and other similar transactions, as set forth in the Principal Purchase and Sale Agreement. Mr. Winemaster may, at his sole option and in lieu of delivering shares of Company Common Stock to Mr. Somodi as described above, elect to make a payment to Mr. Somodi equal to the then-market value of the shares Mr. Winemaster would otherwise be required to deliver pursuant to the provisions described above. Mr. Winemaster's obligation will expire if the Company has not achieved the applicable market value per share of Company Common Stock milestones by the fifth anniversary of the closing of the Reverse Merger.

Prior to the closing of the Reverse Merger, and in connection with Mr. Winemaster and Mr. Somodi entering into the Principal Purchase and Sale Agreement, (i) on April 28, 2011, The W Group and Mr. Somodi entered into a Termination Agreement (the "Termination Agreement"), pursuant to which each of Mr. Somodi's employment agreement with The W Group (the term of which expired in April 2010) and the Somodi Subscription Agreement, were terminated effective upon the closing of the Reverse Merger; and (ii) on April 29, 2011, the Company and Mr. Somodi entered into a new employment agreement, which sets forth the terms of Mr. Somodi's employment with the Company. See "Form 10 Disclosure – Executive Compensation – Employment Agreements" for a description of the Company's new employment agreement with Mr. Somodi.

Copies of each of the Termination Agreement (including the Principal Purchase and Sale Agreement referenced therein) and Mr. Somodi's new employment agreement with the Company are incorporated herein by reference and filed as Exhibits 10.2 and 10.3, respectively, to this Form 8-K. The descriptions of the Termination Agreement, the

Principal Purchase and Sale Agreement and Mr. Somodi's employment agreement with the Company, and the transactions contemplated thereby, set forth herein do not purport to be complete and are qualified in their entirety by reference to the full text of the exhibits filed herewith and incorporated by this reference.

Exemptions from Registration

The shares of Company Preferred Stock and Company Common Stock issued to the former stockholders of The W Group in the Reverse Merger were not registered under the Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state, and were in each case offered, sold and issued in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act, as a transaction by an issuer not involving a public offering, and Rule 506 of Regulation D promulgated thereunder, and the exemption from state securities law registration requirements provided by Section 18(b)(4)(D) of the Securities Act. The Company relied on such exemptions based in part on written representations made by the former stockholders of The W Group in the respective transaction documents, including representations with respect to each stockholder's status as an accredited investor and investment intent with respect to the acquired securities. The shares of Company Preferred Stock and Company Common Stock issued to the former stockholders of The W Group in the Reverse Merger may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act, and each of the certificates or instruments evidencing such shares bears a legend to that effect. To the extent that any shares of Company Common Stock are issued upon conversion of any shares of Company Preferred Stock issued in the Reverse Merger, such shares of Company Common Stock will be issued in transactions anticipated to be exempt from registration under Section 3(a)(9) of the Securities Act, because no commission or other remuneration will be paid in connection with such conversions and any resulting issuance of such shares of Company Common Stock.

Amendment and Restatement of the Bylaws of the Company

On April 29, 2011, prior to the consummation of the Reverse Merger, the Company's board of directors approved the Amended and Restated Bylaws of the Company (the "Amended and Restated Bylaws"), to amend and restate the Bylaws of the Company then in effect, effective immediately. The Amended and Restated Bylaws reflect modifications to generally modernize the bylaws of the Company.

Further, pursuant to the Private Placement Purchase Agreement, and in connection with the Migratory Merger (as defined below), the Company agreed with the investors in the Private Placement on forms of each of the certificate of incorporation and the bylaws for the surviving entity in the Migratory Merger, which surviving entity will be incorporated in the State of Delaware. The forms of certificate of incorporation and bylaws for the surviving entity in the Migratory Merger, copies of which are attached as exhibits to the Private Placement Purchase Agreement, contain provisions similar in some respects to those in the Company's current articles of incorporation and the Amended and Restated Bylaws; provided that, among other things, the certificate of incorporation and bylaws for the surviving entity will declassify the Company's board of directors, which currently provides for staggered terms for the Company's directors, and reflect applicable provisions of Delaware law.

A copy of the Amended and Restated Bylaws is incorporated herein by reference and filed as Exhibit 3.2 to this Form 8-K. Copies of the forms of each of the certificate of incorporation and bylaws for the surviving entity in the Migratory Merger are incorporated herein by reference and attached as exhibits to the Private Placement Purchase Agreement filed as Exhibit 10.4 to this Form 8-K. The descriptions of the Amended and Restated Bylaws, and of the forms of each of the certificate of incorporation and bylaws for the surviving entity in the Migratory Merger, in each case set forth herein do not purport to be complete and are qualified in their entirety by reference to the full text of the exhibits filed herewith and incorporated by this reference.

Reverse Split and Migratory Merger

In connection with, and prior to the consummation of, the Reverse Merger, the board of directors of the Company approved a 1-for-32 reverse stock split of issued and outstanding shares of Company Common Stock, immediately following the effectiveness of which every 32 issued and outstanding shares of Company Common Stock will automatically convert into one share of Company Common Stock. Any shareholder of the Company that would otherwise be entitled to a fraction of a share of Company Common Stock (after aggregating all fractional shares of Company Common Stock to be received by such holder) as a result of the Reverse Split, will receive an additional share of Company Common Stock (i.e., the aggregate number of shares of Company Common Stock of a shareholder resulting from the Reverse Split would be rounded up to the nearest whole number). The Reverse Split will not affect the number of authorized shares of capital stock of the Company or the par value of the Company Common Stock.

Immediately following the effectiveness of the Reverse Split, each issued and outstanding share of Company Preferred Stock will automatically convert into a number of shares of Company Common Stock equal to \$1,000 divided by the conversion price then in effect. Following the effectiveness of the Reverse Split and such automatic conversion, the holders of Company Common Stock who were shareholders of the Company prior to the Reverse Merger will hold approximately 0.2% of the outstanding shares of Company Common Stock.

Further, in connection with the Reverse Merger and the Private Placement, the board of directors of the Company approved the merger of the Company with and into a Delaware corporation that will be newly-created as a wholly owned subsidiary of the Company, which merger will be effected for the purpose of changing the Company's jurisdiction of incorporation from Nevada to Delaware (the "Migratory Merger"). The Reverse Split may be effected through the consummation of the Migratory Merger, whereby each 32 shares of Company Common Stock would be exchanged for one share of common stock of the surviving entity in the Migratory Merger. The consummation by the Company of each of the Reverse Split and the Migratory Merger is subject to the approval of the Company's shareholders. In connection with the Private Placement, each of the current shareholders of the Company who was a stockholder of The W Group and who received shares in the Reverse Merger and Kenneth Landini, who received as a gift shares of Company Preferred Stock from each of Gary Winemaster and Kenneth Winemaster following the consummation of the Reverse Merger, as described above, entered into voting agreements, pursuant to which such person agreed to vote his shares of Company Common Stock and Company Preferred Stock, as applicable, in favor of the Reverse Split and the Migratory Merger. The persons who entered into voting agreements hold, in the aggregate, a substantial majority of the voting securities of the Company. Accordingly, approval of the Reverse Split and the Migratory Merger is assured. See "The Private Placement – Voting Agreements" below for a discussion of the voting agreements entered into in connection with the Private Placement.

In connection with the Reverse Split and the Migratory Merger, and pursuant to the Private Placement Purchase Agreement, the Company has agreed to file with the U.S. Securities and Exchange Commission ("SEC") within 60 days of the closing of the Reverse Merger, and deliver to its shareholders of record, a proxy statement on Schedule 14A (the "Proxy Statement") for the purpose of submitting to its shareholders the approval of the Reverse Split and the Migratory Merger at a special meeting of the Company's shareholders. The Company has agreed to use its commercially reasonable best efforts to hold the special meeting of the Company's shareholders within 120 days after the closing of the Reverse Merger.

Shareholders of the Company are urged to read the Proxy Statement, the documents incorporated by reference in the Proxy Statement, the other documents filed with the SEC and other relevant materials when they become available because they will contain important information about the Reverse Split and the Migratory Merger. Shareholders and investors in the Private Placement will be able to obtain these documents free of charge at the SEC's website (<http://www.sec.gov>). The directors, executive officers and certain other members of management and employees of the Company and its subsidiaries are participants in the solicitation of proxies in favor of approval of the Reverse Split and the Migratory Merger. Information about the directors and executive officers of the Company is set forth in this Form 8-K. Additional information regarding the interests of such participants will be included in the Proxy Statement and the other relevant documents filed with the SEC when they become available.

Accounting Treatment

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") section 805, "Business Combinations" and the assumptions and adjustments described in the accompanying notes to the unaudited pro forma combined condensed financial statements, The W Group is considered the accounting acquiror in the Reverse Merger. The W Group is considered the acquiror for accounting purposes, and will account for the exchange transaction as a reverse acquisition, because The W Group's former stockholders received the greater portion of the voting rights in the combined entity and The W Group's senior management represents all of the senior management of the combined entity. The acquisition will be accounted for as the recapitalization of The W Group since, at the time of the acquisition, the Company was a company with minimal assets and liabilities. Consequently, the assets and liabilities and the historical operations that will be reflected in the Company's consolidated financial statements will be those of The W Group and will be recorded at the historical cost basis of The W Group.

The Private Placement

General

Concurrently with the closing of the Reverse Merger, pursuant to the Private Placement Purchase Agreement, the Company completed the sale of an aggregate of 18,000 shares of Company Preferred Stock, together with the Private

Placement Warrants representing the right to purchase initially an aggregate of 24,000,000 shares of Company Common Stock, subject to the limitations on exercise set forth in the Private Placement Warrants (as described below), in the Private Placement to 29 accredited investors, and also issued the Roth Warrant to ROTH Capital Partners, LLC in connection with the Private Placement, as described below. The shares of Company Preferred Stock issued in the Private Placement are initially convertible into an aggregate of 48,000,000 shares of Company Common Stock, subject to the Preferred Conversion Limitation, and otherwise upon the terms and conditions, set forth in the Certificate of Designation. See “The Reverse Merger – Terms of Company Preferred Stock” above for a description of the Company Preferred Stock.

Pursuant to the Private Placement Purchase Agreement, the Company agreed that, if prior to the earlier of (1) the second anniversary of the date on which the initial Registration Statement (as defined in the Private Placement Registration Rights Agreement (as defined below)) is declared effective by the SEC, and (2) 180 days after the closing of a firm commitment public underwritten offering of equity securities of the Company which results in gross proceeds of \$15,000,000 or more, the Company issues equity securities in one or a series of related offerings resulting in gross proceeds to the Company of at least \$5,000,000 at an effective price per share of Company Common Stock (such effective price, the “Reset Price”) less than \$0.375 (\$12.00 giving effect to the Reverse Split as if it occurred on the closing date of the Reverse Merger and the Private Placement) (subject to adjustment as set forth in the Private Placement Purchase Agreement) (the “Base Price”), then no later than the closing date of such offering, the Company will issue to each investor in the Private Placement (A) additional shares of Company Common Stock (the “Reset Shares”) so that after giving effect to such issuance, the effective price per share of Company Common Stock acquired by such investor in the Private Placement (excluding shares issuable upon the exercise of the Private Placement Warrants) will be equal to the Reset Price, and (B) additional Private Placement Warrants (the “Reset Warrants”) covering a number of shares of Company Common Stock equal to 50% of the Reset Shares (the “Reset Warrant Shares”).

The Company further agreed, pursuant to the Private Placement Purchase Agreement, to take action such that, no later than 180 days following the closing of the Private Placement, the Company’s board of directors will consist of five or greater directors, a majority of whom will constitute “independent directors” as defined by the marketplace rules of The NASDAQ Stock Market.

As of April 29, 2011, the shares of Company Preferred Stock issued in the Private Placement, together with the shares of Company Common Stock issuable upon exercise of the Private Placement Warrants, on a fully diluted basis, assuming each share of Company Preferred Stock had converted into, and each of the Private Placement Warrants and the Roth Warrant had been exercised for, shares of Company Common Stock (but subject to the Preferred Conversion Limitation set forth in the Certificate of Designation and the limitations on exercise set forth in the Private Placement Warrants and the Roth Warrant, respectively), represent (1) approximately 12.32% of the outstanding shares of Company Common Stock, giving effect to the Reverse Merger, the Stock Repurchase, the Private Placement and the issuance of the Roth Warrant in connection with the Private Placement, and without giving effect to the Reverse Split, and (2) approximately 21.05% of the outstanding shares of Company Common Stock, on a fully diluted basis, giving effect to the Reverse Split.

Each investor in the Private Placement purchased shares of Company Preferred Stock and related Private Placement Warrants for a price of \$1,000 per share and related Private Placement Warrant pursuant to the Private Placement Purchase Agreement, in each case executed and delivered by such investor on or prior to the closing of the Private Placement.

Private Placement Warrants

For every share of Company Common Stock issuable upon conversion of Company Preferred Stock purchased in the Private Placement, each investor in the Private Placement also received a warrant to purchase one-half of a share of Company Common Stock, at an initial exercise price of \$0.40625 per share, subject to adjustment upon the effectiveness of the Reverse Split and for non-cash dividends, distributions, stock splits or other reorganizations or reclassifications of Company Common Stock. The Private Placement Warrants are also subject to full ratchet anti-dilution protection. The Private Placement Warrants represent the right to purchase initially an aggregate of 24,000,000 shares of Company Common Stock; however, the Private Placement Warrants are not exercisable prior to the effectiveness of the Reverse Split. Giving effect to the Reverse Split, immediately following the closing of the Reverse Merger and the Private Placement, the Private Placement Warrants would represent the right to purchase an aggregate of 750,000 shares of Company Common Stock, at an exercise price of \$13.00 per share. The Private Placement Warrants will expire on April 29, 2016.

The Private Placement Warrants further include a requirement that, from and after the effective date of the Reverse Split, the Company will keep reserved out of the authorized and unissued shares of Company Common Stock sufficient shares to provide for the exercise of the Private Placement Warrants.

Roth Warrant

The Roth Warrant represents the right to purchase initially an aggregate of 3,360,000 shares of Company Common Stock, subject to the limitations on exercise set forth in the Roth Warrant (as described below), at an initial exercise price of \$0.4125 per share, subject to adjustment upon the effectiveness of the Reverse Split and as otherwise set forth in the Roth Warrant. The Roth Warrant is not exercisable prior to the effectiveness of the Reverse Split. Giving effect to the Reverse Split, immediately following the closing of the Reverse Merger and the Private Placement, the Roth Warrant would represent the right to purchase an aggregate of 105,000 shares of Company Common Stock, at an exercise price of \$13.20 per share. The Roth Warrant will expire on April 29, 2016. The Roth Warrant includes a requirement of the Company that the Company reserve a sufficient number of shares of Company Common Stock solely for the purpose of effecting the exercise of the Roth Warrant into shares of Company Common Stock pursuant to the terms (and subject to the limitations) thereof.

Voting Agreements

In connection with the closing of the Private Placement, on April 29, 2011, each of the shareholders of the Company who was a stockholder of The W Group and who received shares in the Reverse Merger and Kenneth Landini, who received as a gift shares of Company Preferred Stock from each of Gary Winemaster and Kenneth Winemaster following the consummation of the Reverse Merger, as described above, entered into Voting Agreements (collectively, the “Voting Agreements”), pursuant to which such person agreed to vote his shares of Company Preferred Stock and Company Common Stock, as applicable, in favor of the Reverse Split, the Migratory Merger and such other matters as may be necessary or advisable to consummate the transactions contemplated by the Private Placement Purchase Agreement. Pursuant to the Voting Agreements, each shareholder of the Company party thereto further appointed representatives of certain of the investors in the Private Placement as such person’s proxy such that, in the event such shareholder fails to be counted as present or vote such shareholder’s shares in favor of the Reverse Split and the Migratory Merger, then the proxy will have the right to vote such shares in favor of the Reverse Split and the Migratory Merger. The persons who entered into the Voting Agreements hold, in the aggregate, a substantial majority of the voting securities of the Company. Accordingly, approval of the Reverse Split and the Migratory Merger is assured.

Copies of each of the Private Placement Purchase Agreement, a form of Voting Agreement, a form of the Private Placement Warrants and the Roth Warrant are incorporated herein by reference and filed as Exhibits 10.4, 10.5, 10.6 and 10.7, respectively, to this Form 8-K. The descriptions of the Private Placement Purchase Agreement, the Voting Agreements, the Private Placement Warrants and the Roth Warrant, and the respective transactions contemplated thereby, set forth herein do not purport to be complete and are qualified in their entirety by reference to the full text of the exhibits filed herewith and incorporated by this reference.

Exemptions from Registration

The shares of Company Preferred Stock issued in the Private Placement, the Private Placement Warrants and the Roth Warrant were offered, sold and issued in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act, in each case as a transaction by an issuer not involving a public offering, and Rule 506 of Regulation D promulgated thereunder, and the exemption from state securities law registration requirements provided by Section 18(b)(4)(D) of the Securities Act. The Company relied on such exemptions based in part on representations made by each of the investors in the Private Placement in the Private Placement Purchase Agreement, or in the case of ROTH Capital Partners, LLC, in the Roth Warrant, including representations with respect to each investor’s status or the status of ROTH Capital Partners, LLC, as applicable, as an accredited investor and investment intent with respect to the acquired securities. The shares of Company Preferred Stock issued in the Private Placement, the Private Placement Warrants and the Roth Warrant may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act, and each of the certificates or instruments evidencing such shares of Company Preferred Stock, the Private Placement Warrants and the Roth Warrant, as applicable, bears a legend to that effect. To the extent that any shares of Company Common Stock are issued upon conversion of any shares of Company Preferred Stock issued in the Private Placement, such shares of Company

Common Stock will be issued in transactions anticipated to be exempt from registration under Section 3(a)(9) of the Securities Act, because no commission or other remuneration will be paid in connection with such conversions and any resulting issuance of such shares of Company Common Stock. To the extent any shares of Company Common Stock are issued upon the exercise of any Private Placement Warrants, and to the extent any shares of Company Common Stock are issued upon the exercise of the Roth Warrant, such shares will be issued in transactions anticipated to be exempt from registration under Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder or, in the case of “cashless exercise” of the Private Placement Warrants or Roth Warrant, as applicable, Section 3(a)(9) of the Securities Act. To the extent any Reset Shares or any Reset Warrants are issued pursuant to the Private Placement Purchase Agreement, or any Reset Warrant Shares are issued upon the exercise of any such Reset Warrants, such shares will be issued in transactions anticipated to be exempt from registration under Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder or, in the case of “cashless exercise” of the Reset Warrants, Section 3(a)(9) of the Securities Act.

Restrictions on Transfer

All shares of Company Common Stock and Company Preferred Stock issued to the former stockholders of The W Group in the Reverse Merger and the shares of Company Common Stock issuable upon conversion of such shares of Company Preferred Stock, all of the shares of Company Preferred Stock issued in the Private Placement and the shares of Company Common Stock issuable upon conversion thereof, the Private Placement Warrants and the shares of Company Common Stock issuable upon exercise thereof, the Roth Warrant and the shares of Company Common Stock issuable upon exercise thereof, any Reset Shares or Reset Warrants issued pursuant to the Private Placement Purchase Agreement, and any Reset Warrant Shares issuable upon exercise of any Reset Warrants, will be considered “restricted securities” under U.S. federal securities laws and may not be resold pursuant to Rule 144 under the Securities Act, or any successor thereto (“Rule 144”), for a period of at least one year after the filing of this report. Each of the shareholders of the Company who was a stockholder of The W Group and who received shares in the Reverse Merger (each of whom served as a director and executive officer of The W Group and has become an executive officer (and has or will become a director) of the Company in connection with the consummation of the Reverse Merger), and Kenneth Landini, who received shares of Company Preferred Stock as a gift from each of Gary Winemaster and Kenneth Winemaster, as described above (who served as a director of The W Group and will become a director of the Company in connection with the consummation of the Reverse Merger as described in this Form 8-K), has executed a lock-up agreement (each, a “Lock-Up Agreement”) which provides that such person will not, for a period commencing on April 29, 2011, the date of the Private Placement Purchase Agreement, and ending on the earlier of the termination of the Private Placement Purchase Agreement and 180-days following the effective date of the Registration Statement, offer, sell or otherwise transfer any shares of Company Common Stock, any securities substantially similar to Company Common Stock and any securities convertible into or exercisable for shares of Company Common Stock (including shares of Company Preferred Stock), other than in connection with the Reverse Merger, the Stock Repurchase and the Principal Purchase and Sale Transaction and the gifts of shares of Company Preferred Stock to Mr. Landini described herein (subject to customary exceptions).

A copy of the form of Lock-Up Agreement is incorporated herein by reference and filed as Exhibit 10.8 to this Form 8-K. The description of the Lock-Up Agreements does not purport to be complete and is qualified in its entirety by reference to the full text of the exhibit filed herewith and incorporated by this reference.

Registration Rights

The Company has entered into a registration rights agreement with the investors in the Private Placement and Roth Capital Partners, LLC (the “Private Placement Registration Rights Agreement”), pursuant to which the Company has agreed to file a registration statement on Form S-1 with the SEC covering the resale of all shares of Company Common Stock issuable upon conversion of shares of Company Preferred Stock issued in the Private Placement and shares of Company Common Stock issuable upon exercise of the Private Placement Warrants and the Roth Warrant (collectively, the “Registrable Securities”), on or before the date which is 30 days after the closing date of the Private Placement (the “Filing Deadline”), and to use its commercially reasonable efforts to have such shelf registration statement declared effective by the SEC as soon as practicable. The Company further agreed, within 30 days after the Company becomes eligible to use a registration statement on Form S-3 to register the Registrable Securities for resale, to file a registration statement on Form S-3 covering the Registrable Securities. Pursuant to the Private Placement Registration Rights Agreement, the holders of Registrable Securities are also entitled to certain piggyback registration rights.

If a registration statement is not filed with the SEC on or prior to the Filing Deadline, or if (1) a registration statement covering the Registrable Securities is not declared effective by the SEC prior to the earlier of (A) five business days after the SEC informs the Company that no review of such registration statement will be made or that the SEC has no further comments on such registration statement, or (B) the 120th day after the closing of the Private Placement, or (2) after a registration statement has been declared effective by the SEC, sales cannot be made pursuant to such registration statement for any reason, but excluding any period for which the use of any prospectus included in a registration statement has been suspended if and so long as certain conditions exist (which period may not be for more than 20 consecutive days or for a total of more than 45 days in any 12-month period), then the Company will make pro rata payments to each investor in the Private Placement, as liquidated damages, in an amount equal to 1.5% of the aggregate amount invested by such investor for each 30-day period (or pro rata for any portion thereof) following the date by which such registration statement should have been filed with the SEC, or been declared effective, as applicable.

The Company is also obligated to maintain the effectiveness of the registration statement until the earliest of (1) the first date on which all Registrable Securities covered by such registration statement have been sold, (2) the first date on which all Registrable Securities covered by such registration statement may be sold without restriction pursuant to Rule 144 or (3) the first date on which none of the securities included in the registration statement constitute “Registrable Securities” (as such term is defined in the Private Placement Registration Rights Agreement”).

In connection with the consummation of the Reverse Merger, the Company also entered into a registration rights agreement with Gary Winemaster, Kenneth Winemaster and Thomas Somodi (the “Shareholder Registration Rights Agreement”), pursuant to which the Company has agreed to provide to such persons certain piggyback registration rights with respect to shares of the Company’s capital stock, including shares issuable upon exercise, conversion or exchange of securities, held by such persons at any time on or after the closing of the Reverse Merger. The piggyback registration rights under the Shareholder Registration Rights Agreement are subject to customary cutbacks and are junior to the piggyback registration rights granted to investors in the Private Placement and to Roth pursuant to the Private Placement Registration Rights Agreement.

Copies of each of the Private Placement Registration Rights Agreement and the Shareholder Registration Rights Agreement are incorporated herein by reference and filed as Exhibits 10.9 and 10.10, respectively, to this Form 8-K. The descriptions of the Private Placement Registration Rights Agreement and the Shareholder Registration Rights Agreement set forth herein do not purport to be complete and are qualified in their entirety by reference to the full text of the exhibits filed herewith and incorporated by this reference.

Replacement of Prior Credit Agreement

On April 29, 2011, in connection with the closing of the Reverse Merger, the Stock Repurchase and the Private Placement, the Company and The W Group entered into a loan and security agreement with Harris N.A., and such loan and security agreement replaced the existing loan and security agreement that The W Group had with its senior lender prior to the closing of the Reverse Merger. Pursuant to the loan and security agreement with Harris N.A., among other things, the Company became a party to the loan and security agreement, the maximum loan amount under the senior credit facility was reduced from the maximum loan amount under The W Group’s prior credit facility to reflect The W Group’s repayment in full of its two previously outstanding term loans under the prior credit facility, and the financial covenants under the prior credit facility were replaced with a new fixed charge coverage ratio covenant. See “Form 10 Disclosure – Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and capital resources – Credit agreement” below for a discussion of the Company’s current credit facility and The W Group’s prior credit facility, which was replaced in connection with the Reverse Merger.

A copy of the loan and security agreement with Harris N.A. is incorporated herein by reference and filed as Exhibit 10.11 to this Form 8-K. The description of the loan and security agreement in this Form 8-K does not purport to be complete and is qualified in its entirety by reference to the full text of the exhibit filed herewith and incorporated by this reference.

Transaction Fees and Use of Proceeds.

The Company received gross proceeds of \$18,000,000 from the Private Placement of shares of Company Preferred Stock and Private Placement Warrants issued in the Private Placement. The Company assumed The W Group’s agreement to pay ROTH Capital Partners, LLC, in its capacity as placement agent in connection with the Private Placement, and The W Group’s agreement to pay Invision Capital, in its capacity as financial consultant to the W Group in connection with the Private Placement.

ROTH Capital Partners, LLC, in its capacity as placement agent, received an aggregate of \$1,830,109 in cash fees (including \$570,109 in fees for the Reverse Merger and \$1,260,000 in fees for the Private Placement) and the Roth Warrant, representing the right to purchase initially 3,360,000 shares of Company Common Stock, subject to the limitations on exercise set forth therein, in connection with the Reverse Merger and the Private Placement. In addition, Invision Capital, in its capacity as financial consultant to The W Group, received an aggregate of \$830,000 in cash fees for consulting services. Additionally, the Company incurred accounting, legal and other out-of-pocket expenses, including reimbursement of expenses of the investors and ROTH Capital Partners, LLC, in its capacity as placement agent, estimated to be a total of approximately \$1,760,000 in connection with the Reverse Merger and the Private Placement. In addition, the Company paid \$360,000 to repurchase shares of Company Common Stock from the majority shareholders of the Company pursuant to the Stock Repurchase.

The net proceeds to the Company from the Private Placement, after deducting for fees, costs and estimated expenses with respect to the Reverse Merger, the Private Placement and the Stock Repurchase, are estimated to be approximately \$13,200,000. The Company used proceeds from the Private Placement to pay off in full the Company's two term loans under its prior credit facility, in an aggregate of approximately \$7,300,000, and, together with a draw of approximately \$18,400,000 on the line of credit from its new credit facility, to repay all of its existing line of credit, including fees, costs and expenses, under its prior credit facility. Immediately following such transactions, availability under the new credit facility was approximately \$12,700,000. See "Form 10 Disclosure – Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and capital resources – Credit agreement" below for a discussion of the Company's credit facility entered into in connection with the Reverse Merger.

Summary of Transaction Sequence

The following is an outline summarizing the Reverse Merger, the Principal Purchase and Sale Transaction, the Private Placement, the Stock Repurchase and the Reverse Split (all of which, except for the Reverse Split, occurred substantially contemporaneously):

Reverse Merger and Principal Purchase and Sale Transaction

- (1) Merger Sub merged with and into The W Group, and The W Group remained as the surviving corporation of the merger, becoming a wholly-owned subsidiary of the Company.
- (2) Pursuant to the Merger Agreement, in exchange for all of the outstanding shares of common stock of The W Group held by the three stockholders of The W Group at the closing of the Reverse Merger, the Company issued an aggregate of 10,000,000 shares of Company Common Stock and 95,960.90289 shares of Company Preferred Stock to the three stockholders of The W Group.
- (3) Pursuant to the Principal Purchase and Sale Agreement, Gary Winemaster agreed to purchase from Mr. Somodi, and Mr. Somodi agreed to sell to Mr. Winemaster, the 1,000,000 shares of Company Common Stock and the 9,596.09002 shares of Company Preferred Stock (in each case, without giving effect to the Reverse Split) acquired by Mr. Somodi pursuant to the Merger Agreement, at an initial closing to occur within 90 days following the closing of the Reverse Merger, in exchange for (1) a cash payment equal to \$2,500,000, payable at such initial closing, (2) an additional cash payment equal to \$1,750,000, payable at a subsequent closing, and (3) Mr. Winemaster's agreement to transfer to Mr. Somodi shares of Company Common Stock, or cash payment in lieu thereof, upon the Company's achievement of certain market value per share of Company Common Stock milestones.

Private Placement

- (4) The Company issued an aggregate of 18,000 shares of Company Preferred Stock, together with Private Placement Warrants representing the right to purchase initially 24,000,000 shares of Company Common Stock, subject to the limitations on exercise set forth in the Private Placement Warrants, to 29 accredited investors, at a purchase price of \$1,000 per share and related Private Placement Warrants, in the Private Placement and issued the Roth Warrant, representing the right to purchase initially 3,360,000 shares of Company Common Stock, subject to the limitations on exercise set forth in the Roth Warrant, to ROTH Capital Partners, LLC.

Stock Repurchase

- (5) Pursuant to the Repurchase Agreement:
 - (A) The Company repurchased 3,000,000 shares of Company Common Stock from Ryan Neely and Michelle Neely;
 - (B) Ryan Neely and Michelle Neely terminated all of their right, title and interest in and to, and released the Company from any and all obligations it had with respect to, the loans made by Ryan Neely and Michelle Neely to the Company from time to time (which, as of the closing of the transactions contemplated by the Repurchase Agreement, was an aggregate principal amount of \$114,156); and
 - (C) In exchange, the Company paid aggregate consideration of \$360,000 to Ryan Neely and Michelle Neely.

Reverse Split and Migratory Merger

- (6) The board of directors of the company approved a 1-for-32 reverse stock split of shares of Company Common Stock issued and outstanding, and the merger of the Company with and into a Delaware corporation that will be a wholly-owned subsidiary of the Company formed for the purpose of changing the Company's jurisdiction of incorporation from Nevada to Delaware. Immediately following the effectiveness of the Reverse Split, every 32 issued and outstanding shares of Company Common Stock will automatically convert into one share of Company Common Stock, and each issued and outstanding share of Company Preferred Stock will automatically convert into a number of shares of Company Common Stock equal to \$1,000 divided by the conversion price then in effect. The Company intends to file with the SEC, and deliver to its shareholders of record, the Proxy Statement on Schedule 14A for the purpose of submitting to its shareholders the approval of the Reverse Split and the Migratory Merger at a special meeting of the Company's shareholders.

FORM 10 DISCLOSURE

BUSINESS

Description of Our Company and Predecessor

Format, Inc. (now known as Power Solutions International, Inc.) was incorporated in the State of Nevada on March 21, 2001 for the purpose of providing EDGARizing services to various commercial and corporate entities. Prior to the consummation of the Reverse Merger, Format, Inc. was engaged, to a very limited extent, in EDGARizing corporate documents for filing with the SEC, and providing limited commercial printing services. On November 14, 2006, Format, Inc. filed a registration statement on Form 10-SB on a voluntary basis so that it would become a reporting issuer pursuant to the Exchange Act, and such registration statement on Form 10-SB became effective on January 13, 2007. Based upon the nominal operations and assets of Format, Inc. prior to the consummation of the Reverse Merger and the other transactions described in this Form 8-K, Format, Inc. may be deemed to have been a shell company (as that term is defined in Rule 12b-2 of the Exchange Act) prior to the consummation of the Reverse Merger.

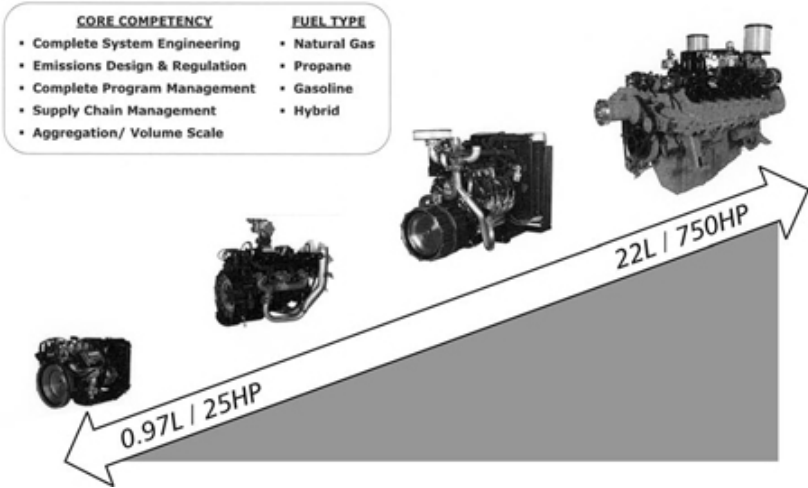
Following the closing of the Reverse Merger with The W Group, the Company has succeeded to the business of The W Group, which is described below. In connection with the Reverse Merger, effective April 29, 2011, we changed our corporate name to Power Solutions International, Inc. Unless the context otherwise requires, "we," "our," "us," "our company" and similar expressions used in this section refer to The W Group prior to the closing of the Reverse Merger on April 29, 2011, and Power Solutions International, Inc. (f/k/a Format, Inc.), as successor to the business of The W Group, following the closing of the Reverse Merger.

Company Overview

We are a global producer and distributor of one of the broadest ranges of high performance, certified low emission, power solutions for original equipment manufacturers of off-highway industrial equipment ("industrial OEMs"). Our

customers include large, industry-leading, multinational organizations, and we are a sole source power solution provider for most of our customers. By leveraging our expertise in developing emission-certified power systems and through our access to the latest power system technologies, we believe that we are able to provide a turnkey “green” solution to industrial OEMs at a lower cost and faster design turnaround than other alternatives.

Our power systems are primarily spark-ignited, running on alternative fuels such as natural gas and propane. We design, develop, manufacture, distribute and provide after-market support for our power solutions for industrial OEMs in a wide range of industries with a diversified set of applications. Our power solutions are used in stationary electricity generators, oil and gas equipment, forklifts, aerial work platforms, industrial sweepers, arbor equipment, agricultural and turf equipment, aircraft ground support equipment, construction and irrigation equipment, and other industrial equipment. For these applications, our low-emission, alternative fuel power solutions, which range in size from under 1 liter to over 22 liters and meet, and in many cases produce emissions at levels significantly lower than those required by, emission standards of the EPA and CARB, represent a cleaner, and typically less expensive, alternative to diesel fuel power systems. In addition, while our power systems primarily run on alternative fuels, we also supply low-emission standard fuel (such as diesel) and hybrid power solutions. In the markets in which our diesel and alternative fuel power systems compete, substantially all of the engines are water-cooled (as opposed to air-cooled), multi-cylinder engines.



Pursuant to a distributor agreement with Perkins, a wholly-owned subsidiary of Caterpillar, packaging and distribution agreements with Caterpillar engine dealers and our association with Caterpillar, we are one of the largest suppliers of Perkins and Caterpillar diesel power systems under 275 horsepower. This makes us a world leader in the supply of EPA and CARB emission-certified diesel power solutions to the industrial OEM marketplace. As we do for our alternative fuel power systems, we supply components for, and apply our sophisticated application engineering and design services to, these Perkins and Caterpillar power systems in a wide range of industrial applications. We believe that the 12-state territory covered by these distribution agreements presents us with the opportunity to capitalize on the majority of all diesel industrial OEM opportunities in the United States.

Building upon our experience in developing emission-compliant power systems, and with a view to serving our customers’ needs regarding emissions compliance, we are also developing a range of hybrid power solutions. We plan to leverage technology from our existing green power solutions and our application expertise to provide tailored, cost-efficient, emission-compliant hybrid power systems to the industrial OEM marketplace, both domestically and internationally.

We expect that growth in domestic sales of our low-emission power solutions will be driven by the substantial breadth of our emission-certified products, as well as increasing U.S. demand for alternative fuel power solutions resulting from the adoption of increasingly stringent engine emission regulations. Additionally, we are seeing increasing demand for our power solutions from international industrial OEMs, most significantly in Asia, that manufacture industrial equipment for the U.S. import market.

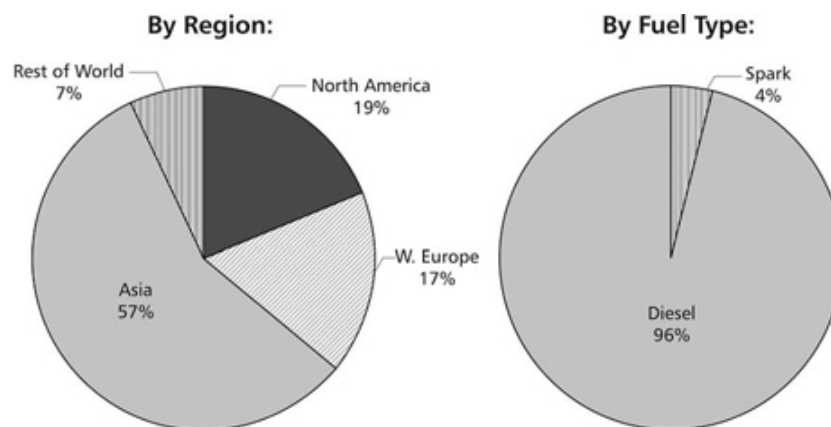
Industry and Market Overview

Industrial OEM Market

The off-highway industrial OEM market represents a diversified set of applications and industry categories that include power generation, oil and gas, material handling, aerial work platforms, sweepers, arbor, welding, airport ground support, agricultural, turf, construction and irrigation. While the power system requirements for the industrial OEM market bear similarities to the requirements for power systems used in automotive applications, there are substantial application differences between automotive and industrial equipment applications. Torque, start, stop, low speed and, with respect to certain applications, indoor use requirements make direct utilization of an automotive power system impractical for use in most industrial equipment applications. Recognizing these differences, the EPA and CARB have issued distinct emission standards and regulations for industrial applications, as compared to those for automotive applications. As a result, there is not a direct cross-over of available automotive power systems into the industrial OEM market. Power systems utilized in the industrial OEM market must satisfy these emission standards through a certification process with the EPA and CARB that includes durability testing of the engine emission system at zero and 5,000 hours, production line testing on a quarterly basis and field compliance audit testing. Given the level of engineering and financial resources that automotive engine manufacturers would need to dedicate to supply EPA emission-certified product into this industrial OEM marketplace, and that this marketplace does not represent a core business for these manufacturers, it is generally impractical for automotive engine manufacturers to compete in the industrial OEM marketplace.

Industrial OEM power systems utilize internal combustion engines (both diesel and spark-ignited), as well as electric motors. Diesel engine systems, which use compression to initiate ignition to burn fuel, in contrast to spark-ignited engine systems which utilize a spark plug to initiate the combustion process, currently represent the dominant power systems, depending on the specific industrial application involved. For example, diesel powered equipment is generally utilized in outdoor industrial applications, while electric motors and alternative fuel, spark-ignited power systems are used for indoor industrial applications where carbon monoxide and air quality issues must be addressed.

The following charts illustrate the industrial OEM market in 2009 for water-cooled, multi-cylinder diesel and spark-ignited engines, broken down by geographic regions for which these engines are procured, and between diesel and spark-ignited engines, based upon data supplied by Power Systems Research, Inc., a global supplier of business information to the engine and power products industries.



Both diesel power systems and electric motors have significant limitations. Diesel power systems present unique emission compliance challenges, while electric motors are often not feasible alternatives in industrial applications as a result of limitations on battery storage capacity. We expect demand for spark-ignited power systems within the industrial OEM marketplace, even without full consideration of the anticipated migration from diesel to spark-ignited power systems in the industrial OEM marketplace, to grow at a high rate, with worldwide demand estimated by Power Systems Research, Inc. to be approximately 272,000 units in 2011, a 67% increase over the 2009 level of approximately 163,000 units, and approximately 357,000 units in 2015, an increase of approximately 119% over 2009 levels. Additionally, consistent with trends in the automotive marketplace, industrial OEMs are demonstrating strong interest in hybrid power systems.

Market Trends

The market for our power solutions is continuing to grow globally as a result of several key drivers.

Increasingly Stringent Regulations and Growing Efforts to Reduce Emissions

Concerns regarding climate change and other environmental considerations have led to implementation of laws and regulations that restrict, cap or tax emissions in the automotive industry and throughout other industries. While emission standards vary significantly around the world, such standards have become increasingly more stringent. Over the last ten years in particular, there has been a significant increase in regulation of off-highway equipment emissions. Industrial OEMs have experienced pressure to redesign their products to address these emission regulations, as products that are unable to meet emission standards may not be sold in the marketplace. However, we believe few suppliers to industrial OEMs have been capable of providing, or are willing to make the investments of time and financial and other resources necessary to provide, products that meet the new EPA and CARB requirements.

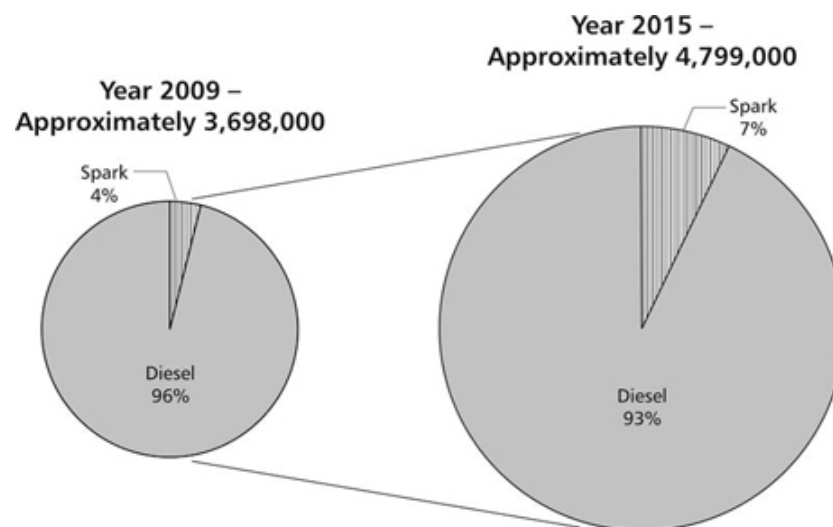
Increased EPA and CARB emission regulations associated with diesel power systems due to take effect over the next several years are expected to increase both the cost and product footprint (i.e., the size of the power system) of diesel power products. Internal combustion engines generally produce emissions of carbon monoxide, unburned hydrocarbons and oxides of nitrogen, and diesel engines produce particularly high levels of these pollutants. In addition, diesel engines produce particulate matter, which is among the areas of focus of these emission regulations. In 2004, the EPA adopted rules introducing Tier 4 emission standards which significantly reduce permitted emissions of oxides of nitrogen and particulate matter, and restrict hydrocarbon emissions, for off-road diesel engines of various

sizes. The most recent standards adopted were initially implemented in 2008 and will continue to be phased in through 2015. As an example of the increasingly stringent standards to which diesel engines are subject, in 2012 permitted levels of particulate matter for nonroad diesel engines will be reduced by approximately 90% from 2009 permitted levels. As a result, manufacturers and suppliers of diesel power systems, in comparison to spark-ignited and hybrid power systems, face greater challenges in complying with the new emission regulations. A manufacturer of diesel power systems must expend significant resources to develop a compliant power system, often through incorporation of additional componentry into a power solution to reduce levels of particulate and other emissions. This can be a lengthy and expensive process—based upon our experience with customers and suppliers, and on additional information provided by Power Systems Research, Inc., industrial OEMs are experiencing cost increases of between 30% and 100% for a comprehensive diesel power system with combustion and aftertreatments incorporated to satisfy the new requirements. Furthermore, these emission regulations will create not only a cost but also a footprint disadvantage for a diesel power system, when compared to a spark-ignited, emission-certified power system.

Additionally, countries outside of the United States have historically adopted emission regulations aligned with those of the U.S., and accordingly, it is anticipated that regulations comparable to current and future EPA and CARB emission regulations will be implemented internationally. For example, recently implemented policies in Europe, generally referred to as Stage I, II, III and IV regulations, regulate emissions of off-road mobile equipment. Similar to emission regulations in the U.S., these regulations in Europe call for reductions in emissions of hydrocarbons, oxides of nitrogen and particulate matter, to be phased in over a period of time. If foreign jurisdictions continue to adopt emission regulations consistent with those of the U.S., it is expected that the international industrial OEM market will experience similar pressures to utilize cost effective, emission-certified power systems.

The chart below represents our estimate of the anticipated growth in sales of water-cooled, multi-cylinder, spark-ignited engines, relative to equivalent diesel engines, in the worldwide industrial OEM market for water-cooled, multi-cylinder diesel and spark-ignited engines over the next several years, based upon data supplied by Power Systems Research, Inc.

Projected Growth in Sales of Water-Cooled, Multi-Cylinder Spark-Ignited Engines in the Worldwide Industrial OEM Market



Increased Use of Alternative Fuels

As a result of economic considerations, the drive for energy independence and the widespread availability of alternative fuels such as natural gas and propane, in addition to environmental concerns, the market for alternative fuel technology continues to grow. We believe that providers of industrial equipment in industrial OEM categories, such as power generation, that rely significantly on coal, diesel fuel and gasoline, will face increasing pressure to use alternative fuel power solutions.

In the United States, significant domestic alternative fuel reserves have been identified. These reserves include the Marcellus Gas Shale, with estimated technically recoverable resources of 262 trillion cubic feet of natural gas, and the Bakken Formation of the Williston Basin Province, Montana and North Dakota, with an estimated mean of undiscovered volumes of 3.65 billion barrels of oil, 1.85 trillion cubic feet of associated/dissolved natural gas and 148 million barrels of natural gas liquids. It is believed that the alternative fuel reserves identified in the United States could satisfy much of the energy needs of the U.S. for many years.

Additionally, the infrastructure supporting alternative fuel in the United States continues to expand. Further, the United States and some other countries have taken action to increase demand and support for alternative fuels, in an effort to reduce dependence on imported oil, capitalize on domestic natural gas reserves and reduce emissions from diesel engines. For example, the EPA has provided certain subsidies in the form of grants and other financing programs for the advancement of alternative fuel technologies (to date directed primarily towards on-road vehicles). Additionally, industry organizations, such as the Propane Education and Research Council, an organization authorized by the U.S. Congress with the passage of the Propane Education and Research Act, award grants to a wide variety of institutions, universities, and government organizations for the continued research, development, demonstration and commercialization of alternative fuel technologies.

Industrial OEM Trend Toward Outsourcing

Industrial OEMs have been following the broader marketplace trend of outsourcing non-core functions. The dynamics of global sourcing and the need for cost competitiveness have led, and should continue to lead, industrial OEMs to assess what operations and system components are core to their business model and what they should outsource to their suppliers and partners. In particular, to comply with frequently changing environmental regulations while remaining competitive, industrial OEMs have been increasingly more reliant on outsourcing to third party suppliers and partners with specialized regulatory and design expertise. By looking to outside sources for power systems, power system components and subsystems, industrial OEMs are able to focus their resources on overall design and functionality of their products, rather than on developing the sophisticated technology associated with emission-certified power systems. We expect increasingly more industrial OEMs to outsource power systems, system components and subsystems to third party suppliers with the requisite experience and technology.

Penetration by International Suppliers into Regulated Markets

The implementation of emission regulations domestically and in certain non-U.S. markets also impacts international suppliers of industrial equipment products outside these regulated markets. International industrial OEMs that supply into regulated industrial OEM markets, including those already doing so and those recognizing emerging opportunities to sell their products into these markets, must meet applicable emission requirements, like those imposed by the EPA and CARB in the U.S. For example, Chinese and other Asian suppliers have recognized that, in order to effectively penetrate and sell into emission regulated industrial OEM markets like North America and Western Europe, their products must be emission-certified. These international industrial OEMs generally lack the regulatory and design expertise necessary to develop their own emission-certified power systems. Furthermore, they recognize that, even if they had or could acquire the relevant expertise, it can be much less time consuming and much more cost-effective for them to procure compliant power systems from third-party suppliers, rather than internally developing and manufacturing their own solutions. Accordingly, just as domestic industrial OEMs are outsourcing this function, so too are international industrial OEMs, and we expect this trend to continue.

Growing Demand for Sophisticated Electronic Technology and Automotive Grade Quality Standards

Demanding automotive grade quality, as well as on-time delivery, has become standard practice in the industrial OEM marketplace. Consistent with the trend in the automotive industry, the level of technology and sophistication, including electronic controls, associated with industrial OEM power systems has advanced significantly to meet the growing demand for improved quality, reliability and performance. This has led to an ongoing reduction in the number of suppliers capable of supporting such product requirements.

Our Competitive Strengths

We have a 25-year history and reputation as a proven supplier of cost-effective, technologically advanced products to the industrial OEM marketplace. We believe that our technological superiority and the comprehensive nature of our product offerings position us to capitalize on developing trends in the industrial OEM markets and drive significant future growth.

Our Deep and Broad Array of Green Product Offerings

Alternative Fuel Power Systems

Our power systems represent one of the broadest ranges of EPA and CARB emission-certified, alternative fuel products for industrial applications in the world. We are one of only a few providers of industrial OEM products that meet, and in many cases produce emissions at levels significantly lower than those required by, current and publicly disclosed future emission standards of the EPA and CARB. We also provide advanced, standardized fuel system and component technology across our entire range of emission-certified products, utilizing a common fuel system and electronic controls on most of our power systems. As a result, our OEM customers are able to focus internal engineering and technical support resources, and train their personnel, on one standardized fuel system and one set of electronic controls employed throughout the range of power systems they acquire from us, and are able to reduce their product design and ongoing product support costs.

Our existing capability to provide one of the largest ranges of emission-certified, alternative fuel products currently available strategically positions us to capitalize on the cost and packaging disadvantage associated with diesel power systems that will result from increased EPA and CARB emission regulations scheduled to take effect over the next several years. Given the existing dominance of diesel power systems in the industrial OEM marketplace, even a minor shift in the marketplace from diesel to spark-ignited, alternative fuel power systems will represent a significant growth opportunity for us.

Additionally, as international OEMs desire to supply industrial equipment products into the United States that must meet required EPA and CARB emission requirements, we provide a fast, certain, cost-effective route for these foreign industrial OEMs to meet these emission requirements. Specifically, because we own the EPA and CARB compliance certificates specific to our power solutions, we provide foreign industrial OEMs with immediate access to EPA and CARB compliant power systems through our lineup of emission-certified product and application engineering capabilities. We believe our ability to provide emission-certified turnkey solutions to these industrial OEMs is unmatched by any competitor. We have already secured sourcing relationships with some of Asia's largest industrial OEMs, and have begun supplying EPA and CARB compliant power systems for incorporation into their product lineups.

Furthermore, because we expect countries outside of the United States to implement emission regulations that are aligned with current and future U.S. emission standards, we anticipate an opportunity to further diversify and supplement our customer base with industrial OEMs that supply products outside of the U.S. If such emission regulations are implemented consistent with our expectation, we anticipate being able to provide power systems to industrial OEMs that meet applicable foreign emission standards, leveraging our technology and experience in developing our EPA and CARB emission-certified products.

In summary, we represent a "one-stop" power solution for industrial OEMs desiring to meet the growing demands for green products with reduced emissions across their entire range of products. As such, we believe we are in a prime competitive position to continue to grow market share domestically, as well as internationally.

Hybrid Power Systems

We believe that, as increased emission standards are implemented, our existing OEM customers and other industrial OEMs may explore power system alternatives to standalone combustion engines. Accordingly, in addition to alternative fuel power systems, we are developing hybrid power solutions that address future emission standards and today's environmental and cost related concerns, with the ability to operate over an extended range. We are developing versatile hybrid powertrain units for the industrial OEM market, and expect to be able to integrate our hybrid power systems within the powertrain as a parallel system (i.e., coupled to a traditional hydraulic pump or transmission) or series system (i.e., used to provide extended on-board electrical power to an electric drive system). We believe that our

hybrid power systems will reduce fuel costs, increase torque and increase productivity of the power system. Additionally, our hybrid power systems are being designed to produce low levels of noise and exhaust emissions and excellent fuel economy. These systems should also enable customers to downsize current engine displacements (i.e., get the same power out of smaller engines).

Capitalizing on our extensive experience in developing both short and long term green power solutions, we will be able to accurately specify the proper engine size, battery and voltage range, along with the proper integrated hybrid system and engine management controls for a specific industrial application. We believe our ability to provide fully integrated hybrid powertrain solutions to our industrial OEM customers will be an advantage over our competitors and strengthen our ability to meet the alternative power system needs of industrial OEMs in the future.

Our Deep Market Penetration and Strong and Diverse Customer Base

Through industrial OEMs outsourcing component products to us, we are able to leverage off cross-industry category standardization opportunities, while still providing each industrial OEM with the flexibility to customize as required for particular design and application specifications. We aggregate our product development efforts, and can amortize associated costs, over our large and diverse OEM customer base and across industry categories. Furthermore, we capitalize on volume, economies of scale and global supply opportunities when sourcing component products. We can therefore provide our OEM customers with lower cost structures than they would otherwise be able to achieve and help them reduce their part numbers and supply base by consolidating their procurement and assembly efforts down to a single part number product supplied by us. Our component sourcing relationships further enable our OEM customers to recognize resource reductions, inventory reductions and engineering support advantages.



Additionally, our relationships with international OEM customers that supply their industrial equipment into the United States generate opportunities for us to further supplement our business. We believe that, once one of our power systems is engineered into a foreign industrial OEM's product, that OEM is likely to also standardize on our power system solutions for its non-emission-compliant power systems. This standardization by foreign industrial OEMs reduces ongoing engineering, aftermarket and field service support requirements, while supporting a product strategy that can easily be adjusted to any future worldwide changes in emission requirements. These relationships further provide us with growth opportunities beyond those dependent upon U.S. demand for emission regulated products, and solidify our supplier and partnership position with our foreign industrial OEM customers.

Moreover, even if our relationship with an international OEM customer is limited to United States compliant power systems, we are in an opportune position to provide additional emission-compliant power systems in the future, as emission regulations for industrial equipment begin to emerge in other countries around the world. Given our established expertise and worldwide presence, we provide a cost effective strategy to meet emerging emission regulations for both domestic and foreign industrial OEMs that can continue to leverage off our emission expertise and aggregation capabilities.

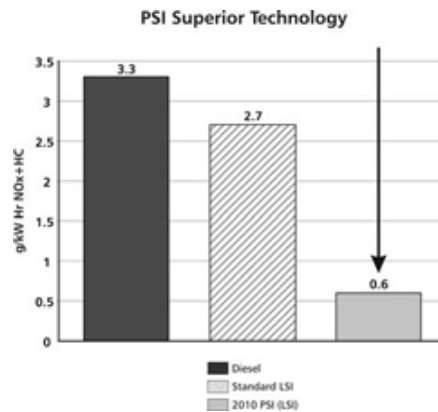
Our Superior Technology

We are a recognized leader in providing industrial OEMs with highly engineered, technologically superior, emission-certified power system solutions that cover a wide range of possible fuel alternatives. Rather than dedicating

the significant resources necessary to develop the in-house capabilities to design and manufacture technologically sophisticated, emission-certified power systems for their products, our OEM customers are able to leverage our proven power system technology, our engineering application expertise, the broad range of our EPA and CARB emission-certified power systems and our industrial equipment testing and certification processes. By utilizing our emission-certified, technologically sophisticated power systems, our OEM customers recognize potentially significant cost reductions. They are able to focus their efforts on the development of operations and system components core to their business, without having to expend considerable resources associated with the emission certification process, which requires potentially years to perform durability testing of the engine emission system at zero and 5,000 hours, production line testing on a quarterly basis and field compliance audit testing, in each case mandated and regulated by the EPA and CARB.

The level and range of our EPA and CARB emission-certified product offering further demonstrates the strength of our technology. Our emission-certified products not only meet existing emission standards of the EPA and CARB, but also meet all publicly disclosed EPA and CARB emission requirements for future years, thereby reducing our OEM customers’ costs and providing our OEM customers with a present day solution for future emissions requirements. We are able to maintain and enhance our position as a supplier of technologically sophisticated, emission-certified power systems through our experienced and technologically savvy team of application engineers. This team gives us the ability to support and integrate our power systems into a significant number of industrial OEM applications. We believe that our continued recruitment and development of talented personnel will augment our ability to stay ahead of emerging technologies in the industrial OEM marketplace.

The graph below illustrates the low level of emissions (in grams per kilowatt-hour of oxides of nitrogen and hydrocarbons (“g/kW Hr NOx+HC”)) produced by the largest of our technologically sophisticated, large spark-ignited (“LSI”) power systems (engines of greater than 25 horsepower), relative to permitted emissions levels, under EPA standards, for equivalent diesel power systems and standard LSI power systems.



Further, we are not captive of our own internal manufactured components and technology. Unlike some of our competitors that focus on developing and manufacturing most of their own product technology and components, we believe that superior technology is derived from having the flexibility to incorporate the best proven technology available in the marketplace. We focus on developing deep internal engineering and application expertise, rather than on developing in-house components and technology. This affords us the flexibility to capitalize on current and emerging technology that best meets the requirements of any given application, as opposed to limiting our solutions by only utilizing internally-developed technology that might not provide the best solution. Because we do not directly compete in the development of this technology, suppliers of the underlying technology are interested in supplying their latest innovations to us. As a result, we believe we have access to the best proven technology available in the marketplace. We believe this strategy puts us in the best position to leverage off our significant OEM customer base and aggregation capabilities in order to provide the best available product and technology solutions for our OEM customers.

Our Dedicated Customer-centric Product and Application Expertise

We have a customer-centric business focus. We commit our attention and efforts first on solidifying and expanding relationships with our existing customers by staying connected with our customers, being aware of challenges they face and understanding their evolving needs. Through our extensive experience in the industrial OEM marketplace and our adaptive technology strategy that we utilize in developing our power systems, we accept the specific requests of our individual customers and provide tailored power solutions to their power system needs. We believe that satisfaction of our current customers' needs helps generate new opportunities for us to expand our market presence and obtain new business. In addition, we are always looking for opportunities that may develop into new customer relationships.

Our goal is to be not only a leader in technology, but also a leader in customer satisfaction at all levels of customer interaction. Our product and application experience and expertise extends beyond our extensive design, prototyping, testing and application integration engineering capability. Our entire team, from production personnel to our customer support staff, is highly experienced in both the products we sell and the OEM customer applications into which they are integrated. This experience is derived from both industry experience with industrial equipment and formal training.

We assign a customer support engineer, holding an engine technology degree, to each of our OEM customers. Each customer support engineer provides dedicated application support for our OEM customers, providing a direct line of communication between the OEM's manufacturing line and our production operations. Our quality, field service support and service operations have similar capabilities and provide knowledgeable and responsive support to our OEM customers at every point of customer interface.

Growth Strategy

Our core strategy is to develop comprehensive power solutions for the industrial OEM marketplace. We believe that, with our competitive advantages, our continued pursuit of our core strategy will drive growth in our business. More specifically, we intend to seek future growth as follows:

Expand Products and Services Provided to Existing OEM Customers

We are continually working to capitalize on organic growth opportunities, building upon our strong existing customer relationships, which in many cases are on a sole source basis. We plan to expand our business with our existing customers, including through the natural expansion of the products and services we supply to them, as their own businesses grow, their product lines evolve and they standardize based on our power solutions. As economic conditions improve and our existing OEM customers' businesses and product lines expand, including into new market categories, we expect to continue to satisfy all of their emission-compliant, power system needs across their entire range of products. We continue to build upon our current range of emission-certified power solutions, including further broadening our range of alternative fuel power solutions and developing our hybrid power solutions, positioning us to offer comprehensive green power solutions that meet the emerging needs of our existing OEM customers.

Establish New Industrial OEM Relationships

We expect to strengthen our OEM customer base by developing new relationships with industrial OEMs. We seek to acquire new clients and gain new business from OEMs that we do not presently serve by focusing our marketing efforts toward these potential customers and leveraging our reputation, the depth, breadth and technological sophistication of our power solutions, our commitment to customer service and the cost savings we can offer, to develop these new relationships. Emphasizing our experience and reputation in market categories in which our power systems are already well-established, such as power generation, we focus on establishing new industrial OEM relationships in these market categories, thereby capturing an increasingly greater share of the market opportunity in these industrial OEM categories.

We aim to establish new relationships with, and supply our emission-certified power solutions to, OEMs in a variety of industrial OEM market categories. In particular, we target expanding our OEM relationships in high-growth market categories, such as oil and gas applications, while maintaining and enhancing our penetration in market categories that are growing more slowly. As we gain traction in emerging industrial OEM categories that did not previously represent significant opportunities for our power systems, we plan to further focus our efforts on potential customers in those categories.

Expand Into New Geographic Markets

We plan to increase our penetration of international markets, expanding our business with existing and international OEM customers by satisfying their needs for EPA and CARB emission requirement compliant power systems for use in products sold in the U.S. and for non-compliant systems for use in products sold outside the U.S. Additionally, with our expertise in developing comprehensive, integrated green power systems, our expanding worldwide presence and our ability to provide beneficial cost structures to our customers as a result of our aggregation capabilities, we intend to take advantage of increases in demand for emission-compliant industrial OEM power systems from industrial OEMs that sell into international markets, as emissions regulations emerge in those markets.

Develop New Products

By leveraging the deep industry experience of our engineering and new product development teams, we are working to broaden the range of our power system product offerings, including with respect to engine classes and the industrial OEM market categories into which we supply our products. We capitalize on our technologically sophisticated, in-house design, prototyping, testing and application engineering capabilities to further refine our superior spark-ignited power system technology. We plan to leverage our experience and expertise in developing comprehensive, integrated green power solutions to expand our spark-ignited alternative fuel offerings and further develop our hybrid power solutions. We also plan to develop new, complementary product offerings, such as MasterTrak, our telematics solution that we offer bundled with our power systems, as well as on a stand-alone basis, to our OEM customers and other businesses.

Selectively Pursue Complementary Strategic Transactions

We may enter into strategic transactions, such as acquisitions of, or joint ventures or partnerships with, companies that present complementary non-organic growth opportunities. Specifically, we will seek opportunities that extend or supplement our presence into new geographic markets or industrial OEM market categories, expand our customer base, add new products or service applications (such as our 2007 acquisition of the telematics technology for our MasterTrak product and services; see “—Our Products and Industry Categories—Connected Asset Services”) or provide significant operating synergies. We believe that there may be domestic or international strategic opportunities available to us, as the sophistication of technology and amount of resources necessary to develop and supply power systems that meet increasingly stringent emission standards continue to increase.

Company History

Founded in 1985, we sought to break the then-prevalent OEM focus on the diesel engine as a commodity by providing value-added engineering, procurement and packaging of products and services to the industrial OEM marketplace. Because of our expanded product and service offerings, we played a significant role in moving the industrial OEM marketplace from a simple, engine-centric model to a more comprehensive power system solutions model. This comprehensive power system solutions model includes engineering, procurement and packaging solutions for cooling, electronics, air intake, fuel systems, power takeoff, exhaust, hydraulics and packaging application requirements. Through implementation of our strategy, we grew our diesel power system sales and became one of the largest Perkins diesel power system distributors in the world, a position we still maintain today.

Our desire to expand our product and service offerings, coupled with the success of our strategy in the diesel marketplace, motivated us to move into the marketplace for spark-ignited power systems. From the mid-1990s going forward, we have applied our strategy to spark-ignited gasoline and alternative fuel (and now hybrid) products. In applying our extensive, prior experience developing power solutions for our diesel power system OEM customers to the spark-ignited industrial OEM marketplace, and addressing the growing demand for diesel alternatives as a result of environmental and economic considerations, we have developed a comprehensive range of alternative fuel power systems. As a result, we have become a leading supplier of power solutions to prominent OEM customers located throughout North America, Asia and Europe.

Our Products and Industry Categories




Power Systems for Off-Highway Industrial Equipment

Our power systems are customized to meet specific industrial OEM application requirements. Power system configurations range from a basic long block engine fitted with appropriate fuel system components to completely

packaged power systems that include any combination of cooling systems, electronic systems, air intake systems, fuel systems, housings, power takeoff systems, exhaust systems, hydraulic systems, enclosures, brackets, hoses, tubes and other assembled componentry.

Our power systems include (1) EPA and CARB emission-certified spark-ignited water cooled internal combustion engines ranging from 0.97 liters to 22.1 liters, which utilize alternative fuels and gasoline, (2) non-certified spark-ignited water cooled internal combustion engines ranging from 0.65 liters to 22.1 liters, which similarly utilize alternative fuels and gasoline, and (3) emission-certified Perkins engines ranging from 0.5 liters to 7.1 liters, which utilize diesel fuel. Our diesel and alternative fuel power systems utilize water-cooled (as opposed to air-cooled), multi-cylinder engines. We are also developing hybrid power solutions.

Our products are sold into a diversified set of markets within the industrial OEM industry, including power generation, oil and gas, material handling, aerial work platforms, sweepers, arbor, welding, airport ground support, agricultural, turf, construction and irrigation. Different types of power systems are used within different industry categories.

Power Generation 	Material Handling 	Industrial Sweepers 
Aerial Work Platforms 	Arbor Products 	Oil & Gas 
Agricultural/Turf 	Aircraft Ground Support 	Other Industrial 

Power Generation

We offer EPA and CARB emission-certified power systems, including 0.97 liter to 22.1 liter spark-ignited power systems utilizing alternative fuels, for stationary emergency and non-emergency (prime power generation and peak shaving power systems) power generation products. Emergency engines are stationary engines which operate solely in emergency situations and during required periodic testing and maintenance. Examples include engines used in generators to produce power for critical networks when electrical power from the local utility provider is interrupted, and stand-by engines that pump water in the event of a fire or flood. Prime power generation products produce continuous generation of power for an extended period of time, and peak shaving products generate power at times of maximum power demand.

We currently supply our power systems to a substantial number of manufacturers of power generation products, including Cummins, Kohler, MTU and Caterpillar, four of the world’s largest such manufacturers. We believe that our customers choose our power solutions because no other power system producer provides as broad of a range of emission-certified, spark-ignited power systems for this industry category. Additionally, by utilizing a common fuel system and electronic controls across our range of power systems, we provide our customers with the opportunity to support and train their personnel on one standardized fuel system and one set of electronic controls employed throughout the range of products they acquire from us.

Oil and Gas

The oil and gas market category includes oil field pumps, progressing cavity pumps, and other components and machines utilized in drilling, evaluation, completion and production of oil and gas assets. Previously OEMs competing in these markets were generally not concerned about fuel economy, cost of repair or efficiency of operation. Today, however, there is a growing focus in this market category on, and understanding of, the costs associated with down time, the value of fuel savings with more economical solutions and the benefits of using product portfolios with consistent fuel systems and aftermarket support. Environmental disasters like the oil leak in the Gulf of Mexico following the explosion of BP PLC's Deepwater Horizon drilling platform may serve to highlight the need to use specialized fuel system technology in oil and gas equipment. We believe that these factors will create significant opportunities for our power solutions in this market category. Furthermore, we believe that recent discoveries of oil and gas reserves in North America will drive domestic demand for the products of oil and gas OEMs, enhancing our growth opportunities.

We are continuing to develop relationships with oil and gas companies for their well head jacks, compressors and power generators. We believe we are the only provider in this market that supplies pre-certified, as opposed to site-certified, power systems. Site certification is a tedious, and costly process for oil and gas equipment OEMs that can take many hours, to source components and integrate them into existing fuel system hardware (if even possible).

We also view this market category as an emerging market for our telematics solution, which further differentiates us from our competitors.

Material Handling – Forklift Trucks

The material handling market category includes forklift trucks and other mobile products utilized for movement, handling and storage of materials within a facility or at a specific location. We provide spark-ignited power solutions into the high volume 1.5, 3.5 and 5 ton capacity forklift markets, and may expand production in the future to support the 8 and 10 ton forklift markets in connection with anticipated increases in diesel prices resulting from regulations on diesel engines taking effect in 2011 through 2013. Currently, we provide our power solutions to, among others, Toyota, NACCO, Mitsubishi Caterpillar Forklift America, Doosan, Clark Material Handling Company, Heli (a division of Anhui Forklift Truck Group) and Hyundai Heavy Industries, seven of the largest forklift truck OEMs in the world.

Demand is currently strong in the United States for our material handling power systems as a result of emission and OSHA regulations. Based upon data supplied by Power Systems Research, Inc., we believe that, in the United States, nearly 100% of the indoor forklift market uses spark-ignited liquid propane gas or electric powered units (with approximately equal market shares), in contrast to Asian and European forklift markets which currently utilize diesel in excess of 85% of all applications. In connection with the implementation of pending EPA Tier 4 and European Stage IV regulations, and the resulting price increases related to the compliance of diesel engines with these regulations, we expect foreign spark-ignited liquid propane gas markets to grow, driving increased international demand for our power solutions.

Aerial Work Platforms

The aerial work platforms market category consists of aerial work platforms, or machines used to provide access to areas typically inaccessible because of their height. Rental companies represent a majority of all purchasers in this industry category. We currently sell our liquid propane gas/gasoline dual fuel power systems to four of the largest OEMs of aerial work platforms in the world, including JLG, Skyjack, Haulotte and Snorkel.

As a result of the increase in diesel engine pricing related to the implementation of EPA Tier 4 regulations, we expect to see an increase in the number of OEMs in the aerial work platforms market which consider our liquid propane gas and gasoline powered power solutions, as an alternative to diesel powered power systems.

Industrial Sweepers

The industrial indoor sweeper market category consists of machines utilized for cleaning and sweeping various indoor surfaces. The power solutions for this market category utilize both spark-ignited and diesel engines, as well as electric motors. The industrial indoor sweeper market includes three significant OEMs – Tennant Company, Nilfisk and PowerBoss. We currently supply to each of these OEMs 100% of their 30 to 80 horsepower liquid propane gas and gasoline power systems. We believe this market category represents a growth opportunity for our hybrid power systems.

Arbor Products

The arbor products market category includes wood chippers and grinders. We currently provide engines to four of the largest OEMs of wood chippers in the United States. We also design and manufacture our own proprietary power take-off clutch, which may be applied to any of our arbor product power systems. See “—Other Engine Power Products—Power Take Off (“PTO”) Clutch Assemblies for Industrial Applications.”

We believe that our diesel power systems maintain a leading position in the market for wood chippers that utilize water-cooled engines. We believe that diesel regulations scheduled to take effect in the near future will cause EPA Tier 4 diesel engine packages to become more expensive and, as a result, open the market for consideration of our gasoline and other alternative fuel engine packages.

Other Industry Categories

We provide power solutions within other industrial OEM markets, including welding, airport ground support, agricultural, turf, construction and irrigation.

Other Engine Power Products

Power Take Off (PTO) Clutch Assemblies for Industrial Applications

We design and manufacture our own proprietary PTO clutch assemblies (a mechanical component which drives separate power to various parts of a given piece of industrial equipment) for industrial applications. Our PTO clutch assemblies are designed for heavy duty industrial applications.

Customized OEM Subsystems, Kits and Componentry

Leveraging off our global sourcing capabilities, we supply engine packaging, subsystems, kits and componentry associated with cooling systems, electronic systems, air intake systems, fuel systems, housings and power takeoff systems, exhaust systems, hydraulic systems and enclosures to industrial OEMs for incorporation into their applications, in addition to the complete engine power systems we provide to these OEMs.

Connected Asset Services

We have begun to offer connected asset services through our telematics solution, MasterTrak. We provide services to our OEM customers that allow these OEMs and their customers to remain connected to their equipment, even as the equipment is being utilized in the field. These capabilities and services are in many respects similar to General Motors’ “OnStar” service. Our MasterTrak solution includes:

- GPS for location monitoring, geofencing and directions for rapid service dispatching;
- Automated and continuous remote asset monitoring with automatic alerts and notifications that can be transmitted via e-mail and text messaging;
- Maintenance management which provides the ability to monitor and provide notice of impending equipment maintenance requirements based on actual equipment utilization (as opposed to random time intervals);
- Real-time, bi-directional communication capability for remote testing and troubleshooting; and
- Extensive web-based monitoring and reporting capability with multi-tiered system security available at all times.

Through MasterTrak, we provide our OEM customers and their customers the ability to track the location and functional status (including maintenance requirements) of their assets in real-time via web access and automated alerts. Such monitoring capabilities provide information regarding the specific utilization characteristics of a connected asset,

and allow our customers and their customers to efficiently and proactively schedule service maintenance. These attributes will help reduce unexpected equipment failures, which will help to further reduce the total cost of ownership of a given piece of equipment, and may generate additional sale and service opportunities for the OEM customer.

We offer MasterTrak with our engine power systems as a bundled solution, and also on a stand-alone basis both to our OEM customers and to other businesses to which we do not currently supply our power solutions. We have also developed a relationship with SmartEquip, based in Norwalk, Connecticut, to incorporate MasterTrak into SmartEquip's aftermarket service platform for industry suppliers. This product pairs data regarding failures and faults generated by MasterTrak with OEM-provided recommendations to remedy these faults, and produces a corrective or preventative maintenance solution.

While these connected asset services have not yet provided a material portion of our revenues, we believe our telematics solution represents a meaningful growth opportunity for us.

Service and Support

Aftermarket and Service Parts

We have extensive aftermarket and service parts programs. These programs consist of: (1) internal aftermarket service parts programs with worldwide sales and distribution capabilities, and (2) internal OEM developed service parts programs for components and products supplied by us. Recently, we have increased our focus on, and investment in, the aftermarket portion of our business. We have grown our industrial spark-ignited engine parts business by employing experts in the gas engine aftermarket field, increasing our investment in global sourcing of parts and expanding parts books and online ordering capabilities. We have also developed stocking programs and maintenance kits that enable OEMs, service dealers and distributors to reduce downtime and increase product utilization.

We have focused on capturing the aftermarket sales of the value added components that we include in our power systems. With a significant portion of the selling prices of our power systems coming from value added components, this is a large, continuing growth opportunity for our aftermarket business.

Product and Warranty Support

We provide technical support and training to our OEM customers. These services include in-plant training and support through web- and phone-based field service. Our dedicated team of product and application engineers delivers high quality, responsive technical support to our OEM customers.

Customers

Our customers include large, industry-leading, multinational organizations that demand automotive grade engineering support, product quality and on-time delivery. We believe that the number of competitors capable of supporting not just the sophisticated technology requirements, but also the world class automotive engineering, quality and delivery requirements emphasized by industrial OEMs is limited. We are solidly positioned to capitalize on the diminishing base of suppliers capable of meeting these increasingly stringent customer expectations. In almost every industrial OEM category, we maintain a supplier relationship with two or more of the largest OEMs in their respective industry category.

Our depth of expertise and broad range of product offerings is the underlying basis for our position as a sole source provider of products to a majority of our OEM customers. We estimate that over 70% of the power systems that we supply are provided to our major OEM customers on a sole-source basis. Our strong customer base, which includes a diversity of customers across industry categories, provides a broad range of opportunities for continued growth.

Our largest customers include Kohler, Bandit, Cummins, MTU and Toyota. The only customer that represented in excess of ten percent of our consolidated revenues in fiscal 2010 was Kohler.

Operations and Research and Development

Design and Engineering / Research and Development

Our research and development efforts are market driven. Our sales team first meets to identify and define market requirements and trends and then communicates that vision to our engineering and new product development groups. Our engineering and new product development groups then review our existing power system portfolio and develop new solutions that build upon the technology within that portfolio. We maintain in-house design, prototyping, testing and application engineering capability, including specialists in EPA and CARB certification, fuel systems, electronics, cooling systems, mechanical engineering and application engineering. Our design and application engineering expertise and capabilities include expertise in (1) emissions compliance, (2) design and development of standardized and customized products for incorporation into industrial equipment, (3) three-dimensional solid modeling, (4) computer-based modeling and testing, (5) rapid OEM product prototyping, (6) industrial OEM product retrofitting and testing and (6) support for application engineering and system integration.

We have also established engineering outsourcing relationships for design, development and product testing that allow us to fulfill demands for specialty services and satisfy fluctuating workload requirements. We utilize engineering relationships in India to quickly increase or decrease product design, development and testing services as dictated by demands from our industrial OEM customers. Where applicable, we also leverage off the design, development and testing capabilities of our supplier base.

We provide the design, durability testing, validation testing and compliance with other engineering and administrative requirements necessary to meet and obtain EPA and CARB certification for a range of spark-ignited engines. As a result, we provide our OEM customers with emission-certified power systems, without these OEMs having to expend considerable research and development time and resources related to obtaining power system certification. We further provide the tools and services necessary to support revalidation and other EPA and CARB requirements that exist beyond the initial emission compliance requirements. As a result of such revalidation, we become the “Manufacturer of Record” for the emission-certified engine that is incorporated into the industrial OEM’s equipment.

We staff our engineering support activities associated with released product and component sourcing programs with dedicated internal engineering personnel, separate from our product and application development engineering team. This allows us to provide committed engineering and technical attention to internal operational support, customer production support and component sourcing activities, thereby helping to buffer the demands placed on our product and application development engineering group. Through such attention and support, we are able to maximize the focus of our product and application development engineering group on current and future design, prototyping, testing and application development activities resulting in shorter design, prototyping and testing cycles for our OEM customer base.

Our research and development expenditures for our fiscal years 2010, 2009 and 2008 were approximately \$3,005,000, \$2,387,000 and \$2,623,000, respectively.

Manufacturing

Our current manufacturing operations consist of product assembly at our facilities in Wood Dale, Illinois. We utilize technologically sophisticated, flexible assembly lines in our manufacturing facilities, and allocate production capacity on our assembly lines to accommodate the demand levels and product mix required by our OEM customers. Our flexible assembly lines are equipped with display screens, through which our production personnel are able to monitor design and other technological specifications for each product being assembled on the assembly line at that time. The information displayed on these screens is supplied from a central server, which is updated in real-time with all current product information. Through this process, we ensure that the product assembly and other specifications utilized by our production personnel is the most current information available. We have also developed efficient in-line methods to support specialized product testing, as required by a specific customer or product application.

Our engineering and manufacturing systems utilize sophisticated, paperless, integrated software based management and control systems. Our warehouse systems include computerized management systems and high speed infrastructure such as wire guided racking systems and high density automated carousel systems. We utilize a dynamic, software-driven inventory management system, which allows us to accurately monitor inventory levels for our comprehensive power systems, subsystems and individual components. We also incorporate within our manufacturing process software that enables us to identify and deliver components and other parts to our OEM customers.

We focus on safety, quality and on-time delivery in our manufacturing operations. We are 9001-2008 ISO Certified, the highest ISO certification available. We also use Six Sigma, 5S and other disciplines in our goal of continuous improvements in quality and on-time delivery. Structured staff training is a constant priority and includes closed-loop quality monitoring and feedback systems.

Supplier Relationships

Our major engine suppliers include Caterpillar, General Motors and Doosan. In addition, we coordinate design efforts for our technologically sophisticated fuel systems with a supplier from whom we source fuel systems on an exclusive basis. We also internally design other parts and components for our products and globally source them from a variety of domestic and global suppliers. Because we design many of our parts and components in-house, we are generally not limited in using only certain suppliers. As such, we are able to select our supplier relationships based upon a supplier's reliability and performance.

We aggregate our product sourcing efforts across our large and diverse OEM customer base and across industry categories, capitalizing on volume, economies of scale and global supply opportunities. Our OEM customers leverage off the aggregation of our global sourcing, procurement, assembly and packaging services, thereby obtaining cost benefits that might not otherwise accrue to them if they rely on their own internal resources, capabilities and more limited demand requirements. Through this process, industrial OEMs are able to reduce their part numbers and supply base by consolidating their procurement and assembly efforts down to a single part number product supplied by us. We are then able to deliver this single assembly to an industrial OEM's production line as an integrated drop-in to the OEM's end product.

Sales and Marketing and Distribution

Sales and Marketing

We utilize a direct sales and marketing approach to maintain maximum interface with, and service support for, our OEM customers. This direct interface incorporates our internal technical sales representatives. In Asia and Europe, we currently complement our direct OEM relationships with local, independent sales and support organizations. These local sales and support organizations provide the necessary knowledge of local customs and requirements, while also providing immediate, local sales, engineering and customer support.

Where our domestic (and typically smaller) OEM customers require limited volume, regional distributions of our power systems, we support our OEM customers through engagements with regional distributors. We have developed similar distribution relationships with respect to certain of our current OEM customers throughout Europe.

Aftermarket Distribution

Our aftermarket and service parts distribution organization consist of three main sales and distribution programs:

- *OEM Customers With an In-House, Spark-Ignited Product Service Parts Program:* For our OEM customers that maintain their own service parts distribution and product support programs, we supply them with the information and component products required to support an effective global OEM customer service parts program.
- *OEM Customers Without an In-House Product Service Parts Program:* For our OEM customers that do not maintain their own service parts distribution and product support programs, we maintain a web-based and internal sales oriented global aftermarket and service parts distribution system for our spark-ignited product and ancillary components. Through this product support program that we provide on behalf of our OEM customers, we capitalize on market opportunities that exist outside of those associated with our OEM customer base.
- *Perkins Diesel Service Parts Program:* We provide Perkins diesel service parts through a network of established service and parts organizations located throughout our 12-state distributor territory.

Intellectual Property

We consider portions of our emission certification process to be proprietary trade secrets. In addition to putting our OEM customers' engines through initial emission compliance testing, including durability testing, production line testing and field compliance audit testing, we also provide the tools, and perform sophisticated testing and other services, on these engines to comply with EPA and CARB requirements. As a result of the lengthy and technologically sophisticated testing we perform to revalidate these engines, we become the "Manufacturer of Record" for the emission-certified engine that is incorporated into our OEM customers' equipment.

In addition, many of the components we source from our suppliers and which are incorporated into our power systems utilize proprietary intellectual property of our suppliers. We also license certain intellectual property from third parties for use in our power systems and our manufacturing processes. We rely on a combination of trademark, trade secret and other intellectual property laws and various contract rights to protect our proprietary rights, as well as the intellectual property of our power system component suppliers and of third parties from which we license intellectual property. We do not currently own any material patents, but believe that the safeguards we have in place, together with the costs associated with the development, testing, launch and marketing of competitive products, adequately protect our intellectual property rights.

Competition

We believe we are one of the few providers of comprehensive power solutions to the industrial OEM market. However, the market for our products and related services is intensely competitive, subject to rapid change and sensitive to new product and service introductions and changes in technical requirements. Some competitors have longer operating histories, greater name recognition and greater financial and marketing resources. Competition in our markets may become more intense as additional companies enter them and as new technologies are adopted. Generally, we believe that the principal competitive factors for our business include the following:

- Completeness and comprehensiveness of power solutions;
- Range of power systems employing common technology platform;
- Emissions regulation (EPA and CARB) compliance and certification;
- Ease of installation;
- Pricing and cost effectiveness;
- Breadth of product offerings, including system power and fuel alternatives;
- Ability to tailor power solution to specific customer needs;
- Performance and quality; and
- Customer support and service.

We believe that, with our current product lineup and our ongoing research and product development efforts, as well as our global procurement capabilities, we are able to compete effectively based on each of these factors.

Among our competitors are fuel system providers such as Westport Innovations, Inc., Fuel System Solutions and Woodward Governor, Inc. These companies supply engines and engine system componentry into the industrial OEM marketplace. However, we do not believe that any of the other fuel system providers with which we compete are able to provide the single assembly, integrated, comprehensive power solutions that our OEM customers demand and that we provide on a cost-effective basis. Further, some of our competitors do not have the internal resources or capabilities to enable them to meet these customer requirements and, in their efforts to compete, sometimes rely upon third party logistic companies to fit and dress engine systems with specific engine parts and components which these competitors are unable to provide themselves. As a result of the changing environment of the marketplace, some fuel system providers have been forced into non-core competency areas and some have exited the marketplace entirely.

Other competitors have been automotive engine companies, but a number have ceased directly supplying power systems to industrial OEMs (although they continue to supply their standard engines and components to producers of power systems for this market). They have left this market primarily because production of emission-compliant and certified industrial engines is not in their core competency areas and generally the changing regulations create difficulties for them as engine life spans are short. More generally, we believe that the significant costs associated with developing and certifying emission-compliant power systems as applicable regulations change have led some companies to exit our markets and have deterred others from entering them.

Government Regulation

Our Products

Our power systems are subject to extensive statutory and regulatory requirements that directly or indirectly impose standards governing emissions and noise. Our power systems are subject to compliance with all current emissions standards imposed by the EPA, state regulatory agencies in the United States, including CARB, and other regulatory agencies around the world and established for power systems utilized in off-highway industrial equipment. EPA and CARB regulations imposed on engines utilized in industrial off-highway equipment generally serve to restrict emissions, with a primary focus on oxides of nitrogen, particulate matter and hydrocarbons. Emission regulations for engines utilized in off-highway industrial equipment vary based upon the use of the equipment into which the engine is incorporated (such as stationary power generation or mobile off-highway industrial equipment), and the type of fuel used to drive the power system. Further, applicable emission thresholds differ based upon the gross power of an engine utilized in industrial off-highway equipment.

The first EPA emissions regulations adopted for diesel engines, known as Tier 1, applied to diesel engines used in mobile off-highway applications in the U.S., and similar standards for diesel engines, known as Stage I regulations, were implemented thereafter in Europe. The EPA and applicable agencies in Europe have continued to develop emission regulations for diesel engines in the U.S. and Europe, respectively, and have adopted more restrictive standards, with Tier 3 and Stage III regulations currently in effect in the U.S. and Europe, respectively. Recently, the EPA adopted Tier 4 diesel emission requirements, applicable to nonroad diesel engines used in industrial equipment. Similarly, Europe has adopted more restrictive standards under its Stage IV regulations. Tier 4 and Stage IV regulations will be phased in commencing in the beginning of 2011, and call for reductions in levels of particulate matter and oxides of nitrogen by approximately 90% from current levels in a majority of power categories.

The EPA and CARB have similarly adopted regulations to reduce pollutant emissions for spark-ignited engines utilized in off-road equipment. Similar to standards which apply to diesel engines, these regulations serve to reduce emissions of hydrocarbon and oxides of nitrogen for engines of varying powers and industrial equipment applications. The EPA and CARB continue to further enhance existing emission regulations, including in 2007 and 2010, by amending existing emission standards and test procedures for large spark-ignited off-road engines (i.e., engines rated at 25 horsepower or greater) by further restricting emissions of hydrocarbon and oxides of nitrogen.

All of our power systems meet existing emission standards of the EPA and CARB, and also meet all publicly disclosed EPA and CARB emission requirements for future years. Failure to comply with these standards could result in adverse effects on our future financial results.

Pursuant to the regulations of the EPA and CARB, we are presently required to obtain emission compliance certification from the EPA and CARB to sell certain of our power systems generally throughout the United States and in California. We are also required to meet foreign emission regulations standards to sell certain of our power systems internationally. Currently, the emission certification process with the EPA and CARB includes, among other requirements, durability testing of the engine emission system at zero and 5,000 hours, production line testing on a quarterly basis and field compliance audit testing. Each of our power systems must be emission-certified before it can be introduced into commerce, and must meet component, subsystem and system level durability and emission tests.

We are also subject to various laws and regulations relating to our telematics offering. Among other things, wireless transceiver products are required to be certified by the Federal Communications Commission and comparable authorities in foreign countries where they are sold. We currently maintain applicable certifications from governmental agencies in each of the jurisdictions in which our telematics product is required to be so certified.

Our Operations

Our operations are also subject to numerous federal, state and local laws relating to such matters as safe working conditions, manufacturing practices, environmental protection, fire hazard control and disposal of hazardous or potentially hazardous substances. We may be required to incur significant costs to comply with such laws and regulations in the future, and any failure to comply with such laws or regulations could have a material adverse effect upon our ability to do business.

Properties

We operate within approximately an aggregate of 249,000 square feet of space in four facilities located in the Chicago, Illinois area. The following table lists the location of each of our facilities material to our business (one of which we own, and the others of which are leased by us), such facility's principal use, the approximate square footage of such facility, and the current lease expiration date (to the extent applicable):

<u>Location</u>	<u>Principal Use</u>	<u>Square Footage</u>	<u>Lease Expiration</u>
Wood Dale, Illinois	Sales, Engineering & Product Support Offices; Engineering Development and Product Assembly	99,000	April 30, 2012
Wood Dale, Illinois	Service Parts Sales; Warehousing & Distribution	90,000	April 30, 2012
Elk Grove Village, Illinois	Warehousing	18,000	April 30, 2012
Wood Dale, Illinois	Finance & Operations Offices; Product Assembly	42,000	Owned

The facilities collectively house our manufacturing operations. We believe that our facilities are adequate to meet our current needs and that additional facilities will be available for lease, if necessary, to meet any of our future needs.

Employees

As of March 31, 2011, our workforce consisted of approximately 220 persons, including approximately 75 full-time and two part-time employees, as well as members of our production team whose services we obtain through an arrangement with a professional employer organization and other individuals whose services we obtain through a temporary employment agency. Of these persons, approximately 21 were in Product Development and Emissions Compliance, 15 were in Sales, 18 were in Customer Support Engineering, Quality and Service, 14 were in Executive Management and Finance, 27 were in Operations Management and approximately 125 were in Production. In addition, Product Development and Engineering supplements fluctuating demands for resources through external design and drafting outsourcing services located in India, and Asian sales and procurement activities are supported through an external dedicated outsourced service organization located in Asia.

None of the members of our workforce are represented by a union or covered by a collective bargaining agreement. We believe we have a good relationship with the members of our workforce.

Legal Proceedings

From time to time, in the normal course of business, we are a party to various legal proceedings. We do not currently expect that any currently pending proceedings will have a material adverse effect on our business, results of operations or financial condition.

SELECTED FINANCIAL DATA

The following table sets forth selected historical consolidated statements of operations and consolidated balance sheet data as of and for the fiscal years ended December 31, 2010, 2009, 2008, 2007 and 2006. The W Group is considered the accounting acquiror in the Reverse Merger and, as a result, the assets and liabilities and the historical operations that are reflected in our consolidated financial statements are those of The W Group. In other words, the historical financial data of The W Group is deemed to be our historical financial data. The selected financial data as of December 31, 2010, 2009 and 2008 and for the fiscal years ended December 31, 2010, 2009, 2008 and 2007 has been derived from our audited consolidated financial statements for those years. The audited financial statements as of December 31, 2010 and 2009 and for the fiscal years ended December 31, 2010, 2009, and 2008 are included as Exhibit 99.1 hereto. The selected financial data as of and for the fiscal year ended December 31, 2006 has been derived from our unaudited consolidated financial statements for that year. The following data for fiscal years 2010, 2009 and 2008 should be read in conjunction with “— Management’s Discussion and Analysis of Financial Condition and Results of Operations” and with our Consolidated Financial Statements and the related notes and other financial information attached as Exhibit 99.1 hereto. See also the Pro Forma Consolidated Financial Statements attached hereto as Exhibit 99.2, which give effect to the Reverse Merger and the other transactions summarized in this Form 8-K as set forth therein.

All amounts are in thousands except per share amounts.

	Years ended December 31,				
	2010	2009	2008	2007	2006
Statement of Operations Data:					
Net sales	\$ 100,521	\$82,902	\$ 125,318	\$ 124,490	\$ 120,982
Net income allocable to stockholders	1,569	2,387	664	452	1,931
Basic and diluted earnings per share	\$ 1.09	\$ 1.65	\$ 0.46	\$ 0.31	\$ 1.34
Weighted average shares outstanding	1,444	1,444	1,444	1,444	1,444
	As of December 31,				
	2010	2009	2008	2007	2006
Balance Sheet Data:					
Total assets	\$ 55,353	\$65,586	\$ 51,967	\$ 64,243	\$ 57,060
Line of credit	21,633	22,409	23,001	29,127	23,310
Total long-term debt (1)	7,902	10,033	11,678	6,651	6,655
Total liabilities	\$ 49,997	\$61,799	\$ 50,567	\$ 63,507	\$ 56,776

- (1) Includes notes and capital lease obligations, including the current portion of these obligations. Total capital lease obligations were \$78, \$576, \$1,063, \$983 and \$54 as of December 31, 2010, 2009, 2008, 2007 and 2006, respectively. The current portion of total debt was \$2,226, \$2,218, \$1,645, \$2,165 and \$1,683 as of December 31, 2010, 2009, 2008, 2007 and 2006, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion includes forward-looking statements about our business, financial condition and results of operations, including discussions about management's expectations for our business. These statements represent projections, beliefs and expectations based on current circumstances and conditions and in light of recent events and trends, and you should not construe these statements either as assurances of performance or as promises of a given course of action. Instead, various known and unknown factors are likely to cause our actual performance and management's actions to vary, and the results of these variances may be both material and adverse. A description of material factors known to us that may cause our results to vary, or may cause management to deviate from its current plans and expectations, is set forth under "Risk Factors." The following discussion should also be read in conjunction with our audited and unaudited consolidated financial statements, including the notes thereto, and selected financial data appearing elsewhere in this Form 8-K.

Overview

Organization

We design, manufacture, distribute and support power system solutions for industrial OEMs across a broad range of industries including stationary electricity power generation, oil and gas, material handling, aerial work platforms, industrial sweepers, arbor, welding, airport ground support, turf, agricultural, construction and irrigation. Our engineering personnel design and test power system solutions and components supporting those solutions. Our major engine suppliers include Caterpillar, General Motors and Doosan, and we source components from a variety of domestic and global suppliers. We operate as one business and geographic segment. Accordingly, the following discussion is based upon this presentation.

Net sales

We generate revenues and cash primarily from the sale of off-highway industrial power systems and aftermarket parts to industrial OEMs. Our products are sold globally, and we are a sole source power solution provider of our products for most of our customers. Net sales are derived from gross sales less sales returns and or sales discounts.

Cost of sales

We assemble all of our products at our facilities in Wood Dale, Illinois. The most significant component of our cost of sales is the engine cost. The remainder of our cost of sales primarily includes the cost of additional materials utilized in our finished goods, labor, freight, depreciation and other inventoriable costs such as allocated overhead.

Operating expenses

Operating expenses include engineering, selling and service and general and administrative expenses. Engineering expenses include both internal personnel costs and expenses associated with outsourced third party engineering relationships. Engineering activities are staff intensive; thus costs incurred primarily consist of salary and benefits for professional engineers and amounts paid to third parties under contractual engineering agreements. Engineering consists of a Product and Application Research and Development Engineering Group and a Customer Support Engineering Group. The primary focus of the Product and Application Research and Development Engineering Group is on current and future product design, prototyping, testing and application development activities. The Customer Support Engineering Group provides dedicated engineering and technical attention to customer production support, including a direct communication link with our internal operations.

Selling and service expenses represent the costs of our OEM sales team, an aftermarket sales group and a customer support group for field service and warranty support of our products. We utilize a direct sales and marketing approach to maintain maximum customer interface and service support. Wages and benefits, together with expenses associated with travel, account for the majority of the costs in this category.

General and administrative expenses principally represent costs of our corporate office and personnel that provide management, accounting, finance, human resources, information systems and related costs which support the organization. In addition to wages and benefits, costs include professional services, insurance, banking fees and other general facility and administrative support costs.

Recent developments

Reverse Merger, Principal Purchase and Sale Transaction, Private Placement and Stock Repurchase

On April 29, 2011, Format, Inc. (n/k/a Power Solutions International, Inc.) completed a reverse merger transaction, in which PSI Merger Sub, Inc., newly-created as a wholly-owned subsidiary of Format, Inc., merged with and into The W Group, and The W Group remained as the surviving corporation of the merger, becoming a wholly-owned subsidiary of Power Solutions International, Inc. The Reverse Merger was consummated under Delaware corporate law pursuant to the Merger Agreement, dated as of April 29, 2011. Pursuant to the Merger Agreement, in exchange for all of the outstanding shares of common stock of The W Group held by the three stockholders of The W Group at the closing of the Reverse Merger, Format, Inc. issued shares of Company Common Stock and shares of Company Preferred Stock to the three stockholders of The W Group. In connection with the consummation of the Reverse Merger and the parties entering into the Principal Purchase and Sale Agreement, (1) The W Group and Mr. Somodi entered into the Termination Agreement, pursuant to which each of Mr. Somodi's employment agreement with The W Group (the term of which expired in April 2010) and the Somodi Subscription Agreement, were terminated; and (2) the Company and Mr. Somodi entered into a new employment agreement, which sets forth the terms of Mr. Somodi's employment with the Company. See "Executive Compensation – Employment Agreements" below for a description of the Company's new employment agreement with Mr. Somodi.

Concurrently with the closing of the Reverse Merger, on April 29, 2011, the Company completed a private placement of its newly designated Company Preferred Stock, together with Private Placement Warrants to purchase shares of Company Common Stock, to 29 accredited investors, receiving total gross proceeds of approximately \$18,000,000 at the closing of the Private Placement. Each share of Company Preferred Stock is initially convertible into a number of shares of Company Common Stock equal to \$1,000 divided by the conversion price then in effect, subject to the limitations on conversion set forth in the Certificate of Designation. For every one share of Company Common Stock issuable upon conversion of Company Preferred Stock purchased in the Private Placement, each investor in the Private Placement also received a warrant to purchase initially one-half of a share of Company Common Stock, at an initial exercise price of \$0.40625 per share, subject to adjustment as set forth in the Private Placement Warrants.

In connection with the Reverse Merger and the Private Placement, Power Solutions International, Inc. entered into the Repurchase Agreement, dated as of April 29, 2011, with Ryan Neely, the sole director and executive officer of Format, Inc. immediately prior to the closing of the Reverse Merger, and his wife, Michelle Neely. Pursuant to the Repurchase Agreement, at the time of consummation of the Reverse Merger, (1) Power Solutions International, Inc. repurchased 3,000,000 shares of Company Common Stock from Ryan Neely and Michelle Neely, and (2) Ryan Neely and Michelle Neely terminated all of their right, title and interest in and to, and released Power Solutions International, Inc. from any and all obligations it had with respect to, the loans made by Ryan Neely and Michelle Neely to Power Solutions International, Inc. from time to time (which, as of the closing of the transactions contemplated by the Repurchase Agreement, were in an aggregate principal amount of \$114,156), in exchange for aggregate consideration of \$360,000.

As a result of the Reverse Merger, Power Solutions International, Inc. has succeeded to the business of The W Group. See "The Reverse Merger" and "The Private Placement" in this Form 8-K for a detailed description of the Reverse Merger, the Principal Purchase and Sale Transaction, the Private Placement and the Stock Repurchase.

Replacement of Prior Credit Agreement

On April 29, 2011, in connection with the closing of the Reverse Merger, the Stock Repurchase and the Private Placement, the Company and The W Group entered into a loan and security agreement with Harris N.A., and such loan and security agreement replaced the existing loan and security agreement that The W Group had with its senior lender prior to the closing of the Reverse Merger. Pursuant to the loan and security agreement with Harris N.A., among other things, the Company became a party to the loan and security agreement, the maximum loan amount under the senior credit facility was reduced from the maximum loan amount under The W Group's prior credit facility to reflect The W Group's repayment in full of its two previously outstanding term loans under the prior credit facility and the financial covenants under the prior credit facility were replaced with a new fixed charge coverage ratio. See "– Liquidity and capital resources – Credit agreement" below for a discussion of the Company's current credit facility and The W Group's prior credit facility, which was replaced by the current credit facility in connection with the Reverse Merger.

Factors affecting future comparability

We have set forth below selected factors that we believe have had, or can be expected to have, a significant effect on the comparability of recent or future results of operations:

Public company expenses

As a result of the Reverse Merger, we are now a public company, and anticipate that we will make an application to list our shares for trading on a national securities exchange, once we satisfy the relevant quantitative listing criteria. As a result, we expect that our general and administrative expenses will increase as we pay our employees, legal counsel and accountants to assist us in, among other things, establishing and maintaining a more comprehensive compliance and board governance function, establishing and maintaining internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act, and preparing and distributing periodic public reports under the federal securities laws. In addition, we expect that as a public company the cost of director and officer liability insurance will increase. We may also incur additional costs associated with compensation of non-employee directors.

Stock-based and other executive compensation

Prior to the Reverse Merger and the Private Placement, we have not granted or issued any stock-based compensation. Accordingly, we have not recognized any stock-based compensation expense. Upon and following the consummation of this offering, we may consider adopting an equity compensation plan and making awards under such a plan to our directors, officers, employees and possibly to consultants. As a result, to the extent relevant, we may incur non-cash, stock-based compensation expenses in future periods.

Events affecting sales and profitability comparisons

Our quarter-to-quarter and quarter-over-quarter operating results (including our sales, gross profit and net income) and cash flows can be impacted by a variety of internal and external events associated with our business operations. Examples of such events include (1) changes in regulatory emission requirements (which generally occur on January 1 of the year in which they become effective), (2) customer product phase-in/phase-out programs, (3) supplier product (i.e. a specific engine model) phase-in/phase-out programs, (4) changes in pricing by suppliers to us of engines, components and other parts (typically effective January 1 of any year), and (5) changes in our pricing to our customers (typically effective January 1 of any year), which may be related to changes in the pricing by suppliers to us. In order to mitigate potential availability or pricing issues, customers may adjust their demand requirements from traditional patterns. We may also extend special programs to customers in advance of such events, and we are more likely to offer such programs in our fourth quarter of a year in anticipation of events expected to occur in the first quarter of the next year. The occurrence of any of the events discussed above may result in fluctuations in our operating results (including sales and profitability) and cash flows between and among reporting periods.

Critical accounting policies and estimates

The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). The preparation of these financial statements in accordance with GAAP requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, assumptions and judgments, including those related to revenue recognition, bad debts, inventories, warranties and income taxes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and our revenue recognition. Actual results may differ from these estimates under different assumptions or conditions.

Revenue recognition

We recognize revenue at the time title and risk of loss of inventory passes to the customer which is typically upon shipment of goods. In certain cases, we recognize revenue upon billing for goods which are not immediately shipped at the request and for the convenience of our customer, otherwise known as a “bill and hold” arrangement. In these cases, revenue is recognized under the same terms and conditions as any other sale except that the products are held by us until the customer initiates the shipment of the product from our warehouses. Transfer of the title and risk of loss pass to the customer, and there are no future performance obligations, at the time the bill and hold sale is recognized. Any product that has been sold under a bill and hold arrangement is segregated from our owned inventory. When billed to the customers, shipping and handling charges to customers are included in revenue when incurred. Shipping and handling costs incurred by the company are included in cost of sales.

Allowance for doubtful accounts

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management’s best estimate of the amounts that will not be collected. Management individually reviews all past due accounts receivable balances and, based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected.

Inventories

Inventories consist primarily of engines and parts. Engines are valued at the lower of cost, as determined by specific serial number identification, or market value. Parts are valued at the lower of cost (first-in, first out) or market value.

We write down inventory for estimated unmarketable inventory by an amount equal to the difference between the cost of the inventory and the estimated realizable value, based upon assumptions about future demand and market conditions.

Warranty programs

We offer a standard limited warranty on the workmanship of our products that in most cases covers defects for a period of (i) one year from the date of shipment or (ii) six months from the date products are placed into service, whichever occurs first. Warranties for certified emission products are mandated by the EPA and/or the CARB and are longer than our standard warranty on certain emission related products. Our products also carry limited warranties from suppliers. Costs related to supplier warranty claims are borne by the supplier; our warranties apply only to the modifications we make to supplier base products. We estimate and record a liability, and related charge to income, for our warranty program at the time products are sold to customers. Our estimates are based on historical experience and reflect management’s best estimates of expected costs at the time products are sold. We make adjustments to our estimates in the period in which it is determined that actual costs may differ from our initial or previous estimates.

Income taxes

All income tax amounts reflect the use of the liability method. Under this method deferred tax assets and liabilities are determined based upon the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial and income tax purposes. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. These differences relate primarily to different depreciation methods for financial statement and income tax purposes, nondeductible allowances for accounts receivable and inventory, certain accrued expenses, unrealized losses on hedging activities and R&D credit carryforwards.

Deferred taxes are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and tax rates as on the date of enactment.

Results of operations

Year ended December 31, 2010 compared with the year ended December 31, 2009

Net sales

Our net sales increased 21% to \$100.5 million for the year ended December 31, 2010 compared to \$82.9 million for the year ended December 31, 2009. The increase in net sales was primarily due to increased sales volumes from new product releases and increases in sales from existing customers due to an improvement in the general global economy. In addition to the sales increases arising from the improvement in the general global economy, sales to new, Asia-based customers contributed to the sales growth, and we experienced a full year's sales of our larger power systems which were initially introduced in 2009. Our net sales in 2009 included a special program whereby we offered our customers the opportunity to purchase certain products scheduled for a supplier phase out in 2010 in order to avoid potential availability issues and future published price increases on those products. Sales under this program represented a substantial portion of total net sales in the fourth quarter of 2009.

Cost of sales

Our cost of sales increased 26% to \$83.9 million for the year ended December 31, 2010 from \$66.5 million in the comparable period of 2009. The increase in cost of sales was primarily due to the increase in our sales volume. As a percentage of net sales, cost of sales increased to 83% for the year ended December 31, 2010, compared to 80% for the year ended 2009. Cost of sales as a percentage of net sales was lower in 2009 primarily due to lower costs associated with products sold in a special program discussed under "Net sales" above and the cost control initiatives begun in 2008 and which continued throughout 2009.

Gross profit

Our gross profit increased 1.5% to \$16.6 million for the year ended December 31, 2010 from \$16.4 million in the comparable period of 2009. Our gross profit increased primarily due to the previously discussed increase in sales volumes. As a percentage of revenue, gross profit was 17% for the year ended December 31, 2010 compared to 20% in 2009. The higher gross profit in 2009 was principally attributable to the lower material costs associated with the products sold in a special program discussed under "Net sales" above and the cost control initiatives discussed above.

Engineering expense

Engineering expenses increased 41% to \$3.8 million in the year ended December 31, 2010 from \$2.7 million in the comparable period of 2009 due to an increase in activity associated with new customer product launches, costs associated with the required periodic testing of engines for emission compliance, and increased product development activity. Our research and development expenses increased from \$2.4 million in 2009 to \$3.0 million in 2010.

Selling and services expense

Selling and service expenses increased 21% to \$5.5 million for the year ended December 31, 2010 from \$4.5 million in the comparable period of 2009. The increase in selling and services expense was primarily attributable to supporting our increased sales for the year ended December 30, 2010 as compared to 2009 and remained consistent as a percentage of net sales year over year.

General and administrative expenses

General and administrative expenses increased 7% to \$3.3 million in the year ended December 31, 2010 from \$3.1 million in the comparable period of 2009. The sales growth from 2009 to 2010 outpaced the increase in general and administrative expenses as we were able to effectively leverage our general and administrative costs to support our increased sales volume. As a result, general and administrative expenses decreased to 3% of net sales in 2010 from 4% in 2009.

Interest expense

Interest expense decreased 8% to \$2.1 million for the year ended December 31, 2010, as compared to \$2.3 million for the year ended December 31, 2009. Our average outstanding bank borrowings were \$1.8 million lower in 2010

compared to 2009. Our average effective interest rate on our bank borrowings was 5.82% in 2010 as compared to 5.01% in 2009. We benefitted from lower average outstanding debt and reduced amortization of deferred financing costs in 2010. The lower outstanding debt was primarily attributable to scheduled payments of term loans and capital lease obligations. In addition, we wrote off additional deferred financing costs in 2009 as a result of an amendment to our existing credit agreement which reduced our overall borrowing capacity. Offsetting these reductions in interest expense was a higher average interest rate in 2010.

Income tax expense

Our income tax expense decreased \$1.0 million to \$0.4 million for the year ended December 31, 2010, primarily as the result of our lower taxable income. Our effective tax rate was 19% on income before taxes of \$1.9 million for the year ended December 31, 2010 compared to an effective tax rate of 37% on pre-tax income of \$3.8 million for the comparable period of 2009. The lower effective income tax rate in 2010 was attributable to available tax research credits generated and used. Absent changes to existing legislation, we expect these research tax credits to be available for the benefit of the Company in the future as well.

Year ended December 31, 2009 compared with Year ended December 31, 2008

Cost control program – 2009

We initiated a cost control program in 2008, which we expanded in 2009 to reduce expenses by implementing mandatory cost reduction programs, including stringent budgetary cost controls on discretionary spending and various employee cost control programs that matched required staffing levels with the variability of product demand during the year. We historically maintained a mix of full-time and temporary staffing in both production and administrative functions, allowing us to flex the staff in response to market conditions. This mix provided us with the ability to quickly adjust our staffing cost to the decrease in demand in 2009. In addition, we were able to establish flexible production lines along with flexible work programs with the remainder of our staff, enabling us to match required production capacity and staffing levels with the variability of product demand. This also enabled us to retain our most qualified staff, which in turn provided a solid technical base to support the anticipated improvement in customer sales activity as ultimately realized in 2010.

Net sales

Net sales decreased 34% to \$82.9 million in the year ended December 31, 2009 compared to \$125.3 million for the comparable period of 2008. The decrease in net sales was attributable to lower demand as a result of the downturn in global economic conditions across our customer base. The decrease in shipments occurred across all power system products, as well as our aftermarket parts, although our customer base remained stable during this period. In spite of a general decrease in net sales in 2009, fourth quarter 2009 net sales remained strong due to increased sales activity associated with customers purchasing product before our published January 1 price increases, product purchases by customers to cover transitional requirements associated with new mobile emission standards and a special program whereby we offered our customer base the opportunity to purchase certain products scheduled for a supplier phase out in 2010 in order to avoid potential availability issues and future published price increases on those products. Sales under this program represented a substantial portion of total net sales in the fourth quarter of 2009.

Cost of sales

Our cost of sales decreased 38% to \$66.5 million for the year ended December 31, 2009 from \$107.4 million in the comparable period of 2008. The decrease in cost of sales was due to the decrease in our sales volume associated with the downturn in the global economy. As a percentage of net sales, cost of sales decreased to 80% in 2009 compared to 86% in 2008. The improvement in the cost of sales as a percentage of net sales between 2009 and 2008 was primarily attributable to lower costs associated with the products sold in the special program discussed under “Net sales” above, as well as lower labor and overhead costs resulting from cost control programs initiated during 2008 and 2009.

Gross profit

Our gross profit decreased 8% to \$16.4 million for the year ended December 31, 2009 from \$17.9 million in the comparable period of 2008. The decrease in gross profit was due to the overall decrease in sales volumes associated with the general downturn in global economic conditions that generally affected our customer base. As a percentage of sales, gross profit increased to 20% in 2009 compared to 14% in 2008. Our gross profit as a percentage of sales increased due primarily to the factors noted above in “Cost of sales.”

Engineering expense

Engineering expenses decreased 18% to \$2.7 million for the year ended December 31, 2009 from \$3.3 million in the comparable period of 2008. The decrease in engineering expense was primarily due to our cost control plan which was implemented in 2008 and continued into 2009. Engineering activities are staff intensive; thus costs incurred primarily consist of salary and benefits for professional engineers and amounts paid to third parties for contract services. Although we did reduce engineering costs according to our cost control plan, we retained our technical staff to continue development of new products independent of our sales volume.

Selling and service expense

Selling and service expenses decreased 24% to \$4.5 million for the year ended December 31, 2009 from \$6.0 million in the comparable period of 2008. The decrease in selling and service expense was the result of the cost control plan implemented in 2008 and continued into 2009. As a percentage of net sales, selling and service expense was 5% in 2009 and 2008.

General and administrative expense

General and administrative expenses decreased 31% to \$3.1 million for the year ended December 31, 2009 from \$4.4 million in the comparable period of 2008. The decrease in general and administrative expense was primarily due to decreased discretionary spending and personnel costs from the continuation of the cost control program, which was expanded in 2009 in response to lower sales and general business activity levels. General and administrative expenses remained consistent at approximately 4% of net sales in 2009 and 2008.

Interest expense

Interest expense decreased 17% to \$2.3 million for the year ended December 31, 2009 from \$2.8 million in the comparable period of 2008. Our average outstanding bank borrowings were \$3.2 million lower in 2009 compared to 2008. Our average effective interest rate on our bank borrowings was 5.01% in 2009 compared to 5.50% in 2008. Partially offsetting the expense decrease was a \$0.2 million increase in deferred financing charges arising from an amendment to our then existing credit facility, which among other things, resulted in a decrease in our overall borrowing capacity.

Income tax expense

Our income tax provision increased to \$1.4 million for the year ended December 31, 2009 from \$0.8 million in 2008, primarily due to higher income before income taxes. Our effective tax rate was 37% and 53% for the years ended December 31, 2009 and 2008, respectively. We were under audit by the Internal Revenue Service ("IRS") for certain tax years prior to 2008. During 2008, these audits were completed, resulting in additional income tax expense of \$0.2 million, which increased our effective overall income tax rate as a percentage of pre-tax income. The additional taxes arising from the settlement and closure of these tax years were partially offset by research tax credits of \$0.1 million.

Liquidity and capital resources

Our cash requirements are dependent upon a variety of factors, foremost of which is the execution of our strategic plan. We expect to continue to devote substantial capital resources to running our business. Our primary sources of liquidity are cash flows from operations, principally collections of customer accounts receivable and borrowing capacity under our credit facility. Our existing and historical financing arrangements require that cash received by us be applied against our revolving line of credit. Accordingly, we do not maintain cash or cash equivalents on our balance sheet, but instead fund our operations through borrowings under a revolving line of credit which is described below under "Credit agreement."

Based on our current forecasts and assumptions, we believe that our sources of cash and cash equivalents, namely the sales of our power systems and aftermarket products and access to borrowing capacity will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least the next 12 months.

Year ended December 31, 2010

As of December 31, 2010, we had working capital of \$6.3 million compared to \$7.1 million as of December 31, 2009. The decrease in working capital was principally attributable to the scheduled debt payments arising from collections on accounts receivable in excess of the amounts used to reduce accounts payable and our line of credit. Additionally, inventories increased \$1.0 million, but this increase was partially offset by increases in accrued liabilities. Cash was generated or used as discussed below:

Operating activities

For the year ended December 31, 2010, we generated cash flows from operations of \$3.9 million, which consisted primarily of net income of \$1.6 million, increased by non-cash adjustments (primarily for depreciation) of \$1.1 million, cash provided by the collection of accounts receivable of approximately \$12.0 million, an increase in accrued liabilities of \$0.5 million, and an increase in deferred revenue of \$0.2 million. These increases were offset by cash used for the purchase of inventory of \$1.0 million, a \$0.5 million net increase in prepaid and other assets and payments of accounts payable and income taxes of \$9.3 million and \$0.7 million, respectively.

Investing activities

Net cash used in investing activities of \$0.6 million and \$0.4 million in the years ended December 31, 2010 and 2009, respectively, related primarily to the acquisition of fixed assets. Fixed asset expenditures principally arose from the purchase of tooling and transportation equipment.

Financing activities

Net cash used in financing activities was \$3.3 million for the year ended December 31, 2010. The cash was used for scheduled payments on our long-term debt and capital leases of \$1.7 million and \$0.5 million, respectively, repayment of \$0.7 million in borrowings under our revolving line of credit, payment of \$0.3 million in financing fees relating to the Reverse Merger discussed herein, and a \$0.1 million reduction in our cash overdrafts offset by \$0.1 million in proceeds from additional borrowings.

Year ended December 31, 2009***Operating activities***

In the year ended December 31, 2009, we generated cash flows from operations of \$3.4 million, which consisted primarily of net income of \$2.4 million, increased by non-cash adjustments (primarily for depreciation) of \$0.9 million, cash provided by a net decrease in prepaid and other assets of \$0.3 million and cash provided by increases in accounts payable and income taxes payable of \$13.2 million and \$1.2 million, respectively, offset by cash used for the purchase of inventory of \$4.9 million, an increase in accounts receivable of approximately \$9.5 million and a \$0.2 million decrease in accrued liabilities. The increase in accounts receivable and accounts payable were attributable to fourth quarter sales activity as indicated in our discussion of *Net sales* for the year ended December 31, 2009 as compared to *Net sales* for the year ended December 31, 2008.

Investing activities

Net cash used in investing activities related primarily to the acquisition of fixed assets of \$0.4 million for the year ended December 31, 2009. Fixed asset expenditures principally arose from the purchase of custom tooling used in the production of components for power systems.

Financing activities

Net cash used in financing activities for the year ended December 31, 2009 was \$3.0 million and was used to repay borrowings under our revolving line of credit and scheduled payments on our long term debt.

Operating activities

In the year ended December 31, 2008, we generated cash flows from operations of \$2.7 million, which consisted primarily of net income of approximately \$0.7 million, increased by non-cash adjustments (primarily for deferred income taxes and depreciation) of \$1.1 million and cash provided by the collection of accounts and other receivables of \$5.8 million and \$0.1 million, respectively, the reduction of inventory and other assets of \$7.4 million and \$0.2 million, respectively, and offset by cash used for the reduction of accounts payable, prepaid and other and accrued liabilities and taxes of \$12.0 million, \$0.3 million and \$0.3 million, respectively.

Investing activities

Net cash used in investing activities related primarily to the acquisition of fixed assets of \$0.6 million for the year ended December 31, 2008. Fixed asset expenditures principally arose from the purchase of custom tooling used in the production of components for power systems.

Financing activities

Net cash used in financing activities for the year ended December 31, 2008 was \$2.1 million. We refinanced our line of credit and term debt during 2008 and used \$1.5 million to repay borrowings, and we used \$1.3 million of cash to pay financing fees related to new debt. We also entered into a sales leaseback transaction for certain assets which generated proceeds of \$0.4 million and had a \$0.3 million increase in our cash overdraft position.

Credit agreement

In connection with the consummation of the Reverse Merger and the Private Placement, on April 29, 2011, we entered into a loan and security agreement (the “New Credit Agreement”) with certain lenders (the “Lenders”) and Harris N.A., as agent for the Lenders (the “Agent”). The New Credit Agreement replaced the loan and security agreement (the “Prior Credit Agreement”) with Fifth Third Bank, the terms of which are discussed below. The New Credit Agreement provides for borrowings of up to \$35.0 million under a revolving line of credit (the “New Line of Credit”), which New Line of Credit is scheduled to mature on April 29, 2014 and has a variable interest rate as described below. Borrowings under the New Credit Agreement are collateralized by substantially all of our assets. Under the New Credit Agreement, we are required to meet certain financial covenants, including a minimum monthly fixed charge coverage ratio and a limitation on annual capital expenditures, the testing of which commences on April 30, 2011. The New Credit Agreement also contains customary covenants and restrictions applicable to us, including agreements to provide financial information, comply with laws, pay taxes and maintain insurance, restrictions on the incurrence of certain indebtedness, guarantees and liens, restrictions on mergers, acquisitions and certain dispositions of assets, and restrictions on the payment of dividends and distributions. In addition, the New Credit Agreement requires our cash accounts to be held with the Agent. Our cash deposits in the New Line of Credit account are swept by the Agent daily and applied against the outstanding New Line of Credit balance. As a result, we maintain a zero cash balance in our New Line of Credit account, and we borrow on the New Line of Credit on a daily basis to fund our cash disbursements.

Under the New Credit Agreement (in contrast to the Prior Credit Agreement discussed below): (a) Power Solutions International, Inc. is a party to the New Credit Agreement and pledged the equity interests of The W Group to the Agent; (b) there are no term loans; (c) the New Line of Credit bears interest at the Agent’s prime rate (3.25% at December 31, 2010) plus an applicable margin ranging from 0% to 0.50% or, at our option, a portion of the New Line of Credit can be designated to bear interest at LIBOR plus an applicable margin ranging from 2.00% to 2.50%; (d) there is a higher limit on annual capital expenditures; (e) there is no maximum quarterly senior debt leverage ratio; and (f) there is a fixed charge coverage ratio similar to the fixed charge coverage ratio in the Prior Credit Agreement, except that the fixed charge coverage ratio under the New Credit Agreement excludes historical debt service on Term Loan A and Term Loan B (each as defined and discussed below) and certain other one-time expenses.

On April 29, 2011, upon consummation of the Reverse Merger and the other transactions referred to above under “—Recent Developments,” we used net proceeds from the Private Placement and proceeds from a draw on the New Line of Credit to repay the Prior Loans (as discussed and defined below) under the Prior Credit Agreement in full. Upon consummation of the Reverse Merger and immediately following the repayment of the Prior Loans on April 29, 2011, availability under the New Line of Credit was approximately \$12.7 million.

The Prior Credit Agreement was entered into in 2008 among Fifth Third Bank and The W Group and its subsidiaries. The initial proceeds from the Prior Credit Agreement were used to retire the revolving line of credit and term loans with our predecessor bank. The Prior Credit Agreement provided for a revolving line of credit of up to \$37.5 million (the “Prior Line of Credit”), a term loan of \$8.7 million (“Term Loan A”) and a term loan of \$2.4 million (“Term Loan B” and together with Prior Line of Credit and Term Loan A, the “Prior Loans”), which Prior Loans were scheduled to mature on July 15, 2013 and had variable interest rates. Under the terms of the Prior Credit Agreement, we had the ability to elect whether outstanding amounts under the Prior Loans accrued interest based on the prime rate plus a margin or LIBOR plus a margin. Prior to being repaid in full, the Prior Loans under the Prior Credit Agreement were collateralized by substantially all of our assets. Under the Prior Credit Agreement, we were required to maintain our cash accounts with Fifth Third Bank. We had our cash deposits in the Prior Line of Credit account swept by Fifth Third Bank daily and applied against the outstanding Prior Line of Credit balance. As a result, we maintained a zero cash balance in our Prior Line of Credit account, and we borrowed on the Prior Line of Credit on a daily basis to fund our cash disbursements. Outstanding borrowings under the Prior Line of Credit were \$21.6 million and \$22.4 million at December 31, 2010 and December 31, 2009, respectively. Prior to its repayment in full in connection with the closing of the Reverse Merger, principal payments of Term Loan A were payable in quarterly installments ranging from \$0.2 million to \$0.6 million over the life of the loan. Term Loan A had an outstanding balance of \$5.6 million and \$7.2 million as of December 31, 2010 and December 31, 2009, respectively. Prior to its repayment in full in connection with the closing of the Reverse Merger, principal payments of Term Loan B were payable in quarterly installments of less than \$0.1 million over the life of the loan plus a balloon payment at maturity. Term Loan B had an outstanding balance of \$2.1 million and \$2.2 million as of December 31, 2010 and December 31, 2009, respectively. In addition to scheduled quarterly payments, prior to its replacement, the Prior Credit Agreement required an annual repayment equal to 60% of excess cash flow.

The Prior Line of Credit was previously amended, in August 2009, to reduce the maximum borrowings from \$37.5 million to \$29.0 million, bearing interest at Fifth Third Bank’s prime rate (3.25% at December 31, 2009) plus an applicable margin ranging from 2.25% to 2.50%. Prior to the replacement of the Prior Credit Agreement on April 29, 2011, at our option a portion of the Prior Line of Credit could be designated to bear interest at LIBOR, subject to a 2.00% floor, plus an applicable margin ranging from 3.25% to 3.50%. At December 31, 2010, the entire outstanding balance of \$21.6 million had been designated to bear interest at the LIBOR rate, plus margin. The interest rate on the Prior Line of Credit was 5.50% at December 31, 2010.

Although we were in compliance with the financial covenants under the Prior Credit Agreement as of December 31, 2009, we determined that we were not in compliance with our senior debt leverage ratio as of September 30, 2009. On April 13, 2010, we received from Fifth Third Bank a waiver of our noncompliance with this financial covenant as of September 30, 2009.

As of December 31, 2010, we determined that we were not in compliance with the quarterly fixed charge coverage ratio and the quarterly senior debt leverage ratio covenants of our Prior Credit Agreement. On January 20, 2011, we received from Fifth Third Bank a waiver of our noncompliance with these financial covenants as of December 31, 2010.

Contractual obligations

As of December 31, 2010, our commitments under our revolving line of credit, term debt, purchase obligations, operating and capital leases (which do not reflect the consummation of the Reverse Merger, the Stock Repurchase or the Private Placement) were as follows (amounts in 000s):

	<u>Total</u>	<u>Less than 1 year</u>	<u>2 - 3 years</u>	<u>4 - 5 years</u>	<u>More than 5 years</u>
Revolving line of credit	\$21,633	\$ —	\$21,633	\$—	\$ —
Term debt	7,824	2,148	5,663	13	—
Interest ⁽¹⁾	3,873	1,672	2,201	—	—
Purchase commitments ⁽²⁾	1,109	378	150	150	431
Capital leases	78	78	—	—	—
Operating leases	1,630	1,184	441	5	—
Total	<u>\$36,147</u>	<u>\$5,460</u>	<u>\$30,088</u>	<u>\$168</u>	<u>\$ 431</u>

- (1) For our revolving line of credit, we estimated future interest expense using the balance and interest rate as of December 31, 2010 through the remaining term of the agreement. For all other debt with scheduled principal payments, we estimated future interest expense using the applicable balances expected during the remaining term of each obligation and the interest rate in effect as of December 31, 2010.
- (2) On November 18, 2010, we entered into an agreement with a supplier to build certain tooling and fixtures to be owned by the Company and used to produce certain of the components for our power systems. In exchange for the intellectual development and building of the tooling and fixtures, the Company agreed to pay the supplier \$1.125 million over a 10 year period. Of this amount, \$0.9 million remains unpaid at December 31, 2010. In addition, the Company has a \$0.2 million commitment to another supplier relating to the development of licensing exclusively for the benefit of the Company.

Off-balance sheet arrangements

We do not have any material off-balance sheet arrangements.

Impact of recently issued accounting standards

Revenue Recognition

In September 2009, the FASB reached a consensus on ASU No. 2009-13, “Revenue Recognition (Topic No. 605)—Multiple-Deliverable Revenue Arrangements,” (ASU 2009-13). ASU 2009-13 modifies the requirements that must be met for an entity to recognize revenue from the sale of a delivered item that is part of a multiple-element arrangement when other items have not yet been delivered. ASU 2009-13 eliminates the requirement that all undelivered elements must have either: (i) vendor specific objective evidence (VSOE) or (ii) third-party evidence (TPE), before an entity can recognize the portion of an overall arrangement consideration that is attributable to items that already have been delivered. In the absence of VSOE or TPE of the standalone selling price for one or more delivered or undelivered elements in a multiple-element arrangement, entities will be required to estimate the selling prices of those elements. Overall arrangement consideration will be allocated to each element (both delivered and undelivered items) based on their relative selling prices, regardless of whether those selling prices are evidenced by VSOE or TPE or are based on the entity’s estimated selling price. The residual method of allocating arrangement consideration has been eliminated. Early adoption is permitted. This new update is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Based on the current nature of our operations, we do not expect the adoption of this requirement on January 1, 2011 will have a material impact on our consolidated financial statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We maintain cash accounts with Harris N.A. (the “Agent”), which is where we also maintain the New Line of Credit. Our cash deposits in the New Line of Credit account are swept by the Agent on a daily basis and applied against the outstanding New Line of Credit balance, and we borrow on the New Line of Credit on a daily basis to fund our cash disbursements.

Our exposure to changes in the level of interest rates is generally limited to borrowings under our credit facility with the Agent. In particular, our interest expense sensitivity results from changes in the underlying prime rate or LIBOR. At our option, we have the ability to elect whether outstanding amounts under the New Line of Credit with the Agent bear interest at the prime rate plus a margin or LIBOR plus a margin and, prior to the repayment of the Prior Line of Credit with our previous senior lender, Fifth Third Bank as of April 29, 2011, we had the ability to elect whether outstanding amounts under each of Term Loan A and Term Loan B with Fifth Third Bank, bore interest at the prime rate plus a margin or LIBOR plus a margin. We designated our outstanding balance under the Prior Line of Credit with Fifth Third Bank to bear interest at LIBOR, subject to a 2.0% floor, plus an applicable margin ranging from 3.25% to 3.50%. At December 31, 2009 and December 31, 2010, (1) the principal amount of indebtedness outstanding under the Prior Line of Credit was \$22.4 million and \$21.6 million, respectively, (2) the principal amount of indebtedness outstanding under Term Loan A was \$7.2 million and \$5.6 million, respectively, and (3) the principal amount of indebtedness outstanding under Term Loan B was \$2.2 million and \$2.1 million, respectively. At December 31, 2009 and December 31, 2010, the entire outstanding balance of \$22.4 million and \$21.6 million, respectively, under the Prior Line of Credit bore an interest rate of 5.50%. At December 31, 2009 and December 31, 2010, all outstanding balances under Term Loan A and Term Loan B bore interest at the prime rate plus a margin. See Note 3 – under the heading “Line of credit” and Note 4 – under the heading “Long-term debt” to the Consolidated Financial Statements for the years ended December 31, 2010, 2009, and 2008 included in this Form 8-K and “Management’s Discussion and Analysis of Financial Condition and Results of Operations –Liquidity and capital resources – Credit agreement” above for a discussion of the Prior Line of Credit, Term Loan A and Term Loan B.

We previously maintained, and may maintain in the future, an interest-rate risk management strategy using derivative instruments to minimize significant, unanticipated earnings fluctuations caused by interest-rate volatility. However, we have not maintained such a strategy since the third quarter of fiscal 2008.

Based upon our Prior Credit Agreement with Fifth Third Bank, using our balances and interest rates as of December 31, 2010 and holding other variables constant, a 10% increase in interest rates for the next 12-month period would have decreased our pre-tax earnings and cash flow by approximately \$0.2 million. Excluding Term Loan A and Term Loan B, the decrease would have been approximately \$0.1 million. Assuming for purposes hereof that the New Credit Agreement was effective as of December 31, 2010, using our balances other than Term Loan A and Term Loan B as of December 31, 2010, and holding other variables constant, a 10% increase in interest rates for the next 12-month period would have decreased our pre-tax earnings and cash flow by approximately \$0.1 million.

We are currently not subject to any material foreign currency exchange rate risk or any investment-related risk.

RISK FACTORS

You should consider carefully the risks, uncertainties and other factors described below, in addition to the other information set forth in this report. If any of these risks were to occur, our business, affairs, prospects, assets, financial condition, results of operations and cash flows could be materially and adversely affected, and any such risks could adversely affect the value of an investment in our securities. See also “Cautionary Note Regarding Forward-Looking Statements.”

Risks Related to our Business and our Industry

Our financial position, results of operations and cash flows have been, and may continue to be, negatively impacted by the current challenging global economic conditions and the recent financial crisis.

The current challenging global economic conditions, which have had a particularly severe impact on industrial markets, have had, and may continue to have, a material adverse effect on our business. More specifically, such conditions resulted in significantly reduced demand in 2009 for our power systems and other products from our industrial OEM customers, as those customers faced sharp declines in market demand for their products into which our power systems are incorporated. Our net sales decreased 34% from 2008 to 2009, primarily due to lower power system shipment volumes and aftermarket parts sales resulting from this reduced demand. This sales decrease was reflected across our base of customers in all of the OEM categories in which our power solutions are utilized. The difficult market conditions continue to affect our sales environment. As a result, among other things, we are experiencing pricing pressure, which is negatively impacting our margins.

The current difficult economic climate and future economic downturns may continue to materially impact our OEM customers, as well as suppliers and other parties with which we do business. Economic conditions that adversely affect our customers may cause them to terminate existing supply agreements or to reduce the volume of power systems they purchase from us in the future. In the case of a further economic downturn, we may have significant balances owing from customers that face liquidity issues. Failure to collect a significant portion of amounts due on those receivables could have a material adverse effect on our results of operations and financial condition. Similarly, with adverse market conditions, our key suppliers from which we source power system components may be unable to provide components to us. Furthermore, we may not be able to successfully anticipate, plan for and respond to changing economic conditions, and our business could be negatively affected.

In addition, the recent financial troubles affecting the banking system and financial markets and the on-going concerns and threats to investment banks and other financial institutions have resulted in a tightening in the credit markets, a low level of liquidity in many financial markets, and extreme volatility in fixed income, credit and equity markets. There could be a number of follow-on effects from the credit crisis on the industrial OEM industry generally and on our business specifically. Our OEM customers may be unable to obtain credit to finance purchases of their inventory (thus reducing demand for our power systems), or to honor their obligations to us, or may become insolvent. In addition, our key suppliers may make changes in the credit terms they extend to us, such as shortening the required payment period for our amounts owing them or reducing the maximum amount of trade credit available to us, or may become insolvent.

The market for alternative fuel spark-ignited power systems may not develop according to our expectations and, as a result, our business may not grow as planned and our business plan may be adversely affected.

Our future growth is dependent upon the market for efficient alternative fuel spark-ignited power systems (including natural gas and propane) expanding as a result of our customers and potential customers substituting alternative fuel power systems for diesel power systems. Part of our business plan is dependent on our market forecasts with respect to this expected substitution trend. However, there can be no assurance that we can accurately predict the potential impact of new diesel emission regulations, which we assume will help drive this trend by increasing the cost and product footprint of diesel power systems, nor can we assure that customers or potential customers would substitute natural gas and propane powered power systems for diesel power systems in response to these regulations. In addition, to the extent that diesel power system manufacturers develop the ability to design and produce emission-compliant diesel power systems that they can sell at a lower price and have smaller product footprints than we currently expect, diesel power systems will be more competitive with our alternative fuel power solutions, and customers and potential customers may be less likely to substitute alternative fuel power systems for diesel power systems. Furthermore, even if alternative fuel power systems are substituted for diesel power systems, there can be no assurance that our power systems would capture any portion of this potential market size increase. If the industrial OEM market generally, or more specifically any of the industrial OEM categories which represent a significant portion of our business or in which we anticipate significant growth opportunities for our power systems, fails to develop or develops more slowly than we anticipate, the growth of our business and our business plan could be materially adversely affected.

Changes in environmental and regulatory policies could hurt the market for our products.

Our business is affected by government environmental policies, mandates and regulations around the world, most significantly with respect to emission standards in the United States. Examples of such regulations include those that (1) restrict the sale of power systems that do not meet emission standards, (2) impose penalties on sellers of non-compliant power systems, and (3) require the use of more expensive ultra-low sulfur diesel fuel. There can be no assurance that these policies, mandates and regulations will be continued or expanded as assumed in our growth strategy. Incumbent industry participants with a vested interest in gasoline and diesel, many of which have substantially greater resources than we do, may invest significant resources in an effort to influence environmental regulations in ways that delay or repeal requirements for more stringent carbon, particulate matter and other emissions.

We generally must obtain product certification from both the EPA and CARB to sell our products in the United States. We may attempt to expand sales of our power systems to industrial OEMs that sell their products in Europe, which also has stringent emissions requirements. Accordingly, future sales of our product will depend upon their being certified to meet the existing and future air quality and energy standards imposed by the relevant regulatory agencies.

We cannot assure you that our products will continue to meet these standards. We incur significant research and developments costs to ensure that our products comply with emission standards and meet certification requirements in the regions where our products are sold. The failure to comply with certification requirements would not only adversely affect future sales but could result in the recall of our products or civil or criminal penalties.

The adoption of new, more stringent and burdensome government emission regulations, whether at the foreign, federal, state, or local level, in markets in which we supply our power systems, may require modification of our emission certification and other manufacturing processes for our power systems. Thus, we might incur unanticipated expenses in meeting future compliance requirements, and may be required to increase our research and product development expenditures. Increases in such costs and expenses could necessitate increases in the prices we charge our OEM customers for our power systems, which could adversely affect demand for them.

We currently face, and will continue to face, significant competition, which could result in a decrease in our revenue.

The market for our products and related services is intensely competitive, subject to rapid change and sensitive to new product and service introductions and changes in technical requirements. New developments in power system technology may negatively affect the development or sale of some or all of our power systems or make our power systems uncompetitive or obsolete. Other companies, some of which have longer operating histories, greater name recognition and greater financial and marketing resources than us, are currently engaged in the development of products and technologies that are similar to, or may be competitive with, certain of our products and power system technologies. If the markets for our products (including particular industrial OEM market categories) grow as we anticipate, competition may intensify, as existing and new competitors identify opportunities in such markets.

We face competition from companies that employ current power system technologies, and may face competition in the future from additional companies as new power system technologies are adopted. Among our competitors are fuel system providers such as Westport Innovations, Inc., Fuel System Solutions and Woodward Governor, Inc., which supply engines and engine system components to the industrial OEM marketplace. Additionally, we may face competition from companies developing technologies such as cleaner diesel engines, bio-diesel, fuel cells, advanced batteries and hybrid battery/internal combustion power systems. We may not be able to incorporate such technologies into our product offerings, or may be required to devote substantial resources to doing so. The success of our business depends in large part on our ability to provide single assembly, integrated, comprehensive, technologically sophisticated power solutions to our customers. The development or enhancement by our competitors of similar capabilities could adversely affect our business.

Our industrial OEM customers may not continue to outsource their power system needs.

The purchasers of our power systems are industrial OEMs that manufacture industrial equipment. As a result of the significant resources and expertise required to develop and manufacture emission-certified power systems, these customers have historically chosen to outsource production of power systems to us. Our business depends in significant part on our industrial OEMs continuing to outsource design and production of power systems, power system components and subsystems. However, there can be no assurance that our OEM customers will continue to outsource, or outsource as much of, their power system production in the future. Industrial OEMs that otherwise might utilize our power systems may instead seek to internalize the production of these power systems and related components. Increased levels of OEM vertical integration could result from a number of factors, such as shifts in our customers' business strategies, acquisition by a customer of a power system manufacturer or the emergence of low-cost production opportunities in foreign countries.

We are dependent on certain products and industrial OEM market categories for a significant share of our revenues and profits.

During fiscal 2010, a significant portion of our revenues were derived from sales of our power systems to be incorporated into equipment used in the power generation market category, and we anticipate that sales of power systems in the power generation market category will continue to represent a significant portion of our revenues for the foreseeable future. We further believe that our growth may depend in a significant part upon our ability to increase sales of our power systems in the oil and gas market category, as well as certain other industrial OEM categories. There can be no assurance that the oil and gas market category, or any other industrial market category into which we sell our power systems, will grow as quickly or as significantly as we expect (if at all), or that the current, or any future, demand for our power systems in any of these market categories will not decrease.

Failure to raise additional capital or to generate the significant capital necessary to continue our growth could reduce our ability to compete and could harm our business.

We may need to raise additional capital in the future, and we may not be able to obtain additional debt or equity financing on favorable terms, if at all. Our current credit facility contains covenants restricting our ability to enter into additional debt financing. See “– Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and capital resources – Credit agreement” for a description of our credit facility. If we raise additional equity financing, our shareholders may experience significant dilution of their ownership interests, and the per share value of our common stock could decline. Furthermore, if we engage in additional debt financing, the holders of debt would have priority over the holders of common stock, and we may be required to accept terms that restrict our ability to incur additional indebtedness, and take other actions that would otherwise be in the interests of our shareholders and force us to maintain specified liquidity or other ratios. If we need additional capital and cannot raise it on acceptable terms, we may not, among other things, be able to:

- continue to expand our research and product development operations and sale and marketing organization;
- expand operations both organically and through acquisitions; or
- respond to competitive pressures or unanticipated working capital requirements.

We are dependent on relationships with our OEM customers.

Our power systems are integrated into our OEM customers’ equipment for subsequent sales and distribution to end-users of off-highway industrial equipment. Historically, a limited number of our OEM customers account for significant portions of our revenues. We do not currently have formal, written agreements with some of our largest customers. There can be no assurance that our current material customers, or industrial OEMs in general, will continue manufacturing equipment that utilizes our power systems or, if they do manufacture such equipment, that the end-users of our OEM customers will choose to purchase products into which our power systems are incorporated. Any integration, design, manufacturing or marketing problems encountered by our OEM customers could adversely affect the demand for our power systems and the ability of our OEM customers to timely pay us amounts due for our products and services. Any change in our relationships with any of our key OEM customers, whether as a result of economic or competitive pressures or otherwise, including any decision by our OEM customers to reduce their commitments to purchase our power systems in favor of competing products, could have a material adverse effect on our business and financial results.

In addition, we may be subject to disputes arising from agreements and other arrangements with our OEM customers. Disputes with our OEM customers could lead to termination of arrangements with our OEM customers and delays in collaborative development or commercialization of power systems that we design for, and supply to, these customers. Moreover, disagreements may arise with our OEM customers over rights to proprietary technology and other intellectual property incorporated in our power systems and our customers’ products into which our power systems are integrated. Significant disagreements with our OEM customers could result in costly and time-consuming litigation. Any such conflicts with our OEM customers could negatively impact our relationships, reduce the number of power systems which we supply, and negatively impact our ability to obtain future business, in each case with these and other OEM customers.

We are dependent on relationships with our material suppliers, and the partial or complete loss of one of these key suppliers, or the failure to find replacement suppliers or manufacturers in a timely manner, could adversely affect our business.

We have established relationships with third party engine and fuel system suppliers and other suppliers from which we source our internally designed components for our power systems. However, we do not currently have formal, written agreements with some of these suppliers. We are substantially dependent on our third party engine suppliers. If any of our three key engine suppliers, Caterpillar/Perkins, General Motors and Doosan, fails to provide engines in a timely manner or to supply engines that meet our quality, quantity or cost requirements, and we are unable to obtain

substitute sources in a timely manner or on terms acceptable to us, our ability to manufacture our products could be adversely affected. In addition, we currently source certain components used in our power systems, including our fuel systems, on an exclusive basis for a substantial portion of our power systems. The technology incorporated into the fuel systems and other of these components that we source on an exclusive basis is technologically sophisticated, and we believe it provides us with a competitive advantage. If our exclusive relationship with any of these suppliers were to terminate, or if any of these suppliers were to be acquired, our competitors may gain access to this sophisticated technology which may harm our business. Further, if any suppliers from which we exclusively source components are unable to provide these components in a timely manner, or are unable to meet our quality, quantity or cost requirements, we may be unable to obtain a substitute source. Any extended delay in receiving engines, fuel systems or other critical components could impair our ability to deliver products to our OEM customers. We could incur significant costs if we are forced to use alternative suppliers.

The quality and performance of our power systems are, in part, dependent on the quality of their component parts that we obtain from various suppliers, which makes us susceptible to performance issues that could materially and adversely affect our business, reputation and financial results.

Our power systems are sophisticated and complex, and the success of our power systems is dependent, in part, upon the quality and performance of key components, such as engines, fuel systems, generators, breakers, and complex electrical components and associated software. There can be no assurance that the power system parts and components will not have performance issues from time to time, and the warranties provided by our suppliers may not always cover the potential performance issues. We may face disputes with our suppliers with respect to those performance issues and their warranty obligations, and our customers could claim damages as a result of such performance issues.

We maintain a significant investment in inventory, and a decline in our customers' purchases could lead to a decline in our sales and profitability.

We cannot always predict the timing, frequency or size of the future orders of our OEM customers. Our ability to accurately forecast our sales is further complicated by the current global economic uncertainty. We maintain significant inventories in an effort to ensure that our OEM customers have a reliable source of supply. If we fail to anticipate the changing needs of our customers and accurately forecast our customer demands, our customers may not continue to place orders with us, and we may accumulate significant inventories of products that we will be unable to sell or return to our suppliers. This may result in a significant decline in the value of our inventory and a decrease in our future gross profit.

Changes in our product mix could materially and adversely affect our business.

The margins on our revenues from some of our product and service offerings are higher than the margins on some of our other product and service offerings. In particular, the margins vary between sales of our power systems as compared to sales of our aftermarket parts and components. Our margins can also fluctuate based upon competition, alternative products and services, operating costs and contractual factors. In addition, we may not be able to accurately estimate the margins of some of our new and developing products and services due to our limited operating history with sales of these products. Our new products and services may have lower margins than our current products and services.

While margins differ across the range of our power systems, prices for our power systems generally vary based on the relative sizes in terms of horsepower of the power systems. For example, if a greater proportion of our revenues are generated from sales of our lower-power power systems, our total revenues and profits may be lower than what they would be if we sold a comparable number of larger power systems, even if margins on these smaller power systems are greater.

We derive a substantial majority of our revenues attributed to our diesel power systems business from our relationships with Perkins and Caterpillar.

We derive a significant portion of our diesel power systems business from our distributor agreement with Perkins, packaging and distribution agreements with Caterpillar engine dealers and our association with Caterpillar. Our business with Perkins and Caterpillar represented approximately 19% and 20% of our revenues in fiscal 2010 and fiscal 2009, respectively. Any change in our relationships with Perkins and Caterpillar, including the termination of our agreements with Perkins or Caterpillar engine dealers, could have a material adverse effect on our business and financial results.

Fuel price differentials are hard to predict and may have an adverse impact on the demand for our products in the future.

The prices of various fuel alternatives are subject to fluctuation, based upon many factors, including changes in resource bases, pipeline transportation capacity for natural gas, refining capacity for crude oil and government excise and fuel tax policies. The price differential among various fuel alternatives can impact OEMs and their decisions to buy power systems from us. For example, if fossil fuel prices increase significantly, OEMs may choose to seek power systems powered by electric motors instead of ones that utilize fossil fuels. Furthermore, if OEMs do decide to purchase power systems from us, relative fuel prices may affect which power systems they purchase from us. The margins on our sale of certain of our power systems are higher than the margins on other power systems that we sell to our OEM customers. See “—Changes in our product mix could materially and adversely affect our business.”

Price increases in some of the key components in our power systems could materially and adversely affect our operating results and cash flows.

The prices of some of the key components of our power systems are subject to fluctuation due to market forces beyond our control, including changes in the costs of raw materials incorporated into these components. Such price increases occur from time to time due to spot shortages of commodities, increases in labor costs or longer-term shortages due to market forces. In particular, the prices of certain precious metals used in our emissions control systems have recently increased significantly. Substantial increases in the prices of raw materials used in components which we source from our suppliers may result in increased prices charged by our suppliers. If we incur price increases from our suppliers for key components in our power systems, our operating costs will increase. Given competitive market conditions and contractual pricing limitations, we may not be able to pass all or any of those cost increases on to our OEM customers in the form of higher sales prices. To the extent our competitors do not suffer comparable component cost increases, we may have even greater difficulty passing along price increases and our competitive position may be harmed. As a result, increases in costs of key components may adversely affect our margins and otherwise adversely affect our operating results and cash flows.

Many of our power systems involve long and variable design and sales cycles, which could have a negative impact on our results of operations for any given quarter or year.

The design and sales cycle for our customized power systems, from initial contact with our potential OEM customer to the commencement of shipments of our power systems, may be lengthy. Customers generally consider a wide range of issues before making a decision to purchase our power systems. Before an industrial OEM commits to purchase our power systems, they often require a significant technical review, assessment of competitive products and approval at a number of management levels within their organization. The current challenging economic conditions have resulted in even longer sales cycles than we had experienced previously. During the time our customers are evaluating our products, we may incur substantial sales and marketing, engineering and research and development expenses to customize our power systems to the customer’s needs. We may also expend significant management efforts, increase manufacturing capacity, order long-lead-time components or purchase significant amounts of power system components and other inventory prior to receiving an order. Even after this evaluation process, a potential customer may not purchase our products.

The product development time after an industrial OEM customer agrees to purchase our power systems can be considerable. Our process for establishing technical specifications and developing a customized, integrated power system requires utilization of significant engineering resources, including design, prototyping, modeling, testing and application engineering. The length of this cycle is influenced by many factors, including the difficulty of the technical specification, the novelty and complexity of the design and the customer’s procurement processes.

Our design, development and sales cycle may vary based on the specific power system and the industrial OEM market category in which our customer’s product will compete, and it is difficult to predict for any particular transaction. The length and variability of our sales cycle can make it difficult to predict whether particular sales commitments will be received in any given quarter. As a result, a significant period may elapse between our investment of time and resources in designing and developing a custom power solution for an OEM customer and our revenue from sales of that power system.

The length of this process may increase the risk that an OEM customer will decide to cancel or change its plans related to its equipment into which our power system is integrated, especially in this challenging economic climate.

Such a cancellation or change in plans by a customer could cause us to lose anticipated sales. In addition, our business, results of operations and financial condition could be materially adversely affected if a customer curtails, materially reduces or delays a significant order during our sales cycle, chooses not to release its equipment that contains our custom power system, or is not successful in the sale and marketing of its equipment that contains our custom power system.

The loss of one or more key members of our senior management, or our inability to attract and retain qualified personnel could harm our business.

Our success and future growth depends to a significant degree on the skills and continued services of our management team, in particular Gary Winemaster, our Chief Executive Officer and President. The loss of any of our key members of management could inhibit our growth prospects. We do not expect that the proceeds from any “key man” life insurance policies we maintain for certain members of management would adequately compensate us for the loss of any of these individuals. Our future success also depends in large part on our ability to attract, retain and motivate key management, engineering, manufacturing and operating personnel. As we develop additional capabilities, we may require more skilled personnel. Given the highly specialized nature of our power systems, these personnel must be highly skilled and have a sound understanding of our industry, business and our technology. The market for such personnel is highly competitive. As a result, we may not be able to continue to attract and retain the personnel needed to support our business.

Our existing debt could adversely affect our business and growth prospects.

At April 29, 2011, after giving effect to our entry into our credit facility with Harris N.A. in connection with the consummation of the Reverse Merger and the Private Placement, and the repayment of debt using a portion of the proceeds from the Private Placement, we had approximately \$18.4 million in principal amount of outstanding debt under a credit line that allows us to borrow up to an aggregate of \$35.0 million. Our indebtedness, the cash flow needed to satisfy our debt and the covenants contained in current and potential future credit agreements have important consequences, including:

- limiting funds otherwise available for financing our capital expenditures by requiring us to dedicate a portion of our cash flows from operations to the repayment of debt and the interest on this debt;
- limiting our ability to incur additional indebtedness;
- limiting our ability to capitalize on significant business opportunities;
- placing us at a competitive disadvantage to those of our competitors that are less indebted than we are;
- making us more vulnerable to rising interest rates; and
- making us more vulnerable in the event of a downturn in our business.

More specifically, pursuant to our current loan and security agreement with our senior lender entered into in connection with the consummation of the Reverse Merger and the Private Placement, we have agreed to certain financial covenants, including maintaining certain ratios between our adjusted EBITDA and our fixed charges. In addition, our current loan and security agreement places limitations on our ability to make capital expenditures and to make acquisitions of other companies. As of December 31, 2010, we were not in compliance with certain of the financial covenants set forth in our previous loan and security agreement; however, on January 20, 2011, we received a waiver from our previous senior lender with respect to our noncompliance with these financial covenants as of December 31, 2010. Any failure by us to comply with the financial covenants set forth in our current loan and security agreement in the future, if not cured or waived, could result in our senior lender accelerating the maturity of our indebtedness or preventing us from accessing availability under our credit facility. If the maturity of our indebtedness is accelerated, we may not have sufficient cash resources to satisfy our debt obligations and we may not be able to continue our operations as planned.

Our quarterly operating results are subject to variability from quarter to quarter.

Our quarter-to-quarter and quarter-over-quarter operating results (including our sales, gross profit and net income) and cash flows have been, and in the future may be, impacted by a variety of internal and external events associated with our business operations, many of which are outside of our control. Examples of such events include (1) changes in regulatory emission requirements (which generally occur on January 1 of the year in which they become effective), (2) customer product phase-in/phase-out programs, (3) supplier product (i.e. a specific engine model) phase-in/phase-out programs, (4) changes in pricing by suppliers to us of engines, components and other parts (typically effective January 1 of any year), and (5) changes in our pricing to our customers (typically effective January 1 of any year), which may be related to changes in the pricing by suppliers to us. In order to mitigate potential availability or pricing issues, customers may adjust their demand requirements from traditional patterns. We may also extend special programs to customers in advance of such events, and we are more likely to offer such programs in our fourth quarter of a year in anticipation of events expected to occur in the first quarter of the next year. The occurrence of any of the events discussed above may result in fluctuations in our operating results (including sales and profitability) and cash flows between and among reporting periods.

If we fail to adequately protect our intellectual property rights, we could lose important proprietary technology, which could materially and adversely affect our business.

We believe that the success of our business depends, in substantial part, upon our proprietary technology, information, processes and know-how. The unauthorized use of our intellectual property rights and proprietary technology by others could materially harm our business. We do not own any material patents and rely on a combination of trademark and trade secret laws, along with confidentiality agreements, contractual provisions and licensing arrangements, to establish and protect our intellectual property rights. Although certain of our employees have entered into confidentiality agreements with us to protect our proprietary technology and processes, not all of our employees have executed such agreements, nor can we ensure that employees who have executed such agreements will not violate them.

Despite our efforts to protect our intellectual property rights, existing laws afford only limited protection, and our actions may be inadequate to protect our rights or to prevent others from claiming violations of their proprietary rights. Unauthorized third parties may attempt to copy, reverse engineer or otherwise obtain, use or exploit aspects of our products and services, develop similar technology independently, or otherwise obtain and use information that we regard as proprietary. We cannot assure you that our competitors will not independently develop technology similar or superior to our technology or design around our intellectual property. In addition, the laws of some foreign countries may not protect our proprietary rights as fully or in the same manner as the laws of the United States.

We may need to resort to litigation to enforce our intellectual property rights, to protect our trade secrets, and to determine the validity and scope of other companies' proprietary rights in the future. However, litigation could result in significant costs or in the diversion of financial resources and management's attention. We cannot assure you that any such litigation will be successful or that we will prevail over counterclaims against us.

In addition, many of the components we source from our suppliers and which are incorporated into our power systems utilize proprietary intellectual property of our suppliers. We also license certain intellectual property from third parties, including the "back office" software for our telematics offering. Any of these third parties from which we source our power system components or from which we license certain intellectual property may also supply these components (or other components that incorporate the same intellectual property) or license such intellectual property, as applicable, to others, including our competitors.

If we face claims of intellectual property infringement by third parties, we could encounter expensive litigation, be liable for significant damages or incur restrictions on our ability to sell our products and services.

We cannot be certain that our products, services and power system technologies, including any of the intellectual property incorporated into components that we source from our suppliers or that we license from third parties, do not, or in the future will not, infringe on the valid intellectual property rights held by third parties. In addition, we cannot assure you that third parties will not claim that we have infringed their intellectual property rights. For example, a third party alleged, and asserted those allegations in proceedings against us (which proceedings were subsequently settled), that certain technology related to our telematics product, MasterTrak, infringed upon the intellectual property rights of that party.

In the future, we may be a party to further litigation as a result of an alleged infringement of others' intellectual property. Successful infringement claims against us could result in substantial monetary liability, require us to enter into royalty or licensing arrangements, or otherwise materially disrupt the conduct of our business. In addition, even if we prevail on these claims, any such litigation could be time-consuming and expensive to defend or settle, and could result in the diversion of the time and attention of management and of operational resources, which could materially and adversely affect our business. Any potential intellectual property litigation also could force us to do one or more of the following:

- stop selling, incorporating or using our products and services that use the infringed intellectual property;
- obtain from the owner of the infringed intellectual property right a license to sell or use the relevant technology, which license may not be available on commercially reasonable terms, or at all; or
- redesign the products and services that use the technology.

We could suffer warranty claims.

Provisions we make for warranty accrual may not be sufficient, and we may recognize additional expenses as a result of warranty claims in excess of our current expectations. Such warranty claims may necessitate a redesign, re-specification, a change in manufacturing processes, and/or recall of our power systems, which could have an adverse impact on our finances and on existing or future sales of our power systems and other products. Even in the absence of any warranty claims, a product deficiency such as a manufacturing defect or a safety issue may necessitate a product recall, which could have an adverse impact on our finances and on existing or future sales.

We could become subject to product liability claims.

Our business exposes us to potential product liability claims that are inherent to natural gas, propane, gasoline and diesel, and products that use these fuels. Natural gas, propane and gasoline are flammable and are potentially dangerous products. Any accidents involving our power systems could materially impede widespread market acceptance and demand for our power systems. In addition, we may be subject to a claim by end-users of our OEM customers' products or others alleging that they have suffered property damage, personal injury or death because our power systems or the products of our customers into which our power systems are integrated did not perform adequately. Such a claim could be made whether or not our power systems perform adequately under the circumstances. From time to time, we may be subject to product liability claims in the ordinary course of business, and we carry a limited amount of product liability insurance for this purpose. However, our current insurance policies may not provide sufficient or any coverage for such claims, and we cannot predict whether we will be able to maintain our insurance coverage on commercially acceptable terms.

Our telematics offering, MasterTrak, may not be successful.

We have recently begun to offer connected asset services through our telematics solution, MasterTrak. Our telematics offering is unproven in the market and does not yet provide a material portion of our revenues. There can be no assurance that our telematics offering will gain widespread acceptance among customers or generate meaningful revenues or profits.

We are subject to various laws and regulations relating to our telematics offering. Among other things, wireless transceiver products are required to be certified by the Federal Communications Commission and comparable authorities in foreign countries where they are sold. If we fail to obtain product certifications for our telematics product, or otherwise fail to successfully comply with applicable regulations in this area, we may be required to make significant unanticipated expenditures to bring our telematics offering within compliance with such regulations, and future sales of our telematics offering may be adversely affected. Furthermore, through our telematics offering, we transmit and store information of customers, including equipment-specific information such as performance data. Equipment-specific information may also reveal customer-identifiable information. A growing body of laws designed to protect the privacy of personally-identifiable information, as well as to protect against its misuse, and the judicial interpretations of such laws, may adversely affect the growth of our telematics business. In particular, such laws could limit our ability to collect information related to users of our telematics offering, to store or process that information in what would otherwise be the most efficient manner, or to commercialize new telematics services based on emerging technologies. In addition, we could become subject to third party claims based upon allegations of loss or misuse of customer information.

See also “— If we face claims of intellectual property infringement by third parties, we could encounter expensive litigation, be liable for significant damages or incur restrictions on our ability to sell our products and services,” for a discussion of a third party intellectual property infringement claim with respect to technology related to our telematics offering, which matter has been settled.

We may have difficulty managing the expansion of our operations.

Our current organization and our facilities currently in place may not be adequate to support our future growth. In order to effectively manage our operations and any significant growth, including any significant growth in the sales of, and services related to, our power systems, we may need to:

- scale our internal infrastructure, including establishing additional facilities, while continuing to provide technologically sophisticated power systems on a timely basis;
- attract and retain sufficient numbers of talented personnel, including application engineers, customer support staff and production personnel;
- continue to enhance our compliance and quality assurance systems; and
- continue to improve our operational, financial and management controls and reporting systems and procedures.

Rapid expansion of our operations could place a significant strain on our senior management team, support teams, assembly lines, information technology platforms and other resources. In addition, we may be required to place more reliance on our strategic partners and suppliers, some of whom may not be capable of meeting our production demands in terms of timing, quantity, quality or cost. Difficulties in effectively managing the budgeting, forecasting and other process control issues presented by any rapid expansion could harm our business, prospects, results of operations or financial condition.

New products may not achieve widespread adoption.

Our growth may depend on our ability to develop and/or acquire new products, and/or refine our existing products and power system technology, to complement and enhance the breadth of our power system offering with respect to engine class and the industrial OEM market categories into which we supply our products. We are currently in the process of developing a range of hybrid power solutions, and have recently begun offering our telematics solution, MasterTrak, to our OEM customers and other businesses to which we do not supply our power systems. We will generally seek to develop or acquire new products, or enhance our existing products and power system technology, if we believe they will provide significant additional revenues and favorable profit margins. However, we cannot know beforehand whether any new or enhanced products will successfully penetrate our target markets. There can be no assurance that newly developed or acquired products will perform as well as we expect, or that such products will gain widespread adoption among our customers.

Additionally, there are greater design and operational risks associated with new products. The inability of our suppliers to produce technologically sophisticated components for our new power systems, the discovery of any product or process defects or failures associated with production of any new products and any related product returns could each have a material adverse effect on our business, financial condition and results of operations. If new products for which we expend significant resources to develop or acquire are not successful, our business could be adversely affected.

If we do not properly manage the sales of our products into foreign markets, our business could suffer.

A significant portion of our future revenues could be derived from sales outside of the United States, particularly in Asia. We have recently begun sales and distribution activities in Asia and Europe where we may lack sufficient expertise, knowledge of local customs or contacts. In Asia and Europe, we depend upon independent sales and support organizations to complement our OEM relationships and provide knowledge of local customs and requirements, while also providing immediate, local sales, engineering and customer support. There can be no assurance that we will be able to maintain these current relationships with independent sales and support organizations, or that we will be able to develop effective, similar relationships in foreign markets into which we supply our products in the future.

Establishment of a market for our products in Asia and other markets outside of the United States may take longer and cost more to develop than we anticipate and is subject to inherent risks, including unexpected changes in government policies, trade barriers restricting our ability to sell our products in those countries, longer payment cycles, exposure to currency fluctuations, and foreign exchange controls that restrict or prohibit repatriation of funds. As a result, if we do not properly manage foreign sales, our business could suffer.

In addition, our foreign sales are subject us to numerous stringent U.S. and foreign laws, including the Foreign Corrupt Practices Act, or FCPA, and comparable foreign laws and regulations which prohibit improper payments or offers of payments to foreign governments and their officials and political parties by U.S. and other business entities for the purpose of obtaining or retaining business. Safeguards that we may implement to discourage these practices could prove to be ineffective, and violations of the FCPA and other laws may result in severe criminal or civil sanctions, or other liabilities or proceedings against us, including class action lawsuits and enforcement actions from the SEC, Department of Justice and overseas regulators. Any of these factors, or any other international factors, could impair our ability to effectively sell our power solutions, or other products or services that we may develop, outside of the U.S.

If our production facilities become inoperable, our business, including our ability to manufacture our power systems, will be harmed.

We operate our business, including all of our production and manufacturing processes, out of facilities that are all located in Wood Dale, Illinois. If damaged, our facilities, our assembly lines, the equipment we use to perform our emission certification and other tests and our other business process systems would be costly to replace and could require substantial time to repair or replace. We are particularly subject to this risk because of our current geographic concentration of our facilities. We may decide to consolidate into fewer facilities in the future, which would further exacerbate this risk. Our facilities may be harmed or rendered inoperable by natural or man-made disasters, including earthquakes, wildfires, floods, acts of terrorism or other criminal activities, infectious disease outbreaks and power outages, which may render it difficult or impossible for us to efficiently operate our business for some period of time. In addition, such events may temporarily interrupt our ability to receive engines, fuels systems or other components for our power systems from our suppliers and to have access to our various production systems necessary to operate our business. Our insurance covering damage to our properties and the disruption of our business may not be sufficient to cover all of our potential losses and may not continue to be available to us on acceptable terms, or at all.

In the event our facilities are damaged or destroyed, we may need to find another facility into which we can move our operations. Finding a facility that meets the criteria necessary to operate our business would be time-consuming and costly and result in delays in our ability to provide our sophisticated power solutions or to provide the same level of quality in our services as we currently provide.

We may be adversely impacted by work stoppages and other labor matters.

As of March 31, 2011, our workforce consisted of approximately 220 persons, including full-time and part-time employees, as well as members of our production team whose services we obtain through an arrangement with a professional employer organization. While none of the members of our workforce are currently represented by a union or covered by a collective bargaining agreement, there have been unsuccessful efforts to unionize our manufacturing employees in the past, and there can be no assurance that members of our workforce will not in the future join a union. If our employees organize and join a union in the future, there can be no assurance that future issues with our workforce will be resolved favorably or that we will not encounter future strikes, work stoppages or other types of conflicts with labor unions or our employees. Any of these consequences may have an adverse effect on us or may limit our flexibility in dealing with our workforce.

In addition, many of our suppliers have unionized work forces. Work stoppages or slow-downs experienced by our material suppliers could result in slow-downs or closures at the manufacturing facilities of our suppliers from where our power system components are sourced. If one or more of our key suppliers experience a material work stoppage, it could have a material adverse effect on our operations.

We could be adversely affected by risks associated with potential acquisitions.

From time to time, we may seek to expand our business through investments in, or acquisitions of, complementary businesses, technologies, services or products, subject to our business plans and management's ability to identify, acquire and develop suitable investments or acquisition targets in both new and existing industrial OEM market categories and geographic markets. In certain circumstances, acceptable investments or acquisition targets might not be available. Acquisitions involve a number of risks, including: (1) difficulty in integrating the operations, technologies, products and personnel of an acquired business, including consolidating redundant facilities and infrastructure; (2) potential disruption of our ongoing business and the distraction of management from our day-to-day operations; (3) difficulty entering markets in which we have limited or no prior experience and in which competitors have a stronger market position; (4) difficulty maintaining the quality of services that such acquired companies have historically provided; (5) potential legal and financial responsibility for liabilities of acquired businesses; (6) overpayment for the acquired company or assets; (7) increased expenses associated with completing an acquisition and amortizing any acquired intangible assets; and (8) challenges in implementing uniform standards, controls, procedures and policies throughout an acquired business. In addition, under the terms of our credit facility, we may be restricted from engaging in certain acquisition transactions. See "– Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and capital resources – Credit agreement" for a description of our credit facility.

If we were to pursue acquisition or investment opportunities, these potential risks could disrupt our ongoing business, result in the loss of key customers or personnel, increase expenses and otherwise have a material adverse effect on our business, results of operations and financial condition.

We could become liable for damages resulting from our manufacturing activities.

The nature of our manufacturing operations exposes us to potential claims and liability for environmental damage, personal injury, loss of life and damage to, or destruction of, property. Our manufacturing operations are subject to numerous laws and regulations that govern environmental protection and human health and safety. These laws and regulations have changed frequently in the past and it is reasonable to expect additional and more stringent changes in the future. Our manufacturing operations may not comply with future laws and regulations, and we may be required to make significant unanticipated capital and operating expenditures to bring our operations within compliance with such regulations. If we fail to comply with applicable environmental laws and regulations, manufacturing guidelines, and workplace safety requirements, governmental authorities may seek to impose fines and penalties on us or to revoke or deny the issuance or renewal of operating permits, and private parties may seek damages from us. Under such circumstances, we could be required to curtail or cease operations, conduct site remediation or other corrective action, or pay substantial damage claims for which may not have sufficient or any insurance coverage for claims.

We may have unanticipated tax liabilities that could adversely impact our results of operations and financial condition.

We are subject to various types of taxes in the U.S., as well as foreign jurisdictions into which we supply our products. The determination of our provision for income taxes and other tax accruals involves various judgments, and therefore the ultimate tax determination is subject to uncertainty. In addition, changes in tax laws, regulations, or rules may adversely affect our future reported financial results, may impact the way in which we conduct our business, or may increase the risk of audit by the Internal Revenue Service or other tax authority. Although we are not subject to any audits currently, we may be in the future subject to an Internal Revenue Service audit or other audit by state, local and foreign tax authorities. The final determinations of any tax audits in the U.S. or abroad could be materially different from our historical income tax provisions and accruals. If any taxing authority disagrees with the positions taken by us on our tax returns, we could incur additional tax liabilities, including interest and penalties.

Variability in self-insurance liability estimates could significantly impact our results of operations.

We self-insure for employee health insurance coverage up to a predetermined level, beyond which we maintain stop-loss insurance from a third-party insurer. Our aggregate exposure varies from year to year based upon the number of participants in this health insurance plan. We estimate our self-insurance liabilities using an analysis provided by our claims administrator and our historical claims experience. Our accruals for insurance reserves reflect these estimates and other management judgments, which are subject to a high degree of variability. Any significant variation in these estimates and judgments could cause a material change to our reserves for self-insurance liabilities, as well as our earnings.

Risks Related to the Shell Company

We may have contingent liabilities related to Format, Inc.'s operations prior to the Reverse Merger of which we are not aware and for which we have not adequately provisioned.

We may be deemed to have been a shell company with nominal operations and assets prior to the Reverse Merger. Upon completion of the Reverse Merger, we acquired all of the operations of The W Group and its subsidiaries. Prior to the consummation of the Reverse Merger, Format, Inc. was engaged, to a limited extent, in EDGARizing corporate documents for filing with the SEC, and providing limited commercial printing services. We cannot assure you that there are no material claims outstanding, or other circumstances of which we are not aware, that would give rise to a material liability relating to those prior operations, even though we do not record any provisions in our financial statements related to any such potential liability. If we are subject to past claims or material obligations relating to our operations prior to the consummation of the Reverse Merger, such claims could materially adversely affect our business, financial condition and results of operations.

Risks Related to the Reverse Merger and the Ownership of the Common Stock of the Combined Company

We will incur increased costs and demands upon management and accounting and finance resources as a result of complying with the laws and regulations affecting public companies; any failure to establish and maintain adequate internal control over financial reporting or to recruit, train and retain necessary accounting and finance personnel could have an adverse effect on our ability to accurately and timely prepare our consolidated financial statements.

We may be deemed to have been a shell company with nominal operations and assets prior to the Reverse Merger. Upon completion of the Reverse Merger, we acquired all of the operations of The W Group and its subsidiaries. As a public operating company, we will incur significant administrative, legal, accounting and other burdens and expenses beyond those of a private company, including those associated with corporate governance requirements and public company reporting obligations. In particular, we will need to enhance and supplement our internal accounting resources with additional accounting and finance personnel with the requisite technical and public company experience and expertise, as well as refine our quarterly and annual financial statement closing process, to enable us to satisfy such reporting obligations. However, even if we are successful in doing so, there can be no assurance that our finance and accounting organization will be able to adequately meet the increased demands that result from being a public company.

Furthermore, we will be required to comply with Section 404 of the Sarbanes-Oxley Act of 2002. In order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, we will be required to document and test our internal control procedures and prepare annual management assessments of the effectiveness of our internal control over financial reporting. These assessments will need to include disclosure of identified material weaknesses in our internal control over financial reporting. Testing and maintaining internal control over financial reporting will involve significant costs and could divert management's attention from other matters that are important to our business. Additionally, we cannot provide any assurances that we will be successful in remediating any deficiencies that may be identified. If we are unable to remediate any such deficiencies or otherwise fail to establish and maintain adequate accounting systems and internal control over financial reporting, or we are unable to recruit, train and retain necessary accounting and finance personnel, we may not be able to accurately and timely prepare our consolidated financial statements and otherwise satisfy our public reporting obligations. Any inaccuracies in our financial statements or other public disclosures (in particular if resulting in the need to restate previously filed financial statements), or delays in our making required SEC filings, could have a material adverse effect on the confidence in our financial reporting, our credibility in the marketplace and the trading price of our common stock.

In addition, our management team will also have to adapt to other requirements of being a public company. We will need to devote significant resources to address these public company-associated requirements, including compliance programs and investor relations, as well as our financial reporting obligations. Complying with these rules and regulations will substantially increase our legal and financial compliance costs and make some activities more time-consuming and costly.

Concentration of ownership among our existing executive officers may prevent new investors from influencing significant corporate decisions.

As of May 4, 2011, giving effect to the completion of the Reverse Merger, the contemporaneous closing of the Private Placement and the respective gifts by each of Gary Winemaster and Kenneth Winemaster of 295.008 shares of

Company Preferred Stock (representing an aggregate of 590.016 shares of Company Preferred Stock) to Kenneth Landini, Gary Winemaster, our Chairman of the Board, Chief Executive Officer and President, and Kenneth Winemaster, our Senior Vice President and Secretary, on a fully diluted basis beneficially own in the aggregate approximately 85.70% of our outstanding shares of common stock (giving effect to Gary Winemaster's agreement to purchase the shares of our preferred stock and common stock issued to Thomas Somodi pursuant to the Merger Agreement, but without giving effect to the Reverse Split), and approximately 77.28% on a pro forma basis as if the Reverse Split were consummated concurrently with the closing of the Reverse Merger.

As of May 4, 2011, Gary Winemaster beneficially owns approximately 55.77% of our outstanding shares of common stock, on a fully diluted basis calculated on the same basis as described above (giving effect to Mr Winemaster's agreement (1) to purchase the shares of our preferred stock and common stock issued to Thomas Somodi pursuant to the Merger Agreement, and (2) to transfer shares of Company Preferred Stock to Mr. Landini, but without giving effect to the Reverse Split), and approximately 50.30% on a pro forma basis as if the Reverse Split were consummated concurrently with the closing of the Reverse Merger. See "The Reverse Merger – The Principal Purchase and Sale Transaction" in this Form 8-K for a description of the Principal Purchase and Sale Transaction, and "The Reverse Merger – General" for a description of the gifts of shares of Company Preferred Stock made by each of Gary Winemaster and Kenneth Winemaster to Kenneth Landini.

As a result, these shareholders can exercise significant influence over all matters requiring shareholder approval, including the election of directors, amendment of our articles of incorporation and approval of significant corporate transactions. This control could have the effect of delaying or preventing a change of control of our company or changes in management and will make the approval of certain transactions difficult or impossible without the support of these shareholders.

There are significant restrictions on the ability of investors in the Private Placement to transfer or resell their shares of common stock.

As part of our recently completed Private Placement, we entered into a registration rights agreement. Under this agreement, we are obligated to file a registration statement to register resales of the shares of Company Common Stock issuable upon conversion of shares of Company Preferred Stock issued in the Private Placement and issuable upon exercise of the Private Placement Warrants under the Securities Act, but no assurance can be given as to the ability of investors to resell their common stock. Moreover, the SEC has broad discretion to determine whether a registration statement will be declared effective and may delay or deny the effectiveness for a variety of reasons. Until our registration statement is effective, the shares of Company Common Stock issuable upon conversion of shares of Company Preferred Stock issued in the Private Placement and issuable upon exercise of the Private Placement Warrants will not be freely tradable, and investors in the Private Placement will only be able to offer to sell such shares pursuant to an exemption from the registration requirements of the Securities Act and applicable state securities laws. This could affect the trading price of the shares of our common stock.

An active, liquid and orderly trading market for our common stock may not develop, and the price of our stock may be volatile and may decline in value.

There currently is not an active public market for our common stock. An active trading market may not develop or, if developed, may not be sustained. The lack of an active market may impair your ability to sell your shares of common stock at the time you wish to sell them or at a price that you consider reasonable. An inactive market may also impair our ability to raise capital by selling shares of common stock and may impair our ability to acquire other companies or assets by using shares of our common stock as consideration.

In connection with the closing of our recently completed Private Placement, we agreed to file within 30 days of the closing, a registration statement to register the shares of Company Common Stock issuable upon conversion of shares of Company Preferred Stock issued in the Private Placement and issuable upon exercise of the Private Placement Warrants. The trading price of our common stock once our shares are registered is likely to be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control.

The stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies with securities traded in those markets. Broad market and industry factors may seriously affect the market price of companies' stock, including ours, regardless of actual operating performance. In addition, in the past, following periods of volatility in the overall market and the market price

of a particular company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

Our common stock may not be eligible for listing on a national securities exchange.

Our common stock is not currently listed on a national securities exchange, and we do not currently meet the initial quantitative listing standards of a national securities exchange. We cannot assure you that we will be able to meet the initial listing standards of any national securities exchange, or, if we do meet such initial qualitative listing standards, that we will be able to maintain any such listing. Our common stock is currently quoted on the OTC Bulletin Board and, until our common stock is listed on a national securities exchange, we expect that it will continue to be eligible and quoted on the OTC Bulletin Board, another over-the-counter quotation system, or in the "pink sheets." In those venues, however, an investor may find it difficult to obtain accurate quotations as to the market value of our common stock. In addition, if we fail to meet the criteria set forth in SEC regulations, various requirements would be imposed by law on broker-dealers who sell our securities to persons other than established customers and accredited investors. Consequently, such regulations may deter broker-dealers from recommending or selling our common stock, which may further affect its liquidity. This would also make it more difficult for us to raise additional capital.

Our common stock may be considered a "penny stock."

The SEC has adopted regulations which generally define "penny stock" to be an equity security that has a market price of less than \$5.00 per share, subject to specific exemptions. The market price of our common stock may be less than \$5.00 per share and therefore may be a "penny stock." Broker and dealers effecting transactions in "penny stock" must disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities. These rules may restrict the ability of brokers or dealers to sell our common stock and may affect your ability to sell shares of our common stock in the future.

If and when our registration statement becomes effective, a significant number of shares of common stock will be eligible for sale and depress the market price for our common stock. Future sales by us or our existing shareholders could similarly depress the market price of our common stock.

Following the effective date of the registration statement which we are required to file in connection with our recently completed Private Placement, a significant number of our shares of common stock will become eligible for sale in the public market, which could cause the market price for our common stock to decline significantly. If we or our existing shareholders sell a large number of shares of our common stock, or if we sell additional securities that are convertible into common stock, in the future, the market price of our common stock similarly could decline. Further, even the perception in the public market that we or our existing shareholders might sell shares of common stock could depress the market price of our common stock.

Anti-takeover provisions contained in our articles of incorporation and bylaws, as well as provisions of Nevada law, could impair a takeover attempt.

In addition to the concentration of ownership described under "Concentration of ownership among our existing executive officers and their affiliates may prevent new investors from influencing significant corporate decisions" above, which will limit any attempt to acquire control of our company not supported by these significant shareholders, our articles of incorporation, bylaws and Nevada law contain provisions which could have the effect of rendering more difficult, delaying or preventing an acquisition deemed undesirable by our board of directors. Our organizational documents include provisions:

- creating a classified board of directors whose members serve staggered three-year terms;
- authorizing "blank check" preferred stock, which could be issued by our board of directors without shareholder approval and may contain voting, liquidation, dividend and other rights superior to our common stock;
- limiting the liability of, and providing indemnification to, our directors and officers; and
- restricting the ability of our shareholders to take action by written consent.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management. Pursuant to the Private Placement Purchase Agreement, we agreed to consummate the Migratory Merger, pursuant to which we will change our jurisdiction of incorporation from Nevada to Delaware, and agreed with the investors in the Private Placement on forms of each of the certificate of incorporation and the bylaws for the surviving entity in the Migratory Merger. These forms of the certificate of incorporation and the bylaws for the surviving entity in the Migratory Merger contain provisions similar in some respects to those contained in our current articles of incorporation and amended and restated bylaws.

As a Nevada corporation, we are also subject to provisions of Nevada law which restrict shareholders beneficially owning 10% or more of our outstanding voting shares from engaging in certain business combinations without approval of our board of directors or the holders of our stock representing a majority of the voting power not beneficially owned by the interested stockholder. Our articles of incorporation contain a similar provision restricting shareholders beneficially owning 20% or more of our outstanding voting shares from engaging in certain business combinations without approval of our board of directors or the holders of our common stock representing two-thirds of the outstanding shares of common stock, subject to the voting rights of any issued and outstanding preferred stock.

After the consummation of the Migratory Merger, we will be subject to Delaware law. Provisions of Delaware law, and the terms of our certificate of incorporation and bylaws (after giving effect to the Migratory Merger), may have anti-takeover effects.

Any provision of our charter or bylaws (including our charter and bylaws, after giving effect to the Migratory Merger) or Nevada law or, after the consummation of the Migratory Merger, Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our shareholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

Our shareholders may experience significant dilution if future equity offerings are used to fund operations or acquire complementary businesses.

If we engage in capital raising activities in the future, including issuances of common stock, to fund the growth of our business, our shareholders could experience significant dilution. In addition, securities issued in connection with future financing activities or potential acquisitions may have rights and preferences senior to the rights and preferences of our common stock. In the future, we may adopt and establish an equity incentive plan pursuant to which equity awards may be granted to eligible employees (including our executive officers), directors and consultants, if our board of directors determines that it is in the best interest of the Company and our shareholders to do so. The issuance of shares of our common stock upon the exercise of any such equity awards may result in dilution to our shareholders and adversely affect our earnings.

If securities or industry analysts do not publish, or cease publishing, research or reports about us, our business or our market, or if they change their recommendations regarding our stock adversely, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by whether industry or securities analysts publish research and reports about us, our business, our market or our competitors and, if any analysts do publish such reports, what they publish in those reports. We may not obtain analyst coverage in the future. Any analysts that do cover us may make adverse recommendations regarding our stock, adversely change their recommendations from time to time, and/or provide more favorable relative recommendations about our competitors. If any analyst who may cover us in the future were to cease coverage of our company or fail to regularly publish reports on us, or if analysts fail to cover us or publish reports about us at all, we could lose, or never gain, visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Our management will have broad discretion over the use of the proceeds we received in our recently completed Private Placement and might not apply the proceeds in ways that increase the value of your investment.

Our management has broad discretion over the use of our net proceeds from our recently completed Private Placement, and you may be relying on the judgment of our management regarding the application of these proceeds. Our management might not apply our net proceeds from the Private Placement in ways that ultimately increase the value of our securities. We used approximately \$360,000 of our net proceeds to repurchase shares of our common stock

in connection with the Stock Repurchase, and the remainder, together with a draw on our new line of credit facility, to pay off our debt under our previous credit facility. See “Transaction Fees and Use of Proceeds” and “— Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and capital resources.”

We do not anticipate paying any dividends in the foreseeable future.

We currently intend to retain our future earnings to support operations and to finance expansion and, therefore, we do not anticipate paying any cash dividends to holders of our common stock in the foreseeable future.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of May 4, 2011, the date immediately prior to the date of this Current Report on Form 8-K, certain information with respect to the beneficial ownership of our common stock and our Series A Convertible Preferred Stock by (1) each person known by us to own beneficially more than 5% of the outstanding shares of our common stock and/or our Series A Convertible Preferred Stock, as applicable, (2) each of our directors and each person named to become a director on the Information Statement Date (as defined below), (3) each of our executive officers and (4) all of our directors and executive officers as a group, giving effect to the Reverse Merger, the Private Placement and the Stock Repurchase.

Each share of Series A Convertible Preferred Stock is initially convertible into a number of shares of our common stock equal to \$1,000 divided by the conversion price then in effect, subject to the limitations on conversion set forth in the Certificate of Designation. Prior to the Reverse Split, no holder of Series A Convertible Preferred Stock will have the right to, and the Company will not have any obligation to issue to any holder, shares of our common stock upon conversion of Series A Convertible Preferred Stock in excess of the product of (1) the difference between the then-authorized number of shares of our common stock less an amount equal to one hundred and ten percent (110%) of the number of shares of our common stock issued and outstanding as of the closing date of the Reverse Merger, multiplied by (2) a percentage equal to a fraction, the numerator of which is the number of shares of our common stock issuable upon conversion of the shares of Series A Convertible Preferred Stock then held by such holder (without giving effect to any limitation on conversion thereof), and of which the denominator is the total number of shares of our common stock issuable upon conversion of all shares of Series A Convertible Preferred Stock outstanding as of the closing of the Reverse Merger (without giving effect to any limitation on conversion thereof), giving effect to the consummation of the Reverse Merger and the Private Placement.

Each issued and outstanding share of Series A Convertible Preferred Stock will automatically convert into a number of shares of our common stock equal to \$1,000 divided by the conversion price then in effect, subject to the limitations on conversion set forth in the Certificate of Designation, immediately following the effectiveness of the Reverse Split. The table below also sets forth beneficial ownership information of our common stock and our Series A Convertible Preferred Stock on a pro forma basis as if the Reverse Split occurred contemporaneously with the closing of the Reverse Merger.

Unless otherwise indicated, to our knowledge, each person listed below has sole dispositive and voting power with respect to the shares of our common stock and Series A Convertible Preferred Stock, as applicable, shown below as beneficially owned by such person, except to the extent authority is shared by spouses under applicable law and except for the shares of our common stock and Series A Convertible Preferred Stock set forth next to our directors and executive officers listed as a group. For purposes of calculating the percentages below as of May 4, 2011, (a) 10,770,083 shares of our common stock, and (b) 113,960.90289 shares of our Series A Convertible Preferred Stock, initially convertible into an aggregate of 303,895,741 shares of our common stock (subject to the limitations on conversion described above and set forth in the Certificate of Designation), were issued and outstanding.

Beneficial ownership and percentage have been determined in accordance with Rule 13d-3 under the Exchange Act. The information is not necessarily indicative of beneficial ownership for any other purpose. The inclusion in the following table of those shares, however, does not constitute an admission that the named shareholder is a direct or indirect beneficial owner of such shares.

Name and Address of Beneficial Owner (1)	Amount and Nature of Beneficial Ownership		Percent of Class		Pro Forma Amount and Nature of Beneficial Ownership (Giving Effect to Reverse Split) (3)		Pro Forma Percent of Class (Giving Effect to Reverse Split) (3)	
	Series A Convertible Preferred Stock	Common Stock (2)	Series A Convertible Preferred Stock	Common Stock (2)	Series A Convertible Preferred Stock	Common Stock	Series A Convertible Preferred Stock	Common Stock
Gary Winemaster (4)	62,079.57914	27,283,588	54.47%	86.47%	—	5,376,423	—	54.68%
Thomas Somodi (5) (6)	9,596.09002	4,212,670	8.42%	30.13%	—	830,924	—	8.45%
Kenneth Winemaster (6)	33,291.30775	14,645,579	29.21%	66.83%	—	2,883,651	—	29.33%
Kenneth Landini (6)	590.01600	197,531	0.52%	1.80%	—	49,168	—	0.50%
H. Samuel Greenawalt (6)	—	—	—	—	—	—	—	—
Ryan Neely (7)	—	—	—	—	—	—	—	—
Austin W. Marx and David M. Greenhouse (9)	7,000	2,343,526	6.14%	17.87%	—	875,000 (10)	—	8.64% (10)
Park West Asset Management LLC Peter S. Park (11)	3,000 (12)	1,004,368 (13)	2.63% (12)	8.53% (13)	—	375,000 (14)	—	3.77% (14)
BTG Investments LLC (15)	2,514	841,661	2.21%	7.25%	—	314,250 (16)	—	3.16% (16)
All directors and executive officers as a group (6 persons) (8)	95,960.90289	42,126,698	84.21%	98.20%	—	8,309,242	—	84.50%

- (1) Unless otherwise indicated, the address of each person or entity is c/o Power Solutions International, Inc., 655 Wheat Lane, Wood Dale, IL 60191.
- (2) Reflects the shares of common stock issuable upon conversion of the Series A Convertible Preferred Stock, subject to the limitations on conversion of Series A Convertible Preferred Stock set forth in the Certificate of Designation.
- (3) Includes the shares of our common stock issuable upon automatic conversion of each share of Series A Convertible Preferred Stock upon effectiveness of the Reverse Split.
- (4) Includes shares of Series A Convertible Preferred Stock and common stock acquired by Mr. Somodi pursuant to the Merger Agreement which Mr. Winemaster has agreed to purchase pursuant to the Principal Purchase and Sale Agreement. Excluding such shares, Mr. Winemaster would beneficially own 52,483.48912 shares, or approximately 46.05%, of Series A Convertible Preferred Stock, and 23,070,918 shares of common stock, or approximately 81.40%, and 4,545,499 shares, or approximately 46.23%, of common stock and no shares of Series A Convertible Preferred Stock on a pro forma basis as if the Reverse Split occurred contemporaneously with the closing of the Reverse Merger.
- (5) Includes shares of Series A Convertible Preferred Stock and common stock acquired by Mr. Somodi pursuant to the Merger Agreement which Mr. Somodi has agreed to sell pursuant to the Principal Purchase and Sale Agreement. Giving effect to the sale of such shares as if it occurred concurrently with the closing of the Reverse Merger, Mr. Somodi would not beneficially own any shares of Series A Convertible Preferred Stock or common stock.
- (6) Term for service on our board of directors commences on the Information Statement Date. See “Executive Officers and Directors” below.

- (7) Ryan Neely's address is 336 Plaza Estival, San Clemente, CA 92672. Ryan Neely resigned from his position as the only executive officer of Format, Inc. effective as of April 29, 2011, immediately following the closing of the Reverse Merger and the Private Placement, and resigned as a director effective as of the Information Statement Date.
- (8) Includes each of Thomas Somodi, Kenneth Winemaster, Kenneth Landini and H. Samuel Greenawalt, in each case whose term for service on our board of directors commences on the Information Statement Date, and Ryan Neely, who resigned from his position as the only executive officer of Format, Inc. effective as of April 29, 2011, immediately following the closing of the Reverse Merger and the Private Placement, and resigned as a director effective as of the Information Statement Date. See "Executive Officers and Directors" below. Accordingly, after Mr. Neely's resignation from our board of directors becomes effective, our board of directors will consist of five directors.
- (9) MGP Advisers Limited Partnership ("MGP") is the general partner of the Special Situations Fund III QP, L.P. AWM Investment Company, Inc. ("AWM") is the general partner of MGP, the general partner of and investment adviser to the Special Situations Cayman Fund, L.P. and the investment adviser to the Special Situations Fund III QP, L.P. and the Special Situations Private Equity Fund, L.P. Austin W. Marx and David M. Greenhouse are the principal owners of MGP and AWM. Through their control of MGP and AWM, Messrs. Marx and Greenhouse share voting and investment control over the portfolio securities of each of the funds listed above. The address for Messrs. Marx and Greenhouse is 527 Madison Avenue, Suite 2600, New York, NY 10022.
- (10) Includes an aggregate of 291,667 shares of common stock issuable upon exercise of warrants issued to Special Situations Fund III QP, L.P., Special Situations Cayman Fund, L.P. and Special Situations Private Equity Fund, L.P., in the aggregate, in the Private Placement, at an exercise price of \$13.00 per share (as adjusted for the Reverse Split).
- (11) Peter S. Park is the sole member and manager of Park West Asset Management LLC ("PWAM"), the investment manager of Park West Investors Master Fund, Limited ("PWIMF") and Park West Partners International, Limited ("PWPI"), and Mr. Park and PWAM have voting and dispositive control over securities held by PWIMF and PWPI. The address for each of PWAM and Peter S. Park is c/o Park West Asset Management LLC, 900 Larkspur Landing Circle, Suite 165, Larkspur, CA 94939.
- (12) Includes 2,425 and 575 shares of Series A Convertible Preferred Stock held by PWIMF and PWPI, respectively.
- (13) Includes 811,864 and 192,504 shares of common stock issuable to PWIMF and PWPI, respectively, upon conversion of the Series A Convertible Preferred Stock, subject to limitations set forth in the Certificate of Designation.
- (14) Includes an aggregate of 125,000 shares of common stock issuable upon exercise of warrants issued to PWPI and PWIMF in the Private Placement at an exercise price of \$13.00 per share (as adjusted for the Reverse Split).
- (15) Byron C. Roth and Gordon J. Roth share voting and dispositive control over securities held by BTG Investments LLC. Additionally, Gordon J. Roth individually holds 70 shares of Series A Convertible Preferred Stock and 23,435 shares of common stock issuable to him upon conversion of the Series A Convertible Preferred Stock, subject to limitations set forth in the Certificate of Designation. The address for BTG Investments LLC is 24 Corporate Plaza, Newport Beach, CA 92660.
- (16) Includes 104,750 shares of common stock issuable upon exercise of warrants issued to BTG Investments LLC in the Private Placement at an exercise price of \$13.00 per share (as adjusted for the Reverse Split).

MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Prior to the consummation of the Reverse Merger, our common stock was quoted on the OTC Bulletin Board ("OTCBB") under the symbol FRMT.OB. In connection with the Reverse Merger, and in accordance with the policies of FINRA, we requested a trading symbol change; however, as of the date of this Current Report on Form 8-K, this trading symbol change request has not been given effect by FINRA. Accordingly, our trading symbol will remain FRMT.OB until such time as our trading symbol change request has been given effect by FINRA. As of March 30, 2011, the last bid quoted for our common stock on the OTCBB was \$0.51 per share. All OTCBB quotations included herein reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions. The trading market for our common stock has been extremely limited and sporadic. We intend to apply to list and, pursuant to the Private Placement Purchase Agreement, we have agreed to use our reasonable best efforts to list, our common stock for trading on a national securities exchange as soon as reasonably practicable after we meet the initial quantitative listing standards of any such exchange. However, we cannot be certain that we will meet such initial listing standards or receive approval to list our common stock on any national securities exchange. There can be no assurance that a market will ever develop for our common stock in the future. The following table sets forth the high and low bids per share of our common stock as quoted on the OTCBB for the periods indicated.

	<u>High</u>	<u>Low</u>
Fiscal Year Ended December 31, 2009		
First Quarter	N/A	N/A
Second Quarter	N/A	N/A
Third Quarter	N/A	N/A
Fourth Quarter	N/A	N/A
Fiscal Year Ended December 31, 2010		
First Quarter	N/A	N/A
Second Quarter	\$0.05	\$0.05
Third Quarter	\$2.00	\$0.05
Fourth Quarter	\$0.20	\$0.20

Holders

As of May 4, 2011, there were approximately 48 holders of record of our common stock.

Dividends

We have not paid any cash dividends on our common stock to date. The payment of dividends in the future will be contingent upon our revenues and earnings, if any, capital requirements and general financial condition, and will be within the discretion of our then-existing board of directors. We currently intend to retain our future earnings to support operations and to finance expansion and, therefore, our board of directors does not anticipate paying any cash dividends

to holders of our common stock in the foreseeable future. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and capital resources – Credit agreement” above for a further discussion regarding restrictions on the payment of dividends under the New Credit Agreement.

Securities Authorized for Issuance Under Compensation Plans

None.

Financial Statements and Supplementary Data

Reference is made to the disclosure set forth under Item 9.01 of this Current Report on Form 8-K concerning the financial statements and supplementary data of the Company, which is incorporated herein by reference.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The W Group, Inc.

On or about August 1, 2010, Miller Cooper & Co., Ltd. (“Miller Cooper”) and The W Group agreed that Miller Cooper would no longer serve as The W Group’s independent auditors, and on such date, The W Group’s Board of Directors approved the engagement of Deloitte & Touche LLP (“Deloitte”) as The W Group’s independent auditors in connection with the Reverse Merger. The approval of the engagement of Deloitte followed The W Group’s Board of Directors’ review of the qualifications of Miller Cooper, the then current auditors of The W Group, and Deloitte and other potential candidates, given The W Group’s intention to engage in the Reverse Merger and related transactions.

Miller Cooper’s audit reports on The W Group’s consolidated financial statements for each of the years ended December 31, 2009 and 2008 did not contain an adverse opinion or a disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During the years ended December 31, 2009 and 2008 and the subsequent interim period through July 31, 2010, there were no disagreements with Miller Cooper on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to Miller Cooper’s satisfaction, would have caused them to make reference to the subject matter in connection with their report on The W Group’s financial statements for such years.

During the years ended December 31, 2009 and 2008 and the subsequent interim period through July 31, 2010, there were no “reportable events” as defined in Item 304 (a)(1)(v) of Regulation S-K.

The W Group has provided Miller Cooper with a copy of the foregoing statements. Attached as Exhibit 16.1 is a copy of Miller Cooper’s letter dated May 5, 2011 indicating that it agrees with such statements.

During the years ended December 31, 2009 and 2008 and through August 1, 2010, the date of Deloitte’s engagement as The W Group’s independent auditors, The W Group had not consulted with Deloitte with respect to the application of accounting principles as to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on The W Group’s financial statements, any matter that was the subject of a disagreement with Miller Cooper or any “reportable event.”

Power Solutions International, Inc. (f/k/a Format, Inc.)

On April 29, 2011, Jonathon P. Reuben, CPA, an Accountancy Corporation (“Reuben”), was dismissed as the Company’s independent auditors in light of the Reverse Merger. As of April 29, 2011, the Company’s Board of Directors also approved the engagement of Deloitte as the Company’s independent auditors for the year ended December 31, 2011. The approval of the engagement of Deloitte followed the review by the Company’s Board of Directors of the qualifications of Deloitte and consideration that the historical financial statements of the Company will be the financial statements of The W Group, including the financial statements audited by Deloitte, and that going forward the operating business of the Company will be the operating business of The W Group.

Reuben’s audit reports on the Company’s consolidated financial statements for each of the years ended December 31, 2010 and 2009 did not contain an adverse opinion or a disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles, except that the audit reports of Reuben on the Company’s financial statements for each of the years ended December 31, 2010 and 2009 contained an explanatory paragraph relating to the Company’s ability to continue as a going concern.

During the years ended December 31, 2010 and 2009 and the subsequent interim period through April 29, 2011, there were no disagreements with Reuben on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to Reuben's satisfaction, would have caused them to make reference to the subject matter in connection with their report on the Company's financial statements for such years.

During the years ended December 31, 2010 and 2009 and the subsequent interim period through April 29, 2011, there were no "reportable events" as defined in Item 304 (a)(1)(v) of Regulation S-K.

The Company has provided Reuben with a copy of the foregoing statements. Attached as Exhibit 16.2 is a copy of Reuben's letter dated May 5, 2011 indicating that it agrees with such statements.

During the years ended December 31, 2010 and 2009 and through April 29, 2011, the date of Deloitte's engagement as the Company's independent auditors, the Company had not consulted with Deloitte with respect to the application of accounting principles as to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, any matter that was the subject of a disagreement with Reuben or any "reportable event."

EXECUTIVE OFFICERS AND DIRECTORS

Prior to the closing of the Reverse Merger and the Private Placement, Ryan Neely was the sole member of the board of directors, and the only executive officer, of Power Solutions International, Inc. (f/k/a Format, Inc.). Our articles of incorporation and our bylaws provide that our board of directors has the authority to set the size of our board of directors from between one and 15 directors and, pursuant thereto, immediately prior to the consummation of the Reverse Merger, the Stock Repurchase and the Private Placement, our board of directors expanded the size of the board of directors to six members. Pursuant to the terms of our articles of incorporation, our board of directors is classified with respect to the terms for which its members will hold office by dividing the members into three classes, with the terms of the directors of one class expiring at each annual meeting of our shareholders, subject to the appointment and qualification of their successors. The term of service on our board of directors for directors in (1) Class I will expire at the 2013 annual meeting of our shareholders, (2) Class II will expire at the 2012 annual meeting of our shareholders, and (3) Class III will expire at the 2011 annual meeting of our stockholders, in each case subject to the appointment and qualification of their successors. However, as discussed above under "Amendment and Restatement of the Bylaws of the Company," pursuant to the Private Placement Purchase Agreement, we agreed to a form of certificate of incorporation for the surviving entity in the Migratory Merger, which certificate of incorporation will declassify our board of directors. Upon the consummation of the Migratory Merger, and the declassification of our board of directors, each of our directors will hold office until the next annual meeting of stockholders and until his or her successor is elected and qualified.

Mr. Neely, as the sole member of our board of directors, approved the appointment of Gary Winemaster to fill one of the newly-created vacancies on our board of directors as a member of Class I of our board of directors, effective immediately following the closing of the Reverse Merger and the Private Placement, and approved the appointments of (1) Thomas Somodi as a member of Class III of our board of directors, (2) each of Kenneth Winemaster and Kenneth Landini as a member of Class II of our board of directors, and (3) H. Samuel Greenawalt as a member of Class I of our board of directors, to fill the remaining vacancies on our board of directors, in each case effective as of the date that is ten days after the date on which we file with the SEC and mail to our shareholders our information statement in accordance with Rule 14f-1 of the Exchange Act (the date that is ten days after the date on which we file with the SEC and mail to our shareholders our information statement in accordance with Rule 14f-1 of the Exchange Act is herein referred to as the "Information Statement Date"). We anticipate that our information statement in accordance with Rule 14f-1 of the Exchange Act will be filed with the SEC and mailed to our shareholders on or about May 9, 2011. In connection with such action, Mr. Neely designated himself as a member of Class III of our board of directors.

Concurrently with the appointment and designation by Mr. Neely of the new members of our board of directors in connection with the Reverse Merger and the Private Placement, Mr. Neely appointed the following persons as our new executive officers, effective immediately following the closing of the Reverse Merger and the Private Placement: Gary Winemaster – Chairman of the Board, Chief Executive Officer and President; Thomas Somodi – Chief Operating Officer and Chief Financial Officer, and Kenneth Winemaster – Senior Vice President and Secretary. These individuals held the same positions with The W Group, our wholly-owned subsidiary through which we conduct our business, prior to the Reverse Merger, provided that Gary Winemaster was also appointed as the Chairman of the Board effective immediately following the closing of the Reverse Merger and the Private Placement, and will continue to carry on in the same capacities with The W Group. In connection with the consummation of the Reverse Merger and the Private

Placement, we agreed to hire a new Chief Financial Officer as soon as reasonably practicable. We believe that our hiring of a new Chief Financial Officer will allow Mr. Somodi (who is expected to continue as our Chief Operating Officer) to focus his efforts on his operational and strategic responsibilities with our company. Our officers are elected annually by our board of directors and serve at the discretion of our board of directors.

Prior to the closing of the Reverse Merger and the Private Placement, Ryan Neely delivered his irrevocable resignation from each office held by him with our company, effective immediately following the closing of the Reverse Merger and the Private Placement, and from our board of directors, effective on the Information Statement Date. On April 29, 2011, the board of directors of the Company accepted Mr. Neely's resignation from the offices held by him with our company, effective immediately following the closing of the Reverse Merger and the Private Placement, and accepted his resignation from our board of directors, effective on the Information Statement Date.

Gary Winemaster, Thomas Somodi, Kenneth Winemaster, Kenneth Landini and H. Samuel Greenawalt were all directors of The W Group immediately prior to the closing of the Reverse Merger. Pursuant to the terms of the Private Placement Purchase Agreement, the Company agreed to take action such that, no later than 180 days following the closing of the Private Placement, the Company's board of directors will consist of five or greater directors, a majority of whom will constitute "independent directors" as defined by the marketplace rules of The NASDAQ Stock Market. See "Composition of the Board of Directors and Director Independence" below.

The following table sets forth information concerning our executive officers and directors, including their ages, their position(s) with our company and, with respect to our directors, the expiration of their current term and the class of directors of which they are members. Other than Ryan Neely, these individuals currently serve as, and immediately prior to the closing of the Reverse Merger served as, the executive officers and directors of The W Group. Each of Gary Winemaster, Thomas Somodi and Kenneth Winemaster joined our company in the same executive officer positions that such individual held in The W Group immediately following the closing of the Reverse Merger and the Private Placement on April 29, 2011, except that Gary Winemaster was also appointed as the Chairman of the Board effective immediately following the closing of the Reverse Merger and the Private Placement. For purposes of the discussion below, unless the context otherwise requires, "we," "our," "us," "our company" and similar expressions used in this section refer to The W Group prior to the closing of the Reverse Merger on April 29, 2011, and Power Solutions International, Inc. (f/k/a Format, Inc.), as successor to the business of The W Group, following the closing of the Reverse Merger. In other words, other than with respect to Ryan Neely, references below to service on our board of directors or as one of our executive officers prior to the Reverse Merger means service on the board of directors, or as an executive officer, as applicable, of The W Group.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Executive Officer Since (1)</u>	<u>Director Since</u>	<u>Term Expires</u>	<u>Class of Director</u>
Gary Winemaster	53	Chairman of the Board, Chief Executive Officer and President	2001	2001 (2)	2013	I
Thomas Somodi (3)	58	Director, Chief Operating Officer and Chief Financial Officer	2005	2005 (2)	2011	III
Kenneth Winemaster (3)	47	Director, Senior Vice President and Secretary	2001	2001 (2)	2012	II
Kenneth Landini (3)	54	Director	N/A	2001 (2)	2012	II
H. Samuel Greenawalt (3)	82	Director	N/A	2001 (2)	2013	I
Ryan Neely (4)	39	Director	N/A	2001	(4)	III

- (1) Includes service as an executive officer of The W Group, our wholly-owned subsidiary through which we now operate our business, through the consummation of the Reverse Merger.
- (2) Includes service as a member of the board of directors of The W Group through the consummation of the Reverse Merger.
- (3) Term for service on our board of directors commences on the Information Statement Date.
- (4) Resigned as a director effective as of the Information Statement Date.

The principal occupations for the past five years (and, in some instances, for prior years) of each of our executive officers and directors listed in the table above are as follows.

Executive Officers/Directors

The following information pertains to our executive officers who also serve as directors, their principal occupations and other public company directorships for at least the last five years and information regarding their specific experiences, qualifications, attributes and skills.

Gary Winemaster has served as our Chief Executive Officer and President and as a director since 2001, and served as the Chief Executive Officer and President of Power Great Lakes (which, prior to the incorporation of our company in 2001, was the parent operating company of our business, and is currently our wholly-owned subsidiary) from 1992 until our incorporation in 2001. In connection with the Reverse Merger, Mr. Winemaster was also appointed as the Chairman of the Board. Mr. Winemaster is a co-founder of our company, and has played a significant role in developing and expanding our presence as a distributor of alternative fuel spark-ignited and diesel power systems. Prior to serving in his role as Chief Executive Officer and President of our company and of Power Great Lakes, Mr. Winemaster served as the Vice President of Sales for Power Great Lakes. Prior to founding our company, Mr. Winemaster worked in sales management for the European operations, with territory responsibility for the German, Scandinavian and Benelux markets, of Guardian Industries, a United States glass manufacturer. Mr. Winemaster holds a Bachelor of Science degree from the Wharton School at the University of Pennsylvania.

Our board of directors believes that Mr. Winemaster, as our Chief Executive Officer and President and as a co-founder of our company, should serve as a director because of Mr. Winemaster's unique understanding of the opportunities and challenges that we face and his in-depth knowledge about our business, including our customers, products, operations and key business drivers, and our long-term growth strategies, derived from his long service as our Chief Executive Officer and President.

Thomas Somodi has served as our Chief Operating Officer and Chief Financial Officer and as a director since 2005. Mr. Somodi has over 30 years of experience in domestic and international corporate reorganizations, acquisitions, divestitures and greenfield expansions covering the U.S., the United Kingdom, South Africa, Canada, Mexico, Japan, the Caribbean, Germany and Australia. From 1980 to 1998, Mr. Somodi served as the Corporate Controller and VP of Finance of International Operations for Albert Trostel & Sons Company/Everet Smith Group, LTD, an international holding company with a significant presence in the leather tanning, precision molding, metal fabrication and foundry industries. Mr. Somodi served as an executive consultant for Crowe Chizek and Company LLC, a consulting and accounting practice company, from 1998 to 2000, and has personally owned and overseen eight independent companies covering pallet & crate manufacturing, packaging, lumber mill operations, furniture manufacturing, internet technology, media & advertising, access control/security and merchant processing services. Mr. Somodi holds a Masters of Science in management from the University of Wisconsin-Milwaukee, and a Bachelor of Business Administration in finance from the University of Wisconsin-Milwaukee. Mr. Somodi is also a certified public accountant in the state of Wisconsin.

Our board of directors believes that Mr. Somodi should serve as a director because of his significant executive experience, his financial and accounting expertise, and his extensive knowledge of our business and operations, which he has acquired through his service as our Chief Operating Officer and Chief Financial Officer.

Kenneth Winemaster has served as our Senior Vice President and Secretary and as a director since 2001. Mr. Winemaster has primary responsibility for our relationships and operations with Caterpillar and Perkins. Mr. Winemaster has expertise in raw material procurement, assembly and shipping.

Our board of directors believes that Mr. Winemaster, as our Senior Vice President, should serve as a director because of his extensive knowledge of our industry and in-depth knowledge of our business and operations.

Other Directors

The following information pertains to our non-employee directors, their principal occupations and other public company directorships for at least the last five years and information regarding their specific experiences, qualifications, attributes and skills.

H. Samuel Greenawalt has served as a director since 2001. Mr. Greenawalt has over 50 years of experience in the banking industry. Over the past 25 years, Mr. Greenawalt has served an instrumental advisory role in helping us achieve our growth initiatives and address our financial requirements. Since 2000, Mr. Greenawalt has served as a vice

president of Sulpho Technologies, LLC, an automotive component service-provider, for which Mr. Greenawalt is also a partner and owner. From 1959 to 1995 Mr. Greenawalt served as executive vice president at Michigan National Bank, a mid-sized Midwestern bank. Mr. Greenawalt has served as a director of Williams Controls, Inc., a publicly held manufacturer of electronic throttle controls for commercial vehicles, since 1993 and currently serves as the chairman of the audit committee and as a member of the governance and nominating committee of the board of directors of Williams Controls. Mr. Greenawalt holds a Bachelor of Science degree from the Wharton School at the University of Pennsylvania, and is a graduate of the University of Wisconsin Banking School.

Our board of directors believes that Mr. Greenawalt should serve as a director because of his experience on the board of directors of another public company, which our board of directors believes will be beneficial to us as we move forward as a public company, as well as Mr. Greenawalt's relevant business experience and his extensive financial expertise, which he has acquired through his years of experience in the banking industry.

Kenneth Landini has served as a director since 2001 and assisted in the development and growth of the business of our company since 1985. Mr. Landini previously served as the Vice President of Finance for our subsidiary, Power Great Lakes, Inc., from December 1985 to March 1988, and assisted us in establishing distributor relationships and expanding the territories into which we provide our power systems. Mr. Landini is a partner and co-founder of Landini, Reed & Dawson, P.C., a certified public accounting and consulting firm in southeastern Michigan, which was established in 1988. Mr. Landini has served as a certified public accountant for Landini, Reed & Dawson, P.C. since its inception. Mr. Landini holds a Bachelor of Arts degree from Albion College and is a licensed certified public accountant in the state of Michigan.

Our board of directors believes that Mr. Landini should serve as a director because of his significant knowledge of our industry, his prior experience with our business and his financial expertise, which will be important as our board of directors exercises its oversight responsibility regarding the quality and integrity of our accounting and financial reporting processes and the auditing of our financial statements.

Resigning Director

Ryan A. Neely served as the president and secretary of Format, Inc. (now known as Power Solutions International, Inc.) from April 2001 to April 29, 2011, the closing date of the Reverse Merger, and as Format, Inc.'s chief financial officer from April 2001 to February 2003, and then from April 2004 to April 29, 2011. Mr. Neely has also served as a director of Format, Inc. since April 2001. In connection with the Reverse Merger, Mr. Neely delivered his irrevocable resignation from each office held by him with Format, Inc., effective immediately following the closing of the Reverse Merger and the Private Placement, and from Format, Inc.'s board of directors, effective on the Information Statement Date. Prior to the closing of the Reverse Merger, Mr. Neely managed all aspects of Format, Inc.'s operations, including marketing and sales of the Format, Inc.'s services. From 2000 to 2001, Mr. Neely was the chief executive officer of JPAL, Inc., an Internet-based provider of vacation rental properties and services. From May 1999 to September 1999, Mr. Neely worked as a sales account manager for Unified Research Laboratories, Inc., which was acquired by Symantec Corporation. Unified Research Laboratories, Inc. was a developer of Internet content-control software and web filtering technologies. From 1996 to August 1998, Mr. Neely worked as a regional sales manager, where he was responsible for all enterprise sales, for Log-On Data Corp., Inc., which has since changed its name to 8e6 Technologies, Inc.

Terms of Office

The composition of our board of directors, any future audit committee, compensation committee, nominating or corporate governance committee or any other committee of our board of directors will be subject to the corporate governance provisions of our primary trading market, including rules relating to the independence of directors.

As of the Information Statement Date, our board of directors will consist of five directors. Pursuant to the terms of our articles of incorporation, our board of directors is classified with respect to the terms for which its members will hold office by dividing the members into three classes, with the terms of the directors of one class expiring at each annual meeting of our shareholders. However, upon the consummation of the Migratory Merger, pursuant to our certificate of incorporation then in effect, our board of directors will be declassified, and each of our directors will then hold office until the next annual meeting of stockholders and until his or her successor is elected and qualified. See "Executive Officers and Directors" above for a description of the structure and composition of our board of directors.

Family Relationships

Gary Winemaster, our Chairman of the Board, Chief Executive Officer and President and a member of our board of directors, and Kenneth Winemaster, our Senior Vice President and Secretary and a member of our board of directors, are brothers. There are no other family relationships among our directors and executive officers.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Philosophy and objectives

The primary objective of the compensation program for the executive officers of The W Group, which program we have now adopted for the executive officers of the Company, has been to retain and motivate our talented and qualified members of management to lead our business. Prior to the consummation of the Reverse Merger, The W Group's compensation package consisted primarily of base salary, certain perquisites and other personal benefits and, on limited occasions, special performance-based bonuses. In 2010, The W Group paid its executive officers a mix of base salary and certain perquisites and other personal benefits, with compensation decisions being made by Gary Winemaster individually, or, where determined by Mr. Winemaster to be necessary or appropriate, in consultation with, and/or with the approval of, the board of directors of The W Group. The compensation in prior years for Mr. Somodi, The W Group's and our current Chief Operating Officer and Chief Financial Officer, was determined based upon his employment agreement with The W Group, which expired in April 2010. See "— Employment Agreements" below for a description of Mr. Somodi's prior employment agreement, as well as a description of the new employment agreement entered into between the Company and Mr. Somodi in connection with the closing of the Reverse Merger. As a private company, The W Group's compensation plans were developed informally as indicated above.

Prior to the consummation of the Reverse Merger, Power Solutions International, Inc. (f/k/a Format, Inc.) paid Ryan Neely, its only executive officer and its sole director, minimal compensation for services provided to the Company, which compensation was determined by him in his discretion. Ryan Neely is not continuing as an executive officer after giving effect to the Reverse Merger or as a director of the Company after the Information Statement Date.

After the consummation of the Reverse Merger, all future decisions regarding executive compensation will be the responsibility of our board of directors. While our board of directors has not yet established formal executive compensation programs going forward, we anticipate that such programs will focus on providing competitive levels of compensation to attract and retain qualified executives to contribute to our long-term success. We expect that our compensation program will include a mix of compensation awards that will serve both long-term and short-term goals, which may include base salary, cash bonus payments based upon the achievement of short-term individual and corporate goals, long-term equity-based awards and other benefits.

Elements of executive compensation

Base salary

Historically, The W Group has focused on providing its senior management with a level of base salary in the form of cash compensation appropriate for their roles and responsibilities. Base salaries for The W Group's executives have been, and going forward we anticipate that base salaries of our executive officers will be, established based on the executive's qualifications, experience, scope of responsibilities, future potential and past performance and cash available to pay executive compensation. The base salaries paid to the executive officers of The W Group in 2010 are reflected in the Summary Compensation Table below. In 2010, in determining the base salaries of The W Group's executive officers, other than Mr. Somodi whose compensation was established by his employment agreement then in effect, The W Group considered such factors as past individual performance, cash available to pay executive compensation, and total compensation each executive officer previously received while employed with The W Group. The first factor (past performance) was measured subjectively by Mr. Winemaster individually or, where determined by Mr. Winemaster to be necessary or appropriate, in consultation with the board of directors of The W Group. The last two factors (cash available and total previous compensation) were measured objectively based on The W Group's financial records. While our board of directors intends to re-evaluate our compensation program in its entirety, we anticipate that our board of directors will focus on similar criteria when determining annual base salaries for our executive officers. We anticipate that base salaries will be reviewed annually and adjusted from time to time by our board of directors to realign salaries with market levels after taking into account individual responsibilities, performance and experience.

Perquisites and other benefits

Historically, The W Group has provided certain of its executive officers with perquisites and other personal benefits, but has not provided a defined benefit pension arrangement, post-retirement health coverage or similar benefits for any of its executive officers. The W Group's executive officers have also been eligible to receive the same benefits that are generally available to all employees. We do not view perquisites as a significant element of our compensation structure, but do believe that perquisites can be useful in attracting, motivating and retaining executive talent. Our board of directors intends to re-evaluate our policies regarding perquisites and other personal benefits and may make changes as it deems appropriate.

Equity compensation

Each of our three executive officers has a significant equity interest in our company. However, The W Group has not granted equity awards as a component of compensation in the past (other than the equity awarded to Mr. Somodi in connection with his joining The W Group as an executive officer, which equity has been exchanged for other securities pursuant to the Reverse Merger), and we presently do not have a stock option plan or other similar equity compensation plan for officers, directors and employees. As of the date of this Form 8-K, no stock options, restricted stock or stock appreciation rights were outstanding.

We believe, however, that successful long-term performance may be achieved through an ownership culture that encourages long-term performance by our executive officers through the use of stock and stock-based awards. In the future, we may adopt and establish an equity incentive plan pursuant to which equity awards may be granted to eligible employees (including our executive officers), directors and consultants, if our board of directors determines that it is in the best interest of the Company and our shareholders to do so. We believe that, if such an equity incentive program is adopted, stock-based awards may be used to incentivize officers to continue their employment with us, provide our executive officers with an opportunity to obtain an (or increase his or her, as applicable) ownership interest in our company and encourage our executive officers to focus on our long-term profitable growth. We believe that the use of stock-based awards would serve to promote our overall executive compensation objectives.

Incentive cash bonuses

While The W Group generally has not awarded incentive cash bonuses in the past to its executive officers, our board of directors may determine that it is in the best interest of our company and our shareholders to do so. If adopted, we expect that any program awarding incentive cash bonuses would award executive officers based upon such criteria as their individual performance, as well as our overall business and strategic objectives, including corporate financial and operational goals.

Policies related to compensation

Guidelines for equity awards

We have not formalized a policy as to the amount or timing of equity grants to our executive officers. If our board of directors decides to adopt an equity incentive plan as a component of our executive compensation program, we expect that our board of directors would approve and adopt guidelines for equity awards. Among other things, we expect that such guidelines would specify procedures for equity awards to be made under various circumstances, address the timing of equity awards in relation to the availability of information about us and provide procedures for grant information to be communicated to and tracked by our finance department. We anticipate that such guidelines would require that any stock options or stock appreciation rights have an exercise or strike price not less than the fair market value of our common stock on the date of the grant.

Stock ownership guidelines

As of the date of this Form 8-K, we have not established ownership guidelines for our executive officers or directors, but we intend to consider adopting such guidelines in the future.

Compliance with Sections 162(m) and 409A of the Internal Revenue Code

Section 162(m) of the Internal Revenue Code limits the deductibility of compensation in excess of \$1 million paid to certain executive officers, unless such compensation qualifies as performance-based compensation. Among other things, in order to be deemed performance-based compensation for Section 162(m) purposes, the compensation must be based on the achievement of pre-established, objective performance criteria and must be pursuant to a plan that has been approved by our shareholders. At least for the next few years, we expect the cash compensation paid to our executive officers to be below the threshold for non-deductibility provided in Section 162(m), and, if our board of directors adopts an equity compensation plan in the future, and our shareholders approve such an equity plan, we expect that any such plan will afford our board of directors with the flexibility to make a variety of types of equity awards to our executive officers that will qualify as performance-based compensation under Section 162(m). However, we do not know whether any such equity incentive plan will be established and, accordingly, whether any awards which may be granted in the future will satisfy the requirements for deductibility under Section 162(m).

We also currently intend for our executive compensation program to satisfy the requirements of Internal Revenue Code Section 409A, which addresses the tax treatment of certain nonqualified deferred compensation benefits.

Summary Compensation Table

Power Solutions International, Inc. (f/k/a Format, Inc.)

The table below summarizes the compensation earned for the fiscal years indicated for services rendered to Power Solutions International, Inc. (f/k/a Format, Inc.), in all capacities, by Ryan Neely, its only executive officer during the last fiscal year.

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Ryan Neely (1)	2010	\$30,000	—	—	—	—	—	—	\$30,000
	2009	\$15,000	—	—	—	—	—	—	\$15,000
	2008	—	—	—	—	—	—	—	—

- (1) Ryan Neely resigned from his position as the Company's only executive officer effective as of April 29, 2011, immediately following the closing of the Reverse Merger and the Private Placement.

The W Group, Inc.

The table below summarizes the compensation earned for the fiscal year indicated for services rendered to The W Group, in all capacities, by (i) its Chairman of the Board, Chief Executive Officer and President, (ii) its Chief Operating Officer and Chief Financial Officer and (iii) the only other executive officer of The W Group during the last fiscal year.

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Gary Winemaster Chairman of the Board, Chief Executive Officer and President	2010	\$500,000	—	—	—	—	—	\$ 37,655 (1)	\$537,655
Thomas Somodi Chief Operating Officer and Chief Financial Officer	2010	\$500,000	—	—	—	—	—	\$ 41,897 (2)	\$541,897
Kenneth Winemaster Senior Vice President and Secretary	2010	\$250,000	—	—	—	—	—	\$ 40,250 (3)	\$290,250

- (1) This amount consists of (1) payments for (a) use of an automobile for Gary Winemaster, including insurance premiums, car payments, gas, parking and other similar car-related expenses, (b) mobile telephone service for Gary Winemaster and members of his family, (c) internet and landline telephone service, (d) sporting event tickets, (e) airfare for Gary Winemaster's spouse and other family members, (f) dining-related expenses and (g) other personal and entertainment expenses, and (2) use of The W Group's country club membership. In addition, this amount includes \$1,013 paid by The W Group in respect of gross-ups of taxes for The W Group's fiscal year ended December 31, 2010. While the automobile for Gary Winemaster and sporting event tickets are used for both business and personal purposes, the amounts reflected in the table above are the full amounts paid therefor by The W Group.
- (2) This amount consists of payments for life insurance premiums, mobile telephone service, dining-related expenses and other personal and entertainment expenses. In addition, this amount includes (1) \$5,341 paid by The W Group in respect of gross-ups of taxes for The W Group's fiscal year ended December 31, 2010, and (2) \$27,381 for reimbursement of expenses incurred for professional services provided in connection with the restructuring of Mr. Somodi's employment relationship with, and ownership interest in, The W Group.
- (3) This amount consists of payments for (a) Kenneth Winemaster's personal automobile, including insurance premiums, gas, satellite radio, parking and other similar car-related expenses, (b) use of a company automobile by Kenneth Winemaster's spouse, including insurance premiums, car payments, gas, parking and other similar car-related expenses, (c) mobile telephone service for Kenneth Winemaster and members of his family, (d) sporting event tickets, (e) interest payments on credit cards of Kenneth Winemaster, (f) dining-related expenses and (g) other personal and entertainment expenses. While the automobile for Kenneth Winemaster and sporting event tickets are used for both business and personal purposes, the amounts reflected in the table above are the full amounts paid therefor by The W Group.

Employment Agreements

Other than the employment agreement entered into with Mr. Somodi at the closing of the Reverse Merger described below, as of the date of this Form 8-K, we do not, and immediately prior to the consummation of the Reverse Merger The W Group did not, have any employment agreements in effect with any of our current executive officers.

Mr. Somodi entered into an Employment Agreement with The W Group, dated as of April 16, 2005, which employment agreement was amended pursuant to the Amendment to Employment Agreement, dated as of January 1, 2008 (the "Employment Agreement Amendment"). Mr. Somodi's employment agreement, as amended by the Employment Agreement Amendment, provided for a minimum annual base salary of \$500,000, discretionary bonus payments by The W Group as deemed appropriate by The W Group and life insurance premiums. Pursuant to the Employment Agreement Amendment, in The W Group's fiscal year ended December 31, 2008, Mr. Somodi was awarded a cash bonus of \$92,555, representing 25% of the prepaid interest savings resulting from the termination of The W Group's credit facilities then in effect with Bank of America. The term of Mr. Somodi's employment agreement commenced in April 2005 and expired in April 2010.

In connection with Gary Winemaster and Thomas Somodi entering into the Principal Purchase and Sale Agreement, we entered into a new employment agreement with Mr. Somodi, dated April 29, 2011 and effective as of January 1, 2011. This employment agreement is scheduled to expire on December 31, 2012, and provides for an annual base salary of \$500,000 in each of calendar year 2011 and 2012. Pursuant to the employment agreement, Mr. Somodi is further (1) eligible for a bonus for each of calendar 2011 and 2012, as determined in the discretion of our board of directors, and (2) eligible for equity compensation under any equity plan established and maintained by us.

If Mr. Somodi's employment is terminated, then under his employment agreement, Mr. Somodi will receive the compensation described below. If Mr. Somodi violates the employment agreement's restrictions on competing with us or soliciting our employees, customers or suppliers, we will have the right to terminate payment or provision of the compensation described below and we will be entitled to reimbursement of any of these amounts that we have paid prior to such violation. If prior to the expiration of the term of the employment agreement we terminate Mr. Somodi without Cause (as defined in the employment agreement and described below) and Mr. Somodi executes a general release, then Mr. Somodi will be entitled to receive the remainder of his base salary he would have received if he had remained employed through and including December 31, 2012. If prior to the end of the term of the employment agreement, Mr. Somodi's employment is terminated for Cause, Mr. Somodi will not be entitled to any compensation or other benefits, other than eligibility, to the extent permissible, for continued coverage under our health benefit plans. Upon the termination of Mr. Somodi's employment with our company, to the extent permissible, Mr. Somodi will be eligible for continued coverage under our company's health benefit plans, provided that Mr. Somodi reimburses us for the cost of any such continued coverage.

For purposes of Mr. Somodi's employment agreement, "Cause" means a conviction by him of a felony, his gross negligence, willful misconduct or unlawful conduct, which results in significant financial loss or liability to our company, disability, his liquidation or other transfer of an aggregate of more than fifty percent of any shares of our common stock Mr. Somodi has received from Gary Winemaster pursuant to the Principal Purchase and Sale Agreement, his breach of any of the provisions in the employment agreement regarding confidentiality and restrictions on competing with our company or soliciting our employees, customers or suppliers, and other customary events specifically set forth in the employment agreement. See "The Reverse Merger – The Principal Purchase and Sale Transaction" above for a more detailed description of the Principal Purchase and Sale Transaction.

Potential Payments Upon Termination or Change-in-Control

Prior to the Reverse Merger, The W Group has paid premiums for life insurance policies on the lives of each of our current executive officers. However, no amounts are presented below for any of our executive officers other than Thomas Somodi, as Gary Winemaster and Kenneth Winemaster have historically funded premiums for such life insurance policies out of their respective base salaries. Further, pursuant to our employment agreement with Mr. Somodi entered into in connection with the closing of the Reverse Merger, Mr. Somodi is entitled to certain payments upon termination of his employment. See "—Employment Agreements" above for a description of payments to which Mr. Somodi is entitled pursuant to his employment agreement. Other than these arrangements, we currently do not have any compensatory plans or arrangements that provide for any payments or benefits upon the resignation, retirement or any other termination of any of our executive officers, as the result of a change in control, or from a change in any executive officer's responsibilities following a change in control.

The table below provides a quantitative analysis of the amount of compensation payable to Thomas Somodi in each situation involving a termination of employment, assuming that each had occurred as of December 31, 2010.

FISCAL 2010 POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

<u>Name and Benefit</u>	<u>Death</u>	<u>Termination w/o Cause (other than Death) (1)</u>	<u>Termination with Cause (2)</u>
Thomas Somodi			
Life Insurance Policies	\$2,000,000 (3)	\$ —	\$ —
Base salary	\$ —	\$ 1,000,000	\$ —
<i>Total:</i>	\$2,000,000 (3)	\$ 1,000,000	\$ —

- (1) Assumes our new employment agreement with Thomas Somodi entered into in connection with the closing of the Reverse Merger was in place and effective as of December 31, 2010. All amounts presented were determined in accordance with Mr. Somodi's new employment agreement and assumes that Mr. Somodi executes and delivers a general release in favor of us.
- (2) In the event Mr. Somodi's employment is terminated for "Cause," we will not have any further obligations with respect to Mr. Somodi's employment (except for the payment of any base salary accrued through the date on which Mr. Somodi's employment terminates).
- (3) Any such life insurance proceeds will be payable to the beneficiary of the policy in a single, lump-sum payment by the third-party insurance provider.

DIRECTOR COMPENSATION

During fiscal 2010, (1) no directors who were employees of The W Group were entitled to receive any compensation for serving as members of The W Group's board of directors, and (2) no directors of Power Solutions International, Inc. (f/k/a Format, Inc.) were entitled to receive any compensation for serving as members of the board of directors of Power Solutions International, Inc. (f/k/a Format, Inc.). During fiscal 2010, The W Group did not have a standard compensation arrangement for its non-employee members of the board of directors of The W Group. The table below summarizes the compensation earned by each non-employee director for service on the board of directors of The W Group or Format, Inc., as applicable, for the last fiscal year.

<u>Name</u>	<u>Fees Earned or Paid in Cash</u>	<u>Stock Awards</u>	<u>Option Awards</u>	<u>Non-Equity Incentive Plan Compensation</u>	<u>Change in Pension Value and Nonqualified Deferred Compensation Earnings</u>	<u>All Other Compensation</u>	<u>Total</u>
H. Samuel Greenawalt (1)	—	—	—	—	—	\$ 11,057 (2)	\$11,057
Kenneth Landini (1)	\$10,000	—	—	—	—	—	\$10,000
Robert Summers (3)	—	—	—	—	—	—	—
Peter Kristensen (4)	—	—	—	—	—	—	—

- (1) Includes compensation received in connection with his service on the board of directors of The W Group.
- (2) This amount consists of expenses related to use of an automobile for H. Samuel Greenawalt, including car payments and insurance premiums.
- (3) Served as a member of the board of directors of Format, Inc. (n/k/a Power Solutions International, Inc.) until his resignation effective April 8, 2010.
- (4) Served as a member of the board of directors of Format, Inc. (n/k/a Power Solutions International, Inc.) until his resignation effective May 16, 2010.

We are currently re-evaluating our director compensation programs and intend to adopt new programs in the near future. We expect that such new policies will, among other things, entitle each non-employee director to receive an annual retainer and/or participation fees for attendance at regular and special meetings of our board of directors and, if we adopt an equity compensation plan, equity awards granted under such plan. Pursuant to these new compensation policies, we will not pay additional compensation to our executive officers for their services as directors.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During fiscal 2010, as discussed above under “Executive Compensation – Compensation Discussion and Analysis,” Gary Winemaster effectively performed the functions of a compensation committee but, where determined by Mr. Winemaster to be necessary or appropriate, Mr. Winemaster consulted with the board of directors of The W Group. Accordingly, the entire board of directors of The W Group could be deemed to have performed the functions of a compensation committee. Each of Gary Winemaster, Kenneth Winemaster and Thomas Somodi, each of whom is an officer of the Company and has relationships requiring disclosure under Item 404 of Regulation S-K under the Exchange Act, served as part of the board of directors of The W Group in the board’s performance of such compensation committee function. None of our executive officers serves, or served during the last completed fiscal year, as a member of the board or compensation committee of any other entity that has or has one or more of its executive officers serving as a member of our Board of Directors.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The Principal Purchase and Sale Transaction

The W Group and Thomas Somodi, our Chief Operating Officer and Chief Financial Officer, previously entered into (1) the Somodi Subscription Agreement, and (2) an employment agreement, dated as of April 16, 2005, as amended by the amendment to employment agreement, effective as of January 1, 2008. See “Executive Compensation – Employment Agreements” for a description of this employment agreement between Mr. Somodi and The W Group. Pursuant to the Somodi Subscription Agreement, Mr. Somodi acquired shares of common stock of The W Group, which represented 10% of the issued and outstanding shares of common stock of The W Group as of the date of such agreement and immediately prior to the closing of the Reverse Merger, and the Somodi Subscription Agreement provided that, upon any issuance or change in the structure of capital stock, The W Group would make an equitable adjustment to the shares held by Mr. Somodi so that Mr. Somodi would maintain an interest equal to 10% of the fully diluted capital stock of The W Group. The Somodi Subscription Agreement further provided (1) Mr. Somodi with the right to require The W Group to purchase his shares, and (2) The W Group with the right to require Mr. Somodi to sell his shares to The W Group, upon The W Group’s achievement of certain thresholds relating to the valuation of The W Group. Pursuant to the Somodi Subscription Agreement, Mr. Somodi further agreed to sell his shares, if requested by The W Group, to a third party in connection with a sale of The W Group.

Pursuant to the Merger Agreement, the Company issued an aggregate of 10,000,000 shares of Company Common Stock and 95,960.90289 shares of Company Preferred Stock to the three stockholders of The W Group in exchange for all of the outstanding shares of common stock of The W Group held by them at the closing of the Reverse Merger. Pursuant to the Principal Purchase and Sale Agreement, entered into on April 28, 2011, and effective on the closing of the Reverse Merger, Gary Winemaster agreed to purchase from Mr. Somodi, and Mr. Somodi agreed to sell to Mr. Winemaster, 1,000,000 shares of Company Common Stock and 9,596.09002 shares of Company Preferred Stock (in each case without giving effect to the Reverse Split), representing all of the shares of Company Common Stock and Company Preferred Stock acquired by Mr. Somodi pursuant to the Merger Agreement, at an initial closing to occur within 90 days following the closing of the Reverse Merger, in exchange for (1) a cash payment equal to \$2,500,000, payable at such initial closing, (2) an additional cash payment equal to \$1,750,000, payable at a subsequent closing, and (3) Mr. Winemaster's agreement to transfer to Mr. Somodi shares of Company Common Stock, or cash payment in lieu thereof, upon the Company's achievement of certain market value per share of Company Common Stock milestones.

As additional consideration for the acquisition by Mr. Winemaster of the shares issued to Mr. Somodi in the Reverse Merger, Mr. Winemaster agreed to deliver to Mr. Somodi, within 90 days of the first date on which the Company first achieves Company Common Stock market value per share milestones as follows: (A) an aggregate of 3,933,333 shares of Company Common Stock (122,917 shares giving effect to the Reverse Split) after the first period of 10 consecutive trading days after the effectiveness of the Reverse Split on each of at least seven of which the market value per share of the outstanding Company Common Stock (calculated in accordance with the Principal Purchase and Sale Agreement) is at least \$0.6356 (\$20.3392 giving effect to the Reverse Split); (B) an additional aggregate of 4,720,000 shares of Company Common Stock (147,500 shares giving effect to the Reverse Split) after the first period of 10 consecutive trading days after the effectiveness of the Reverse Split on each of at least seven of which the market value per share of the outstanding Company Common Stock (calculated in accordance with the Principal Purchase and Sale Agreement) is at least \$0.7945 (\$25.424 giving effect to the Reverse Split); and (C) an additional aggregate of 3,146,656 shares of Company Common Stock (98,333 shares giving effect to the Reverse Split) after the first period of 10 consecutive trading days after the effectiveness of the Reverse Split on each of at least seven of which the market value per share of the outstanding Company Common Stock (calculated in accordance with the Principal Purchase and Sale Agreement) is at least \$0.9534 (\$30.5088 giving effect to the Reverse Split). All share numbers and share prices set forth above are subject to adjustment for stock splits, stock dividends and other similar transactions, as set forth in the Principal Purchase and Sale Agreement. Mr. Winemaster may, at his sole option and in lieu of delivering shares of Company Common Stock to Mr. Somodi as described above, elect to make a payment to Mr. Somodi equal to the then-market value of the shares Mr. Winemaster would otherwise be required to deliver pursuant to the provisions described above. Mr. Winemaster's obligation will expire if the Company has not achieved the applicable market value per share of Company Common Stock milestones by the fifth anniversary of the closing of the Reverse Merger. See "The Reverse Merger – The Principal Purchase and Sale Transaction" above for a more detailed description of the Principal Purchase and Sale Transaction.

Prior to the closing of the Reverse Merger, and in connection with Mr. Winemaster and Mr. Somodi entering into the Principal Purchase and Sale Agreement, (i) on April 28, 2011, The W Group and Mr. Somodi entered into the Termination Agreement, pursuant to which each of Mr. Somodi's employment agreement with The W Group (the term of which expired in April 2010) and the Somodi Subscription Agreement, were terminated effective upon the closing of the Reverse Merger; and (ii) on April 29, 2011, the Company and Mr. Somodi entered into a new employment agreement, which sets forth the terms of Mr. Somodi's employment with the Company. See "Executive Compensation – Employment Agreements" for a description of the Company's new employment agreement with Mr. Somodi.

Other Transactions with The W Group

The W Group has engaged (and we continue to engage) Landini, Reed & Dawson, a certified public accounting and consulting firm, to prepare tax returns and to provide other tax advice and consultation services, including in respect of the Reverse Merger, the Private Placement and the other transactions consummated in connection therewith. Kenneth Landini, who was a director of The W Group prior to the consummation of the Reverse Merger and will become a member of our board of directors in connection with the consummation of the Reverse Merger as discussed in this Form 8-K, is a partner and co-founder of Landini, Reed & Dawson, P.C. During The W Group's fiscal year ended December 31, 2010 ("fiscal 2010") and three-month period ended March 31, 2011, Landini, Reed & Dawson, P.C. charged \$123,223 and \$48,780, respectively, for its services provided to The W Group during such periods.

For each of fiscal 2010 and The W Group's fiscal years ended December 31, 2009 ("fiscal 2009") and 2008 ("fiscal 2008"), William Winemaster, the father of Gary Winemaster and Kenneth Winemaster, our Chairman of the Board,

Chief Executive Officer and President and our Senior Vice President and Secretary, respectively, serving as an employee performing consulting and advisory type services to The W Group and its subsidiaries, received (1) annual salaries of \$138,158, \$127,744 and \$127,744, respectively, (2) payments for automobiles and related auto insurance premiums equal to \$9,927, \$12,767 and \$12,643, respectively, and (3) payments related to mobile telephone service equal to \$1,295, \$1,240 and \$1,361, respectively. It is anticipated that William Winemaster will continue to serve as an employee of The W Group performing consulting and advisory type services going forward, and that Mr. Winemaster's compensation for the Company's fiscal year ended December 31, 2011 will be consistent with his compensation for such services in fiscal 2010.

In fiscal 2010, fiscal 2009 and fiscal 2008, The W Group had outstanding loans to each of Gary Winemaster and Kenneth Winemaster in the aggregate principal amount of \$156,024 and \$67,969, respectively. These loan amounts did not bear interest and were payable on demand by The W Group. At December 31, 2010 and at March 30, 2011, the amounts outstanding on such notes were \$156,024 and \$67,969, respectively, which such amounts represent the largest principal amounts outstanding under these loans at any time during fiscal 2010, fiscal 2009 or fiscal 2008. Effective March 30, 2011 (prior to the consummation of the Reverse Merger), the board of directors of The W Group declared a non-cash offset dividend to each of Gary Winemaster and Kenneth Winemaster in amounts necessary to cancel the loans. Thomas J. Somodi, as a stockholder of The W Group, waived any right to receive any dividend payments as a result of the offset dividend received by Gary Winemaster. Kenneth Winemaster waived any right to receive any dividend in excess of the \$67,969 offset dividend he received as a result of the offset dividend received by Gary Winemaster.

The W Group previously maintained a credit facility with Bank of America. In the year ended December 31, 2007 ("fiscal 2007"), H. Samuel Greenawalt, a member of our board of directors and the board of directors of The W Group, obtained a line of credit and used the proceeds therefrom to guarantee The W Group's obligations under its credit facility with Bank of America. As a condition to Mr. Greenawalt obtaining this personal line of credit and guaranteeing The W Group's obligations to Bank of America, The W Group agreed to guarantee Mr. Greenawalt's personal line of credit and pay interest on the proceeds from Mr. Greenawalt's line of credit at a rate of 11% per annum. In fiscal 2007 and fiscal 2008, The W Group paid to Mr. Greenawalt \$43,250 and \$57,750, respectively, representing interest on the proceeds from Mr. Greenawalt's personal line of credit. In fiscal 2008, Mr. Greenawalt's guarantee obligations were terminated, and his personal line of credit was paid in full and cancelled, thereby releasing The W Group's guarantee obligations with respect to Mr. Greenawalt's personal line of credit.

Format, Inc. Transactions

From time to time prior to the consummation of the Reverse Merger, Ryan Neely, our sole director and executive officer immediately prior to the closing of the Reverse Merger, loaned amounts to us for working capital purposes, which loans did not bear interest and were due on demand. As of December 31, 2010 and immediately prior to April 29, 2011, the closing date of the Reverse Merger, the outstanding principal amount on such loans was \$114,156. The largest principal amount outstanding under these loans at any time during fiscal 2010, fiscal 2009 or fiscal 2008, or during the period commencing January 1, 2011 and ending April 29, 2011, was \$168,177. During the period commencing January 1, 2008 through April 29, 2011 (but before closing the Stock Repurchase), we repaid \$62,041 in principal amount in respect of these loans to Mr. Neely. In connection with the Reverse Merger and the Private Placement, we entered into the Repurchase Agreement, pursuant to which we repurchased and cancelled 3,000,000 shares of our common stock beneficially owned by Mr. Neely and his spouse, Michelle Neely, and Ryan and Michelle Neely released us from any obligations we had to them in respect of these loans (which, as of April 29, 2011, was \$114,156 in principal amount), for aggregate consideration of \$360,000. In addition, Ryan and Michelle Neely released us from any obligations we had to them in respect of any other amounts (including any accrued compensation) that may have at any time been owing from us prior to the closing of the Reverse Merger. In connection with, but prior to, the closing of the Reverse Merger, Format, Inc. used all of its available cash to settle all remaining liabilities of Format, Inc. prior to the consummation of the Reverse Merger.

Policies and Procedures for Related Party Transactions

The W Group has not maintained any formal, written policies with respect to the review of related party transactions. Historically, transactions involving The W Group and any of its directors, officers or employees, or any of their respective affiliates, had been reviewed on a case by case basis by members of The W Group's management.

The Company has a Code of Ethics, which was adopted by Format, Inc. before the consummation of the Reverse Merger and continues to apply to our directors, officers and employees, including our principal executive officer and

principal financial and accounting officer (each, a “Covered Person” and, collectively, the “Covered Persons”). As provided in our Code of Ethics, each of our employees and officers (other than our principal executive officer and principal financial officer) is responsible for reporting to his or her immediate supervisor, and each director and each of our principal executive officer and our principal financial officer is responsible for reporting to the chairman of the audit committee, if such a committee is created, or, in the absence of an audit committee, to the chairman of our board of directors, any potential conflict of interest. The audit committee chairman, if any, or the chairman of our board of directors, as applicable, will determine if a conflict of interest exists, and if so determined, will determine the necessary resolution of such conflict. We intend to re-evaluate our policies and procedures relating to related party transactions, and anticipate adopting changes to our current written policy providing for the formal procedures through which any such potential transaction will be evaluated.

Composition of the Board of Directors and Director Independence

We are not subject to listing requirements of any national securities exchange and, as a result, as of the date of this Form 8-K, our board of directors is not required to be composed of a specified number of “independent directors.” Our board of directors has determined that Mr. H. Samuel Greenawalt is a non-employee director who meets the applicable independence requirements for directors of The NASDAQ Stock Market. We intend to apply to list and, pursuant to the Private Placement Purchase Agreement, we have agreed to use our reasonable best efforts to list, our common stock for trading on a national securities exchange as soon as reasonably practicable after we meet the initial quantitative listing standards of any such exchange. However, we cannot be certain that we will meet such initial listing standards or receive approval to list our common stock on any national securities exchange. Pursuant to the Private Placement Purchase Agreement, we agreed to take action such that, no later than 180 days following the closing of the Private Placement, our board of directors will consist of five or greater directors, a majority of whom will constitute “independent directors” as defined by the marketplace rules of The NASDAQ Stock Market. We intend to evaluate the composition and membership of the board of directors and consider adding additional members, including additional independent members, to our board of directors. In evaluating the composition of the board of directors, we may consider such factors as diversity of backgrounds, experience and competencies that our board of directors desires to have represented. These competencies may include independence; adherence to ethical standards; the ability to exercise business judgment; industry knowledge and experience and/or other relevant business or professional experience and the ability to offer our management meaningful advice and guidance based on that experience; and ability to devote sufficient time and effort to service as a director. We believe that each person who will be a member of our board of directors at the Information Statement Date possesses these qualities and has demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment of service to us and to our board of directors.

Description of Our Common Stock

We are authorized to issue up to an aggregate of 50,000,000 shares of common stock, par value \$0.001 per share. We intend to amend our Articles of Incorporation to effect the Reverse Split. The holders of our common stock are entitled to one vote per share. Our articles of incorporation, as amended, do not provide for cumulative voting. The holders of our common stock are entitled to receive ratably such dividends, if any, as may be declared by our board of directors out of legally available funds. However, the current policy of our board of directors is to retain earnings, if any, for our operations and expansion. Upon any liquidation, dissolution or winding-up of our company, the holders of our common stock are entitled to share ratably in all of our assets which are legally available for distribution, after payment of or provision for all liabilities and the preferences of any then outstanding shares of preferred stock. The holders of our common stock have no preemptive, subscription, redemption or conversion rights. All issued and outstanding shares of our common stock are fully-paid and non-assessable.

Description of Our Preferred Stock

We are authorized to issue up to an aggregate of 5,000,000 shares of preferred stock, par value \$0.001 per share, in one or more series as may be determined by our board of directors, which may establish from time to time the number of shares to be included in such series, and fix the designations, powers, preferences and rights of the shares of such series and the qualifications, limitations or restrictions thereof. Any preferred stock so established and designated by our board of directors may rank senior to the common stock with respect to the payment of dividends or amounts upon liquidation, dissolution or winding up of us, or both. The issuance of shares of preferred stock, the existence of unissued preferred stock, or the issuance of rights to purchase such shares of preferred stock, may have the effect of delaying or deterring an unsolicited merger or other change of control transaction. See “Risk Factors – Anti-takeover provisions contained in our articles of incorporation and bylaws, as well as provisions of Nevada law, could impair a takeover attempt.”

Series A Convertible Preferred Stock

In accordance with our Articles of Incorporation, our board of directors approved the filing of a certificate of designation designating and authorizing the issuance of up to 114,000 shares of Series A Convertible Preferred Stock, par value \$0.001 per share. See “The Reverse Merger – Terms of Company Preferred Stock” for a description of our Series A Convertible Preferred Stock.

Description of Private Placement Warrants

Pursuant to the Private Placement, we issued Private Placement Warrants to the investors in the Private Placement, representing the right to purchase initially an aggregate 24,000,000 shares of Company Common Stock, subject to the limitations on exercise set forth in the Private Placement Warrants. See “The Private Placement – Private Placement Warrants” above for a description of the Private Placement Warrants.

Description of Roth Warrant

Concurrently with the closing of the Reverse Merger, we issued to ROTH Capital Partners, LLC, in its capacity as placement agent in the Private Placement, the Roth Warrant, representing the right to purchase initially 3,360,000 shares of Company Common Stock, subject to the limitations on exercise set forth in the Roth Warrant. See “The Private Placement – Roth Warrant” above for a description of the Roth Warrant.

Indemnification of Directors and Officers

Our articles of incorporation, as amended, provide that no director or officer of our company will be personally liable to us or our shareholders for damages for breach of fiduciary duty as a director or officer, except for liability (i) for acts or omissions which involve intentional misconduct, fraud or a knowing violation of law, or (ii) for the payment of dividends in violation of Nevada law. Our bylaws, as amended, require us to indemnify our directors, and allow us to indemnify our officers, employees and agents to the fullest extent of the provisions in the bylaws regarding indemnification of our directors.

We also maintain standard policies of insurance under which coverage is provided (a) to our directors and officers against loss arising from claims made by reason of breach of duty or other wrongful act, and (b) to us with respect to payments which may be made by us to such officers and directors pursuant to the above indemnification provisions or otherwise as a matter of law.

We intend to enter into indemnification agreements with each of our directors and executive officers, which will provide for mandatory indemnification of an executive officer or a director made party to a proceeding by reason of the fact that the person is or was an executive officer or a director of ours, if the executive officer or director acted in good faith and in a manner the executive officer or director reasonably believed to be in, or not opposed to, our best interests and, in the case of a criminal proceeding, the executive officer or director had no reasonable cause to believe that his or her conduct was unlawful. These agreements will also obligate us to advance expenses to an executive officer or a director who may have a right to be indemnified by us; provided, that the executive officer or director will repay advanced expenses if it is ultimately determined that he or she is not entitled to indemnification. Our executive officers and directors will also be entitled to indemnification and indemnification for expenses incurred as a result of acting at our request as a director, an officer or an agent of an employee benefit plan or other partnership, corporation, joint venture, trust or other enterprise owned or controlled by us.

Insofar as indemnification for liabilities arising under the Securities Act may be granted to our directors, officers and controlling persons pursuant to the above statutory provisions or otherwise, the Company has been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

Item 9.01 Financial Statements and Exhibits.

(a) Financial statements: The W Group’s audited financial statements for the fiscal years ended December 31, 2008, 2009 and 2010 are filed in this Current Report on Form 8-K as Exhibit 99.1.

(b) Pro forma financial information: Unaudited pro forma consolidated financial information regarding the registrant and The W Group are filed in this Current Report on Form 8-K as Exhibit 99.2.

(c) Exhibits.

<u>Exhibit Number</u>	<u>Exhibit Description</u>
2.1	Agreement and Plan of Merger between Format, Inc., PSI Merger Sub, Inc. and The W Group, Inc. †
3.1	Certificate of Designation of Series A Convertible Preferred Stock of Power Solutions International, Inc. (f/k/a Format, Inc.).
3.2	Amended and Restated Bylaws of Power Solutions International, Inc. (f/k/a Format, Inc.) adopted April 29, 2011.
10.1	Stock Repurchase and Debt Satisfaction Agreement, dated as of April 29, 2011, between Format, Inc. and Ryan Neely and Michelle Neely.
10.2	Termination Agreement, dated as of April 28, 2011, between The W Group, Inc. and Thomas Somodi, including the Purchase and Sale Agreement, dated as of April 28, 2011, between Gary Winemaster and Thomas Somodi referenced therein.
10.3	Employment Agreement, dated as of April 29, 2011, between Power Solutions International, Inc. and Thomas Somodi.
10.4	Purchase Agreement, dated April 29, 2011, among Format, Inc. and the investors in the private placement.
10.5	Form of Voting Agreement, dated April 29, 2011, between Power Solutions International, Inc. and each of Gary Winemaster, Kenneth Winemaster, Thomas Somodi and Kenneth Landini.
10.6	Form of Warrant, dated April 29, 2011, issued by Power Solutions International, Inc. to the investors in the private placement.
10.7	Warrant, dated April 29, 2011, issued by Power Solutions International, Inc. to ROTH Capital Partners, LLC.
10.8	Form of Lock-Up Agreement entered into by each of Gary Winemaster, Kenneth Winemaster, Thomas Somodi and Kenneth Landini.
10.9	Registration Rights Agreement, dated as of April 29, 2011, among Power Solutions International, Inc., the investors in the private placement and ROTH Capital Partners, LLC.
10.10	Registration Rights Agreement, dated as of April 29, 2011, among Power Solutions International, Inc. and Gary Winemaster, Kenneth Winemaster and Thomas Somodi.
10.11	Loan and Security Agreement, dated as of April 29, 2011, by and among Harris N.A., as agent for itself and other lenders party thereto, each of the lenders party thereto, Power Solutions International, Inc., The W Group, Inc., Power Solutions, Inc., Power Great Lakes, Inc., Auto Manufacturing, Inc., Torque Power Source Parts, Inc., Power Properties, L.L.C., Power Production, Inc., Power Global Solutions, Inc., PSI International, LLC and XISync LLC, and related documents. ††
10.12	Supply Agreement, dated December 11, 2007, by and between PSI International, LLC and Doosan Infracore Co., Ltd., as amended. ††
10.13	Distribution Agreement for Perkins Products, dated January 1, 2004, by and between Perkins Engines Inc. and Power Great Lakes, Inc., as amended. ††
16.1	Letter from Miller Cooper & Co., Ltd. to the Securities and Exchange Commission dated May 5, 2011.

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- 16.2 Letter from Jonathon P. Reuben, CPA, to the Securities and Exchange Commission dated May 5, 2011.
- 17.1 Resignation letter of Ryan Neely from all executive officer positions held with, and the board of directors of, Format, Inc. dated April 29, 2011.
- 21.1 Subsidiaries of Power Solutions International, Inc.
- 99.1 The W Group's audited financial statements for the fiscal years ended December 31, 2008, 2009 and 2010.
- 99.2 Unaudited pro forma consolidated financial information regarding the registrant and The W Group.
- † Exhibits and schedules omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish a supplemental copy of an omitted exhibit or schedule to the SEC upon request.
- †† Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted portions have been separately filed with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Power Solutions International, Inc.

Date: May 5, 2011

By: /s/ Thomas J. Somodi

Name: Thomas J. Somodi

Title: Chief Operating Officer and
Chief Financial Officer

AGREEMENT AND PLAN OF MERGER

BY AND AMONG

FORMAT, INC.

PSI MERGER SUB, INC.

AND

THE W GROUP, INC.

April 29, 2011

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LIST OF EXHIBITS

Exhibits

- Exhibit A - Certificate of Designation
- Exhibit B - New Employment Agreement
- Exhibit C - Form of Voting Agreement
- Exhibit D - Certificate of Merger
- Exhibit E - Company Certificate of Incorporation
- Exhibit F - Company Bylaws
- Exhibit G - Form of Shareholder Rep Letter
- Exhibit H - Lease Assignment Agreement
- Exhibit I - Parent Restated Bylaws
- Exhibit J - Name Change Merger Agreement
- Exhibit K - Name Change Articles of Merger

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this “Agreement”) is made and entered into on April 29, 2011, by and among Format, Inc., a Nevada corporation (“Parent”), PSI Merger Sub, Inc., a Delaware corporation (“Merger Sub”), which is a wholly-owned subsidiary of Parent, and The W Group, Inc., a Delaware corporation (the “Company”). Each of Parent, Merger Sub and the Company is referred to herein individually as a “Party,” or collectively as the “Parties.” Unless otherwise defined herein, capitalized terms shall have the respective meanings assigned to such terms in Section 9 hereof.

RECITALS

WHEREAS, the Parties desire to set forth the terms and conditions pursuant to which Merger Sub shall merge with and into the Company (the “Merger”) in accordance with the General Corporation Law of the State of Delaware, as amended (the “DGCL”). Upon consummation of the Merger, the Company will continue as the surviving corporation and as a wholly-owned subsidiary of Parent, and Merger Sub will cease to exist.

WHEREAS, the board of directors of each of Parent, Merger Sub and the Company have determined that this Agreement is advisable, fair to and in the best interests of their respective shareholders or stockholders, as applicable.

WHEREAS, the board of directors of each of Parent, Merger Sub and the Company has approved this Agreement and the consummation of the transactions contemplated hereby, including the Merger, in accordance with the DGCL, and upon the terms and subject to the conditions set forth herein.

WHEREAS, each of the stockholders of the Company immediately prior to the Effective Time (as defined in Section 1.2) (the “Company Stockholders”) and Parent, as the sole stockholder of Merger Sub, has voted for and approved this Agreement, the Merger and the other matters contemplated hereby, all in accordance with the DGCL.

WHEREAS, the Parties intend that the Merger and the other transactions contemplated herein will qualify as a tax-free reorganization pursuant to Section 368(a) of the Code, that this Agreement shall constitute a plan of reorganization within the meaning of Section 1.368-2 of the Treasury Regulations, and the Parties have agreed not to take actions that would cause the Merger not to qualify as such a tax-free reorganization.

WHEREAS, Parent’s board of directors (the “Parent Board”), in accordance with the articles of incorporation of Parent and applicable Law, has approved the designation of a new series of convertible preferred stock of Parent as Series A Convertible Preferred Stock, liquidation preference of \$1,000 per share (the “Parent Preferred Stock”), which shares of Parent Preferred Stock shall be convertible into shares of Parent’s common stock, par value \$0.001 per share (the “Parent Common Stock”), subject to the limitations on conversion set forth in the certificate of designation for the Parent Preferred Stock, to be in the form attached hereto as Exhibit A (the “Certificate of Designation”), at an initial conversion price of \$0.375 per share, subject to adjustment as set forth in the Certificate of Designation, and otherwise in accordance with the terms set forth in the Certificate of Designation.

WHEREAS, the shares of Parent Preferred Stock issuable pursuant to this Agreement and in connection with the Private Placement (as defined below) shall initially be convertible into an aggregate of 303,895,741 shares (subject to adjustment as provided in the Certificate of Designation) of Parent Common Stock, subject to the limitations on conversion set forth in the Certificate of Designation, in accordance with the terms set forth in the Certificate of Designation.

WHEREAS, Parent (as it will exist as of the Closing (as defined below)) desires to sell shares of Parent Preferred Stock and warrants, substantially in the form attached as Exhibit B to the Purchase Agreement, to purchase initially 24,000,000 shares (subject to adjustment as provided in such warrants) of Parent Common Stock (such warrants, collectively the “Private Placement Warrants”; the shares of Parent Common Stock issuable upon exercise of the Private Placement Warrants being referred to as the “Private Placement Warrant Shares”), subject to the limitations on exercise set forth in the Private Placement Warrants, at an initial exercise price of \$0.40625 per share, subject to adjustment as set forth in the Private Placement Warrants, in a private placement for aggregate gross proceeds to the Company of at least Eighteen Million Dollars (\$18,000,000) (the “Private Placement”) to accredited investors pursuant to a Purchase Agreement (the “Purchase Agreement”).

WHEREAS, in connection with the Private Placement, Parent has agreed to issue to ROTH Capital Partners, LLC (“Roth”), as placement agent for the Private Placement, a warrant to purchase initially 3,360,000 shares (subject to adjustment as provided in such warrant) of Parent Common Stock (the “Roth Warrant”), subject to the limitations on exercise set forth in the Roth Warrant, at an initial exercise price of \$0.4125 per share, subject to adjustment as set forth in the Roth Warrant.

WHEREAS, Parent has formed a wholly-owned subsidiary of Parent, incorporated in the State of Nevada (“Name Change Merger Sub”), and the Parent Board has authorized and approved the merger of Name Change Merger Sub with and into Parent, effective as of the Closing, upon the consummation of which Parent shall remain as the surviving corporation and the name of Parent shall be “Power Solutions International, Inc.” (the “Name Change Merger”).

WHEREAS, Parent and the Parent Shareholders set forth on Schedule I have entered into that certain Stock Repurchase and Debt Satisfaction Agreement, dated as of the date hereof (the “Repurchase Agreement”), pursuant to which (i) Parent shall repurchase from such Parent Shareholders an aggregate of three million (3,000,000) shares of Parent Common Stock and such Parent Shareholders shall terminate all of their right, title and interest, whether held collectively by such Parent Shareholders or individually by any Parent Shareholder, in and to, and release Parent from any and all obligations it may have with respect to, any and all indebtedness owed by Parent or any of its subsidiaries to such Parent Shareholders (including any accrued interest thereon), in exchange for (ii) Three Hundred Sixty Thousand Dollars (\$360,000) (the “Stock Repurchase”).

WHEREAS, contemporaneously with the Closing, Parent and Thomas Somodi shall execute and deliver an employment agreement, substantially in the form attached hereto as Exhibit B (the “New Employment Agreement”), which shall set forth the terms and conditions of Mr. Somodi’s employment with Parent.

WHEREAS, on April 29, 2011, the Parent Board authorized and approved the merger of Parent with and into a wholly owned subsidiary of Parent to be effected solely for the purpose of changing Parent's jurisdiction of incorporation from Nevada to Delaware (the "Migratory Merger").

WHEREAS, on April 29, 2011, the Parent Board further authorized a 1-for-32 reverse stock split of shares of Parent Common Stock, which will not reduce the number of shares of Parent Common Stock that Parent is authorized to issue; provided, that, such reverse stock split may be effected by providing that each 32 shares of Parent Common Stock will be exchanged for one share of common stock of the surviving entity in the Migratory Merger (in which case, the consummation of the Migratory Merger will constitute such reverse stock split) (the "Reverse Split")

WHEREAS, concurrently with the Closing, each of the persons listed on Schedule II has executed and delivered a voting agreement, in each case substantially in the form attached hereto as Exhibit C (collectively, the "Voting Agreements"), pursuant to which persons shall agree in writing to consent to, and approve, the Reverse Split and the Migratory Merger.

NOW, THEREFORE, in consideration of the mutual agreements and covenants hereinafter set forth, the parties hereto agree as follows:

1. The Merger.

1.1. Merger. Upon and subject to the terms and conditions set forth in this Agreement, at the Effective Time, Merger Sub shall be merged with and into the Company in accordance with Section 251 of the DGCL. At the Effective Time, the separate legal existence of Merger Sub shall cease, and the Company shall be the surviving corporation in the Merger (sometimes hereinafter referred to as the "Surviving Corporation") and shall continue its corporate existence under the Laws of the State of Delaware under the name "The W Group, Inc."

1.2. Closing; Effective Time. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Katten Muchin Rosenman LLP, 525 West Monroe Street, Chicago, Illinois 60661, or such other location mutually agreed upon by the Parties (and with consent of the Parties, concurrently in such additional places as is appropriate given the nature of the transactions), commencing at 9:00 a.m. Chicago time, on the first Business Day following the date of this Agreement, subject to the satisfaction (or waiver) of all of the conditions to the Closing set forth in Sections 5.1 and 5.2 (or such later or earlier time and date as are mutually agreed to by Parent and the Company) (the "Closing Date"). At the Closing, a properly executed copy of the Certificate of Merger, in the form attached as Exhibit D hereto (the "Certificate of Merger"), shall be filed with the office of the Secretary of State of the State of Delaware. The Merger shall become effective on the date and at the time that the Certificate of Merger becomes effective (the "Effective Time").

1.3. Articles of Incorporation, Bylaws, Directors and Executive Officers.

(a) The Certificate of Incorporation of the Company, as in effect immediately prior to the Effective Time, attached as Exhibit E hereto (the “Company Certificate of Incorporation”), shall be the Certificate of Incorporation of the Surviving Corporation (the “Surviving Corporation Certificate of Incorporation”) from and after the Effective Time until further amended in accordance with applicable Law.

(b) The Bylaws of the Company, as in effect immediately prior to the Effective Time, attached as Exhibit F hereto (the “Company Bylaws”), shall be the Bylaws of the Surviving Corporation (the “Surviving Corporation Bylaws”) from and after the Effective Time until amended in accordance with applicable Law, the Surviving Corporation Certificate of Incorporation and the Surviving Corporation Bylaws.

(c) The directors and executive officers of the Company immediately prior to the Effective Time, each of which is listed in Schedule 1.3(c), shall be the directors and executive officers of the Surviving Corporation, and each shall hold his respective office or offices from and after the Effective Time until his or her successor shall have been elected or appointed and qualified in accordance with applicable Law, or as otherwise provided in the Surviving Corporation Certificate of Incorporation or the Surviving Corporation Bylaws.

1.4. Assets and Liabilities. At the Effective Time, the Surviving Corporation shall possess all the rights, privileges, powers and franchises of a public as well as of a private nature, and be subject to all the restrictions, disabilities and duties of each of Merger Sub and the Company (collectively, the “Constituent Corporations”); and all the rights, privileges, powers and franchises of each of the Constituent Corporations, and all property, real, personal and mixed, and all debts due to any of the Constituent Corporations on whatever account, shall be vested in the Surviving Corporation; and all property, rights, privileges, powers and franchises, and all and every other interest shall be thereafter the property of the Surviving Corporation as they were of the several and respective Constituent Corporations, and the title to any real estate vested by deed or otherwise in either of the Constituent Corporations shall not revert or be in any way impaired by the Merger; but all rights of creditors and all Liens upon any property of any of the Constituent Corporations shall be preserved unimpaired, and all debts, liabilities and duties of the Constituent Corporations shall thenceforth attach to the Surviving Corporation, and may be enforced against it to the same extent as if said debts, liabilities and duties had been incurred or contracted by it.

1.5. Manner and Basis of Converting Shares.

(a) Conversion of Shares. At the Effective Time:

(i) each share of Common Stock, par value \$0.0001 per share, of Merger Sub (the “Merger Sub Common Stock”) that is outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into the right to receive one (1) share of Common Stock, par value \$0.0001 per share, of the Surviving Corporation;

(ii) each share of Common Stock, par value \$0.0001 per share, of the Company (the “Company Common Stock”) that is outstanding immediately prior to the Effective

Time, shall, by virtue of the Merger and without any action on the part of the holders thereof, be converted into the right to receive (A) 6.923077 shares of Parent Common Stock, and (B) 0.06643447 shares of Parent Preferred Stock, subject to Section 1.5(c). No interest will be paid on any cash held pending surrender of certificates representing such shares of Company Common Stock.

(iii) each share of Company Common Stock held in the treasury of the Company immediately prior to the Effective Time shall be cancelled in the Merger and cease to exist.

(b) Registration of Transfers. After the Effective Time, there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the shares of Company Common Stock that were outstanding immediately prior to the Effective Time.

(c) Fractional Shares.

(i) Parent Common Stock. Notwithstanding anything set forth in Section 1.5(a)(ii), no fraction of a share of Parent Common Stock will be issued by virtue of the Merger, but instead the aggregate number of shares of Parent Common Stock issuable to a Company Stockholder (after aggregating all fractional shares of Parent Common Stock to be received by such Company Stockholder) pursuant to Section 1.5(a)(ii) shall be rounded to the nearest whole number (with 0.5 being rounded up).

(ii) Parent Preferred Stock. Notwithstanding anything set forth in Section 1.5(a)(ii), any fraction of a share of Parent Preferred Stock that will be issued to a Company Stockholder pursuant to Section 1.5(a)(ii) (after aggregating all fractional shares of Parent Preferred Stock to be received by such holder) shall be rounded to the nearest one hundred-thousandth of a share of Parent Preferred Stock (i.e., the aggregate number of shares of Parent Preferred Stock issuable to such Company Stockholder pursuant to Section 1.5(a)(ii) shall be rounded to the nearest one hundred-thousandth of a share of Parent Preferred Stock).

1.6. Surrender and Exchange of Certificates. At or promptly after the Effective Time and upon surrender of a certificate or certificates representing shares of Company Common Stock that were outstanding immediately prior to the Effective Time, together with powers or other instruments of transfer duly executed in blank, or delivery of an affidavit and indemnification in a generally acceptable form stating that a Company Stockholder has lost the certificate or certificates representing such Company Stockholder's shares of Company Common Stock or that such certificate has, or such certificates have, been destroyed (a "Lost Certificate Affidavit"), Parent shall issue to each Company Stockholder surrendering such certificate or certificates (or delivering a Lost Certificate Affidavit), certificates registered in the name of such Company Stockholder representing the number of shares of Parent Common Stock and shares of Parent Preferred Stock that such Company Stockholder shall be entitled to receive as set forth in Section 1.5(a)(ii). Until the certificate, certificates or Lost Certificate Affidavit is or are, as applicable, surrendered to Parent as contemplated by this Section 1.6, each certificate or Lost Certificate Affidavit that immediately prior to the Effective Time represented any outstanding shares of Company Common Stock shall be deemed at and after the Effective Time to represent

only the right to receive the shares of Parent Common Stock and shares of Parent Preferred Stock specified in Section 1.5(a)(ii) hereof for the holder thereof.

1.7. Parent Common Stock and Parent Preferred Stock. Parent covenants and agrees that it shall cause (a) the maximum aggregate number of shares of Parent Common Stock (i) into which the Company Common Stock is to be converted at the Effective Time pursuant to Section 1.5(a)(ii), (ii) into which the shares of Parent Preferred Stock (A) issuable at the Closing pursuant to Section 1.5(a)(ii), and (B) issuable at the closing of the Private Placement, shall be convertible, (iii) for which each of the Roth Warrant and the Private Placement Warrants shall be exercisable, (iv) which shall be issuable as Reset Shares (as defined in the Purchase Agreement), pursuant to the terms of the Purchase Agreement, and (v) for which the Reset Warrants (as defined in the Purchase Agreement), if any, shall be exercisable, subject to the limitations on conversion, exercise and issuance thereof prior to the Reverse Split, as applicable, and (b) the maximum aggregate number of shares of Parent Preferred Stock (x) into which the Company Common Stock is to be converted at the Effective Time pursuant to Section 1.5(a)(ii), and (y) to be issued pursuant to the Private Placement, to be reserved for issuance and available for such purpose.

1.8. Tax Matters. The Parties intend that the Merger qualify as a reorganization within the meaning of Sections 368(a)(1)(A) and 368(a)(2)(E) of the Code and that this Agreement be a “plan of reorganization” within the meaning of Section 1.368-2 of the Treasury Regulations. Each Party hereby represents, warrants, covenants and agrees (a) to use its respective reasonable best efforts to cause the Merger to qualify as a tax-free reorganization described in Section 368(a) of the Code and not to take any actions that would reasonably be expected to cause the Merger to not so qualify; (b) that this Agreement shall constitute a plan of reorganization within the meaning of Section 1.368-2 of the Treasury Regulations; (c) to report, act and file all Tax Returns in all respects for all purposes consistent with the transactions contemplated herein constituting a tax-free reorganization described in Section 368(a) of the Code; and (d) that such Party has not taken, and will not take, any inconsistent position on any Tax Return or other report or return filed with or provided to any Tax authority, or in any audit or administrative or judicial proceedings or otherwise, unless required to do so by a “determination” within the meaning of Section 1313 of the Code.

2. Representations and Warranties of the Company. The Company hereby represents and warrants to Parent and Merger Sub, as of the date of this Agreement and on the Closing Date, that, except as set forth in the corresponding sections or subsections of the letter delivered to Parent and Merger Sub by the Company concurrently with entering into this Agreement (the “Company Disclosure Letter”):

2.1. Organization, Standing, Subsidiaries, Etc.

(a) The Company is a corporation duly organized and existing in good standing under the Laws of the State of Delaware, and has all requisite corporate power and authority to carry on its business, to own or lease its properties and assets, to enter into this Agreement and the Transaction Documents to which it is a party or by which it is otherwise bound and to carry out the terms hereof and thereof. Complete copies of the Company Certificate of Incorporation and Company Bylaws of the Company, as in full force and effect,

have been delivered or made available to Parent and Merger Sub prior to the execution of this Agreement, and have not since been amended or repealed.

(b) The Company does not have any Subsidiaries. For purposes of this Agreement, “Subsidiary” means any entity in which the Company, directly or indirectly, owned or owns Capital Stock or held or holds an equity or similar interest (including at any time prior to the time of this Agreement, at the time of this Agreement and at any time hereafter; and “Capital Stock” means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, membership interests in a limited liability company, partnership interests in a partnership, any and all ownership interests in any other Person and any and all warrants, rights or options to purchase any of the foregoing.

2.2. Qualification. The Company is duly qualified to conduct business as a foreign corporation and is in good standing in each jurisdiction wherein the nature of its activities or its properties owned or leased makes such qualification necessary, except where the failure to be so qualified could not reasonably be expected to have a Company Material Adverse Effect.

2.3. Capitalization of the Company. The authorized capital stock of the Company consists of three million five hundred thousand (3,500,000) shares of Company Common Stock, of which 1,444,444.44 shares are issued and outstanding as of the date of this Agreement. Section 2.3 of the Company Disclosure Letter sets forth the number of shares of Company Common Stock held by each of the Company Stockholders as of the date of this Agreement. All of such outstanding shares of Company Common Stock have been validly issued, fully paid and nonassessable. The Company has no outstanding options, rights or commitments to issue Company Common Stock or other equity securities of the Company, and there are no outstanding securities convertible or exercisable into or exchangeable for Company Common Stock or other equity securities of the Company.

2.4. Corporate Acts and Proceedings. The execution, delivery and performance of this Agreement, the Certificate of Merger and the other Transaction Documents to which the Company is a party have been duly authorized by the board of directors of the Company (the “Company Board”), the transactions contemplated hereby and thereby have been approved by the Company Stockholders in accordance with the DGCL, and, except for the filing of the Certificate of Merger with the Delaware Secretary of State, all of the corporate acts and other proceedings required of the Company, the Company Board and the Company Stockholders for the authorization, execution, delivery and performance of the Transaction Documents and the consummation of the Merger by the Company have been duly and validly taken, or will have been so taken prior to the Closing.

2.5. No Conflicts. The execution, delivery and performance by the Company of this Agreement and the other Transaction Documents to which the Company is a party and the consummation by the Company of the transactions contemplated hereby and thereby, including the Merger: (a) will not require any consent, approval, order, or authorization of, or registration, qualification, designation, declaration, or filing with any federal or state Governmental Authority, any court or tribunal or any other third party by the Company or any of its Subsidiaries, except for the filing of the Certificate of Merger with the Delaware Secretary of

State and for such approvals and other authorizations, consents, approvals, filings and registrations as shall have been obtained prior to the Closing, (b) will not cause the Company or any of its Subsidiaries to violate or contravene (i) any provision of Law applicable to the Company or any of its Subsidiaries, (ii) any rule or regulation of any Governmental Authority applicable to the Company or any of its Subsidiaries, (iii) any order, judgment or decree of any court applicable to the Company or any of its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound or affected, or (iv) any provision of the Company Certificate of Incorporation or Company Bylaws, (c) will not violate or be in conflict with, result in a breach of or constitute (with or without notice or lapse of time, or both) a default under, any indenture, loan or credit agreement, deed of trust, mortgage, security agreement or other contract, agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company, any of its Subsidiaries or any of their properties is bound or affected, and (d) will not result in the creation or imposition of any Lien upon any property or asset of the Company or any of its Subsidiaries, except in the case of clauses (a), (b)(i), (b)(ii), (b)(iii), (c) and (d) above, as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. The Company is not in violation of, or (with or without notice or lapse of time, or both) in default under, any term or provision of the Company Certificate of Incorporation or the Company Bylaws or of any indenture, loan or credit agreement, deed of trust, mortgage, security agreement or any other material agreement or instrument to which the Company is a party or by which the Company or any of its properties is bound or affected, in each case except as would not reasonably be expected to have a Company Material Adverse Effect.

2.6. Binding Obligations. This Agreement and the other Transaction Documents dated of even date herewith to which the Company is a party have been duly executed by the Company and, assuming the due authorization, execution and delivery by the other parties thereto, constitute the legal, valid and binding obligations of the Company and are enforceable against the Company in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, insolvency, fraudulent conveyance or other similar Laws affecting creditors' rights generally and general principles of equity. As of the Closing, the Transaction Documents dated after the date of this Agreement and on or prior to the Closing Date shall have been duly executed and delivered by the Company and, assuming the due authorization, execution and delivery by the other parties thereto, shall constitute the valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, insolvency, fraudulent conveyance or other similar Laws affecting creditors' rights generally and general principles of equity.

2.7. Broker's and Consulting Fees. Except for (i) (A) a cash fee payable to Roth in connection with the consummation of the Merger, and (B) a cash fee payable to Roth, and the issuance of the Roth Warrant to Roth, in connection with the consummation of the Private Placement, together with the reimbursement of reasonable and documented out-of-pocket expenses of Roth, in each case pursuant to that certain letter agreement, dated June 28, 2010, by and between Roth and Power Solutions, Inc., a subsidiary of the Company, and (ii) a fixed fee payable to Invision Capital (as consultant to the Company), together with the reimbursement of reasonable out-of-pocket expenses incurred by Invision Capital, in connection with the Private Placement pursuant to that certain letter agreement, dated June 28, 2010, by and among Invision

Capital, the Company and its Subsidiaries, no Person has, or as a result of the transactions contemplated by this Agreement or by any of the Transaction Documents will have, any right or valid claim against the Company for any commission, fee or other compensation as a finder or broker, or in any similar capacity.

2.8. Financial Statements. Attached as Section 2.8 of the Company Disclosure Letter are (a) the consolidated unaudited balance sheets of the Company and its Subsidiaries as of December 31, 2010 (the "Company Balance Sheet Date," the consolidated unaudited balance sheet of the Company and its Subsidiaries as of December 31, 2010 being referred to herein as, the "Company Balance Sheet") and December 31, 2009, and the consolidated unaudited statements of operations, stockholders' equity and cash flows of the Company and its Subsidiaries for the years ended December 31, 2010, 2009 and 2008 (collectively, the "Company Financial Statements"). Such Company Financial Statements (including the notes thereto) (i) are consistent with the books and records of the Company, (ii) fairly present in all material respects the financial condition of the Company and its Subsidiaries as of the dates thereof and the results of their operations and cash flows, as applicable, for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments), and (iii) have been prepared in accordance with GAAP applied on a basis consistent with prior accounting periods.

2.9. Absence of Undisclosed Liabilities. The Company has no obligations or liabilities, including accounts payable, whether direct or indirect, known or unknown, accrued, absolute or contingent, liquidated or unliquidated or due or to become due, except (a) to the extent set forth on or reserved against in the Company Balance Sheet or disclosed in the notes to the Company Financial Statements, (b) liabilities incurred, and obligations for agreements entered into and obligations under agreements entered into, in the ordinary course of business, and (c) liabilities incurred by the Company or any of its Subsidiaries in connection with the transactions contemplated hereby or by the other Transaction Documents.

2.10. Litigation. There is no claim, legal action, suit, demand letter, arbitration, investigation or pending or possible enforcement action or other legal, administrative, regulatory or other governmental proceeding or hearing ("Litigation") before or by any court, public board or Governmental Authority pending or, to the knowledge of the Company, threatened against or affecting the Company or its properties, assets or business that would reasonably be expected to have a Company Material Adverse Effect. The Company is not in default with respect to any order, writ, judgment, injunction, decree, determination or award of any court or any Governmental Authority or instrumentality or arbitration authority, except as would not reasonably be expected to have a Company Material Adverse Effect.

2.11. Compliance with Laws. Neither the Company nor any of its Subsidiaries is in violation of, or has been threatened to be charged with, or has been given notice of, or, to the knowledge of the Company, is under investigation with respect to, any violation of, any applicable Law, except for any violation or possible violation that has not had and would not, individually or in the aggregate, reasonably be expected to have, a Company Material Adverse Effect.

2.12. Foreign Corrupt Practices. None of the Company or any director, officer, or, to the knowledge of the Company, agent, employee or other Person acting on behalf of the

Company has, in the course of its actions for, or on behalf of, the Company: (a) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; (b) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; (c) violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended (the “FCPA”); or (d) made other unlawful payment to any foreign or domestic government official or employee.

3. Representations and Warranties of Parent and Merger Sub. Each of Parent and Merger Sub hereby represents and warrants to the Company, as of the date of this Agreement and on the Closing Date, that, except as set forth in the corresponding sections or subsections of the letter delivered to the Company by Parent and Merger Sub concurrently with entering into this Agreement (the “Parent Disclosure Letter”):

3.1. Organization and Standing. Parent was formed on March 21, 2001. Parent is the record and beneficial owner of 100% of the outstanding Capital Stock of Merger Sub. Other than with respect to Merger Sub and Name Change Merger Sub, Parent does not own or have, and since its formation on March 21, 2001 has not owned or had, directly or indirectly any security or beneficial ownership interest in any Person (including through joint venture or partnership agreements) or any other interest in any Person. Parent is a corporation duly organized and existing in good standing under the Laws of the State of Nevada. Merger Sub is a corporation duly organized and existing in good standing under the Laws of the State of Delaware. Name Change Merger Sub is a corporation duly organized and existing in good standing under the Laws of the State of Nevada. Complete copies of the articles of incorporation and bylaws of Parent, the certificate of incorporation and bylaws of Merger Sub and the articles of incorporation and bylaws of Name Change Merger Sub, in each case as in full force and effect, have heretofore been delivered to the Company, and have not since been amended or repealed. None of Parent, Merger Sub or Name Change Merger Sub is qualified to conduct business as a foreign corporation in any state; except that Parent is qualified to do business in California. Each of Parent, Merger Sub and Name Change Merger Sub has all requisite corporate power and authority to carry on its business and to own or lease its properties and assets. Except for Parent’s direct ownership of 100% of the issued and outstanding shares of each of Merger Sub Common Stock and the common stock, par value \$0.001 per share, of Name Change Merger Sub (the “Name Change Common Stock”), none of Parent, Merger Sub or Name Change Merger Sub has any Subsidiaries. Parent owns all of the issued and outstanding Capital Stock of Merger Sub and of Name Change Merger Sub, in each case free and clear of all Liens. Unless the context otherwise requires, all references in this Section 3 to the “Parent” shall be treated as being a reference to Parent, Merger Sub and Name Change Merger Sub taken together as one enterprise.

3.2. Corporate Authority. Each of Parent and Merger Sub has all requisite corporate power and authority to enter into this Agreement and the other Transaction Documents to which it is a party or by which it is otherwise bound, and to carry out the transactions contemplated hereby and thereby. Name Change Merger Sub has all requisite corporate power and authority to enter into the Transaction Documents to which it is a party or by which it is otherwise bound, and to carry out the transactions contemplated thereby. The Parent Board has determined that it is fair to and in the best interests of Parent and each of the Parent Shareholders (including Parent Shareholders holding shares of Parent Common Stock that are not subject to

repurchase in the Stock Repurchase), and declared it advisable, to enter into this Agreement and the other Transaction Documents and to consummate the transactions contemplated hereby and thereby, including the Merger, the Stock Repurchase, the Private Placement, the Reverse Split and the Migratory Merger. The execution, delivery and performance of this Agreement, the Certificate of Merger and the other Transaction Documents to which the Company is a party, and the consummation of the transactions contemplated hereby and thereby, including the Merger, the Stock Repurchase, the Private Placement, the Reverse Split and the Migratory Merger (subject, (I) solely for purposes of the issuance of shares of Parent Common Stock issuable upon conversion of the Parent Preferred Stock issuable (a) pursuant to Section 1.5(a)(ii), and (b) pursuant to the Private Placement, in excess of the limitations on conversion thereof, and (II) solely for the purpose of the issuance of shares of Parent Common Stock issuable (A) upon exercise of the Private Placement Warrants, the Roth Warrant and the Reset Warrants, if any, and (B) issuable as Reset Shares pursuant to the terms of the Purchase Agreement, in each case prior to the Reverse Split, to obtaining the Shareholder Approval), have been duly authorized by the Parent Board and, to the extent applicable, the transactions contemplated hereby and thereby have been approved by Parent, as the sole stockholder of Merger Sub, and the board of directors of Merger Sub (the “Merger Sub Board”) in accordance with applicable Law. Except for the filing of the Certificate of Merger with the Delaware Secretary of State and the filing of the Name Change Merger Sub Articles of Merger with the Nevada Secretary of State, all of the corporate acts and other proceedings required to be taken by Parent, Merger Sub and Name Change Merger Sub and their respective boards of directors and shareholders, for the authorization, execution, delivery and performance of the Transaction Documents and the consummation of the Merger, the Stock Repurchase and the Name Change Merger by Parent, Merger Sub and Name Change Merger Sub, as applicable, have been duly and validly taken and no further consent or authorization is required by any of Parent, Merger Sub, Name Change Merger Sub or any of their respective directors or shareholders (except, (I) solely for purposes of the issuance of shares of Parent Common Stock issuable upon conversion of the Parent Preferred Stock issuable (a) pursuant to Section 1.5(a)(ii), and (b) pursuant to the Private Placement, in excess of the limitations on conversion thereof, and (II) solely for the purpose of the issuance of shares of Parent Common Stock issuable (A) upon exercise of the Private Placement Warrants, the Roth Warrant and the Reset Warrants, if any, and (B) issuable as Reset Shares pursuant to the terms of the Purchase Agreement, in each case prior to the Reverse Split, for the obtaining the Shareholder Approval).

3.3. Capitalization.

(a) Parent Capitalization. The authorized capital stock of Parent consists of (i) fifty million (50,000,000) shares of Parent Common Stock, of which no more than 770,083 shares of Parent Common Stock shall be issued and outstanding immediately prior to the Effective Time, after giving effect to the Stock Repurchase, but without giving effect to the issuance of shares of Parent Common Stock or Parent Preferred Stock pursuant to Section 1.5(a)(ii) or the issuance of shares of Parent Preferred Stock in the Private Placement, and (ii) five million (5,000,000) shares of Preferred Stock, par value \$0.001 per share, of which One Hundred Fourteen Thousand (114,000) are designated as Series A Convertible Preferred Stock, of which no shares are issued and outstanding as of the date of this Agreement. Section 3.3 of the Parent Disclosure Letter sets forth the number of shares of Parent Common Stock held by each of the shareholders of Parent (the “Parent Shareholders”) as of the date of this Agreement

(without giving effect to the Stock Repurchase). All outstanding shares of Parent Common Stock are duly authorized, validly issued, fully paid and nonassessable and were issued in compliance with all applicable Laws, including pursuant to registration under, or valid exemptions from, federal securities Laws and any applicable state securities (or blue sky) Laws. (A) No shares of Capital Stock of Parent are subject to preemptive rights or any other similar rights or any Liens suffered or permitted by Parent; (B) there are no outstanding options, rights, calls or commitments of any character whatsoever relating to, or securities or rights convertible into or exercisable for, any shares of Capital Stock of Parent, Merger Sub or Name Change Merger Sub, or agreements or other arrangements by which Parent is or may become bound to issue additional shares of Capital Stock of Parent, Merger Sub or Name Change Merger Sub or options, rights, calls or commitments of any character whatsoever relating to, or securities or rights convertible into or exercisable for, any shares of Capital Stock of Parent, Merger Sub or Name Change Merger Sub; (C) there are no agreements or other arrangements under which Parent, Merger Sub or Name Change Merger Sub is obligated to register the sale of any of its securities under the Securities Act; (D) there are no outstanding securities or instruments of Parent, Merger Sub or Name Change Merger Sub that contain any redemption or similar provisions, and there are no agreements or other arrangements by which Parent, Merger Sub or Name Change Merger Sub is or may become bound to redeem a security of Parent, Merger Sub or Name Change Merger Sub, and there are no other shareholder agreements or similar agreements to which Parent, Merger Sub, Name Change Merger Sub or, to the knowledge of Parent, any holder of Parent's Capital Stock is a party; (E) there are no securities or instruments containing anti-dilution or similar provisions that will or may be triggered by the issuance of the shares of Parent Common Stock, Parent Preferred Stock, the Roth Warrant or the Private Placement Warrants pursuant to the transactions contemplated hereby, including the Merger and the Private Placement; (F) Parent does not have any stock appreciation rights or "phantom stock" plans or agreements or any similar plan or agreement; and (G) to Parent's knowledge, no officer or director of Parent, Merger Sub or Name Change Merger Sub or beneficial owner of any outstanding shares of Parent Common Stock has pledged shares of Parent Common Stock in connection with a margin account or other loan secured by such Parent Common Stock. There is no voting trust, agreement or arrangement among any of the record or beneficial holders of Parent Common Stock or Parent Preferred Stock affecting the nomination or election of directors or the exercise of the voting rights of Parent Common Stock or Parent Preferred Stock.

(b) Merger Sub Capitalization. The authorized capital stock of Merger Sub consists of 1,000 shares of Merger Sub Common Stock, all of which are issued and outstanding as of the date of this Agreement. Parent owns all of the issued and outstanding shares of Merger Sub Common Stock free and clear of all Liens. Merger Sub has no outstanding options, rights or commitments to issue shares of Merger Sub Common Stock, Parent Common Stock, Parent Preferred Stock or any other equity securities of Parent or Merger Sub, and there are no outstanding securities convertible or exercisable into or exchangeable for shares of Merger Sub Common Stock or any other equity securities of Merger Sub.

(c) Name Change Merger Sub Capitalization. The authorized capital stock of Name Change Merger Sub consists of 1,000 shares of Name Change Common Stock, all of which are issued and outstanding as of the date of this Agreement. Parent owns all of the issued and outstanding shares of Name Change Common Stock free and clear of all Liens. Name Change Merger Sub has no outstanding options, rights or commitments to issue shares of Name

Change Common Stock, Parent Common Stock, Parent Preferred Stock or any other equity securities of Parent or Name Change Merger Sub, and there are no outstanding securities convertible or exercisable into or exchangeable for shares of Name Change Common Stock or any other equity securities of Name Change Merger Sub.

3.4. Merger Sub. Merger Sub was formed specifically for the purpose of consummating the Merger, and has not conducted, and will not conduct, any business prior to the Closing Date, except as approved by the Company in connection with the consummation of the Merger.

3.5. Name Change Merger Sub. Name Change Merger Sub was formed specifically for the purpose of consummating the Name Change Merger, and has not conducted, and will not conduct, any business prior to the consummation of the Name Change Merger, except as approved by the Company in connection with the consummation of the Name Change Merger.

3.6. Broker's and Consulting Fees. No Person has, or as a result of the transactions contemplated by this Agreement or by any of the Transaction Documents will have, any right or valid claim against Parent, Merger Sub or Name Change Merger Sub for any commission, fee or other compensation as a finder or broker, or in any similar capacity. Parent and Merger Sub jointly and severally agree to indemnify and hold the Company harmless from and against any and all loss, claim or liability arising out of any claim by any Person for any such commission, fee or other compensation.

3.7. Validity of Shares.

(a) The shares of Parent Common Stock and Parent Preferred Stock to be issued to the Company Stockholders at the Closing pursuant to Section 1.5(a)(ii), and the shares of Parent Preferred Stock to be issued to investors in the Private Placement, are duly authorized and reserved for issuance and, upon issuance in accordance with the terms hereof or of the Purchase Agreement, as applicable, will be validly issued without violation of the preemptive rights of any Person, fully paid and nonassessable and free from taxes and Liens with respect to the issuance thereof, with the holders being entitled to all rights accorded to a holder of shares of Parent Common Stock and the rights and preferences set forth in the Certificate of Designation, respectively.

(b) As of the Closing, a number of shares of Parent Common Stock shall have been duly authorized and reserved for issuance which equals at least the maximum aggregate number of shares of Parent Common Stock (i) into which the shares of Parent Preferred Stock (A) issuable at the Closing pursuant to Section 1.5(a)(ii), and (B) issuable at the closing of the Private Placement, shall be convertible, (ii) for which each of (X) the Roth Warrant, (Y) the Private Placement Warrants and (Z) the Reset Warrants, if any, shall be exercisable, and (ii) issuable as Reset Shares pursuant to the terms of the Purchase Agreement, in each case subject to the Shareholder Approval. Upon issuance or conversion in accordance with the Certificate of Designation, the shares of Parent Common Stock issuable upon conversion of the shares of Parent Preferred Stock issued to the Company Stockholders at the Closing and the shares of Parent Preferred Stock issued to investors in the Private Placement (collectively, the "Conversion")

Shares”) will be validly issued, fully paid and nonassessable and free from all preemptive or similar rights, taxes, Liens or charges with respect to the issuance thereof, with the holders being entitled to all rights accorded to a holder of Parent Common Stock. Upon exercise in accordance with the Roth Warrant, the shares of Parent Common Stock issuable upon exercise of the Roth Warrant will be validly issued, fully paid and nonassessable and free from all preemptive or similar rights, taxes, Liens or charges with respect to the issuance thereof, with the holders being entitled to all rights accorded to a holder of Parent Common Stock. Upon exercise in accordance with the Private Placement Warrants, the Private Placement Warrant Shares issuable upon exercise of the Private Placement Warrants will be validly issued, fully paid and nonassessable and free from all preemptive or similar rights, taxes, Liens or charges with respect to the issuance thereof, with the holders being entitled to all rights accorded to a holder of Parent Common Stock. Upon issuance in accordance with the Purchase Agreement, and upon exercise in accordance with the Reset Warrants, the Reset Shares and the Reset Warrant Shares, respectively, will be validly issued, fully paid and nonassessable and free from all preemptive or similar rights, taxes, Liens or charges with respect to the issuance thereof, with the holders being entitled to all rights accorded to a holder of Parent Common Stock. Assuming the accuracy of the representations and warranties of the Company Stockholders set forth in the Shareholder Representation Letters, each substantially in the form attached hereto as Exhibit G (the “Shareholder Rep Letters”), the representations and warranties of investors in the Private Placement in the Purchase Agreement and the representations and warranties of Roth in the Roth Warrant, the issuance of shares of Parent Common Stock and Parent Preferred Stock to the Company Stockholders in the Merger, the issuance of shares of Parent Preferred Stock and the Private Placement Warrants to the investors in the Private Placement, the issuance of the Roth Warrant to Roth in connection with the Private Placement, the issuance of Conversion Shares upon conversion of shares of Parent Preferred Stock issued in the Merger and the Private Placement, the issuance of the shares of Parent Common Stock upon exercise of each of the Roth Warrant and the Private Placement Warrants, and the issuance of Reset Shares, Reset Warrants and Reset Warrant Shares (as defined in the Purchase Agreement) in accordance with the terms of the Purchase Agreement, will be exempt from registration requirements under the Securities Act and any other applicable securities Laws, and from the qualification or registration requirements of any applicable state securities (or blue sky) Laws.

3.8. SEC Reports; Financial Statements; Public Communications; Internal Controls and Disclosure Controls.

(a) Since September 1, 2006 (the date on which Parent initially filed with the Commission a Form 10-SB), through the date this representation is made, Parent has filed all reports, schedules, forms, registration statements and other documents required to be filed by it with the Commission pursuant to the requirements of the Exchange Act (all of the foregoing, together with any other reports, schedules, forms, registration statements and other documents filed by Parent with the Commission since September 1, 2006 and prior to the date this representation is made (including in each case all exhibits included therewith and financial statements and schedules thereto and documents incorporated by reference therein) being referred to herein as the “SEC Documents” and Parent’s balance sheet as of December 31, 2010 (the “Parent Balance Sheet Date”), as included in Parent’s annual report on Form 10-K for the period then ended, as filed with the Commission on March 28, 2011, being referred to herein as the “Latest Parent Balance Sheet”). A complete and accurate list of the SEC Documents is set

forth in Section 3.8 of the Parent Disclosure Letter. Parent has made available to the Company or its representatives true and complete copies of the SEC Documents. Each of the SEC Documents was filed with the Commission within the time frames prescribed by the Commission for filing of such SEC Documents (including any extensions of such time frames permitted by Rule 12b-25 under the Exchange Act pursuant to timely filed Forms 12b-25) such that each filing was timely filed (or deemed timely filed pursuant to Rule 12b-25 under the Exchange Act) with the Commission. As of their respective dates, the SEC Documents complied in all material respects with the securities Laws. None of the SEC Documents, at the time they were filed with the SEC, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Since the filing of each of the SEC Documents, no event has occurred that would require an amendment or supplement to any such SEC Document and as to which such an amendment has not been filed and made publicly available on the Commission's EDGAR system no less than five Business Days prior to the date the representation is made. Parent has not received any written comments from the Commission staff that have not been resolved to the satisfaction of the Commission staff.

(b) As of their respective dates, the financial statements of Parent included in the SEC Documents (including the notes thereto, the "Financial Information") complied as to form in all material respects with applicable accounting requirements and securities Laws with respect thereto. Such consolidated financial statements have been prepared in accordance with GAAP, consistently applied, during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto, or (ii) in the case of unaudited interim statements, to the extent they may exclude footnotes or may be condensed or summary statements) and fairly present in all material respects the financial position of Parent as of the dates thereof and the results of its or their operations and cash flows, as applicable, for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments that are not material individually or in the aggregate). The Financial Information is true, accurate and complete, has been prepared in accordance with GAAP, is consistent with the books and records of Parent and its predecessors (which are true, accurate and complete), and fairly presents such information as of the dates, and for the periods, presented. Since the date of the Latest Balance Sheet, there has been no change in Parent's reserve or accrual amounts or policies.

(c) There are no, and have not been any, press releases, analyst reports, advertisements or other written communications with shareholders or other investors, or potential shareholders or other potential investors, on behalf of Parent, Merger Sub or Name Change Merger Sub or otherwise relating to Parent, Merger Sub or Name Change Merger Sub, issued, made, distributed, paid for or approved since September 1, 2006 by Parent, Merger Sub or Name Change Merger Sub or any of their respective officers, directors or Affiliates, by any Person engaged by (or otherwise acting on behalf of) Parent or any of its officers, directors or Affiliates, or, to the knowledge of Parent, by any shareholder of Parent. None of Parent, its officers, directors and Affiliates or any shareholder of Parent has made any filing with the Commission, issued any press release or made, distributed, paid for or approved (or engaged any other Person to make or distribute) any other public statement, report, advertisement or communication on behalf of Parent or otherwise relating to Parent that contains any untrue statement of a material fact or omits any statement of material fact necessary in order to make the statements therein, in

the light of the circumstances under which they are or were made, not misleading or has provided any other information to the Company that, considered in the aggregate, contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they are or were made, not misleading.

(d) The accounting firm that has expressed its opinion with respect to the consolidated financial statements included in Parent's most recently filed annual report on Form 10-K (the "Audit Opinion") is independent of Parent pursuant to the standards set forth in Rule 2-01 of Regulation S-X promulgated by the SEC, and such firm was otherwise qualified to render the Audit Opinion under applicable securities Laws. Each other accounting firm that has conducted or will conduct a review or audit of any of Parent's consolidated financial statements was and is independent of Parent pursuant to the standards set forth in Rule 2-01 of Regulation S-X promulgated by the Commission and was and is otherwise qualified to conduct such review or audit and render an audit opinion under applicable securities Laws. There is no transaction, arrangement or other relationship between Parent and an unconsolidated or other off-balance-sheet entity that is required to be disclosed by Parent in its reports pursuant to the Exchange Act. Neither Parent nor Merger Sub nor any director, officer or employee, of Parent or Merger Sub has received or otherwise had or obtained knowledge of any material complaint, allegation, assertion or claim, whether written or oral, regarding the accounting or auditing practices, procedures, methodologies or methods of Parent or Merger Sub or its internal accounting controls, including any complaint, allegation, assertion or claim that Parent or Merger Sub has engaged in questionable accounting or auditing practices. No attorney representing Parent or Merger Sub, whether or not employed by Parent or Merger Sub, has reported evidence of a material violation of securities Laws, breach of fiduciary duty or similar violation by Parent or Merger Sub or any of their respective officers, directors, employees or agents to their respective boards of directors or any committee thereof or pursuant to Section 307 of the Sarbanes-Oxley Act of 2002 and the Commission's rules and regulations promulgated thereunder. There have been no internal or Commission investigations regarding accounting or revenue recognition discussed with, reviewed by or initiated at the direction of any executive officer, board of directors or any committee thereof of Parent or Merger Sub.

(e) Parent understands and acknowledges that, following the Merger, Parent may take the position that Parent was a "shell company" (as defined in Rule 12b-2 under the Exchange Act) and that there are limitations on the availability of Rule 144 promulgated under the Securities Act, as amended (or a successor rule thereto), to shareholders of a company that was at any time a "shell company."

(f) Parent has at all times kept books, records and accounts with respect to all of Parent's business activities, in accordance with sound accounting practices and GAAP consistently applied. Parent has timely filed (or has been deemed to have timely filed pursuant to Rule 12b-25 under the Exchange Act) and made publicly available on the Commission's EDGAR system no less than five (5) days prior to the date hereof, and the Company may rely upon, all certifications and statements required by (A) Rule 13a-14 or Rule 15d-14 under the Exchange Act and (B) Section 906 of Sarbanes Oxley with respect to any SEC Documents.

(g) Parent is in compliance in all material respects with all rules and regulations of the Eligible Market applicable to it and the Parent Common Stock. Parent has no knowledge of any facts or circumstances which would reasonably lead to delisting or suspension, or termination of the trading or quotation of, the Parent Common Stock by or on the Eligible Market in the foreseeable future. Since August 20, 2010, (i) the Parent Common Stock has been, and is, quoted on the Over-the-Counter Bulletin Board under the symbol “FRMT.OB,” (ii) trading and quotation in the Parent Common Stock has not been suspended by the SEC or the Eligible Market and (iii) the Company has received no communication, written or oral, from the SEC or the Eligible Market regarding the suspension or termination of the trading or quotation of the Parent Common Stock by or on the Eligible Market. During the period commencing with the date of this Agreement and ending on the Closing Date, Parent shall continue to satisfy the filing requirements of the Exchange Act and all other requirements of applicable securities Laws and rules and the Eligible Market.

3.9. Investment Company. None of Parent, Merger Sub or Name Change Merger Sub is as of the date of this Agreement, nor upon the Closing will be, an “investment company,” a company controlled by an “investment company,” or an “affiliated person” of, or “promoter” or “principal underwriter” for, an “investment company,” as such terms are defined in the Investment Company Act of 1940, as amended.

3.10. Governmental or Third Party Consents. No consent, approval, order, or authorization of, or registration, qualification, designation, declaration, or filing with any federal or state Governmental Authority, any court or tribunal or other third party is required by Parent, Merger Sub or Name Change Merger Sub in connection with the execution, delivery or performance of this Agreement or any of the other Transaction Documents, or the consummation of the transactions contemplated hereby, including the Merger, or the consummation of the Stock Repurchase, the Private Placement, the Reverse Split or the Migratory Merger, except for (i) the filing of each of the Certificate of Designation and the Name Change Articles of Merger with the Nevada Secretary of State, (ii) the filing of the Certificate of Merger with the Delaware Secretary of State, (iii) the filing of the Information Statement with the Commission, (iv) the filing with the Commission of preliminary and definitive proxy statements, and the mailing to Parent Shareholders of such definitive proxy statement, in connection with the Shareholder Approval, (v) the Shareholder Approval, (vi) the filing of an amendment to the articles of incorporation of Parent and/or the filing of articles of merger with the Nevada Secretary of State and/or the filing of a certificate of merger with the Delaware Secretary of State in connection with the Reverse Split and the Migratory Merger, (vii) the authorizations, consents, approvals, filings and registrations contemplated by the Registration Rights Agreement, (viii) the filing of completed copies of each of the “Issuer Company-Related Action Notification Form” and “Transfer Agent Verification Form,” together with all documents required to be submitted therewith, with FINRA, and (ix) the authorizations, consents, approvals, filings and registrations contemplated by Section 4.1 hereof. All filings required to be filed prior to the Closing Date, including the filings contemplated by clause (viii) above, shall have been made by, or on behalf of, Parent prior to the Closing Date.

3.11. No Conflicts. The execution, delivery and performance by Parent and/or Merger Sub of this Agreement and the other Transaction Documents to which Parent and/or Merger Sub is a party, the execution, delivery and performance by Name Change Merger Sub of

the Transaction Documents to which Name Change Merger Sub is a party, and the consummation by Parent, Merger Sub and Name Change Merger Sub of the transactions contemplated hereby and thereby, as applicable, (a) will not cause Parent, Merger Sub or Name Change Merger Sub to violate or contravene (i) any provision of Law applicable to Parent, Merger Sub or Name Change Merger Sub, (ii) any rule or regulation of any Governmental Authority applicable to Parent, Merger Sub or Name Change Merger Sub, (iii) any order, judgment or decree of any court applicable to Parent, Merger Sub or Name Change Merger Sub or by which any property or asset of Parent, Merger Sub or Name Change Merger Sub is bound or affected, or (iv) any provision of their respective articles of incorporation or certificate of incorporation, as applicable, or bylaws, in each case as amended and in effect as of the date this representation is made, (b) will not violate or be in conflict with, result in a breach of or constitute (with or without notice or lapse of time, or both) a default under any material indenture, loan or credit agreement, deed of trust, mortgage, security agreement or other agreement or contract to which Parent, Merger Sub or Name Change Merger Sub is a party or by which Parent, Merger Sub or Name Change Merger Sub or any of their respective properties are bound or affected, and (c) will not result in the creation or imposition of any Lien upon any property or asset of Parent, Merger Sub or Name Change Merger Sub, except in the case of clauses (a)(i), (a)(ii), (a)(iii), (b) and (c) above, as would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect. None of Parent, Merger Sub or Name Change Merger Sub is in violation of, or (with or without notice or lapse of time, or both) in default under, any term or provision of its articles of incorporation or certificate of incorporation, as applicable, or its bylaws or of any indenture, loan or credit agreement, deed of trust, mortgage, security agreement or any other material agreement or instrument to which Parent, Merger Sub or Name Change Merger Sub is a party or by which Parent, Merger Sub or Name Change Merger Sub or any of their respective properties is bound or affected, in each case, except as would not reasonably be expected to have a Parent Material Adverse Effect.

3.12. Binding Obligations. This Agreement and the other Transaction Documents dated of even date herewith to which Parent or Merger Sub is a party, and the Transaction Documents dated of even date herewith to which Name Change Merger Sub is a party, have been duly executed by Parent, Merger Sub and Name Change Merger Sub, as applicable, and, assuming the due authorization, execution and delivery by the other parties thereto, constitute the legal, valid and binding obligations of Parent, Merger Sub and Name Change Merger Sub, as applicable, and are enforceable against Parent, Merger Sub and Name Change Merger Sub, as applicable, in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, insolvency, fraudulent conveyance or other similar Laws affecting creditors' rights generally and general principles of equity. As of the Closing, the Transaction Documents dated after the date of this Agreement and on or prior to the Closing Date shall have been duly executed and delivered by Parent, Merger Sub and Name Change Merger Sub, as applicable, and, assuming the due authorization, execution and delivery by the other parties thereto, shall constitute the valid and binding obligations of Parent, Merger Sub and Name Change Merger Sub, as applicable, enforceable against Parent, Merger Sub and Name Change Merger Sub, as applicable in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, insolvency, fraudulent conveyance or other similar Laws affecting creditors' rights generally and general principles of equity, and except as rights to indemnification and contribution under the Registration Rights Agreement may be limited by federal securities Laws and public policy relating thereto.

3.13. Compliance with Laws. None of Parent, Mergers Sub or Name Change Merger Sub is in violation of, and since March 21, 2001 none of Parent, Merger Sub or Name Change Merger Sub has violated, and none of Parent, Merger Sub or Name Change Merger Sub has been threatened to be charged with, or been given notice of, or, to the knowledge of Parent, is under investigation with respect to, any violation of, any applicable Law, except for any violation or possible violation that has not had and would not, individually or in the aggregate, reasonably be expected to have, a Parent Material Adverse Effect. This Section 3.13 does not relate to matters with respect to Taxes which are exclusively the subject of Section 3.17.

3.14. No Assets; No Liabilities. Neither Merger Sub nor Name Change Merger Sub owns, or has any right to own, any assets, including, tangible and intangible, personal property or Real Property, and neither Merger Sub nor Name Change Merger Sub is involved in the operation of any business or property. None of Parent, Merger Sub or Name Change Merger Sub has any direct or indirect liabilities (including accounts payable), Indebtedness or obligations, whether known or unknown, accrued, absolute or contingent, liquidated or unliquidated or due or to become due, except for (a) legal fees of Parent expressly contemplated by Section 10.3 hereof, which legal fees are subject to the Expense Cap, and (b) other liabilities expressly arising hereunder or under any of the other Transaction Documents (but excluding liabilities arising under provisions hereof and thereof regarding payment of accounting and other similar expenses incurred in connection with the transactions contemplated hereby and thereby). There are no Liens on any of the assets of Parent, Merger Sub or Name Change Merger Sub.

3.15. Real Property. Section 3.15 of the Parent Disclosure Letter contains a complete and correct list of all Real Property leases to which Parent, Merger Sub or Name Change Merger Sub is a party or otherwise bound. True and complete copies of each of such Real Property leases, in each case as in full force and effect, have heretofore been delivered to the Company, and have not since been amended or repealed. None of Parent, Merger Sub or Name Change Merger Sub owns, leases, has agreed to lease or otherwise acquire, or may be obligated to lease or otherwise acquire, nor has Parent, Merger Sub or Name Change Merger Sub ever owned or leased any other interest in any Real Property. Prior to the Effective Time, (a) that certain Gross Lease, by and among Casa Medical Marketing, LLC, Parent and Mr. Ryan Neely, dated as of April 28, 2008 (as amended, restated, supplemented or otherwise modified prior to the date of this Agreement, the "Real Property Lease"), including all respective rights and obligations of Parent, Merger Sub and/or Name Change Merger Sub thereunder, shall be assigned to, and assumed by, Ryan Neely pursuant to an Assignment and Assumption Agreement, in the form attached hereto as Exhibit H (the "Lease Assignment Agreement"), and (b) each of the other leases set forth in Section 3.15 of the Parent Disclosure Letter, if any, shall be terminated and of no further force and effect and, following the Effective Time, none of Parent, Merger Sub or Name Change Merger Sub shall have any obligations or liabilities with respect to, or otherwise relating to, any such leases referred to in clauses (a) and (b) of this sentence.

3.16. Parent Contracts. Section 3.16 of the Parent Disclosure Letter contains a complete and correct list of all Contracts to which Parent, Merger Sub or Name Change Merger Sub is a party or otherwise bound (the "Parent Contracts"). True and complete copies of each of the Parent Contracts, in each case as in full force and effect, have heretofore been delivered to the Company, and have not since been amended or repealed. No party to any Parent Contract

has a claim against Parent, Merger Sub or Name Change Merger Sub in respect of any breach or default thereunder. Prior to the Effective Time, each of the Parent Contracts (except for the Real Property Lease, which rights and obligations of Parent, Merger Sub and Name Change Merger Sub shall be assigned to, and assumed by, Mr. Ryan Neely prior to the Effective Time pursuant to the Lease Assignment Agreement) shall be terminated and of no further force and effect and, following the Effective Time, none of Parent, Merger Sub or Name Change Merger Sub shall have any obligations or liabilities with respect to, or otherwise relating to, any of the Parent Contracts.

3.17. Tax Returns and Audits. All required federal, state and local Tax Returns of Parent have been accurately prepared and duly and timely filed, and all federal, state and local Taxes required to be paid with respect to the periods covered by such Tax Returns have been paid. Parent is not and has not been delinquent in the payment of any Tax. Parent has not had a Tax deficiency assessed against it. None of Parent's federal income Tax Returns nor any state or local income or franchise Tax Returns has been audited by Governmental Authorities. The reserves for Taxes reflected on the Latest Parent Balance Sheet are and will be sufficient for the payment of all unpaid Taxes payable by Parent as of the Parent Balance Sheet Date. Since the Parent Balance Sheet Date, Parent has made adequate provisions on its books of account for all Taxes with respect to its business, properties and operations for such period. There are no federal, state, local or foreign audits, actions, suits, proceedings, investigations, claims or administrative proceedings relating to Taxes or any Tax Returns of Parent now pending, and Parent has not received any notice of any proposed audits, investigations, claims or administrative proceedings relating to Taxes or any Tax Returns.

3.18. Employee Benefit Plans; ERISA. None of Parent, Merger Sub or Name Change Merger Sub (a) has, and none of Parent, Merger Sub or Name Change Merger Sub has at any time ever had, any Employee Benefit Plans or any obligations under or with respect to any Employee Benefit Plans, or (b) is subject to contingent liability under ERISA with respect to any "multi-employer plan," as defined in Section 3(37) or Section 4001(a)(3) of ERISA.

3.19. Litigation. There is no Litigation before or by any court, public board or Governmental Authority pending or, to the knowledge of Parent, threatened against or affecting Parent, Merger Sub or Name Change Merger Sub or their respective properties, assets or business, or any officer or director of Parent, Merger Sub or Name Change Merger Sub in connection with his or her status as a director or officer of Parent, Merger Sub or Name Change Merger Sub. No officer or director of Parent nor any holder of more than five percent (5%) of the outstanding securities of Parent has been involved in securities-related Litigation during the past ten (10) years. None of Parent, Merger Sub, Name Change Merger Sub or any of their respective officers or directors is under any investigation by any Governmental Authority related to the conduct of Parent's business, and there are no incidents, transactions or circumstances which might reasonably be expected to trigger such an investigation. None of Parent, Merger Sub or Name Change Merger Sub is in default with respect to any order, writ, judgment, injunction, decree, determination or award of any court or any Governmental Authority or instrumentality or arbitration authority.

3.20. Intellectual Property. There are no claims, actions, suits, demand letters, judicial, administrative or regulatory proceedings or hearings, notices of violation, or, to the

knowledge of Parent, investigations before any Governmental Authority instituted or pending against Parent, Merger Sub or Name Change Merger Sub, or threatened in writing by any Person, contesting or challenging the right of Parent, Merger Sub or Name Change Merger Sub to use any of the Intellectual Property owned or used by Parent, Merger Sub or Name Change Merger Sub or alleging that such Intellectual Property infringes or otherwise violates the Intellectual Property of any third party. None of Parent, Merger Sub or Name Change Merger Sub has received any written notice claiming that it has infringed or otherwise violated any Intellectual Property of any third party. Each of Parent, Merger Sub and Name Change Merger Sub are in compliance in all material respects with applicable Laws relating to data protection and privacy and their own privacy policies.

3.21. Foreign Corrupt Practices. None of Parent, Merger Sub, Name Change Merger Sub or any director, officer, or, to the knowledge of Parent, agent, employee or other Person acting on behalf of Parent has, in the course of its actions for, or on behalf of, Parent: (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; (iii) violated or is in violation of any provision of the FCPA; or (iv) made other unlawful payment to any foreign or domestic government official or employee.

3.22. Obligations to or by Shareholders. Parent has no liability or obligation or commitment to any shareholder of Parent or any Affiliate thereof or of any shareholder of Parent, except for legal fees of Parent payable to Parent's legal counsel as expressly contemplated by Section 10.3 hereof, which legal fees are subject to the Expense Cap, nor does any shareholder of Parent or any such Affiliate have any liability, obligation or commitment to Parent.

3.23. Employee Relations. Except for Mr. Ryan Neely, the sole officer and director of Parent as of the date of this Agreement, none of Parent, Merger Sub or Name Change Merger Sub has any employees, and none of Parent, Merger Sub or Name Change Merger Sub has any obligation or liability to any current or former officer, director, employee or Affiliate of Parent.

3.24. No General Solicitation. None of Parent, Merger Sub or Name Change Merger Sub or any of their respective Affiliates, nor any Person acting on the behalf of any of the foregoing, has engaged or will engage in any form of general solicitation or general advertising (within the meaning of Regulation D under the Securities Act), including advertisements, articles, notices, or other communications published in any newspaper, magazine or similar media or broadcast over radio, television or internet or any seminar meeting whose attendees have been invited by general solicitation or general advertising, in connection with the issuance of Parent Common Stock or Parent Preferred Stock to the Company Stockholders in the Merger.

3.25. No Integrated Offering. Neither Parent nor any Affiliates of Parent, nor any Person acting on the behalf of any of the foregoing, has, directly or indirectly, made any offers or sales of any security or solicited any offers to purchase any security, under circumstances that would require registration of any of the shares of Parent Common Stock or Parent Preferred Stock issuable pursuant to Section 1.5(a)(ii) hereof, any shares of Parent

Preferred Stock or Private Placement Warrants issuable to investors in the Private Placement, the Roth Warrant, any of the Conversion Shares issuable upon conversion of shares of Parent Preferred Stock, any of the shares of Parent Common Stock issuable upon exercise of the Roth Warrant, the Private Placement Warrants or any Reset Warrants, or any Reset Shares or Reset Warrants, under the Securities Act or cause this offering of such shares of Parent Common Stock, Parent Preferred Stock, the Roth Warrant, the Private Placement Warrants, the Reset Shares, the Reset Warrants or the Reset Warrant Shares, as applicable, to be integrated with prior offerings by Parent for purposes of the Securities Act or any applicable shareholder approval requirements of any authority.

3.26. Application of Takeover Protections. Parent and the Parent Board have taken all necessary action, if any, in order to render inapplicable any control share acquisition, business combination, or other similar takeover, anti-takeover, moratorium, fair price, interested shareholder or similar provision under the articles of incorporation of Parent or the Laws of each of the State of Nevada and the State of Delaware to the transactions contemplated hereby or by any of the other Transaction Documents, including the Merger, Parent's issuance of shares of Parent Common Stock and Parent Preferred Stock to the Company Stockholders in accordance with the terms hereof, Parent's issuance of shares of Parent Preferred Stock and the Private Placement Warrants to investors in the Private Placement, and any Company Stockholder's ownership, or the ownership of any investor in the Private Placement, of shares of Parent Common Stock and/or Parent Preferred Stock, as applicable. Parent has never adopted any shareholder rights plan or similar arrangement relating to accumulations of beneficial ownership of Parent Common Stock or a change in control of Parent.

3.27. Information. All of the information provided by, or on behalf of, Parent, Merger Sub or Name Change Merger Sub regarding Parent, Merger Sub, Name Change Merger Sub or any of their respective officers, directors, employees, agents or other representatives to the Company or its representatives for purposes of, or otherwise in connection with, the preparation of any filings to be made with any Governmental Authority in connection with the consummation of the transactions contemplated hereby or by any of the other Transaction Documents, including pursuant to Section 4.1 hereof, is accurate and complete in all material respects.

3.28. Disclosure. There is no fact relating to Parent, Merger Sub or Name Change Merger Sub that Parent, Merger Sub or Name Change Merger Sub has not disclosed to the Company in writing that materially and adversely affects nor, insofar as Parent can now foresee, will materially and adversely affect, the condition (financial or otherwise), properties, assets, liabilities, business operations, results of operations or prospects of Parent. No representation or warranty by Parent or Merger Sub herein and no information disclosed in the schedules or exhibits hereto by Parent or Merger Sub contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein misleading. Each of Parent, Merger Sub and Name Change Merger Sub has, and to the knowledge of Parent, the auditors, legal counsel and other consultants, agents and representatives of Parent, Merger Sub and Name Change Merger Sub have, answered questions or inquiries of the Company and its legal counsel in connection with the Company's and its legal counsel's due diligence investigations fully and truthfully. The minute books and records of Parent, Merger Sub and Name Change Merger Sub which have been made available to the Company and its

counsel, in connection with their due diligence investigation of Parent, Merger Sub and Name Change Merger Sub for the periods from their respective inception dates to the date of this Agreement, are all of the minute books and all of the material corporate records of Parent, Merger Sub and Name Change Merger Sub and contain copies of all material proceedings of the shareholders, the boards of directors and all committees of the boards of directors of Parent, Merger Sub and Name Change Merger Sub. There have been no material meetings, resolutions or proceedings of the shareholders, boards of directors or any committees of the boards of directors of Parent, Merger Sub and Name Change Merger Sub other than those reflected in such minute books and other records provided to the Company and its counsel.

4. Additional Agreements of the Parties.

4.1. Filings. As promptly as practicable (but in no event, with respect to filing, later than the date required under applicable Law), Parent shall obtain all consents, registrations, approvals, permits and authorizations necessary or advisable to be obtained from any Person, including any Governmental Authority, in connection with the consummation of the transactions contemplated hereby or by any other Transaction Documents and prepare and file any other documents or filings required to be filed by it under the Exchange Act, the Securities Act or any other federal or state securities (or blue sky) or related Laws relating to the execution of this Agreement and each of the other Transaction Documents and the consummation of the Merger and the other transactions contemplated hereby and thereby, as well as under regulations of, or as required by, such Governmental Authorities as may require the filing of such other filings, including filings pursuant to Rule 6490 of the Financial Industry Regulatory Authority. As promptly as practicable, and subject in all respects to the final sentence of this paragraph, upon the written request of the Company at any time prior to the Closing, Parent shall prepare and file the Information Statement with the Commission. The Company shall cooperate with Parent in connection with the preparation of the Information Statement, including promptly furnishing the Company, upon request, with any and all information as may be required to be set forth in the Information Statement under applicable Law. Parent shall provide the Company a reasonable opportunity to review and comment upon the Information Statement (including any amendments or supplements thereto), and any other filings contemplated by this Section 4.1. Notwithstanding the foregoing, except with the prior written consent of the Company, Parent shall not (i) file with the Commission, or mail to the Parent Shareholders, the Information Statement, or (ii) issue any press releases or make any other public disclosure or statements (including in any filings with the Commission) with respect to the transactions contemplated hereby or disclosing the name of the Company or any Company Stockholders, or (iii) file any other documents contemplated by this Section 4.1.

4.2. Amendment of Bylaws; Parent Directors and Officers.

(a) Prior to the approval by the board of directors of Parent of the Parent Board Appointments (as defined below) and prior to the Closing, Parent and the board of directors of Parent shall (i) adopt, effective as of the Effective Time, the Amended and Restated Bylaws of Parent, in the form attached as Exhibit I (the "Parent Restated Bylaws"), and shall not, thereafter and prior to the Closing, amend, modify, rescind or revoke the Parent Restated Bylaws, and (ii) set the number of members of the board of directors of Parent prior to the

Closing at six members, effective as of the Effective Time, in accordance with the Parent Restated Bylaws and the articles of incorporation of Parent.

(b) Ryan Neely (the “Resigning Person”) has delivered to Parent the Resigning Person’s irrevocable resignation (the “Resignation”) from each office with Parent held by the Resigning Person (the “Officer Resignation”) and from the board of directors of Parent (the “Board Resignation”), (i) which Officer Resignation shall be effective immediately following the Closing and the closing of the Private Placement, and (ii) which Board Resignation shall be effective on the later of (A) the date that is ten days after the date on which Parent shall have caused the Information Statement to be filed with the Commission and mailed to Parent Shareholders, and (B) immediately following the Closing (such later date, the “Board Resignation Date”); provided that the Resignation shall terminate and be of no force and effect upon the termination of this Agreement in accordance with Section 7 hereof. Parent shall accept (x) the Officer Resignation effective immediately following the Closing and the closing of the Private Placement, and (y) the Board Resignation, effective upon the Board Resignation Date, in each case without the necessity of any further action by Parent or of the Resigning Person. Neither Parent nor the board of directors of Parent shall take any action, or permit any action to be taken, to rescind or release the Resignation, or otherwise release, or permit or consent to the release of, the Resigning Person from the Resigning Person’s irrevocable obligation thereunder.

(c) Prior to the Closing, the board of directors of Parent shall take all actions (including making any filings and disclosures, and taking any other actions, necessary and appropriate to comply with applicable Law and the applicable rules and regulations of the Eligible Market) so that, (i) effective immediately following the Closing and the closing of the Private Placement, without any further action by Parent or the Parent Board, each of the Persons set forth on Schedule III shall hold such office or offices of Parent set forth next to such Person’s name on Schedule III, (ii) effective immediately following the Closing and the closing of the Private Placement, without any further action by Parent or the Parent Board, Gary Winemaster shall become a member of the board of directors of Parent and serve on the Parent Board in accordance with Schedule III, (iii) effective upon the Board Resignation Date, without any further action by Parent or the board of directors of Parent, each of the Persons listed on Schedule III other than Gary Winemaster (the Persons designated to become directors of Parent listed on Schedule III being referred to herein, collectively, as the “Director Designees”) shall become members of the board of directors of Parent (the appointment of the Persons pursuant to clauses (ii) and (iii) hereof, collectively, the “Parent Board Appointments”) and serve on the Parent Board in accordance with Schedule III, filling the vacancies created by the Board Resignation and the increase in the number of members of the board of directors of Parent in accordance with Section 4.2(a), as applicable, and (iv) effective immediately following the Closing and the closing of the Private Placement, the Resigning Person shall be designated as a member of Class III of the Parent Board and serve on the Parent Board until the Board Resignation Date. Schedule III sets forth the name of each Director Designee, the class of directors in which such Director Designee shall serve on the Parent Board, and the year of the annual meeting of Parent’s shareholders at which such Director Designee’s initial term on the Parent Board shall expire.

4.3. Parent Preferred Stock; Private Placement Warrants and Roth Warrant. Parent shall take all action necessary to at all times have authorized, and reserved for the purpose

of issuance, no less than 100% of (i) the aggregate number of Conversion Shares issuable upon conversion of shares of Parent Preferred Stock issued pursuant to Section 1.5(a)(ii) and the Private Placement, (ii) the aggregate number of shares of Parent Common Stock issuable upon exercise of the Roth Warrant, (iii) the aggregate number of Private Placement Warrant Shares issuable upon exercise of the Private Placement Warrants, (iv) the aggregate number of Reset Shares issuable pursuant to, and in accordance with, the Purchase Agreement, and (v) the aggregate number of Reset Warrant Shares issuable upon exercise of the Reset Warrants, in each case subject to any applicable limitations on conversion, exercise and issuance thereof prior to the Reverse Split. Parent acknowledges that its obligation to issue the Conversion Shares upon conversion of shares of Parent Preferred Stock issued pursuant to Section 1.5(a)(ii) and the Private Placement, its obligation to issue the shares of Parent Common Stock issuable upon exercise of the Roth Warrant, the Private Placement Warrants and the Reset Warrants, and its obligation to issue the Reset Shares and Reset Warrants pursuant to the Purchase Agreement are absolute and unconditional regardless of the dilutive effect that any such issuance may have on the ownership interests of other shareholders of Parent.

4.4. Access. During the period commencing with the date of this Agreement and ending at the earlier of the Effective Time and the termination of this Agreement pursuant to Section 7 (the “Pre-Closing Period”), Parent on reasonable notice shall afford to the Company and its officers, directors, agents and counsel access at times and upon conditions reasonably convenient to Parent, reasonable access to the properties, books, records, contracts and documents of Parent, Merger Sub and Name Change Merger Sub, and an opportunity to make such reasonable investigations as they shall desire to make of Parent, Merger Sub and Name Change Merger Sub; and Parent shall furnish or cause to be furnished to the Company and its authorized representatives all such information with respect to the business and affairs of Parent, Merger Sub and Name Change Merger Sub as the Company and its authorized representatives may reasonably request and make the officers, directors, employees, auditors and counsel of Parent, Merger Sub and Name Change Merger Sub reasonably available for consultation and permit access to other third parties as reasonably requested by the Company for verification of any information so obtained.

4.5. Conduct of Business. During the Pre-Closing Period, each of Parent, Merger Sub, Name Change Merger Sub and the Company shall conduct its business in the ordinary course and consistent with prudent and past business practice, except for transactions expressly contemplated hereby or by any of the other Transaction Documents, including the Merger, the Stock Repurchase and the Private Placement, or with the prior written consent of the other Parties, which consent will not be unreasonably withheld. Notwithstanding the foregoing, except as expressly contemplated hereby or by any of the other Transaction Documents, including the issuance of the shares of Parent Common Stock and Parent Preferred Stock pursuant to Section 1.5(a)(ii), the issuance of Parent Preferred Stock and the Private Placement Warrants in the Private Placement and the Stock Repurchase, during the Pre-Closing Period, none of Parent, Merger Sub or Name Change Merger Sub shall:

- (a) create, assume or suffer to exist any Lien on any of its properties or assets, whether tangible or intangible;

(b) sell, assign, transfer, lease or otherwise dispose of or agree to sell, assign, transfer, lease or otherwise dispose of any its material assets or except as otherwise provided for in this Agreement, cancel any Indebtedness owed to it;

(c) change any method of accounting or accounting practice used by it, other than such changes required by GAAP;

(d) issue, grant, deliver, sell, repurchase, redeem, purchase, acquire, encumber, pledge, dispose of or otherwise transfer, directly or indirectly, any shares of Capital Stock of, or other equity interests in it, or securities convertible into or exchangeable for such shares or equity interests, or issue or grant any options, warrants, calls, subscription rights or other rights of any kind to acquire additional shares of such Capital Stock, such other equity interests or such securities;

(e) propose or adopt any amendment or other changes to its articles of incorporation or certificate of incorporation, as applicable, or its bylaws or other charter documents, as the case may be, or other governing documents;

(f) declare, set aside or pay any dividend or distribution with respect to any share of its Capital Stock or declare or effectuate a stock dividend, stock split or similar event, other than Tax distributions;

(g) issue any note, bond, or other debt security or create, incur, assume, or guarantee any Indebtedness for borrowed money or capitalized lease obligation;

(h) make any equity investment in, make any loan, advance or capital contribution to, or acquire the securities or assets of any other Person;

(i) enter into any new or additional agreements or modify any existing agreements relating to the employment of, or compensation or benefits payable or to become payable to, any past or present officer or director or any written agreements of any of its past or present employees;

(j) make any payments out of the ordinary course of business to any of its officers, directors, employees or stockholders;

(k) pay, discharge, satisfy or settle any liabilities (absolute, accrued, asserted or unasserted, contingent or otherwise) other than in the ordinary course of business;

(l) agree in writing or otherwise take any action that would, or would reasonably be expected to, prevent, impair or materially delay the ability of Parent, Merger Sub, Name Change Merger Sub or the Company, as the case may be, to consummate the transactions contemplated by this Agreement and by the other Transaction Documents;

(m) form or acquire any subsidiaries; or

(n) agree or commit to take any of the actions specified in this Section 4.5.

4.6. Stock Repurchase. Parent and the Parent Board shall take all actions necessary or appropriate to consummate the Stock Repurchase simultaneously with the Closing, pursuant to, and subject to the terms and conditions set forth in the Repurchase Agreement.

4.7. Name Change. Prior to Closing, the Company shall, and shall cause Name Change Merger Sub to, enter into an Agreement and Plan of Merger, in the form attached hereto as Exhibit J (the “Name Change Merger Agreement”), pursuant to which Name Change Merger Sub will be merged with and into Parent, and Parent shall remain as the surviving corporation, with the name of Parent, effective as of the Closing Date, changed to “Power Solutions International, Inc.” Promptly following Parent’s and Name Change Merger Sub’s entry into the Name Change Merger Agreement, and prior to the Closing, Parent shall, and shall cause Name Change Merger Sub, to execute, deliver and file with the Secretary of State of the State of Nevada the articles of merger, in the form attached as Exhibit K (the “Name Change Articles of Merger”), in accordance with Section 92A.180 of the Nevada Revised Statutes, thereby effectuating the Name Change Merger, effective as of the Closing Date.

4.8. Private Placement. Parent and the Parent Board shall take all actions necessary or appropriate to (a) execute and deliver to the investors in the Private Placement and the Company the Purchase Agreement representing investments in Parent Preferred Stock and the Private Placement Warrants in the Private Placement of not less than an aggregate of Eighteen Million Dollars (\$18,000,000), the Registration Rights Agreement, the Voting Agreements and each of the other documents and instruments contemplated thereby to be entered into at or prior to the Closing in connection with the Private Placement, and (b) consummate the Private Placement contemporaneously with the Closing, pursuant to, and subject to the terms and conditions set forth in, the Purchase Agreement.

4.9. New Employment Agreement. Parent and the Parent Board shall take all actions necessary or appropriate to execute and deliver to the Company and Thomas Somodi the New Employment Agreement contemporaneously with the Closing.

4.10. Liabilities; Payoff Letters. Prior to the Closing, Parent shall pay off, terminate or otherwise satisfy, or cause to be paid off, terminated or otherwise satisfied, in full, solely with available cash or cash equivalents of Parent, all of its direct and indirect liabilities (including accounts payable), Indebtedness and obligations, except for (a) legal fees of Parent expressly contemplated by Section 10.3 hereof, which legal fees are subject to the Expense Cap, (b) other liabilities and obligations under the Transaction Documents, and (c) the Filing Fees (as defined in Section 10.3). Subject to clauses (a), (b) and (c) of the immediately preceding sentence, at or prior to Closing, Parent shall deliver, or cause to be delivered, a payoff letter (each, a “Payoff Letter,” and collectively, the “Payoff Letters”) from each Person to which Parent is obligated in respect of any liabilities (including accounts payable), Indebtedness or obligations (each, a “Payoff Party”), other than Ryan Neely and Michelle Neely (the satisfaction of such liabilities, Indebtedness and obligations are covered by the Repurchase Agreement), indicating that upon payment of a specified amount, Parent shall not have any direct or indirect liabilities (including accounts payable), Indebtedness or obligations owed to such Payoff Party or any of its affiliates, and no such Payoff Party or any of its affiliates shall have any claims against Parent or any rights in respect of any such liabilities, Indebtedness or obligations.

4.11. Further Assurances. Subject to the terms and conditions herein provided, each of the Parties, severally and not jointly, hereby agrees to use its best efforts to (a) take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable Laws and regulations to satisfy the conditions to Closing to be satisfied by it (and, in the case of Parent, the conditions to Closing to be satisfied by Merger Sub); (b) to consummate and make effective the transactions contemplated by this Agreement and the other Transaction Documents; (c) to lift or rescind any injunction or restraining order or other order adversely affecting the ability of the Parties to consummate the transactions contemplated by this Agreement and the other Transaction Documents; and (d) to prevent the breach of any representation, warranty, covenant or agreement of such Party (and, in the case of Parent, any representation, warranty, covenant or agreement of Merger Sub) contained in this Agreement or any other Transaction Document, or in the event of any such breach, to promptly remedy the same. If at any time after the Effective Time, any further action is necessary or desirable to carry out the purposes of this Agreement or any of the other Transaction Documents, each Party shall use commercially reasonable efforts to take all such necessary or desirable action.

5. Conditions Precedent to the Closing.

5.1. Conditions Precedent to Obligations of Parent and Merger Sub. Parent and Merger Sub's obligations to effect the Merger and consummate the other transactions contemplated hereby and by the other Transaction Documents are subject to the fulfillment or satisfaction, prior to or on the Closing Date, of the following conditions; provided that these conditions are for Parent's or Merger Sub's sole benefit, as applicable, and may be waived only by Parent or Merger Sub, as applicable, at any time in its sole discretion by providing the Company with prior written notice thereof:

(a) Representations, Warranties, Covenants and Agreements. The representations and warranties of the Company herein shall be true and correct as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date, which shall be true and correct as of such date), and the Company shall have performed, satisfied and complied with the covenants, agreements and conditions required by this Agreement and the other Transaction Documents to be performed, satisfied or complied with by the Company at or prior to the Closing Date.

(b) Transaction Documents. The Company shall have executed each of the Transaction Documents to which it is a party and delivered the same to Parent.

(c) Company Resolutions. Each of the Company Board and the Company Stockholders shall have adopted, and not rescinded or otherwise amended or modified, resolutions authorizing the Company's entry into this Agreement and the other Transaction Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby, including the Merger (collectively, the "Company Resolutions").

(d) Company Secretary's Certificate. The Company shall have delivered to Parent a certificate of the secretary or other duly authorized officer of the Company, certifying as to (i) the Company Certificate of Incorporation, certified as of a date within 10 days of the

Closing Date, by the Secretary of State of Delaware, (ii) the Company Bylaws, and (iii) the Company Resolutions, each as in effect at the Closing.

(e) Receipt of Shareholder Rep Letters. The Company shall have delivered an executed Shareholder Rep Letter from each of the Company Stockholders to Parent.

(f) Good Standing. The Company shall have delivered to Parent evidence as of a date within 10 days of the Closing Date of the good standing and corporate existence of the Company issued by the Secretary of State of the State of Delaware.

(g) Private Placement. Each of the investors in the Private Placement shall have duly executed the Purchase Agreement, representing investments in Parent Preferred Stock and the Private Placement Warrants in the Private Placement of not less than an aggregate of Eighteen Million Dollars (\$18,000,000), and the Registration Rights Agreement; all funds and related documents duly executed by such investors in the Private Placement required to consummate the Private Placement shall be in escrow and available for immediate release to Parent, or shall otherwise be available for immediate release to Parent, conditioned only upon the closing of the Merger contemplated by this Agreement; and the representations and warranties of each of the investors in the Private Placement party to the Purchase Agreement, the Registration Rights Agreement and each of the other documents and instruments entered into in connection with the Private Placement shall be true and correct as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date, which shall be true and correct as of such date), and each such investor in the Private Placement shall have performed, satisfied and complied with the covenants, agreements and conditions required thereby.

(h) No Injunctions. No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Laws or orders, judgments, injunctions, awards, decrees or writs handed down, including any consent decree, settlement agreement or similar written agreement (whether temporary, preliminary or permanent) which is then in effect, and no Litigation shall be pending against Parent, Merger Sub or the Company, that enjoins or otherwise prohibits (or seeks to enjoin or otherwise prohibit) or otherwise challenges the transactions contemplated hereby or by any of the other Transaction Documents (or the consummation thereof).

(i) Other Documents. Such additional supporting documentation and other information with respect to the transactions contemplated hereby as Parent and Merger Sub may reasonably request.

5.2. Conditions Precedent to Obligations of the Company. The Company's obligation to effect the Merger and consummate the other transactions contemplated hereby and by the other Transaction Documents are subject to the fulfillment or satisfaction, prior to or on the Closing Date, of the following conditions; provided that these conditions are for the Company's sole benefit and may be waived only by the Company at any time in its sole discretion by providing Parent with prior written notice thereof:

(a) Representations, Warranties, Covenants and Agreements. The representations and warranties of each of Parent and Merger Sub herein shall be true and correct as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date, which shall be true and correct as of such date), and each of Parent and Merger Sub shall have performed, satisfied and complied with the covenants, agreements and conditions required by this Agreement and the other Transaction Documents to be performed, satisfied or complied with by Parent or Merger Sub, as applicable, at or prior to the Closing Date. The Company shall have received a certificate, executed by the chief executive officer of Parent, dated as of the Closing Date, to the foregoing effect and as to such other matters as may be reasonably requested by the Company.

(b) Transaction Documents. Each of Parent, Merger Sub and Name Change Merger Sub shall have executed each of the Transaction Documents to which it is a party and delivered the same to the Company, and each of Parent and Ryan Neely shall have executed the Lease Assignment Agreement and delivered the same to the Company.

(c) Governmental Authorities' Approvals and Filings. All consents, approvals, orders and authorizations of, and filings, registrations, qualifications, designations and declarations with, any Governmental Authorities required to consummate the transactions contemplated hereby and by each of the other Transaction Documents, including under all applicable securities Laws, shall have been made and/or obtained, as applicable.

(d) Parent and Merger Sub Resolutions. Each of the Parent Board and Merger Sub Board and Parent, as the sole stockholder of Merger Sub, shall have adopted, and not rescinded or otherwise amended or modified, resolutions authorizing Parent's and Merger Sub's, as applicable, entry into this Agreement and the other Transaction Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby, including the Merger, the Stock Repurchase, the Reverse Split and the Migratory Merger (collectively, the "Parent and Merger Sub Resolutions").

(e) Name Change Merger Sub Resolutions. The board of directors of Name Change Merger Sub shall have adopted, and not rescinded or otherwise amended or modified, resolutions authorizing Name Change Merger Sub's entry into the Name Change Merger Agreement and the other Transaction Documents to which it is a party and the consummation of the transactions contemplated thereby, including the Name Change Merger (collectively, the "Name Change Merger Sub Resolutions").

(f) Parent's Secretary's Certificate. Parent shall have delivered to the Company a certificate of the secretary or other duly authorized officer of Parent, certifying as to (i) the articles of incorporation of Parent, certified as of a date within 10 days of the Closing Date, by the Secretary of State of Nevada, (ii) the certificate of incorporation of Merger Sub, certified as of a date within 10 days of the Closing Date, by the Secretary of State of Delaware, (iii) the articles of incorporation of Name Change Merger Sub, certified as of a date within 10 days of the Closing Date, by the Secretary of State of Nevada, (iv) the Parent Restated Bylaws, (v) the bylaws of Merger Sub, (vi) the bylaws of Name Change Merger Sub, (vii) the Parent and Merger Sub Resolutions, and (viii) the Name Change Merger Sub Resolutions, each as in effect at the Closing.

(g) Certificate of Designation. The Certificate of Designation shall have been duly filed with the Secretary of State of the State of Nevada and shall be in full force and effect, enforceable against Parent in accordance with its terms and shall not have been amended.

(h) Resignation. (i) The Resigning Person shall have delivered the Resignation to Parent, and the Resignation shall not have been released, rescinded or revoked; (ii) each of the Persons listed on Schedule III shall have been duly appointed, effective immediately following the Closing and the closing of the Private Placement, to hold such office or offices of Parent set forth next to such Person's name on Schedule III, in accordance with Section 4.2(c); and (iii) each of the Director Designees shall have been duly appointed to the board of directors of Parent in accordance with Section 4.2(c) and Schedule III, with the term of Gary Winemaster commencing immediately following the Closing and the closing of the Private Placement, and the terms of each of Thomas Somodi, Kenneth Winemaster, Kenneth Landini and H. Samuel Greenawalt commencing upon the Board Resignation Date.

(i) Assets and Liabilities. (i) Parent shall have delivered, or caused to be delivered, to the Company the Payoff Letters, in each case duly executed by the applicable Payoff Party, in accordance with Section 4.10; and (ii) none of Parent, Merger Sub or Name Change Merger Sub shall have any direct or indirect liabilities (including accounts payable), Indebtedness or obligations, whether absolute or contingent, liquidated or unliquidated or due or to become due, except (A) directly relating to the transactions contemplated hereby or incurred in the normal course of Parent's business, and (B) for legal fees of Parent payable to Parent's legal counsel as expressly contemplated by Section 10.3 hereof, which legal fees are subject to the Expense Cap and shall be paid from the proceeds of the Private Placement.

(j) Stock Repurchase. Parent shall have delivered to the Company an executed copy of the Repurchase Agreement, duly executed by the Company and each of the Parent Shareholders listed on Schedule I; the representations and warranties of each of the parties to the Repurchase Agreement shall be true and correct as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date, which shall be true and correct as of such date), and each such party shall have performed, satisfied and complied with the covenants, agreements and conditions required thereby; and the Stock Repurchase with respect to three million (3,000,000) shares of Parent Common Stock shall be consummated contemporaneously with the Closing.

(k) Private Placement. Parent shall have duly executed the Purchase Agreement, representing investments in Parent Preferred Stock and the Private Placement Warrants in the Private Placement of not less than an aggregate of Eighteen Million Dollars (\$18,000,000), and the Registration Rights Agreement; all funds and related documents duly executed by Parent and the investors in the Private Placement required to consummate the Private Placement shall be in escrow and available for immediate release to Parent, or shall otherwise be available for immediate release to Parent, conditioned only upon the closing of the Merger contemplated by this Agreement; and the representations and warranties of each of the parties to the Purchase Agreement, the Registration Rights Agreement, the Voting Agreements and each of the other documents and instruments entered into in connection with the Private Placement shall be true and correct as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific

date, which shall be true and correct as of such date), and each such party shall have performed, satisfied and complied with the covenants, agreements and conditions required thereby.

(l) Name Change. The Name Change Articles of Merger shall have been filed with the Secretary of State of the State of Nevada and the Name Change Merger shall have been consummated.

(m) New Employment Agreement. Parent shall have duly executed the New Employment Agreement and delivered a copy to Thomas Somodi; the representations and warranties of each of the parties to the New Employment Agreement and each of the other documents and instruments entered into in connection with therewith shall be true and correct as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date, which shall be true and correct as of such date), and each such party shall have performed, satisfied and complied with the covenants, agreements and conditions required thereby.

(n) Termination Agreement. A termination agreement shall have been duly executed and delivered between the Company and Thomas Somodi, pursuant to which each of (1) that certain Subscription Agreement, dated as of April 16, 2005, as amended by that certain Amendment to Subscription Agreement, effective as of January 1, 2008, between the Company and Mr. Somodi, and (2) that certain Employment Agreement, dated as of April 16, 2005, as amended by that certain Amendment to Employment Agreement, effective as of January 1, 2008, between the Company and Thomas Somodi, shall be terminated and of no further force or effect, effective as of the Closing.

(o) Good Standings. Parent shall have delivered to the Company evidence as of a date within 10 days of the Closing Date of the good standing and corporate existence of each of Parent, Merger Sub and Name Change Merger Sub issued by the Secretary of State of the State of Nevada and the Secretary of State of the State of Delaware, as applicable.

(p) Transfer Agent Certification. Parent shall have delivered to the Company a certificate of Pacific Stock Transfer Company, the transfer agent and registrar for the Parent Common Stock, certifying as of the Business Day prior to the date any shares of Parent Preferred Stock are first issued in the Private Placement, and before taking into consideration the Stock Repurchase, a true and complete list of the names and addresses of the record owners of all of the outstanding shares of Parent Common Stock, together with the number of shares of Parent Common Stock held by each record owner.

(q) Audit Opinions. Parent shall have delivered (i) an agreement in writing from Jonathon P. Reuben, CPA, an Accountancy Corporation, Parent's independent registered public accountant ("Reuben"), in form and substance reasonably satisfactory to the Company, to deliver copies of the audit opinions with respect to any and all financial statements of Parent that had been audited by such firm, and (ii) an agreement in writing from Reuben to provide a letter of the type contemplated by section (a)(3) of Item 304 of Regulation S-K of the Securities Act.

(r) No Injunctions. No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Laws or orders, judgments, injunctions, awards, decrees or

writs handed down, including any consent decree, settlement agreement or similar written agreement (whether temporary, preliminary or permanent) which is then in effect, and no Litigation shall be pending against Parent, Merger Sub or the Company, that enjoins or otherwise prohibits (or seeks to enjoin or otherwise prohibit) or otherwise challenges the transactions contemplated hereby or by any of the other Transaction Documents (or the consummation thereof).

(s) Other Documents. Such additional supporting documentation and other information with respect to the transactions contemplated hereby as the Company may reasonably request.

6. Survival of Representations and Warranties. The representations and warranties of the parties hereto made in Sections 2 and 3 of this Agreement (including the Schedules to the Agreement which are hereby incorporated by reference) shall survive the Closing for a period of fifteen (15) months; provided, however, that the representations and warranties set forth in Sections 3.1, 3.2, 3.3, 3.4, 3.5, 3.7, 3.10, 3.11, 3.12, 3.24, 3.25 and 3.26 shall survive indefinitely. This Section 6 shall not limit any claim for fraud, intentional breach or willful misconduct.

7. Termination.

7.1. Termination by Mutual Consent. This Agreement may be terminated at any time prior to the Effective Time by mutual written consent of Parent and the Company.

7.2. Termination by Either the Company or Parent. This Agreement may be terminated by either the Company or Parent at any time prior to the Effective Time as follows:

(a) if the Closing has not occurred by April 30, 2011 (the "Outside Date"), except that the right to terminate this Agreement under this clause will not be available to any Party whose failure to fulfill any of its obligations under this Agreement has been a principal cause of, or resulted in, the failure to consummate the Closing by such date; or

(b) if any Law or Governmental Authority prohibits consummation of the Closing or if any order, judgment, injunction, award, decree or writ handed down, adopted or imposed by, any court of competent jurisdiction or Governmental Authority restrains, enjoins or otherwise prohibits consummation of the Closing, and such order, judgment, injunction, award, decree or writ has become final and nonappealable.

7.3. Termination by the Company. This Agreement may be terminated by the Company at any time prior to the Effective Time as follows:

(a) if a breach or failure of any representation, warranty or covenant of Parent or Merger Sub contained in this Agreement shall have occurred, which breach (A) would reasonably be expected to give rise to the failure of a condition set forth in Section 5.2(a); and (B) as a result of such breach, such condition would not be capable of being satisfied prior to the Outside Date; provided that the Company is not in material breach of its obligations under this Agreement; or

(b) immediately upon written notice by the Company to Parent; provided that the Company shall not terminate this Agreement pursuant to this paragraph, and any purported termination pursuant to this Section 7.3(b) shall be void and of no force and effect, unless in advance of or concurrently with such termination, the Company pays, or causes to be paid, to an account or accounts designated by Parent, by wire transfer of immediately available funds an amount equal to fifty thousand dollars (\$50,000) (the “Termination Fee”). In the event of a termination of this Agreement by the Company pursuant to this Section 7.3(b), the Company shall reimburse, or cause to be reimbursed, the actual and documented out-of-pocket expenses incurred by Parent in connection with this Agreement and the transactions contemplated hereby, promptly following Parent’s providing reasonable documentation thereof; provided that the reimbursement of such expenses shall not exceed the Expense Cap.

7.4. Termination by Parent. This Agreement may be terminated by Parent at any time prior to the Effective Time, if a breach or failure of any representation, warranty or covenant of the Company contained in this Agreement shall have occurred, which breach (A) would reasonably be expected to give rise to the failure of a condition set forth in Section 5.1(a) and (B) as a result of such breach, such condition would not be capable of being satisfied prior to the Outside Date; provided that Parent is not in material breach of its obligations under this Agreement.

7.5. Effect of Termination. If this Agreement is terminated pursuant to this Section 7, it will become void and of no further force and effect, with no liability on the part of any Party (or any of their respective former, current, or future general or limited partners, shareholders, stockholders, managers, members, directors, officers, Affiliates or agents), except that the provisions of this Section 7 will survive any termination of this Agreement; provided, however, that nothing herein shall relieve Parent or Merger Sub (or any of their respective directors or officers) from liabilities for damages incurred or suffered by the Company as a result of any fraud perpetrated, conspired in or otherwise committed by Parent or Merger Sub (or any of their respective directors or officers) or any knowing or intentional breach by Parent or Merger Sub of any of its representations, warranties, covenants or other agreements set forth in this Agreement that caused, or would reasonably be expected to cause, any of the conditions set forth in Sections 5.2(a) and 5.2(b) not to be satisfied.

8. Amendment of Agreement. This Agreement may be amended by the Parties at any time prior to the Closing; provided, that (a) no amendment that requires further shareholder approval under applicable Laws will be made without such required further approval and (b) such amendment has been duly authorized or approved by the Parties. This Agreement may not be amended, modified or supplemented except by an instrument in writing signed by the Company, Parent and Merger Sub. Any such amendment shall apply to, and bind all Parties.

9. Definitions. Unless the context otherwise requires, the terms defined in this Section 9 shall have the meanings herein specified for all purposes of this Agreement, applicable to both the singular and plural forms of any of the terms herein defined.

“Affiliate” means, with respect to any Person, a second Person (i) in which the first Person owns a five percent (5%) equity interest, or (ii) that, directly or indirectly, (A) has a

five percent (5%) equity interest in such first Person, (B) controls such first Person, (C) is controlled by such first Person or (D) is under common control with such first Person.

“Agreement” shall have the meaning assigned to it in the introductory paragraph of this Agreement.

“Audit Opinion” shall have the meaning assigned to it in Section 3.8(d).

“Board Resignation” shall have the meaning assigned to it in Section 4.2(b).

“Board Resignation Date” shall have the meaning assigned to it in Section 4.2(b).

“Capital Lease Obligation” shall mean, as to any Person, any obligation that is required to be classified and accounted for as a capital lease on a balance sheet of such Person prepared in accordance with GAAP, and the amount of any such obligation shall be the capitalized amount thereof, determined in accordance with GAAP.

“Capital Stock” shall have the meaning assigned to such term in Section 2.1(b).

“Certificate of Designation” shall have the meaning assigned to such term in the Recitals.

“Certificate of Merger” shall have the meaning assigned to such term in Section 1.2.

“Closing” and “Closing Date” shall have the meanings assigned to such terms in Section 1.2.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Commission” shall mean the U.S. Securities and Exchange Commission.

“Company” shall have the meaning assigned to it in the introductory paragraph of this Agreement.

“Company Balance Sheet” shall have the meaning assigned to such term in Section 2.8.

“Company Balance Sheet Date” shall have the meaning assigned to such term in Section 2.8.

“Company Board” shall have the meaning assigned to it in Section 2.4.

“Company Bylaws” shall have the meaning assigned to it in Section 1.3(b).

“Company Certificate of Incorporation” shall have the meaning assigned to such term in Section 1.3(a).

“Company Common Stock” shall have the meaning assigned to it in Section 1.5(a)(ii).

“Company Disclosure Letter” shall have the meaning assigned to it in Section 2.

“Company Financial Statements” shall have the meaning assigned to it in Section 2.8.

“Company Material Adverse Effect” shall mean any material adverse effect on (i) the business, properties, assets, operations, results of operations, condition (financial or otherwise), credit worthiness or prospects of the Company and its Subsidiaries, taken as a whole, (ii) the transactions contemplated hereby or the agreements and instruments to be entered into in connection herewith, or (iii) the authority or ability of the Company or any other Person (other than Parent or Merger Sub) party to any of the Transaction Documents to enter into the Transaction Documents and perform its obligations thereunder.

“Company Resolutions” shall have the meaning assigned to such term in Section 5.1(c).

“Company Stockholders” shall have the meaning assigned to it in the Recitals.

“Constituent Corporations” shall have the meaning assigned to it in Section 1.4.

“Contingent Obligation” shall mean, as to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to any indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto.

“Contract” shall mean any contract, agreement, license, note, bond, mortgage, indenture, commitment, lease or other instrument or obligation, whether written or oral.

“control” or “controls” shall mean that a Person has the power, direct or indirect, to conduct or govern the policies of another Person.

“Conversion Shares” shall have the meaning assigned to it in Section 3.7(b).

“DGCL” shall have the meaning assigned to it in the Recitals.

“Director Designees” shall have the meaning assigned to such term in Section 4.2(c).

“Effective Time” shall have the meaning assigned to it in Section 1.2.

“Eligible Market” shall mean the Over-the-Counter Bulletin Board.

“Employee Benefit Plan” shall mean any “employee pension benefit plan” (as defined in Section 3(2) of ERISA, any “employee welfare benefit plan” (as defined in Section 3(1) of ERISA), and any other written or oral plan, agreement or arrangement involving direct or indirect compensation, including insurance coverage, severance benefits, disability benefits, deferred compensation, bonuses, options, or other forms of incentive compensation or post-retirement compensation.

“Environmental Laws” shall mean all laws relating to any matter arising out of or relating to public health and safety, or pollution or protection of the environment (including ambient air, surface water, groundwater, land surface or subsurface strata) or workplace, including any of the foregoing relating to the presence, use, production, generation, handling, transport, treatment, storage, disposal, distribution, discharge, emission, release, threatened release, control or cleanup of any Hazardous Materials, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. §9601 et seq., as amended, the Resource Conservation and Recovery Act of 1976, as amended, 42 U.S.C. §6901, et seq., the Clean Air Act, 42 U.S.C. §7401, et seq., as amended, the Federal Water Pollution Control Act, 33 U.S.C. §1251, et seq., as amended, the Oil Pollution Act of 1990, 33 U.S.C. §2701, et seq., and the Toxic Substances Control Act, 15 U.S.C. §2601, et seq.

“ERISA” shall mean the Employee Retirement Income Securities Act of 1974, as amended.

“Exchange Act” shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated by the Commission thereunder.

“Expense Cap” shall have the meaning assigned to such term in Section 10.3.

“FCPA” shall have the meaning assigned to it in Section 2.12.

“Filing Fees” shall have the meaning assigned to such term in Section 10.3.

“Financial Information” shall have the meaning assigned to such term in Section 3.8(b).

“FINRA” shall mean the Financial Industry Regulatory Authority.

“GAAP” shall mean generally accepted accounting principles in the United States, as in effect from time to time.

“Governmental Authority” shall mean any foreign, federal, national, state or local judicial, legislative, executive or regulatory body, authority or instrumentality, or self-regulatory organization, authority or body, whether in or of the United States or otherwise, including the Pension Benefit Guaranty Corporation, the Department of Labor, the Internal Revenue Service, the Eligible Market and FINRA.

“Hazardous Materials” means any hazardous, toxic or dangerous substance, materials and wastes, including hydrocarbons (including naturally occurring or man-made petroleum and hydrocarbons), flammable explosives, asbestos, urea formaldehyde insulation,

radioactive materials, biological substances, polychlorinated biphenyls, pesticides, herbicides and any other kind and/or type of pollutants or contaminants (including materials which include hazardous constituents), sewage, sludge, industrial slag, solvents and/or any other similar substances, materials, or wastes and including any other substances, materials or wastes that are or become regulated under any Environmental Law (including any that are or become classified as hazardous or toxic under any Environmental Law).

“Indebtedness” of any Person shall mean, without duplication (A) all indebtedness for borrowed money, (B) all trade accounts payable and other obligations issued, undertaken or assumed as the deferred purchase price of property or services, (C) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments, (D) all obligations evidenced by notes, bonds, debentures, redeemable Capital Stock or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses, (E) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller, bank or other financing source under such agreement in the event of default are limited to repossession or sale of such property), (F) all Capital Lease Obligations, (G) all indebtedness referred to in clauses (A) through (F) above secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any mortgage, lien, pledge, charge, security interest or other encumbrance upon or in any property or assets (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such indebtedness, and (H) all Contingent Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (A) through (G) above.

“Information Statement” shall mean the information statement pursuant to Rule 14f-1 promulgated under the Exchange Act regarding a change in the majority of directors of Parent, together with any amendments or supplements thereof.

“Intellectual Property” shall mean all United States and foreign (i) inventions or discoveries (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and patents, patent applications, and patent disclosures, including all reissuances, continuations, continuations-in-part, revisions, extensions, and reexaminations thereof; (ii) trade names, trade dress, logos, slogans, brand names, corporate names, domain names, trademarks, service marks and other source indicators, including all registrations, registration applications, and renewals thereof and all goodwill associated therewith; (iii) copyrightable works (including files, computer programs, software, firmware, Internet site content, databases and compilations, advertising and promotional materials, curricula, course materials, instructional video tapes, tape recordings, visual aids and textual works), copyrights and copyright registrations and registration applications and renewals thereof; and (iv) trade secrets and confidential, proprietary, or non-public business information (including ideas, research and development, know-how, technology, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, specifications, customer, franchisee, licensee and supplier lists, pricing and cost information, and business and marketing plans and proposals); and all other intellectual property, in any medium, including digital, and in any jurisdiction.

“Investment Company Act” shall mean the Investment Company Act of 1940, as amended, and the rules and regulations promulgated by the Commission thereunder.

“knowledge” and “know” means, when referring to any Person, the actual knowledge of such Person of a particular matter or fact, and what that Person would have reasonably known after due inquiry. An entity will be deemed to have “knowledge” of a particular fact or other matter if any individual who is serving, or who has served, as an executive officer of such entity has actual “knowledge” of such fact or other matter, or had actual “knowledge” during the time of such service of such fact or other matter, or would have had “knowledge” of such particular fact or matter after due inquiry.

“Latest Parent Balance Sheet” shall have the meaning assigned to it in Section 3.8(a).

“Law” shall mean any law, statute, rule, regulation, judgment, decree, order, ordinance, code, regulation, grant, franchise, permit and license or other legally enforceable requirement of or by any Governmental Authority, including ERISA, all laws relating to employment and employment practices, terms and conditions of employment and wages and hours, Environmental Laws and the FCPA.

“Lease Assignment Agreement” shall have the meaning assigned to such term in Section 3.15.

“Lien” shall mean any mortgage, pledge, security interest, encumbrance, lien or charge of any kind, including any conditional sale or other title retention agreement, any lease in the nature thereof and the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction and including any lien or charge arising by statute or other Law.

“Litigation” shall have the meaning assigned to it in Section 2.10.

“Lost Certificate Affidavit” shall have the meaning assigned to it in Section 1.6.

“Merger” shall have the meaning assigned to it in the Recitals.

“Merger Sub” shall have the meaning assigned to it in the introductory paragraph of this Agreement.

“Merger Sub Board” shall have the meaning assigned to it in Section 3.2.

“Merger Sub Common Stock” shall have the meaning assigned to such term in Section 1.5(a)(i).

“Migratory Merger” shall have the meaning assigned to such term in the Recitals.

“Name Change Articles of Merger” shall have the meaning assigned to such term in Section 4.7.

“Name Change Common Stock” shall have the meaning assigned to such term in Section 3.1.

“Name Change Merger” shall have the meaning assigned to it in the Recitals.

“Name Change Merger Agreement” shall have the meaning assigned to such term in Section 4.7.

“Name Change Merger Sub” shall have the meaning assigned to it in the Recitals.

“Name Change Merger Sub Resolutions” shall have the meaning assigned to such term in Section 5.2(e).

“New Employment Agreement” shall have the meaning assigned to such term in the Recitals.

“Officer Resignation” shall have the meaning assigned to such term in Section 4.2(b).

“Outside Date” shall have the meaning assigned to such term in Section 7.2(a).

“Parent” shall have the meaning assigned to it in the introductory paragraph of this Agreement.

“Parent and Merger Sub Resolutions” shall have the meaning assigned to such term in Section 5.2(d).

“Parent Balance Sheet Date” shall have the meaning assigned to it in Section 3.8(a).

“Parent Board” shall have the meaning assigned to it in the Recitals.

“Parent Board Appointments” shall have the meaning assigned to such term in Section 4.2(c).

“Parent Common Stock” shall have the meaning assigned to it in the Recitals.

“Parent Disclosure Letter” shall have the meaning assigned to it in Section 3.

“Parent Material Adverse Effect” shall mean any material adverse effect on (i) the business, properties, assets, operations, results of operations, condition (financial or otherwise), credit worthiness or prospects of Parent, (ii) the transactions contemplated hereby or the agreements and instruments to be entered into in connection herewith, or (iii) the authority or ability of Parent or any other Person (other than the Company Stockholders and the Company) party to any of the Transaction Documents to enter into the Transaction Documents and perform its obligations thereunder.

“Parent Contracts” shall have the meaning assigned to it in Section 3.16.

“Parent Preferred Stock” shall have the meaning assigned to it in the Recitals.

“Parent Restated Bylaws” shall have the meaning assigned to such term in Section 4.2(a).

“Parent Shareholders” shall have the meaning assigned to such term in Section 3.3(a).

“Party” and “Parties” shall have the meaning assigned to it in the introductory paragraph of this Agreement.

“Person” shall include any natural person, corporation, business trust, association, limited liability company, partnership, joint venture or other entity and any government agency or political subdivision.

“Pre-Closing Period” shall have the meaning assigned to such term in Section 4.4.

“Private Placement” shall have the meaning assigned to it in the Recitals.

“Private Placement Warrants” shall have the meaning assigned to it in the Recitals.

“Private Placement Warrant Shares” shall have the meaning assigned to it in the Recitals.

“Purchase Agreement” shall have the meaning assigned to it in the Recitals.

“Real Property” shall mean all real property, facilities and fixtures.

“Real Property Leases” shall have the meaning assigned to such term in Section 3.15.

“Registration Rights Agreement” shall mean that certain Registration Rights Agreement contemplated by the Purchase Agreement and to be entered into in connection with the Private Placement, substantially in the form attached to the Purchase Agreement.

“Repurchase Agreement” shall have the meaning assigned to it in the Recitals.

“Resignation” shall have the meaning assigned to such term in Section 4.2(b).

“Resigning Person” shall have the meaning assigned to such term in Section 4.2(b).

“Reuben” shall have the meaning assigned to such term in Section 5.2(p).

“Reverse Split” shall have the meaning assigned to it in the Recitals.

“Roth” shall have the meaning assigned to it in the Recitals.

“Roth Warrant” shall have the meaning assigned to it in the Recitals.

“SEC Documents” shall have the meaning assigned to it in Section 3.8(a).

“Securities Act” shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated by the Commission thereunder.

“Shareholder Approval” shall mean the approval by the Company Shareholders of (i) an amendment to the Articles of Incorporation to effect the Reverse Split, and (ii) the Migratory Merger.

“Shareholder Rep Letters” shall have the meaning assigned to it in Section 3.7(b).

“Stock Repurchase” shall have the meaning assigned to it in the Recitals.

“Subsidiary” shall have the meaning assigned to such term in Section 2.1(b).

“Surviving Corporation” shall have the meaning assigned to it in Section 1.1.

“Surviving Corporation Bylaws” shall have the meaning assigned to such term in Section 1.3(b).

“Surviving Corporation Certificate of Incorporation” shall have the meaning assigned to such term in Section 1.3(a).

“Tax” or “Taxes” shall mean (a) any and all taxes, assessments, customs, duties, levies, fees, tariffs, imposts, deficiencies and other governmental charges of any kind whatsoever (including, but not limited to, taxes on or with respect to net or gross income, franchise, profits, gross receipts, capital, sales, use, ad valorem, value added, transfer, real property transfer, transfer gains, transfer taxes, inventory, capital stock, license, payroll, employment, social security, unemployment, severance, occupation, real or personal property, estimated taxes, rent, excise, occupancy, recordation, bulk transfer, intangibles, alternative minimum, doing business, withholding and stamp), together with any interest thereon, penalties, fines, damages costs, fees, additions to tax or additional amounts with respect thereto, imposed by the United States (federal, state or local) or other applicable jurisdiction; (b) any liability for the payment of any amounts described in clause (a) as a result of being a member of an affiliated, consolidated, combined, unitary or similar group or as a result of transferor or successor liability, including by reason of Regulation section 1.1502-6; and (c) any liability for the payments of any amounts as a result of being a party to any tax sharing agreement or as a result of any express or implied obligation to indemnify any other Person with respect to the payment of any amounts of the type described in clause (a) or (b).

“Tax Return” shall include all returns and reports (including elections, declarations, disclosures, schedules, estimates and information returns (including Form 1099 and partnership returns filed on Form 1065) required to be supplied to a Tax authority relating to Taxes.

“Termination Fee” shall have the meaning assigned to such term in Section 7.3(b).

“Transaction Documents” shall mean this Agreement, the Certificate of Designation, the Private Placement Warrants, the Certificate of Merger, the Name Change Articles of Merger, the amendment to the articles of incorporation of Parent contemplated by the Reverse Split, the Repurchase Agreement, the New Employment Agreement, the Purchase Agreement, the Registration Rights Agreement, the Voting Agreements, the Roth Warrant, the Lease Assignment Agreement and each of the other agreements and instruments to which Parent is (or will be) a party or by which it is (or will be) bound in connection with the transactions contemplated hereby and thereby, including the Merger, the Stock Repurchase, the Private Placement, the Reverse Split and the Migratory Merger.

“Voting Agreements” shall have the meaning assigned to it in the Recitals.

10. Miscellaneous.

10.1. Notices. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (iii) one (1) Business Day after deposit with a nationally recognized overnight delivery service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to Parent or Merger Sub:

Format, Inc.
3553 Camino Mira Costa, Suite E
San Clemente, California 92672
Facsimile: (949) 481-9207
Attn: Ryan Neely

with a copy to:

M2 Law Professional Corporation
500 Newport Center Drive, Suite 800
Newport Beach, California 92660
Facsimile: (949) 706-1475
Attn: Michael Muellerleile

If to the Company:

The W Group, Inc.
655 Wheat Lane
Wood Dale, Illinois 60191
Facsimile: (630) 350-0103
Attn: Chief Executive Officer

with a copy to:

Katten Muchin Rosenman LLP
525 West Monroe Street

Chicago, Illinois 60661
Facsimile: (312) 577-8858
Attn: Mark D. Wood, Esq.

or, at such other address and/or facsimile number and/or to the attention of such other Person as the recipient party has specified by written notice to the other party at least five (5) Business Days prior to the effectiveness of such change. Written confirmation of receipt (A) given by the recipient of such notice, consent, waiver or other communication, (B) mechanically or electronically generated by the sender's facsimile machine containing the time, date, recipient facsimile number and an image of the first page of such transmission or (C) provided by a nationally recognized overnight delivery service shall be rebuttable evidence of personal service, receipt by facsimile or deposit with a nationally recognized overnight delivery service in accordance with clause (i), (ii) or (iii) above, respectively.

10.2. Entire Agreement. This Agreement, together with the schedules and exhibits attached hereto and the other Transaction Documents, supersedes all other prior oral and written agreements between the Company, Parent and Merger Sub, their respective Affiliates and Persons acting on their behalf with respect to the matters discussed herein, and this Agreement, together with the other Transaction Documents and the other instruments referenced herein and therein, contains the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, none of the Company or any of its Subsidiaries, Parent or Merger Sub makes any representation, warranty, covenant or undertaking with respect to such matters. As of the date of this Agreement, there are no unwritten agreements between the parties with respect to the matters discussed herein.

10.3. Expenses. Parent hereby represents and warrants that expenses incurred, or to be incurred, by Parent, Merger Sub and Name Change Merger Sub in connection with this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby (excluding the Filing Fees (as defined below)), shall not exceed Twenty-Five Thousand Dollars (\$25,000) (the "Expense Cap"). Except as expressly set forth in Section 7.3(b), each Party shall bear and pay all of the legal, accounting and other expenses incurred by it in connection with the transactions contemplated by this Agreement; provided, however, that the Company shall (a) pay, or cause to be paid, from the proceeds of the Private Placement directly to Parent's legal counsel, promptly following the Closing and upon Parent' providing reasonable documentation thereof, the actual and documented out-of-pocket expenses (excluding the Filing Fees) incurred by Parent, Merger Sub or Name Change Merger Sub in connection with this Agreement and the transactions contemplated hereby; provided further, however, that the payment of such expenses shall not exceed the Expense Cap, and (b) reimburse, or cause to be reimbursed, or otherwise be responsible for, all filings fees incurred by Parent and paid by, or on behalf of, Parent to the Secretary of State of Nevada, the Secretary of State of Delaware and FINRA directly in connection with the transactions contemplated by this Agreement (the "Filing Fees").

10.4. Time. Time is of the essence in the performance of the parties' respective obligations herein contained.

10.5. Severability. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of any provision of this Agreement in any other jurisdiction.

10.6. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors, assigns and heirs; provided, however, that no Party shall directly or indirectly transfer or assign any of its rights hereunder in whole or in part without the written consent of each of the other Parties, which consent may be withheld in the sole discretion of any Party, and any such transfer or assignment without said consent shall be void.

10.7. No Third Parties Benefited. This Agreement is intended for the benefit of the Parties and their respective successors and permitted assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other Person.

10.8. Counterparts. This Agreement and any amendments hereto may be executed and delivered in one or more counterparts, and by the different Parties in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement, and shall become effective when counterparts have been signed by each Party and delivered to the other Parties, it being understood that all Parties need not sign the same counterpart. In the event that any signature to this Agreement or any amendment hereto is delivered by facsimile transmission or by e-mail delivery of a “.pdf” format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or “.pdf” signature page were an original thereof. At the request of any Party, each other Party shall promptly re-execute an original form of this Agreement or any amendment hereto and deliver the same to the other Party. No Party shall raise the use of a facsimile machine or e-mail delivery of a “.pdf” format data file to deliver a signature to this Agreement or any amendment hereto or the fact that such signature was transmitted or communicated through the use of a facsimile machine or e-mail delivery of a “.pdf” format data file as a defense to the formation or enforceability of a contract, and each party hereto forever waives any such defense.

10.9. Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal Laws of the State of Illinois, without giving effect to any choice of Law or conflict of Law provision or rule (whether of the State of Illinois or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of Illinois. Each Party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts for the State of Illinois for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each Party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such Party at the address for such notices to it under this

Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by Law. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION HERewith OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.

10.10. No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

10.11. Interpretive Matters. Unless the context otherwise requires, (a) all references to Sections, Schedules or Exhibits are to Sections, Schedules or Exhibits contained in or attached to this Agreement, (b) each accounting term not otherwise defined in this Agreement has the meaning assigned to it in accordance with GAAP, (c) words in the singular or plural include the singular and plural and pronouns stated in either the masculine, the feminine or neuter gender shall include the masculine, feminine and neuter, and (d) the use of the word “including” in this Agreement shall be by way of example rather than limitation. All references herein and in each of the other Transaction Documents to “dollars” or “\$” shall mean the lawful money of the United States of America.

10.12. Remedies.

(a) Parent and Merger Sub agree that to the extent Parent has incurred losses or damages in connection with this Agreement, (i) the maximum aggregate liability of the Company and its Subsidiaries for such losses or damages shall be limited to the amount of the Termination Fee and the reimbursement of actual and documented expenses of Parent and Merger Sub, and (ii) in no event shall Parent or Merger Sub seek to recover any money damages in excess of such amount from the Company, its Subsidiaries, any of their respective Affiliates or any of their respective directors, officers, members, managers, employees, consultants, accountants, legal counsel, investment bankers, agents or other representatives of the Company and its Subsidiaries.

(b) The parties to this Agreement agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed by Parent or Merger Sub in accordance with their specific terms or were otherwise breached. It is accordingly agreed that, prior to the termination of this Agreement in accordance with Section 7 hereof, the Company shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any court of the United States or any state having jurisdiction, in each case with the posting of a bond or other security or proving actual damages, this being in addition to any other remedy to which they are entitled at law or in equity. The parties hereto acknowledge that neither Parent nor Merger Sub shall be entitled to an injunction or injunctions to prevent breaches of this Agreement by the Company or any of its Subsidiaries or to enforce specifically the terms and provisions of this Agreement and that the sole and exclusive remedy of Parent and Merger Sub with respect to any such breach shall be monetary damages, subject to the limitations set forth in Section 10.12(a).

(c) No failure or delay on the part of any party hereto in the exercise of any power, right, privilege or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right, privilege or remedy preclude other or further exercise thereof or of any other right, power, privilege or remedy.

10.13. Headings. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

[Signature page to follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be binding and effective as of the day and year first above written.

PARENT:

FORMAT, INC.

By: /s/ Ryan A. Neely
Name: Ryan A. Neely
Title: President

MERGER SUB:

PSI MERGER SUB, INC.

By: /s/ Ryan A. Neely
Name: Ryan A. Neely
Title: President

THE COMPANY:

THE W GROUP, INC.

By: /s/ Gary S. Winemaster
Name: Gary S. Winemaster
Title: President

[Signature Page to Agreement and Plan of Merger]



150101



ROSS MILLER
Secretary of State
204 North Carson Street, Suite 1
Carson City, Nevada 89701-4520
(775) 684-5708
Website: www.nvsos.gov

Certificate of Designation
(PURSUANT TO NRS 78.1955)

USE BLACK INK ONLY - DO NOT HIGHLIGHT

ABOVE SPACE IS FOR OFFICE USE ONLY

Certificate of Designation For
Nevada Profit Corporations
(Pursuant to NRS 78.1955)

1. Name of corporation:

Power Solutions International, Inc. (f/k/a Format, Inc.)

2. By resolution of the board of directors pursuant to a provision in the articles of incorporation this certificate establishes the following regarding the voting powers, designations, preferences, limitations, restrictions and relative rights of the following class or series of stock.

Power Solutions International, Inc., a Nevada corporation (the "Company"), hereby certifies that the following resolution was adopted by the Board of Directors of the Company:

RESOLVED, that pursuant to the authority expressly granted to and vested in the Board of Directors of the Company (the "Board of Directors") by the provisions of the Articles of Incorporation of the Company (the "Articles of Incorporation"), there is hereby created, out of the 5,000,000 shares of preferred stock, par value \$.001 per share, of the Company authorized in Article Fourth of the Articles of Incorporation (the "Preferred Stock"), a series of the Preferred Stock consisting of 114,000 shares, which series shall have the following powers, designations, preferences and relative, participating, optional or other rights, and the following qualifications, limitations and restrictions (in addition to any powers, designations, preferences and relative, participating optional or other rights, and any qualifications, limitations and restrictions, set forth in the Articles of Incorporation which are applicable to the Preferred Stock):

(continued on attached document)

3. Effective date of filing: (optional)

(must not be later than 90 days after the certificate is filed)

4. Signature: (required)

X
Signature of Officer

Filing Fee: \$175.00

IMPORTANT: Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected

This form must be accompanied by appropriate fees

Nevada Secretary of State Stock Designation
 Revised 3-6-09

Section 1. Designation of Series.

The shares of Preferred Stock created hereby shall be designated the “Series A Convertible Preferred Stock” (the “**Series A Preferred Stock**”) and the authorized number of shares constituting such series shall be 114,000. Each share of Series A Preferred Stock shall have a stated value equal to \$1,000 (as adjusted for any stock dividends, combinations or splits with respect to such shares) (the “**Stated Value**”).

Section 2. Certain Definitions.

For purposes of this Designation, the following definitions shall apply:

(a) “**Allocation Percentage**” means, with respect to each Holder, as of the applicable date of determination, a fraction of which the numerator is the number of shares of Common Stock issuable upon conversion of the shares of Series A Preferred Stock then held by such Holder (without giving effect to any limitation on conversion thereof) and of which the denominator is the total number of shares of Common Stock issuable upon conversion of all shares of Series A Preferred Stock outstanding as of the Original Issuance Date (without giving effect to any limitation on conversion thereof), giving effect to the consummation of the Merger and the Offering.

(b) “**Business Day**” means a day other than a Saturday, Sunday or day on which banking institutions in New York are authorized or required to remain closed.

(c) “**Change of Control Transaction**” means the occurrence after the date hereof of any of (i) an acquisition by an individual, legal entity or “group” (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of capital stock of the Company, by contract or otherwise) of in excess of 50% of the voting securities of the Company, or (ii) the Company merges into or consolidates with or enters into any share exchange or other business combination transaction with any other Person, or any Person merges into or consolidates with or enters into any share exchange or other business combination transaction with the Company and, after giving effect to such transaction, the shareholders of the Company immediately prior to such transaction own less than 50% of the aggregate voting power of the Company or the successor entity of such transaction, or (iii) the Company sells or transfers all or any substantial portion of its assets to another Person and the shareholders of the Company immediately prior to such transaction own less than 50% of the aggregate voting power of the acquiring entity immediately after the transaction, or (iv) a replacement at one time or within a one year period of more than one-half of the members of the Company’s board of directors which is not approved by a majority of those individuals who are members of the board of directors on the date hereof (or by those individuals who are serving as members of the board of directors on any date whose nomination to the board of directors was approved by a majority of the members of the board of directors who are members on the date hereof), or (v) the execution by the Company of an agreement to which the Company is a party or by which it is bound, providing for any of the events set forth in clauses (i) through (iv) herein.

(d) “**Common Stock**” means the Company’s common stock par value \$0.001 per share, including the stock into which the Series A Preferred Stock is convertible, and any securities into which the Common Stock may be reclassified.

(e) “**Effective Date**” means the effective date of the Reverse Split.

(f) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

(g) “**Excluded Issuances**” means (A) capital stock, Options (as defined in Section 4(d)(i)(1)) or Convertible Securities (as defined in Section 4(d)(i)(1)) issued to directors, officers, employees or consultants of the Company in connection with their service as directors of the Company, their employment by the Company or their retention as consultants by the Company pursuant to an equity compensation program approved by the Board of Directors of the Company or the compensation committee of the Board of Directors of the Company, (B) shares of Common Stock issued upon the conversion or exercise of Options or Convertible Securities issued prior to the date hereof, provided that such securities have not been amended since the date hereof to increase the number of shares of Common Stock issuable thereunder or to lower the exercise or conversion price thereof, (C) securities issued pursuant to the Merger Agreement and securities issued upon the exercise or conversion of those securities, provided such securities are not amended after the date hereof to increase the number of shares of Common Stock issuable thereunder or to lower the exercise or conversion price thereof, (D) securities issued pursuant to the Purchase Agreement and securities issued upon the exercise or conversion of those securities, and (E) shares of Common Stock issued or issuable by reason of a dividend, stock split or other distribution on shares of Common Stock (but only to the extent that such a dividend, split or distribution results in an adjustment in the Conversion Price pursuant to the other provisions of this Series A Preferred Stock).

(h) “**Holder**” shall mean such person or entity in which the Series A Preferred Stock is registered on the books of the Company and such Holder’s permitted and legal assigns of which the Company is notified in writing.

(i) “**Independent Director**” has the meaning given to such term in the Purchase Agreement.

(j) “**Merger**” has the meaning given to such term in the Purchase Agreement.

(k) “**Migratory Merger**” has the meaning given to such term in the Purchase Agreement.

(l) “**Offering**” means the offering, issuance and sale of shares of Preferred Stock of the Company and warrants to purchase shares of Common Stock pursuant to the Purchase Agreement.

(m) “**Original Issuance Date**” means the “Closing Date” as defined in the Purchase Agreement.

(n) “**Person**” shall be construed in the broadest sense and means and includes any natural person, a partnership, a corporation, an association, a joint stock company, a limited

liability company, a trust, a joint venture, an unincorporated organization and other entity or governmental or quasi-governmental entity.

(o) “**Placement Agent**” has the meaning given to such term in the Purchase Agreement.

(p) “**Private Placement Memorandum**” has the meaning given to such term in the Purchase Agreement.

(q) “**Purchase Agreement**” means that certain Purchase Agreement, dated as of April 29, 2011, by and between the Company and the initial purchasers of the Series A Preferred Stock.

(r) “**Required Holders**” as of any date means the holders (other than holders who are directors or officers of the Company) of at least 66 2/3% of the shares of Series A Preferred Stock outstanding as of such date (excluding any shares then held by directors or officers of the Company).

(s) “**Restricted Shares**” means shares of the Company’s Common Stock which are restricted from being transferred by the holder thereof unless the transfer is effected in compliance with the Securities Act and applicable state securities laws (including investment suitability standards, which shares shall bear a legend in substantially the following form):

“The securities represented hereby have not been registered with the Securities and Exchange Commission or the securities commission of any state in reliance upon an exemption from registration under the Securities Act of 1933, as amended, and, accordingly, may not be transferred unless (i) such securities have been registered for sale pursuant to the Securities Act of 1933, as amended, (ii) such securities may be sold pursuant to Rule 144, or (iii) the Company has received an opinion of counsel reasonably satisfactory to it that such transfer may lawfully be made without registration under the Securities Act of 1933, as amended.”

(t) “**Reverse Split**” means a one-for-32 reverse split of the Common Stock which does not reduce the number of shares of Common Stock that the Company is authorized to issue; provided, that, such reverse split may be effected by providing that each 32 shares of Common Stock shall be exchanged for one share of common stock of the surviving entity in the Migratory Merger, in which case the consummation of the Migratory Merger shall constitute the Reverse Split.

(u) “**Securities Act**” means the Securities Act of 1933, as amended.

(v) “**Stock Repurchase**” has the meaning given to such term in the Purchase Agreement.

Section 3. Liquidation Preference.

In the event of a liquidation, dissolution or winding up of the Company, whether voluntary or involuntary (a “**Liquidation**”), the Holders of the Series A Preferred Stock then outstanding shall be entitled, before any distributions shall be made to the holders of the

Common Stock, or any other class or series of capital stock of the Company, to receive out of the available assets of the Company, whether such assets are stated capital or surplus of any nature, an amount on such date equal to the Stated Value per share of Series A Preferred Stock plus the amount of any declared but unpaid Base Dividends as of such date and, as applicable, any accrued but unpaid Additional Dividends as of such date, calculated pursuant to Section 6 (collectively, the “**Liquidation Preference**”). Following payment, the remaining assets (if any) of the Company available for distribution to stockholders of the Company shall be distributed, subject to the rights of the holders of shares of any other series of Preferred Stock ranking prior to the Common Stock as to distributions upon Liquidation, pro rata among (i) the Holders of the then outstanding shares of Series A Preferred Stock (as if the Series A Preferred Stock had been converted into Common Stock as of the date immediately prior to the date fixed for determination of stockholders entitled to receive such distribution) and (ii) the holders of the Common Stock and any other shares of capital stock of the Company ranking on a parity with the Common Stock as to distributions upon Liquidation. If upon any Liquidation the assets available for payment of the Liquidation Preference are insufficient to permit the payment to the Holders of the Series A Preferred Stock of the full preferential amounts described in this paragraph, then all the remaining available assets shall be distributed among the Holders of the then outstanding Series A Preferred Stock pro rata according to the number of then outstanding shares of Series A Preferred Stock held by each Holder thereof. A reorganization, merger, change of control or consolidation of the Company or sale or other disposition of all or substantially all of the assets of the Company shall, at the election of the Required Holders, constitute a Liquidation for purposes of this Section 3.

Section 4. Conversion Rights.

(a) General. Subject to and upon compliance with the provisions of this Section 4, the Holder of any share or shares of Series A Preferred Stock shall have the right, at its option at any time, to convert any such shares of Series A Preferred Stock (the “**Optional Conversion**”) into such number of fully paid and nonassessable whole shares of Common Stock as is obtained by multiplying the number of shares of Series A Preferred Stock so to be converted by the Series A Stated Value per share and dividing the result by the conversion price of \$0.375 per share or, if there has been an adjustment of the conversion price, by the conversion price as last adjusted and in effect at the date any share or shares of Series A Preferred Stock are surrendered for conversion (such price, or such price as last adjusted, being referred to herein as the “**Conversion Price**”). Such Optional Conversion right shall be exercised by the Holder by surrender of a certificate or certificates for the shares of Series A Preferred Stock to be converted to the Company at its principal office (or such other office or agency of the Company as the Company may designate by notice in writing to the Holder) at any time during its usual business hours on the date set forth in such notice, together with a properly completed notice of conversion in the form attached to the Series A Preferred Stock certificate with a statement of the name or names (with address), subject to compliance with applicable laws to the extent such designation shall involve a transfer, in which the certificate or certificates for shares of Common Stock, shall be issued. Such conversion shall be deemed to have been effected and the Conversion Price shall be determined as of the close of business on the date on which such written notice shall have been received by the Company and the certificate or certificates for such shares shall have been surrendered as aforesaid. Upon any conversion of any shares of

Series A Preferred Stock, the Company shall pay to the holder in cash all accrued and unpaid Dividends on such shares to the date of conversion.

(b) Automatic Conversion. Immediately following the Effective Date (the “**Automatic Conversion Date**”), each share of Series A Preferred Stock will automatically convert into shares of the Company’s post-Reverse Split Common Stock (the “**Automatic Conversion**”), at the Conversion Price, as adjusted pursuant to Section 4(d) below, without any required action by the Holder thereof. The Company shall provide prompt written notice to the Holders of the date of the Automatic Conversion but in no event more than two Business Days after the Automatic Conversion Date. As soon as practicable after the Automatic Conversion each stock certificate (if any) evidencing ownership of the Series A Preferred Stock shares, shall be surrendered to the Company for exchange by the Holder thereof.

(c) Issuance of Conversion Shares; Cessation of Rights; Buy-In. Upon receipt of any Series A Preferred Stock certificate(s), duly endorsed, or certifications confirming the ownership of such Series A Preferred Stock, pursuant to any Optional Conversion or Automatic Conversion, the Company (itself, or through its transfer agent) shall promptly issue to the exchanging Holder that number of shares of Common Stock issuable upon conversion of such shares of Series A Preferred Stock being converted upon application of the Conversion Price (the “**Conversion Shares**”). Subject to the terms of the Purchase Agreement, all Common Stock issued to the exchanging stockholders will be issued as Restricted Shares.

Upon the effective date of any Optional Conversion or Automatic Conversion, the rights of the Holder of the shares of Series A Preferred Stock being converted shall cease, and the Person or Persons in whose name or names any certificate or certificates for Conversion Shares are to be issued shall be deemed to have become the holder or holders of record of the shares represented thereby as of the effective date of the Optional Conversion or Automatic Conversion, as applicable.

If (1) a certificate representing the Conversion Shares is not delivered to a Holder within three (3) Business Days of (A) an Optional Conversion or (B) surrender by such Holder of the Series A Preferred Stock certificate(s) representing the shares of Series A Preferred Stock held by such Holder following an Automatic Conversion and (2) prior to the time such certificate is received by such Holder, the Holder, or any third party on behalf of the Holder or for the Holder’s account, purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Holder of shares represented by such certificate (a “**Buy-In**”), then the Company shall pay in cash to the Holder (for costs incurred either directly by such Holder or on behalf of a third party) the amount by which the total purchase price paid for Common Stock as a result of the Buy-In (including brokerage commissions, if any) exceeds the proceeds received by such Holder as a result of the sale to which such Buy-In relates. The Holder shall provide the Company written notice indicating the amounts payable to the holder in respect of the Buy-In.

(d) Adjustments.

(i) If the Company shall issue or sell, or is, in accordance with any of subsections 4(d)(i)(1) through 4(d)(i)(7) hereof, deemed to have issued or sold, any Additional

Shares of Common Stock for no consideration or for a consideration per share less than the Conversion Price in effect immediately prior to the time of such issue or sale, then and in each such case (a “**Trigger Issuance**”) the then-existing Conversion Price, shall be reduced, as of the close of business on the effective date of the Trigger Issuance, to the lowest price per share at which any share of Common Stock was issued or sold or deemed to be issued or sold; provided, however, that in no event shall the Conversion Price after giving effect to such Trigger Issuance be greater than the Conversion Price in effect prior to such Trigger Issuance.

For purposes of this subsection (d), “**Additional Shares of Common Stock**” shall mean all shares of Common Stock issued by the Company or deemed to be issued pursuant to this subsection (d), other than Excluded Issuances.

For purposes of this subsection 4(d)(i), the following paragraphs (1) to (7) shall also be applicable:

(1) Issuance of Rights or Options. In case at any time the Company shall in any manner grant (directly and not by assumption in a merger or otherwise) any warrants or other rights to subscribe for or to purchase, or any options for the purchase of, Common Stock or any stock or security convertible into or exchangeable for Common Stock (such warrants, rights or options being called “**Options**” and such convertible or exchangeable stock or securities being called “**Convertible Securities**”), whether or not such Options or the right to convert or exchange any such Convertible Securities are immediately exercisable, and the price per share for which Common Stock is issuable upon the exercise of such Options or upon the conversion or exchange of such Convertible Securities (determined by dividing (i) the sum (which sum shall constitute the applicable consideration) of (x) the total amount, if any, received or receivable by the Company as consideration for the granting of such Options, plus (y) the aggregate amount of additional consideration payable to the Company upon the exercise of all such Options, plus (z), in the case of such Options which relate to Convertible Securities, the aggregate amount of additional consideration, if any, payable upon the issue or sale of such Convertible Securities and upon the conversion or exchange thereof, by (ii) the total number of shares of Common Stock issuable upon the exercise of such Options or upon the conversion or exchange of all such Convertible Securities issuable upon the exercise of such Options) shall be less than the Conversion Price in effect immediately prior to the time of the granting of such Options, then the total number of shares of Common Stock issuable upon the exercise of such Options or upon conversion or exchange of the total amount of such Convertible Securities issuable upon the exercise of such Options shall be deemed to have been issued for such price per share as of the date of granting of such Options or the issuance of such Convertible Securities and thereafter shall be deemed to be outstanding for purposes of adjusting the Conversion Price. Except as otherwise provided in subsection (3), no adjustment of the Conversion Price shall be made upon the actual issue of such Common Stock or of such Convertible Securities upon exercise of such Options or upon the actual issue of such Common Stock upon conversion or exchange of such Convertible Securities.

(2) Issuance of Convertible Securities. In case the Company shall in any manner issue (directly and not by assumption in a merger or otherwise) or sell any Convertible

Securities, whether or not the rights to exchange or convert any such Convertible Securities are immediately exercisable, and the price per share for which Common Stock is issuable upon such conversion or exchange (determined by dividing (i) the sum (which sum shall constitute the applicable consideration) of (x) the total amount received or receivable by the Company as consideration for the issue or sale of such Convertible Securities, plus (y) the aggregate amount of additional consideration, if any, payable to the Company upon the conversion or exchange thereof, by (ii) the total number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities) shall be less than the Conversion Price in effect immediately prior to the time of such issue or sale, then the total number of shares of Common Stock issuable upon conversion or exchange of all such Convertible Securities shall be deemed to have been issued for such price per share as of the date of the issue or sale of such Convertible Securities and thereafter shall be deemed to be outstanding for purposes of adjusting the Conversion Price; provided that (a) except as otherwise provided in subsection (3), no adjustment of the Conversion Price shall be made upon the actual issuance of such Common Stock upon conversion or exchange of such Convertible Securities and (b) no further adjustment of the Conversion Price shall be made by reason of the issue or sale of Convertible Securities upon exercise of any Options to purchase any such Convertible Securities for which adjustments of the Conversion Price have been made pursuant to the other provisions of subsection 4(d)(i).

(3) Change in Option Price or Conversion Rate. Upon the happening of any of the following events, namely, if the purchase price provided for in any Option referred to in subsection (1) hereof, the additional consideration, if any, payable upon the conversion or exchange of any Convertible Securities referred to in subsection (1) or (2), or the rate at which Convertible Securities referred to in subsection (1) or (2) are convertible into or exchangeable for Common Stock, shall change at any time (including, but not limited to, changes under or by reason of provisions designed to protect against dilution), the Conversion Price in effect at the time of such event shall forthwith be readjusted to the Conversion Price which would have been in effect at such time had such Options or Convertible Securities still outstanding provided for such changed purchase price, additional consideration or conversion rate, as the case may be, at the time initially granted, issued or sold. On the termination of any Option for which any adjustment was made pursuant to this subsection 4(d)(i) or any right to convert or exchange Convertible Securities for which any adjustment was made pursuant to this subsection 4(d)(i) (including without limitation upon the redemption or purchase for consideration of such Convertible Securities by the Company), the Conversion Price then in effect hereunder shall forthwith be changed to the Conversion Price which would have been in effect at the time of such termination had such Option or Convertible Securities, to the extent outstanding immediately prior to such termination, never been issued.

(4) Stock Dividends. Subject to the provisions of this subsection 4(d)(i), in case the Company shall declare or pay a dividend or make any other distribution upon any stock of the Company (other than the Common Stock) payable in Common Stock, Options or Convertible Securities, then any Common Stock, Options or Convertible Securities, as the case may be, issuable in payment of such dividend or distribution shall be deemed to have been issued or sold without consideration.

(5) Consideration for Stock. In case any shares of Common Stock, Options or Convertible Securities shall be issued or sold for cash, the consideration received therefor shall be deemed to be the gross amount received by the Company therefor, before deduction therefrom of any expenses incurred or any underwriting commissions or concessions paid or allowed by the Company in connection therewith. In case any shares of Common Stock, Options or Convertible Securities shall be issued or sold for a consideration other than cash, the amount of the consideration other than cash received by the Company shall be deemed to be the fair value of such consideration as determined in good faith by the Board of Directors of the Company, before deduction of any expenses incurred or any underwriting commissions or concessions paid or allowed by the Company in connection therewith. In case any Options shall be issued in connection with the issue and sale of other securities of the Company, together comprising one integral transaction in which no specific consideration is allocated to such Options by the parties thereto, such Options shall be deemed to have been issued for such consideration as determined in good faith by the Board of Directors of the Company. If Common Stock, Options or Convertible Securities shall be issued or sold by the Company and, in connection therewith, other Options or Convertible Securities (the “**Additional Rights**”) are issued, then the consideration received or deemed to be received by the Company shall be reduced by the fair market value of the Additional Rights (as determined using the Black-Scholes option pricing model or another method mutually agreed to by the Company and the Required Holders). The Board of Directors of the Company shall respond promptly, in writing, to an inquiry by a Holder as to the fair market value of the Additional Rights. In the event that the Board of Directors of the Company and the Required Holders are unable to agree upon the fair market value of the Additional Rights, the Company and the Required Holders shall jointly select an appraiser, who is experienced in such matters. The decision of such appraiser shall be final and conclusive, and the cost of such appraiser shall be borne evenly by the Company and the Holders.

(6) Record Date. In case the Company shall take a record of the holders of its Common Stock for the purpose of entitling them (i) to receive a dividend or other distribution payable in Common Stock, Options or Convertible Securities or (ii) to subscribe for or purchase Common Stock, Options or Convertible Securities, then such record date shall be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

(7) Treasury Shares. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company or any of its wholly-owned subsidiaries, and the disposition of any such shares (other than the cancellation or retirement thereof) shall be considered an issue or sale of Common Stock for the purpose of this Section 4(d)(i).

(ii) If the Company shall, at any time or from time to time while the Series A Preferred Stock is outstanding, pay a dividend or make a distribution on its Common Stock in shares of Common Stock, subdivide its outstanding shares of Common Stock into a greater number of shares or combine its outstanding shares of Common Stock into a smaller

number of shares (including pursuant to the Reverse Split) or issue by reclassification of its outstanding shares of Common Stock any shares of its capital stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing corporation), then the Conversion Price in effect immediately prior to the date upon which such change shall become effective shall be adjusted by multiplying such Conversion Price by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such change and the denominator of which shall be the number of shares of Common Stock outstanding immediately after giving effect to such change and. Such adjustment shall be made successively whenever any event listed above shall occur.

(iii) If any capital reorganization or reclassification of the capital stock of the Company, consolidation or merger of the Company with another corporation in which the Company is not the survivor, or sale, transfer or other disposition of all or substantially all of the Company's assets to another corporation shall be effected, then, as a condition of such reorganization or reclassification, consolidation, merger, sale, transfer or other disposition, lawful and adequate provision shall be made whereby each Holder shall thereafter have the right to receive, upon the basis and upon the terms and conditions specified herein and in lieu of the Conversion Shares immediately theretofore receivable upon the conversion of such share or shares of the Series A Preferred Stock, such shares of stock, securities or assets as would have been issuable or payable with respect to or in exchange for a number of Conversion Shares equal to the number of Conversion Shares immediately theretofore issuable upon conversion of the Series A Preferred Stock, had such reorganization, reclassification, consolidation, merger, sale, transfer or other disposition not taken place, and in any such case appropriate provision shall be made with respect to the rights and interests of such Holder to the end that the provisions hereof (including without limitation provisions for adjustment of the Conversion Price) shall thereafter be applicable, as nearly equivalent as may be practicable in relation to any shares of stock, securities or assets thereafter deliverable upon the exercise of such conversion rights. The Company shall not effect any such consolidation, merger, sale, transfer or other disposition unless prior to or simultaneously with the consummation thereof the successor corporation (if other than the Company) resulting from such consolidation or merger, or the corporation purchasing or otherwise acquiring such assets or other appropriate corporation or entity shall assume the obligation to deliver to the Holders, at the last addresses of such Holders appearing on the books of the Company, such shares of stock, securities or assets as, in accordance with the foregoing provisions, such Holders may be entitled to receive, and the other obligations hereunder. The provisions of this subsection (iii) shall similarly apply to successive reorganizations, reclassifications, consolidations, mergers, sales, transfers or other dispositions.

(iv) In case the Company shall fix a payment date for the making of a distribution to all holders of Common Stock (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing corporation) of evidences of indebtedness or assets (other than cash dividends or cash distributions payable out of consolidated earnings or earned surplus or dividends or distributions referred to in subsection (ii)), or subscription rights or warrants, the Conversion Price to be in effect after such payment date shall be determined by multiplying the Conversion Price in effect immediately prior to such payment date by a fraction, the numerator of which shall be the total number of shares of Common Stock outstanding multiplied by the Market Price (as defined below) per share of Common Stock immediately prior to such payment date, less the fair market value (as

determined by the Company's Board of Directors in good faith) of said assets or evidences of indebtedness so distributed, or of such subscription rights or warrants, and the denominator of which shall be the total number of shares of Common Stock outstanding multiplied by such Market Price per share of Common Stock immediately prior to such payment date. "**Market Price**" as of a particular date (the "**Valuation Date**") shall mean the following: (a) if the Common Stock is then listed on any national stock exchange, the closing sale price of one share of Common Stock on such exchange on the last trading day prior to the Valuation Date; (b) if the Common Stock is then quoted on the OTC Bulletin Board (the "**Bulletin Board**") or a similar quotation system or association, the closing sale price of one share of Common Stock on the Bulletin Board or such other quotation system or association on the last trading day prior to the Valuation Date or, if no such closing sale price is available, the average of the high bid and the low asked price quoted thereon on the last trading day prior to the Valuation Date; or (c) if the Common Stock is not then listed on a national stock exchange or quoted on the Bulletin Board or such other quotation system or association, the fair market value of one share of Common Stock as of the Valuation Date, as determined in good faith by the Board of Directors of the Company and the Required Holders. If the Common Stock is not then listed on a national securities exchange, or quoted on the Bulletin Board or such other quotation system or association, the Board of Directors of the Company shall respond promptly, in writing, to an inquiry by a Holder prior to the conversion of Series A Preferred Stock hereunder as to the fair market value of a share of Common Stock as determined by the Board of Directors of the Company. In the event that the Board of Directors of the Company and the Required Holders are unable to agree upon the fair market value in respect of subpart (c) hereof, the Company and the Required Holders shall jointly select an appraiser, who is experienced in such matters. The decision of such appraiser shall be final and conclusive, and the cost of such appraiser shall be borne equally by the Company and such Holders. Such adjustment shall be made successively whenever such a payment date is fixed.

(v) An adjustment to the Conversion Price shall become effective immediately after the payment date in the case of each dividend or distribution and immediately after the effective date of each other event which requires an adjustment.

(vi) In the event that, as a result of an adjustment made pursuant to this Section 4, the Holders shall become entitled to receive any shares of capital stock of the Company other than shares of Common Stock, the number of such other shares so receivable upon the conversion of the Series A Preferred Stock shall be subject thereafter to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Conversion Shares contained herein.

(vii) Upon any adjustment of the Conversion Price, then, and in each such case, the Company shall give written notice thereof by first class mail, postage prepaid, addressed to each Holder at the address of such Holder as shown on the books of the Company, which notice shall state the Conversion Price resulting from such adjustment, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based.

(e) Other Notices. In case at any time:

(i) the Company shall declare any dividend upon its Common Stock payable in cash or stock or make any other distribution to the holders of its Common Stock;

(ii) the Company shall offer for subscription pro rata to the holders of its Common Stock any additional shares of stock of any class or other rights;

(iii) there shall be any capital reorganization or reclassification of the capital stock of the Company, or a consolidation or merger of the Company with, or a sale of all or substantially all its assets to, another corporation; or

(iv) there shall be a voluntary or involuntary dissolution, liquidation or winding up of the Company;

then, in any one or more of said cases, the Company shall give, by first class mail, postage prepaid, addressed to each Holder at the address of such Holder as shown on the books of the Company, (a) at least 15 days prior written notice of the date on which the books of the Company shall close or a record shall be taken for such dividend, distribution or subscription rights or for determining rights to vote in respect of any such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding up, and (b) in the case of any such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding up, at least 15 days prior written notice of the date when the same shall take place. Such notice in accordance with the foregoing clause (a) shall also specify, in the case of any such dividend, distribution or subscription rights, the date on which the holders of Common Stock shall be entitled thereto, and such notice in accordance with the foregoing clause (b) shall also specify the date on which the holders of Common Stock shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding up, as the case may be.

(f) Limitation on Conversion. Prior to the Effective Date, the Company shall not be obligated to issue any shares of Common Stock upon conversion of the Series A Preferred Stock in excess of the number of Reserved Shares (as defined below). Until the Effective Date, no Holder shall be issued a number of shares of Common Stock upon conversion of such Holder's Series A Preferred Stock greater than the product of the number of Reserved Shares multiplied by such Holder's Allocation Percentage as of the date of such conversion. The provisions of this Section 4(f) shall become ineffective upon the occurrence of the Reverse Split.

(g) Taxes. The Company will pay any and all original issuance, transfer, stamp and other similar taxes that may be payable in respect of the issue or delivery of shares of Common Stock on conversion of Series A Preferred Stock pursuant hereto. The Company shall, however, not be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock upon conversion in a name other than that in which the shares of the Preferred Stock so converted were registered, and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Company the amount of any such tax, or has established, to the satisfaction of the Company, that such tax has been paid.

(h) No Impairment. The Company will not through any reorganization, transfer of assets, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company but will at all times in good faith assist in the carrying out of all the provisions of this Section 4 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the Holders against impairment. Notwithstanding the foregoing, nothing in this Section 4 shall prohibit the Company from amending its Articles of Incorporation with the requisite consent of its stockholders and the Board of Directors.

(i) Fractional Shares. If any conversion of Series A Preferred Stock would result in the issuance of a fractional share of Common Stock (aggregating an individual Holder's shares of Series A Preferred Stock being converted pursuant to the Optional Conversion or the Automatic Conversion, as the case may be), such fractional share shall be rounded up to one whole share of Common Stock.

(j) Reservation of Stock Issuable Upon Conversion. At all times prior to the Reverse Split, the Company shall reserve and keep available out of its authorized but unissued shares of Common Stock solely for the purpose of effecting the conversion of the shares of the Series A Preferred Stock, such number of its shares of Common Stock as shall be equal to the difference between the then authorized number of shares of Common Stock less an amount equal to one hundred and ten percent (110%) of the number of shares of Common Stock outstanding as of the Closing Date, giving effect to the Merger and the Stock Repurchase (the "**Reserved Shares**"). Upon the occurrence of the Reverse Split, the Company shall have sufficient authorized but unissued shares of Common Stock for the purpose of effecting the conversion of the shares of the Series A Preferred Stock as shall be sufficient to effect conversion of all of the then outstanding shares of the Series A Preferred Stock without any limitation on conversion.

Section 5. Voting.

Except as otherwise required by applicable law and in addition to any voting rights provided by law, the Holders of outstanding shares of the Series A Preferred Stock:

- (a) shall be entitled to vote together with the holders of the Common Stock as a single class on all matters submitted for a vote of holders of Common Stock;
- (b) shall have such other voting rights as are specified in the Articles of Incorporation or as otherwise provided by Nevada law; and
- (c) shall be entitled to receive notice of any stockholders' meeting in accordance with the Articles of Incorporation and By-laws of the Company.

Subject to the limitation on conversion set forth in Section 4(f), for purposes of the voting rights set forth in this Section 5(a), each share of Series A Preferred Stock shall entitle the Holder thereof to cast one vote for each whole vote that such Holder would be entitled to cast had such share of Series A Preferred Stock been converted into shares of Common Stock as of the date immediately prior to the record date for determining the stockholders of the Company eligible to vote on any such matter.

Section 6. Dividends.

(a) If dividends are declared or paid or any other distribution is made on or with respect to the Common Stock, each Holder of shares of the Series A Preferred Stock as of the record date established by the Board of Directors for such dividend or distribution on the Common Stock shall be entitled to receive as dividends (the “**Base Dividends**”) an amount (whether in the form of cash, securities or other property) equal to the amount (and in the form) of the dividends or distribution that such Holder would have received had such shares of Series A Preferred Stock been converted into Common Stock as of the date immediately prior to the record date of such dividend or distribution on the Common Stock (without giving effect to any limitation on conversion thereof) such Base Dividends to be payable on the same payment date as the payment date for the dividend on the Common Stock established by the Board of Directors (the “**Base Dividend Payment Date**”). The record date for any such Base Dividends shall be the record date for the applicable dividend or distribution on the Common Stock, and any such Base Dividends shall be payable to the Holder in whose name the Series A Preferred Stock is registered at the close of business on the applicable record date.

(b) If the shares of Series A Preferred Stock shall not have automatically converted into shares of Common Stock pursuant to Section 4 hereof as of a date within 120 days after the Original Issuance Date (the date that is 120 days after the Original Issuance Date being referred to as the “**Additional Dividend Accrual Date**”), each Holder of then outstanding shares of Series A Preferred Stock will thereafter be entitled to receive, when, as and if declared by the Board of Directors out of funds of the Company legally available therefor, non-cumulative cash dividends, accruing on a daily basis from the Additional Dividend Accrual Date, through and including the date on which such dividends are paid, at the annual rate of 2% (the “**Applicable Rate**”) of the Liquidation Preference per share of the Series A Preferred Stock. The cash dividends provided for in this Section 6(b) are hereinafter referred to as “**Additional Dividends.**” Base Dividends and Additional Dividends are hereinafter collectively referred to as “**Dividends.**”

(c) No dividend shall be paid or declared on any share of Common Stock or any other class or series of capital stock of the Company, unless a dividend, payable in the same consideration and manner, is simultaneously paid or declared, as the case may be, on each share of Series A Preferred Stock in an amount determined as set forth in paragraph (a) above. For purposes hereof, the term “**dividends**” shall include any pro rata distribution by the Company, out of funds of the Company legally available therefor, of cash, property, securities (including, but not limited to, rights, warrants or options) or other property or assets to the holders of the Common Stock, whether or not paid out of capital, surplus or earnings.

(d) Prior to declaring any dividend or making any distribution on or with respect to shares of Common Stock, the Company shall take all prior corporate action necessary to authorize the issuance of any securities payable as a dividend in respect of the Series A Preferred Stock.

Section 7. Redemption Rights.

The shares of Series A Preferred Stock shall not have, nor shall they be subject to, any redemption rights.

Section 8. Protective Provisions.

Subject to the rights of any series of Preferred Stock which may from time to time come into existence, so long as any shares of Series A Preferred Stock are outstanding, the Company shall not, without first obtaining the approval (by written consent, as provided by law) of the Required Holders, voting together as a single class:

(a) authorize, create, designate, establish or issue (whether by merger or otherwise) (i) an increased number of shares of Series A Preferred Stock, or (ii) any other class or series of capital stock ranking senior to or on parity with the Series A Preferred Stock as to dividends or upon liquidation or reclassify any shares of Common Stock or any other class or series of capital stock into shares having any preference or priority as to dividends or upon liquidation superior to or on parity with any such preference or priority of the Series A Preferred Stock;

(b) INTENTIONALLY OMITTED

(c) enter into any Change of Control Transaction (other than as described in the Private Placement Memorandum);

(d) amend, alter or repeal, whether by merger, consolidation or otherwise, the Articles of Incorporation or Bylaws of the Company or the Resolutions contained in this Certificate of Designation of the Series A Preferred Stock and the powers, preferences, privileges, relative, participating, optional and other special rights and qualifications, limitations and restrictions thereof, which would adversely affect any right, preference, privilege or voting power of the Series A Preferred Stock, or which would increase or decrease the amount of authorized shares of the Series A Preferred Stock or of any other series of preferred stock ranking senior to the Series A Preferred Stock, with respect to the payment of dividends (whether or not such series of preferred stock is cumulative or noncumulative as to payment of dividends) or upon liquidation;

(e) directly or indirectly, declare or pay any dividend (other than dividends permitted pursuant to Section 6 and dividends payable in shares of Common Stock but only to the extent that such stock dividend results in an adjustment of the Conversion Price pursuant to Section 4(d)(i)(4)) or directly or indirectly purchase, redeem, repurchase or otherwise acquire or permit any Subsidiary to redeem, purchase, repurchase or otherwise acquire (or make any payment to a sinking fund for such redemption, purchase, repurchase or other acquisition) any share of Common Stock or any other class or series of the Company's capital stock (except for shares of Common Stock repurchased from current or former employees, consultants, or directors upon termination of service in accordance with plans approved by the Company's Board of Directors or a committee thereof comprised entirely of Independent Directors) whether in cash, securities or property or in obligations of the Company or any Subsidiary;

(f) except as described in the Private Placement Memorandum, materially change the nature or scope of the business of the Company or enter into any new line of business;

(g) consummate or agree to make any sale, transfer, assignment, pledge, lease, license or similar transaction by which the Company grants any rights to any of the Company's intellectual property or technology other than non-exclusive licenses granted by the Company to customers in connection with the sale of the Company's products in the ordinary course of business consistent with past practices; or

(h) agree to do any of the foregoing.

Section 9. Preemptive Rights.

Holders of the Series A Preferred Stock and holders of Common Stock shall not be entitled to any preemptive, subscription or similar rights in respect of any securities of the Company, except as specifically set forth herein, in the Articles of Incorporation or in any other document agreed to by the Company.

Section 10. Reports.

The Company shall deliver to all Holders of Series A Preferred Stock those reports, proxy statements and other materials that it delivers to all of its holders of Common Stock.

Section 11. Notices.

In addition to any other means of notice provided by law or in the Company's By-laws, any notice required by the provisions of this Designation to be given to the Holders of Series A Preferred Stock shall be deemed given if deposited in the United States mail, postage prepaid, and addressed to each Holder of record at such Holder's address appearing on the books of the Company.

Section 12. Action By Holders.

Any action or consent to be taken or given by the Holders may be given either at a meeting of the Holders called and held for such purpose or, except to the extent expressly prohibited by the Articles of Incorporation, by written consent.

IN WITNESS WHEREOF, this Certificate of Designation is executed on behalf of the Company this 29th, day of April 2011.

POWER SOLUTIONS INTERNATIONAL, INC.

By: /s/ Ryan A. Neely

Name: Ryan A. Neely

Title: President

**AMENDED AND RESTATED BYLAWS
OF
POWER SOLUTIONS INTERNATIONAL, INC.
(f/k/a FORMAT, INC.)**

(Amended and Restated as of April 29, 2011)

ARTICLE I
OFFICES

Section 1.1. Principal and Business Offices. Power Solutions International, Inc. (f/k/a Format, Inc.) (the “Corporation”) may have such principal and other business offices, either within or outside of the State of Nevada, as the Board of Directors of the Corporation (the “Board of Directors”) may designate or as the Corporation’s business may require from time to time.

Section 1.2. Registered Agent and Office. The Corporation’s registered agent may be changed from time to time by or under the authority of the Board of Directors. The address of the Corporation’s registered agent may change from time to time by or under the authority of the Board of Directors, or the registered agent. The business office of the Corporation’s registered agent shall be identical to the registered office. The Corporation’s registered office may, but need not be, identical with the Corporation’s principal office, if any, in the State of Nevada.

ARTICLE II
MEETINGS OF SHAREHOLDERS

Section 2.1. Place of Meetings. The Board of Directors may designate any place, either within or without the State of Nevada, as the place of meeting for any annual meeting or for any special meeting. If no such place is designated by the Board of Directors, the place of meeting will be the principal business office of the Corporation. Notwithstanding the foregoing, the Board of Directors may, in its sole discretion, determine that the meeting shall not be held in any place, but may instead be held solely by means of electronic or telephonic communication, upon such guidelines as the Board of Directors shall determine, provided that such guidelines are consistent with Section 78.320 of the Nevada Revised Statutes, as the same may be from time to time amended (the “NRS”).

Section 2.2. Annual Meeting. Annual meetings of shareholders shall be held at such time and date as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which shareholders shall elect directors to hold office for the term provided in the Articles of Incorporation of the Corporation, as amended (the “Articles of Incorporation”), and conduct such other business as shall have been properly brought before the meeting.

Section 2.3. Special Meetings of Shareholders. Special meetings of the shareholders of the Corporation may be called and conducted only by the Board of Directors pursuant to a resolution approved by a majority of the Board of Directors or at the request in writing of shareholders owning at least fifty percent (50%) of the entire capital stock of the Corporation issued and outstanding and entitled to vote. The business transacted at any special meeting of the shareholders shall be limited to the purposes stated in the notice for the meeting transmitted to shareholders, which only shall be the purposes for which the meeting has been called by the Board of Directors or at the request of the shareholders of the Corporation in accordance with this Section 2.3.

Section 2.4. Notice of Shareholder Meetings.

(a) Except as otherwise required by the NRS, notice of any meeting of shareholders, stating the place, if any, date and hour of the meeting, the means of remote communication, if any, by which shareholders and proxy holders may be deemed to be present in person and vote at such meeting, the record date for determining the shareholders entitled to vote at the meeting (if such date is different from the record date for determining shareholders entitled to notice of the meeting), and if such notice is being delivered in connection with a special meeting, the purpose or purposes for which the meeting is called, shall be given to each shareholder entitled to vote at such meeting as of the record date for determining the shareholders entitled to notice of the meeting not less than ten (10) nor more than sixty (60) days before the date of the meeting. Notice of any such meeting shall be given in writing or by facsimile, electronic mail or other means of electronic transmission. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the shareholder at the shareholder's address as it appears on the records of the Corporation. If notice is given by facsimile transmission, notice is deemed to be given when directed to a number at which the shareholder has consented to receive notice. If notice is given by electronic mail, notice is deemed to be given when directed to an electronic mail address at which the shareholder has consented to receive notice, or if notice is given by posting on an electronic network together with separate notice to the shareholder of such specific posting, notice is deemed to be given upon the later of (a) such posting and (b) the giving of such separate notice. If notice is given by any other means of electronic transmission, notice is deemed to be given when directed to the shareholder.

(b) Notice given to shareholders by electronic mail, facsimile or other electronic transmission shall be effective, provided that notice is given by a form of electronic mail, facsimile or other electronic transmission consented to by the shareholder to whom the notice is given. Any such consent is revocable by the shareholder by written notice to the Corporation. Any such consent shall be deemed to be revoked if (i) the Corporation is unable to deliver two consecutive notices to such shareholder by electronic mail, facsimile or electronic transmission, and (ii) such inability becomes known to the Secretary, any Assistant Secretary of the Corporation or the transfer agent for the Corporation or such other Person (as defined below) responsible for giving notice; provided, however, that the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action. For purposes of these Bylaws, "Person" shall mean an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization or a government, or any department or agency thereof, or any other legal entity.

Section 2.5. Written Consent. Any action required or permitted to be taken at any annual or special meeting of shareholders may be taken without a meeting, without prior notice and without a vote, only as permitted by, and in the manner provided in, the Articles of Incorporation.

Section 2.6. Fixing of Record Date. In order that the Corporation may determine the shareholders entitled to notice of any meeting of shareholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which shall not precede the date upon which the resolution fixing the record date is adopted and which shall be (i) not more than sixty (60) nor less than ten (10) days before the date of a meeting, and (ii) not more than sixty (60) days prior to any other action. Such date shall also be the record date for determining the shareholders entitled to vote at such meeting; provided, however, that the Board of Directors may, as of the date it fixes the record date for determining the shareholders entitled to notice of the meeting, fix a record date for determining the shareholders entitled to vote at the meeting that is later than the record date for determining the shareholders entitled to notice of the meeting and is on or prior to the date of the meeting. A determination of shareholders of record entitled to notice of, or to vote at, a meeting of shareholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for determination of shareholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for shareholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of shareholders entitled to vote in accordance with the foregoing at the adjourned meeting.

Section 2.7. Voting Lists. The officer who has charge of the stock ledger of the Corporation shall prepare and, at least ten (10) days before every meeting of shareholders, make a complete list of the shareholders entitled to vote at the meeting (provided, however, that if the record date for determining the shareholders entitled to vote at the meeting on such issue is fewer than ten (10) days before the meeting date, the list shall reflect the shareholders entitled to vote at the meeting as of the tenth day before the meeting date), arranged in alphabetical order, and showing the address of each shareholder and the number of shares registered in the name of each shareholder. Such list shall be open to the examination of any shareholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours at the principal place of business of the Corporation. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to shareholders of the Corporation. If the meeting is to be held at a place, then the list shall be produced and kept at the place of the meeting during the whole time thereof, and may be inspected by any shareholder that is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any shareholder

during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting.

Section 2.8. Quorum and Adjournments. Unless otherwise provided by law or the Articles of Incorporation, at any meeting of shareholders, a majority of the votes that could be cast by the holders of the shares entitled to vote on the applicable matters before the meeting, present in person or represented by proxy, shall constitute a quorum at the meeting for such matters. Where a separate vote by a class or classes or series is required, a majority of the voting power of the shares of such class or classes or series present in person or represented by proxy shall constitute a quorum entitled to take action with respect to that vote on that matter. If such quorum is not present in person or represented by proxy at such meeting, the holders of a majority of the voting power of stock entitled to vote thereat, present in person or represented by proxy, may adjourn the meeting to another date, time or place (if any).

When a meeting is adjourned to another date, time or place, notice need not be given of the adjourned meeting if the time and place (if any) thereof, and the means of remote communications (if any) by which shareholders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. If the adjournment is for more than thirty (30) days, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the adjourned meeting; provided, however, that if after the adjournment a new record date for shareholders entitled to vote is fixed for the adjourned meeting, the Board of Directors shall fix a new record date for notice of such adjourned meeting in accordance with Section 2.6, and shall give notice of the adjourned meeting to each shareholder of record entitled to vote at such adjourned meeting as of the record date fixed for notice of such adjourned meeting. At any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the original meeting. The shareholders present at a meeting may continue to transact business until adjournment, notwithstanding the withdrawal of such number of shareholders as may leave less than a quorum.

Section 2.9. Voting Rights. Unless otherwise provided in the Articles of Incorporation (including any certificate of designation forming a part thereof), each shareholder having voting power shall, at every meeting of the shareholders of the Corporation, be entitled to one (1) vote in person or by proxy for each share of the capital stock having voting power held by such shareholder. At any meeting of the shareholders, every shareholder entitled to vote may vote in person or by proxy authorized by an instrument in writing, or by facsimile, electronic mail or any other means of electronic transmission permitted by the NRS filed in accordance with the procedure established for the meeting, but no proxy shall be voted on after three (3) years from its date, unless the proxy expressly provides for a longer period. Any copy, facsimile telecommunication or other reliable reproduction of the writing or electronic transmission created pursuant to this paragraph may be substituted or used in lieu of the original writing or electronic transmission for any and all purposes for which the original writing or electronic transmission could be used; provided that such copy, facsimile telecommunication or other reproduction is a complete reproduction of the entire original writing or electronic transmission. All voting may (except where otherwise required by law) be by a voice vote; provided, however, that upon demand therefor by a shareholder entitled to vote or by such shareholder's proxy, a stock vote shall be taken. Every stock vote shall be taken by ballots, each of which shall state

the name of the shareholder or proxy voting and such other information as may be required under the procedure established for the meeting. The Corporation may, and to the extent required by law shall, in advance of any meeting of shareholders, appoint one or more inspectors to act at the meeting, count the votes, decide the results and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate appointed in advance of a meeting is able to act at a meeting of shareholders, the person presiding at the meeting may, and to the extent required by law shall, appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of such inspector's duties, shall take and sign an oath to faithfully execute the duties of inspector with strict impartiality and according to the best of such inspector's ability.

Section 2.10. Vote Required. At any meeting of shareholders duly called and held at which a quorum is present, (i) except to the extent otherwise required by the Articles of Incorporation or the NRS, in all matters other than the election of directors, the affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote on the subject matter shall be the act of the shareholders, and (ii) each director shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting of the shareholders and entitled to vote on the election of directors.

Section 2.11. Presiding Over Meetings. The Chairman of the Board shall preside at all meetings of the shareholders; provided, that in the absence or inability to act of the Chairman of the Board, the Chief Executive Officer, the President or the Chief Financial Officer (in that order) shall preside, and in their absence or inability to act, another person designated by the Board of Directors shall preside. The person presiding shall have the power to adjourn such meeting of shareholders to another date, time and place (if any). The Secretary of the Corporation shall act as secretary of each meeting of the shareholders; provided, however, that in the event of the Secretary's absence or inability to act, the chairman of the meeting shall appoint a person who need not be a shareholder of the Corporation to act as secretary of the meeting.

Section 2.12. Conducting Meetings. Meetings of the shareholders shall be conducted in a fair manner but need not be governed by any prescribed rules of order. The presiding officer's rulings on procedural matters shall be final. The presiding officer is authorized to impose reasonable time limits on the remarks of individual shareholders and to take such steps as such officer may deem necessary or appropriate to assure that the business of the meeting is conducted in a fair and orderly manner.

ARTICLE III DIRECTORS

Section 3.1. General Powers. The business and affairs of the Corporation shall be under the direction of, and managed by, the Board of Directors, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not required by law, the Articles of Incorporation or these Bylaws to be done by the shareholders. Directors need not be residents of the State of Nevada or shareholders of the Corporation. The number of directors shall be determined in the manner provided in the Articles of Incorporation.

Section 3.2. Number and Tenure of Directors. The number and tenure of directors of the Corporation shall be determined as set forth in the Articles of Incorporation. Vacancies shall be filled in accordance with Section 3.4 hereof. Any director may resign at any time effective on giving written notice to the Chairman of the Board, the President or the Board of Directors and to the Secretary. Such notice may be given either in writing or by means of electronic transmission. Such resignation shall take effect at the time specified in such notice and, unless tendered to take effect upon acceptance thereof, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.3. Removal. Any or all of the directors may be removed from office only on the terms set forth, and in the manner provided, in the Articles of Incorporation.

Section 3.4. Vacancies. Any vacancies occurring in the Board of Directors and newly created directorships shall be filled in the manner provided in the Articles of Incorporation.

Section 3.5. Place of Meetings. The Board of Directors may hold meetings, both regular and special, either within or without the State of Nevada. The first meeting of each newly elected Board of Directors shall be held promptly following the adjournment of the annual meeting of the shareholders at the same place as such annual meeting, and no notice of such meeting shall be necessary to the newly elected directors in order to legally constitute the meeting, provided a quorum shall be present. In the event such meeting is not held at such time and place, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors.

Section 3.6. Regular Meetings. Regular meetings of the Board of Directors may be held without notice at such time and in such place, which may be within or without the State of Nevada, as shall from time to time be determined by the Board of Directors; provided, however, that the Board of Directors may determine that the meeting shall not be held in any place, but by means of remote communication.

Section 3.7. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board, the Chief Executive Officer or the President of the Corporation on at least one day's notice, either personally, or by mail, overnight courier, electronic mail, facsimile or other means of electronic transmission to each director. Special meetings shall be called by the Chairman of the Board, the Chief Executive Officer or the President in like manner and on like notice at the written request of a majority of the Board of Directors stating the purpose or purposes for which such meeting is requested. Notice of any meeting of the Board of Directors for which a notice is required may be waived in writing or by electronic transmission signed by the person or persons entitled to such notice, whether before or after the time of such meeting, and such waiver shall be equivalent to the giving of such notice. Attendance of a director at any such meeting shall constitute a waiver of notice thereof, except where the director attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because such meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any meeting of the Board of Directors for which a notice is required need be specified in the notice, or waiver of notice, of such meeting. The Chairman of the Board shall preside at all meetings of the Board of Directors.

In the absence of, or inability to act by, the Chairman of the Board, the Chief Executive Officer, if then a member of the Board of Directors, shall preside, and in the absence of, or inability to act by, the Chief Executive Officer, another director designated by the Board of Directors shall preside.

Section 3.8. Informal Action. Unless otherwise restricted by the Articles of Incorporation, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board of Directors or committee, as the case may be, consent thereto in writing, or by facsimile, electronic mail or other means of electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board of Directors or committee. Such filings shall be in paper form if the minutes are maintained in paper form or in electronic form if the minutes are maintained in electronic form.

Section 3.9. Participation by Conference Telephone. Unless otherwise restricted by the Articles of Incorporation or these Bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or committee, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation by such means shall constitute presence in person at such meeting.

Section 3.10. Quorum; Voting. At all meetings of the Board of Directors, a majority of the then duly elected directors shall constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by the NRS or the Articles of Incorporation. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time.

Section 3.11. Presumption of Assent. A director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be conclusively presumed to have assented to the action taken unless such director's dissent shall be entered in the minutes of the meeting or unless such director shall file such director's written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 3.12. Compensation of Directors. In the discretion of the Board of Directors, the directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors or a committee thereof, may be paid a stated salary or a fixed sum for attendance at each meeting of the Board of Directors or a committee thereof and may be awarded other compensation for their service as directors (or committee members). No such payment or award shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE IV
COMMITTEES OF DIRECTORS

Section 4.1. Appointment and Powers. The Board of Directors may, by resolution passed by a majority of the directors then in office, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member at any meeting of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation (including all powers and authority provided to the Board of Directors under the NRS, the Articles of Incorporation and these Bylaws), and may authorize the seal of the Corporation to be affixed to all papers which may require it.

Section 4.2. Removal. Any member of any committee appointed by the Board of Directors, or the entire membership of such committee, may be removed, with or without cause, by the vote of a majority of the Board of Directors.

Section 4.3. Resignations. Any member of any committee may resign at any time by delivering a written notice of resignation, signed by such member, to the Chairman of the Board, the President or the Board of Directors and to the Secretary. Unless otherwise specified therein, such resignation shall take effect upon delivery. Such notice may be given either in writing or by means of electronic transmission. Such resignation shall take effect upon delivery or, if specified in the notice of resignation, at the time specified in such notice and, unless tendered to take effect upon acceptance thereof, the acceptance of such resignation shall not be necessary to make it effective.

Section 4.4. Committee Minutes. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required. Each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by the NRS.

ARTICLE V
WAIVER OF NOTICE

Section 5.1. Waiver. Whenever any notice is required to be given under the NRS or the provisions of the Articles of Incorporation or these Bylaws, a waiver thereof in writing or by electronic transmission, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of shareholders, directors or members of a committee of the Board of Directors need be specified in any written waiver of notice or any waiver given by electronic transmission.

Section 5.2. Attendance as Waiver of Notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, and objects at the beginning of such meeting, to the transaction of any business because such meeting is not lawfully called or convened.

ARTICLE VI
OFFICERS

Section 6.1. Number and Qualifications. The officers of the Corporation shall be chosen by the Board of Directors and shall be a Chairman of the Board, a Chief Executive Officer, a President, a Chief Financial Officer, one or more Vice Presidents, a Secretary and a Treasurer. The Board of Directors may also choose a Vice Chairman of the Board, one or more Assistant Secretaries and Assistant Treasurers and such additional officers as the Board of Directors may deem necessary or appropriate from time to time. Membership on the Board of Directors shall not be a prerequisite to the holding of any other office. Any number of offices may be held by the same person, unless the Articles of Incorporation or these Bylaws otherwise provide.

Section 6.2. Election. The Board of Directors at its first meeting after each annual meeting of shareholders shall elect the officers of the Corporation. If the election of officers is not held at such meeting, such election shall be held as soon thereafter as may be convenient. The Board of Directors may also elect or appoint officers of the Corporation at any other meeting of the Board of Directors.

Section 6.3. Other Officers and Agents. The Board of Directors may choose such other officers and agents as it shall deem necessary or appropriate, which officers and agents shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

Section 6.4. Compensation of Officers. The Board of Directors shall have the authority to establish compensation of all officers for service to the Corporation. No officer shall be prevented from receiving such salary or other compensation by reason of the fact that such officer is also a director of the Corporation.

Section 6.5. Term of Office. The officers of the Corporation shall hold office until their successors are chosen and qualified or until their earlier resignation or removal. Any officer elected or appointed by the Board of Directors may be removed at any time, either with or without cause, by the affirmative vote of a majority of the directors then in office at any meeting of the Board of Directors. If a vacancy shall exist in any office of the Corporation, the Board of Directors may elect any person to fill such vacancy, such person to hold office as provided in Article VI, Section 6.1.

Section 6.6. The Chairman of the Board. The Chairman of the Board, if one is chosen, shall be chosen by the Board of Directors from among the members of the Board of Directors. The Chairman of the Board shall preside at all meetings of the shareholders and of the Board of

Directors, and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

Section 6.7. The Chief Executive Officer. The Chief Executive Officer shall be the principal executive officer of the Corporation and shall, in general, supervise and control all of the business and affairs of the Corporation, unless otherwise provided by the Board of Directors. In the absence of the Chairman of the Board, the Chief Executive Officer shall preside at all meetings of the shareholders and, if the Chief Executive Officer is a director, at all meetings of the Board of Directors, and shall see that orders and resolutions of the Board of Directors are carried into effect. The Chief Executive Officer may sign bonds, mortgages, certificates for shares and other contracts and documents on behalf of the Corporation, whether or not under the seal of the Corporation, except in cases where the signing and execution thereof shall be expressly delegated by the NRS, the Board of Directors or these Bylaws to some other officer or agent of the Corporation. The Chief Executive Officer shall have general powers of supervision and shall be the final arbiter of all differences between officers of the Corporation, and the Chief Executive Officer's decision as to any matter affecting the Corporation shall be final and binding as between the officers of the Corporation, subject only to the Board of Directors. The Chief Executive Officer shall perform such other duties as the Board of Directors may from time to time prescribe.

Section 6.8. The President. Unless another party has been designated as Chief Operating Officer, the President shall be the Chief Operating Officer of the Corporation, responsible for the day-to-day active management of the business of the Corporation, under the general supervision of the Chief Executive Officer. In the absence of the Chief Executive Officer, the President shall perform the duties of the Chief Executive Officer and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the Chief Executive Officer. The President shall have concurrent power with the Chief Executive Officer to sign bonds, mortgages, certificates for shares and other contracts and documents, whether or not under the seal of the Corporation, except in cases where the signing and execution thereof shall be expressly delegated by the NRS, the Board of Directors or these Bylaws to some other officer or agent of the Corporation. In general, the President shall perform all duties incident to the office of the President and such other duties as the Chief Executive Officer or the Board of Directors may from time to time prescribe.

Section 6.9. The Chief Operating Officer. The Board of Directors shall designate whether the President or some other party shall be the Chief Operating Officer of the Corporation. If the President has not been designated as Chief Operating Officer, the Chief Operating Officer shall have such duties and responsibilities, under the general supervision of the President, as the President or the Board of Directors may from time to time prescribe.

Section 6.10. The Chief Financial Officer. The Chief Financial Officer shall keep or cause to be kept the books of account of the Corporation in a thorough and proper manner, and shall render statements of the financial affairs of the Corporation in such form and as often as required by the Board of Directors or the Chief Executive Officer. The Chief Financial Officer shall perform other duties commonly incident to such office and shall also perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer shall

designate from time to time. The Board of Directors or the Chief Executive Officer may direct any assistant financial officer to assume and perform the duties of the Chief Financial Officer in the absence or disability of the Chief Financial Officer, and each assistant financial officer shall perform other duties commonly incident to such office and shall also perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer shall designate from time to time.

Section 6.11. The Vice Presidents. In the absence of the President or in the event of the President's inability or refusal to act, the Vice President (if there is more than one, in the order determined by the Board of Directors, or in the absence of such determination, then in the order of their election) shall perform the duties of the President and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the President. The Vice Presidents shall perform such other duties and have such other powers as the Chief Executive Officer, the President or the Board of Directors may from time to time prescribe.

Section 6.12. The Secretary. At the direction of the Board of Directors, the Secretary shall attend all meetings of the Board of Directors and all meetings of the shareholders and record all the proceedings of the meetings of the Corporation and of the Board of Directors in a book to be kept for that purpose and shall perform like duties for the committees of the Board of Directors when required. The Secretary shall give, or cause to be given, or cause to be given notice of all meetings of the shareholders and meetings of the Board of Directors and shall perform such other duties as the Chief Executive Officer, the President or the Board of Directors may from time to time prescribe. The Secretary shall have custody of the corporate seal of the Corporation, and the Secretary or an Assistant Secretary shall have authority to affix the same to any instrument requiring it, and when so affixed, it may be attested by the Secretary's signature or by the signature of such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by such officer's signature.

Section 6.13. The Assistant Secretary. The Assistant Secretary, or if there be more than one, the Assistant Secretaries in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election), shall, in the absence of the Secretary or in the event of the Secretary's inability or refusal to act, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Chief Executive Officer, the President or the Board of Directors may from time to time prescribe.

Section 6.14. The Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Chief Executive Officer and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all of the Treasurer's transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond (which shall be renewed every six (6) years) in such sum and with

such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of the Treasurer's office and for the restoration to the Corporation, in case of the Treasurer's death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in the Treasurer's possession or under the Treasurer's control belonging to the Corporation.

Section 6.15. The Assistant Treasurer. The Assistant Treasurer, or if there shall be more than one, the Assistant Treasurers in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election), shall, in the absence of the Treasurer or in the event of the Treasurer's inability or refusal to act, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Chief Executive Officer, the President, the Chief Financial Officer or the Board of Directors may from time to time prescribe.

ARTICLE VII

CERTIFICATES OF STOCK, TRANSFERS AND RECORD DATES

Section 7.1. Form of Certificates. The shares of the Corporation shall be represented by certificates, provided that the Board of Directors may provide by resolution or resolutions that shares of some or all of any or all classes or series of its stock shall be uncertificated. Any such resolutions shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Notwithstanding the adoption of such a resolution by the Board of Directors, every holder of stock in the Corporation shall be entitled to have a certificate signed by, or in the name of, the Corporation by (a) the Chairman of the Board, the Vice-Chairman of the Board or the President of the Corporation, and (b) the Secretary, the Treasurer, an Assistant Secretary or an Assistant Treasurer of the Corporation, certifying the number of shares owned by such holder in the Corporation. If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of such class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock; provided that, except as otherwise provided in Section 78.242 of the NRS, in lieu of the foregoing requirements, there may be set forth, on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock, a statement that the Corporation will furnish without charge to each shareholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Subject to the foregoing, certificates of stock of the Corporation shall be in such form as the Board of Directors may from time to time prescribe.

Section 7.2. Facsimile Signatures. Where a certificate is countersigned (i) by a transfer agent other than the Corporation or its employee or (ii) by a registrar other than the Corporation or its employee, any other signatures on the certificate may be facsimile. In case any officer, transfer agent or registrar who has signed, or whose facsimile signature has been placed upon, a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate

is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Section 7.3. Lost Certificates. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or such owner's legal representative, to advertise the same in such manner as the Corporation shall require and/or give the Corporation a bond in such sum as it may direct as indemnity, or other form of indemnity, against any claim that may be made against the Corporation or its transfer agent or registrar with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 7.4. Transfers of Shares. All transfers of shares of the stock of the Corporation are subject to the terms, conditions and restrictions, if any, of the Articles of Incorporation. Transfers of shares of the capital stock of the Corporation shall be made on the books of the Corporation by the registered holder thereof, or by such holder's attorney thereunder authorized by power of attorney duly executed and filed with the Secretary of the Corporation, or with a transfer agent appointed as provided in Article VII, **Section 7.5**, and, if certificated shares, on surrender of the certificate or certificates for the shares properly endorsed and the payment of all transfer taxes thereon. The person in whose names shares of stock are registered on the books of the Corporation shall be considered the owner thereof for all purposes as regards the Corporation, but whenever any transfer of shares is made for collateral security, and not absolutely, that fact, if known to the Secretary, shall be stated in the entry of transfer. The Board of Directors may, from time to time, make any additional rules and regulations as it may deem expedient, not inconsistent with these Bylaws, concerning the issue, transfer and registration of shares of capital stock of the Corporation.

Section 7.5. Transfer Agents and Registrants. The Board of Directors may appoint one or more transfer agents and one or more registrars for the stock of the Corporation.

Section 7.6. Registered Shareholders. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to, or interest in, such share or shares on the part of any other person, whether or not the Corporation shall have express or other notice thereof, except as otherwise required by law.

ARTICLE VIII
CONFLICT OF INTERESTS

Section 8.1. Contract or Relationship Not Void. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, limited liability company, association or other organization in which one or more of its directors or officers are directors, officers, partners, members or managers or have a financial interest shall be void or voidable solely for this reason, or solely because such director or officer is present at, or participates in, the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because such director's or officer's vote is counted for such purpose, if:

- (a) the material facts of the director's or officer's relationship or interest to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors thereof, even though the disinterested directors be less than a quorum; or
- (b) the material facts of the director's or officer's relationship or interest and to the contract or transaction are disclosed or are known to the shareholders entitled to vote thereon, and the contract or transaction is specifically approved by vote of the shareholders; or
- (c) the fact of the director's or officer's relationship or interest to the contract or transaction is not known to the director or officer at the time the transaction is brought before the Board of Directors or committee; or
- (d) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified by the Board of Directors, a committee thereof, or the shareholders.

Section 8.2. Quorum. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

ARTICLE IX
GENERAL PROVISIONS

Section 9.1. Dividends. Dividends upon the capital stock of the Corporation, subject to the provisions of the Articles of Incorporation and the NRS, if any, may be declared by the Board of Directors at any regular or special meeting thereof, pursuant to law, out of funds legally available therefor. Dividends may be paid in cash, in property or in shares of capital stock or rights to acquire the same, subject to the provisions of the Articles of Incorporation and the NRS. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the directors shall think conducive to the interest of the Corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

Section 9.2. Checks. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 9.3. Fiscal Year. The fiscal year of the Corporation shall end on the thirty-first (31st) day of December of each year unless otherwise fixed by resolution of the Board of Directors.

Section 9.4. Stock in Other Corporations. Shares of any other corporation which may from time to time be held by this Corporation may be represented and voted at any meeting of shareholders of such corporation by the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer or a Vice President of the Corporation, or by any proxy appointed in writing by the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer or a Vice President of the Corporation, or by any other person or persons thereunto authorized by the Board of Directors. Shares of capital stock of any other corporation represented by certificates standing in the name of the Corporation may be endorsed for sale or transfer in the name of the Corporation by the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer or any Vice President of the Corporation or by any other officer or officers thereunto authorized by the Board of Directors.

Section 9.5. Corporate Seal. The Corporation may have, but shall not be required to have, a corporate seal as shall be determined by the Secretary of the Corporation in the Secretary's discretion. If a corporate seal is obtained, the seal shall contain the name of the Corporation and the words "Corporate Seal, Nevada", and the use thereof shall be determined from time to time by the officer or officers executing and delivering instruments on behalf of the Corporation, provided that the affixing of a corporate seal to an instrument shall not give the instrument additional force or effect or change the construction thereof. The seal, if any, may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

Section 9.6. Acquisition of Controlling Interest. The provisions of NRS 78.378 through 78.3793, inclusive, regarding the acquisition of a controlling interest, shall not apply to the Corporation.

ARTICLE X AMENDMENTS

These Bylaws may be altered, amended or repealed, and new bylaws may be adopted, only in the manner provided in the Articles of Incorporation.

ARTICLE XI INDEMNIFICATION

Section 11.1. Indemnification of Officers and Directors. The Corporation shall:

- (a) indemnify, to the fullest extent permitted by the Corporation, any present or former director of the Corporation, and may indemnify any present or former officer, employee or agent of the Corporation selected by, and to the extent determined by, the Board of Directors for indemnification, the selection and determination of which may be evidenced by an indemnification agreement, who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person (a) is not liable pursuant to NRS 78.138, or (b) acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the person is liable pursuant to NRS 78.138 or did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person's conduct was unlawful; and
- (b) indemnify any present or former director of the Corporation, and may indemnify any present or former officer, employee or agent of the Corporation selected by, and to the extent determined by, the Board of Directors for indemnification, the selection and determination of which may be evidenced by an indemnification agreement, who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise against expenses (including amounts paid in settlement and attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person (a) is not liable pursuant to NRS 78.138, or (b) acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the Corporation, or for amounts paid in settlement to the Corporation, unless and only to the extent that the court in which such action or

suit was brought or other court of competent jurisdiction shall determine upon application that in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper; and

- (c) indemnify any present or former director of the Corporation, and may indemnify any present or former officer, employee or agent of the Corporation selected by, and to the extent determined by, the Board of Directors for indemnification, the selection and determination of which may be evidenced by an indemnification agreement, against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith, to the extent that a present or former director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in paragraph (a) or (b) of this Section 11.1, or in defense of any claim, issue or matter therein; and
- (d) make any indemnification under paragraph (a) or (b) of this Section 11.1 (unless ordered by a court or advanced pursuant to paragraph (e) below) only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent of the Corporation is proper in the circumstances. Such determination shall be made (1) by the stockholders of the Corporation; (2) by the Board of Directors by majority vote of a quorum consisting of directors who were not parties to the action, suit or proceeding; (3) if a majority vote of a quorum consisting of directors who were not parties to the action, suit or proceeding so orders, by independent legal counsel in a written opinion; or (4) if a quorum consisting of directors who were not parties to the action, suit or proceeding cannot be obtained, by independent legal counsel in a written opinion; and
- (e) pay expenses incurred by a present or former director, or by any present or former officer, employee or agent of the Corporation selected for indemnification by the Board of Directors in accordance with paragraph (a) or (b) of this Section 11.1, in defending a civil or criminal action, suit or proceeding in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined by a court of competent jurisdiction that such director or officer is not entitled to be indemnified by the Corporation as authorized in Article XI herein; and
- (f) not deem the indemnification and advancement of expenses provided by, or granted pursuant to, the other sections of this Article XI exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Bylaws, any agreement, any vote of stockholders or disinterested directors or otherwise, for either an action in such person's official capacity or an action in another capacity while holding such office or position, except that indemnification, unless ordered by a court pursuant to NRS 78.7502 or

for the advancement of expenses made pursuant to paragraph (e), may not be made to or on behalf of any director or officer if a final adjudication establishes that the director's or officer's acts or omissions involved intentional misconduct, fraud or a knowing violation of the law and was material to the cause of action; and

- (g) have the right, power and authority to purchase and maintain insurance or make other financial arrangements (in accordance with NRS 78.752) on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise for any liability asserted against such person and liability and expenses incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability and expenses; and
- (h) continue the indemnification and advancement of expenses provided by, or granted pursuant to, Article XI herein as to a person who has ceased to be a director, officer, employee or agent of the Corporation, and the indemnification and advancement of expenses provided by, or granted pursuant to this Article XI shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 11.2. Independent Legal Counsel.

If the determination as to entitlement of any present or former director, officer, employee or agent of the Corporation (each an "Indemnitee") to indemnification pursuant to Section 11.1 is to be made by independent counsel, the independent counsel shall be selected as provided in this Section 11.2. The independent counsel shall be selected by the Indemnitee, and such Indemnitee must give prompt written notice to the Corporation advising it of the identity of the independent counsel so selected, unless such Indemnitee asks that independent counsel be selected by the Board of Directors. If the independent counsel is selected by the Board of Directors, the Corporation shall give prompt written notice to such Indemnitee setting forth the identity of the independent counsel. In either event, the Indemnitee or the Corporation, as the case may be, may, within ten days after the written notice of selection is received, deliver to the other party a written objection to the selection. These objections may be asserted only on the grounds that the independent counsel selected has represented the Corporation or such Indemnitee in the previous five years or is not experienced in corporate law, and the objection must set forth with particularity the factual basis of the assertion. Absent a proper and timely objection, the independent counsel so selected shall act as independent counsel. If within 20 days after submission by Indemnitee of a request for indemnification, no independent counsel has been selected and not objected to, either the Corporation or the Indemnitee may petition a court with jurisdiction over the parties for resolution of the objection and/or the appointment of such independent counsel by the Court. The Corporation shall pay the reasonable fees and expenses of independent counsel and fully indemnify and hold such independent counsel harmless against

Section 11.3. Indemnification: Presumptions.

- (a) In determining whether an Indemnitee is entitled to indemnification under this Article XI, the Person or Persons making the determination shall presume that the Indemnitee is entitled to indemnification under this Article XI, and the Corporation shall have the burden of proof to overcome that presumption. Neither of the following is a defense to an action seeking a determination granting indemnification to an Indemnitee or creates a presumption that Indemnitee has not met the applicable standard of conduct: (i) the failure of the Corporation (including the Board of Directors or independent counsel) to have made a determination before the beginning of an action seeking a ruling that indemnification is proper nor (ii) an actual determination by the Corporation (including the Board of Directors or the independent counsel) that the Indemnitee has not met the applicable standard of conduct.
- (b) If the Person or Persons selected under this Article XI to determine whether an Indemnitee is entitled to indemnification has not made a determination within 90 days after receipt by the Corporation of the request for indemnification, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by the Indemnitee of a material fact or an omission of material fact necessary to make such Indemnitee's statements made in connection with the request for indemnification materially misleading, or (ii) a final judicial determination that indemnification in such circumstance is expressly prohibited under applicable law. The 90-day period may be extended for a reasonable time, not to exceed 60 additional days, if the Person or Persons making such determination requires the additional time for obtaining or evaluating documents or information in connection therewith and delivers, no later than 10 days prior to the expiration of such original 90-day period, written notice of such extension to the Corporation and the Indemnitee.
- (c) The termination of any action, suit or proceeding or any claim therein, by judgment, order, settlement or conviction, or upon a plea of *nolo contendere*, does not (except as expressly provided elsewhere in this Article XI) of itself adversely affect the right of the Indemnitee to indemnification or create a presumption that the Indemnitee did not meet any particular standard of conduct, did not act in good faith and in a manner which the Indemnitee reasonably believed to be in or not opposed to the best interests of the Corporation or, with respect to any criminal proceeding, that Indemnitee had reasonable cause to believe his conduct was unlawful.
- (d) In determining good faith for purposes of this Article XI, an Indemnitee shall be deemed to have acted in good faith and in a manner which such Indemnitee

reasonably believed to be in or not opposed to the best interests of the Corporation if such Indemnatee's action is based on the records or books of account of the Corporation, including financial statements, or on information, opinions, reports or statements supplied to such Indemnatee by the directors or officers of the Corporation or other enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or the enterprise or on information or records given or reports made by an independent certified public accountant or by an appraiser or other expert.

- (e) The knowledge and actions or failures to act of any other director, officer, trustee, partner, member, fiduciary, agent or employee of the Corporation or other enterprise shall not be imputed to an Indemnatee for the purposes of determining such Indemnatee's right to indemnification.

Section 11.4. Indemnification: Remedies of Indemnatee.

- (a) If a determination is made that an Indemnatee is not entitled to indemnification under this Article XI, any judicial proceeding begun pursuant to this Article XI must be conducted in all respects as a *de novo* trial or arbitration, on the merits, and such Indemnatee shall not be prejudiced by reason of any such adverse determination. In such a proceeding or arbitration, the Indemnatee shall be presumed to be entitled to indemnification and the Corporation shall have the burden of proving the Indemnatee is not entitled to be indemnified. The Corporation may not refer to, or introduce into evidence, any determination made pursuant to this Article XI adverse to the Indemnatee for any purpose. If the Indemnatee begins a judicial proceeding or arbitration seeking indemnification, the Indemnatee is not required to reimburse the Corporation for any advances until a final determination is made with respect to the Indemnatee's right to indemnification, after all rights of appeal have been exhausted or lapsed.
- (b) If it has been determined in accordance with paragraph (d) of Section 11.1, or otherwise pursuant to a judicial proceeding in accordance with this Article XI, that an Indemnatee is entitled to indemnification, the Corporation is bound by that determination in any judicial proceeding commenced by the Indemnatee seeking to compel such indemnification by the Corporation, absent (i) a misstatement by the Indemnatee of a material fact or an omission of a material fact necessary to make the Indemnatee's statement not materially misleading in connection with the request for indemnification or (ii) a prohibition of the indemnification under applicable law. In any proceeding commenced by the Indemnatee seeking indemnification, the Corporation shall be precluded from asserting that the procedures and presumptions of this Article XI are not valid, binding and enforceable and must stipulate that the Corporation is bound by all the provisions of this Article XI.
- (c) A Corporation shall advance to the Indemnatee, the Indemnatee's expenses incurred in connection with any judicial proceeding brought by the Indemnatee to

enforce his right for indemnification or to recover advances under any insurance policy maintained for the benefit of the Indemnatee, within 10 days after the Corporation's receipt of a request by, or on behalf of, the Indemnatee and an undertaking by or on behalf of such Indemnatee to repay such amount if it shall ultimately be determined by a court of competent jurisdiction that such Indemnatee is not entitled to such indemnification, advance or insurance recovery.

Section 11.5. Indemnification: Miscellaneous.

No amendment, alteration or repeal of this Article XI shall limit or restrict, or shall be deemed to limit or restrict, any right of the Indemnatee under this Article XI with respect to any action taken before the amendment, alteration or repeal. If a change in applicable law permits greater indemnification than that which would be afforded under this Article XI, it is the intent of the Corporation that the Indemnatee shall enjoy by this Section 11.5 the greater benefits so afforded.

**STOCK REPURCHASE AND
DEBT SATISFACTION AGREEMENT**

This Stock Repurchase and Debt Satisfaction Agreement (this “Agreement”) is made and entered into as of April 29, 2011, by and between Format, Inc., a Nevada corporation (the “Company”), and Ryan A. Neely and Michelle Neely (each, a “Shareholder” and, together, the “Shareholders”). Each of the Company and the Shareholders is referred to herein individually as a “Party,” or collectively as the “Parties.” Capitalized terms used, but not otherwise defined, herein shall have the meanings ascribed to them in the Merger Agreement (as defined below).

RECITALS

WHEREAS, the Shareholders are, and as of the Closing (as defined below) will be, the sole beneficial owners of an aggregate of three million (3,000,000) shares (the “Shares”) of the Company’s common stock, par value \$0.001 per share (the “Common Stock”), of which Ryan Neely is, and as of the Closing will be, the sole record holder.

WHEREAS, the Company has entered into an Agreement and Plan of Merger, dated as of April 29, 2011 (the “Merger Agreement”), by and among the Company, The W Group, Inc., a Delaware corporation (“Acquiror”), and the Company’s wholly-owned subsidiary, PSI Merger Sub, Inc., a Delaware corporation (“Merger Sub”), pursuant to which Merger Sub shall merge with and into Acquiror, and Acquiror shall continue as the surviving corporation as a wholly-owned subsidiary of the Company.

WHEREAS, from time to time the Shareholders have made unsecured, non-interest bearing loans, payable on demand, to the Company, and as of the date of this Agreement, the Company has, and as of the Closing Date will have, indebtedness owed to the Shareholders in the aggregate amount of \$114,156 (the “Outstanding Debt”).

WHEREAS, in consideration of Acquiror’s willingness to enter into the transactions contemplated by the Merger Agreement, the Shareholders desire, jointly and severally, (a) to sell to the Company, and the Company desires to repurchase from the Shareholders, the Shares, and (b) to terminate all of their right, title and interest (whether held collectively by the Shareholders or individually by either Shareholder) in and to, and release the Company from any and all obligations it may have with respect to, the Outstanding Debt, in exchange for Three Hundred Sixty Thousand Dollars (\$360,000).

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Parties, the Parties hereby agree as follows:

1. Repurchase of Shares; Satisfaction of Outstanding Debt.

- (a) Repurchase and Sale of the Shares; Satisfaction of Outstanding Debt. Upon the terms and subject to the conditions set forth in this Agreement, (i) (A) the Company hereby agrees to repurchase from the Shareholders, and the Shareholders

hereby agree, jointly and severally, to sell to the Company, at the Closing, all of the Shareholders' right, title and interest in and to the Shares, free and clear of all Liens, and (B) the Shareholders hereby agree, jointly and severally, to terminate all of their right, title and interest (whether held collectively by the Shareholders or individually by either Shareholder) in and to, and forever release the Company from any and all obligations it may have with respect to, the Outstanding Debt (the "Debt Satisfaction"), and with respect to any other amounts (including any accrued compensation) that may have at any time been owing from the Company to the Shareholders, effective upon the Closing. The purchase price for the Shares and the Debt Satisfaction shall be Three Hundred Sixty Thousand Dollars (\$360,000) (the "Purchase Price").

(b) Closing Deliverables. At the Closing, the Company shall deliver to Ryan Neely, for his benefit and the benefit of Michelle Neely, the Purchase Price, by wire transfer of immediately available funds, in accordance with the wire transfer instructions of the Shareholders set forth on Exhibit A. At the Closing, the Shares shall be void and shall be of no further force or effect and returned to the authorized but unissued shares of Common Stock on the books and records of the Company, and the Shareholders shall deliver to the Company the certificate or certificates representing the Shares, accompanied by an irrevocable stock power duly executed in blank (with a medallion guarantee or such other evidence of signature as the Company's transfer agent may require), for cancellation.

(c) General Release. In consideration of the payment to the Shareholders of the Purchase Price and other consideration set forth herein, effective as of the Closing, each Shareholder, on behalf of itself and, to the extent permitted by law, its heirs, executors, representatives, predecessors, agents, associates, affiliates, attorneys, accountants, successors, successors-in-interest and assignees (collectively, the "Shareholder Releasing Persons"), hereby waives and releases, to the fullest extent permitted by law, but subject to the last sentence of this Section 1(c), any and all claims, rights and causes of action, whether known or unknown (collectively, the "Shareholder Claims"), that any of the Shareholder Releasing Persons had, currently has or then has against (i) the Company, (ii) any of the Company's current or former parents, shareholders, affiliates, subsidiaries, predecessors or assigns, or (iii) any of the Company's or such other Persons' current or former officers, directors, employees, agents, principals, investors, signatories, advisors, consultants, spouses, heirs, estates, executors, attorneys, auditors and associates and members of their immediate families. The Company and each of the Shareholders acknowledge and agree that the releases set forth in this Section 1(c) do not affect any claim which any Shareholder Releasing Person may have under this Agreement, the Merger Agreement or any of the other Transaction Documents.

(d) Allocation of Purchase Price. The Parties hereby acknowledge and agree that (1) \$114,156 of the Purchase Price shall be allocated to the Debt Satisfaction, and (2) the remaining \$245,844 of the Purchase Price shall be allocated to the repurchase by the Company of the Shares from the Shareholders at the Closing, in each case in accordance with the terms and conditions hereof. The Parties hereby covenant,

acknowledge and agree that such allocation was determined in an arm's length negotiation and none of the Parties shall take a position on any Tax Return, before any Governmental Authority or in any judicial proceeding that is in any way inconsistent with such allocation without the written consent of each other Party (which consent shall not be unreasonably withheld) or unless specifically required pursuant to a determination by an applicable Governmental Authority.

2. Closing. The closing of the transactions contemplated hereby (the "Closing") shall take place at the offices of Katten Muchin Rosenman LLP, 525 West Monroe Street, Chicago, Illinois 60661, or at such other place as the Parties may mutually agree, concurrently with the closing of the Merger, subject to the satisfaction (or waiver) of all of the conditions to the Closing set forth in Section 6 (the "Closing Date"). In the event the Merger Agreement terminates prior to the consummation of the Merger, this Agreement (and the rights and obligations of the Parties hereto) shall automatically, and without further action of any of the Parties, be terminated and be of no further force or effect; provided, however, that no such termination shall relieve any Party (a "Breaching Party") from any liabilities incurred or suffered by any other Party as a result of any fraud of such Breaching Party or any knowing or intentional breach by such Breaching Party of any of its representations, warranties, covenants, or other agreements set forth in this Agreement that caused, or would reasonably be expected to cause, any of the conditions set forth in Section 6 not to be satisfied.

3. Representations of the Shareholder. The Shareholders hereby jointly and severally represent and warrant to the Company, as of the date of this Agreement and as of the Closing Date, that:

(a) Authority and Enforceability. Each Shareholder has all requisite power, legal capacity and authority to execute, deliver and perform such Shareholder's obligations under this Agreement, including the transfer and sale of the Shares to the Company and the Debt Satisfaction. This Agreement has been duly executed and delivered by each Shareholder and constitutes the legal, valid and binding agreement of such Shareholder enforceable against such Shareholder in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, fraudulent conveyance or other similar laws affecting creditors' rights generally and general principles of equity. Each of the Shareholders acknowledges and agrees that the receipt by Ryan Neely of the Purchase Price shall constitute the receipt by both of the Shareholders of the Purchase Price.

(b) Ownership of Shares. (i) The Shareholders are the sole beneficial owners, and (ii) Ryan Neely is the sole holder of record, of the Shares, free and clear of any and all Liens, and upon transfer of the Shares to the Company pursuant to Section 1 hereof, the Company will acquire good, valid and marketable title to the Shares, free and clear of any and all Liens. The Shareholders have the sole and absolute right and power to sell, assign and transfer the Shares as provided in this Agreement, and there exist no restrictions on the transfer of the Shares to the Company. The Shareholders do not own any Capital Stock (or any other securities convertible or exercisable into or exchangeable for any Capital Stock) of the Company other than the Shares, and neither Shareholder is a party to any option, warrant, purchase right or other contract

or commitment (other than this Agreement) that provides such Shareholder any right to acquire any Capital Stock (or any other securities convertible into or exercisable for any Capital Stock) of the Company or that requires, or could be deemed to require, such Shareholder to sell, transfer, or otherwise dispose of any Capital Stock of the Company.

(c) Ownership of Outstanding Debt. The Shareholders, collectively, are the owners of one hundred percent (100%) of the undivided legal, beneficial and equitable interest in and to the Outstanding Debt, free and clear of any Liens, and neither Shareholder has previously assigned the Outstanding Debt, in whole or in part, to any other Person. The aggregate outstanding principal amount of the Outstanding Debt, which Outstanding Debt does not accrue, and has not accrued, any interest, as of the date hereof is \$114,156. The Outstanding Debt is not secured by, and neither of the Shareholders has, any Liens on any of the assets or Capital Stock of the Company. Other than the Outstanding Debt and any accrued compensation being terminated and released as of the Closing, there is no Indebtedness of the Company to either of the Shareholders, nor any other liabilities or other amounts owed to either of the Shareholders, or to which either of the Shareholders may be entitled from the Company, for any reason. Following the Closing, there will not be any Indebtedness of the Company to either of the Shareholders, nor any other liabilities or other amounts owed to either of the Shareholders, or to which either of the Shareholders may be entitled from the Company, for any reason.

(d) Brokers. Neither Shareholder has any liability or obligation, and neither Shareholder has taken any action that would give rise to a claim against the Company, for any brokerage commission, finder's fee or other like payment with respect to the transactions contemplated by this Agreement or by the Merger Agreement.

(e) Claims. There are no actions, suits, proceedings or claims pending or, to the knowledge of either of the Shareholders, threatened with respect to, or in any manner affecting, the sale of the Shares by the Shareholders to the Company or the Debt Satisfaction.

(f) Approvals. No action, approval, consent, authorization, notice or filing on the part of the Shareholders, including any action, approval, consent or authorization by or notice to or filing with any governmental or quasi-governmental agency, self-regulatory organization, commission, board, bureau or instrumentality, is necessary or required as to the Shareholders in order to permit the sale and transfer of the Shares or consummation of the Debt Satisfaction, in each case in accordance with this Agreement.

(g) No Breach of Law or Contract. Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (i) violate any domestic or foreign, federal, state or local statute, law, ordinance, rule, administrative interpretation, regulation, order, writ, injunction, decree or other restriction of any governmental authority to which either Shareholder is subject or which otherwise is applicable to either of the Shareholders or the Shares, (ii) violate,

conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument or other arrangement to which either of the Shareholders is a party or by which either of the Shareholders is bound or to which the Shares are subject, or (iii) result in the imposition or creation of any Lien upon or with respect to any of the Shares.

(h) Valuation. Each of the Shareholders understands, acknowledges and agrees that (i) the value per share of Common Stock reflected in the issuance of shares of Common Stock and Parent Preferred Stock (assuming the conversion of such shares into Common Stock) in the Merger and the sale of shares of Parent Preferred Stock and the Private Placement Warrants (assuming the conversion of such shares, and the exercise of the Private Placement Warrants, into Common Stock, as applicable) in the Private Placement may be greater than the price per share of Common Stock reflected in this Agreement, (ii) that, prior to the consummation of the Merger, Ryan Neely served as a sole executive officer and director of the Company, (iii) that Michelle Neely is the spouse of, and shares a household with, Ryan Neely, and (iv) that each of the Shareholders performed its own valuation of the Shares, without reliance on any information prepared or otherwise provided by the Company, and hereby assumes all risk of any error or judgment with respect to such Shareholder's valuation of the Common Stock (and computations with respect thereto). The Shareholders, jointly and severally, represent, warrant and acknowledge that the Shareholders and the Company may have differing views of the current and future value of the Common Stock, including the Shares. The Shareholders further acknowledge, jointly and severally, that neither the Company nor Acquiror nor any member of the Company's or Acquiror's management, nor any other Person, is making or has made any statement, representation or warranty to either of the Shareholders concerning the fairness or adequacy of the consideration given or received under this Agreement or the current or future value of the Common Stock, including the Shares.

(i) Sophistication. Each of the Shareholders (i) is an "accredited investor" as defined in Rule 501(a) of Regulation D promulgated under the Securities Act, (ii) is a sophisticated seller with respect to the Shares, (iii) has adequate information concerning the Shares, (iv) has adequate information concerning the business and financial condition of the Company and any affiliates of the Company, (v) has conducted, to the extent such Shareholder deemed necessary, an independent investigation of such matters as, in such Shareholder's judgment, is necessary for such Shareholder to make an informed decision with respect to the sale by the Shareholders of the Shares pursuant to this Agreement, and (vi) has not relied upon the Company or Acquiror or any members of Acquiror's management for any investigation into, assessment of, or evaluation with respect to the current or future value of the Common Stock, including the Shares, and has not relied upon any statement made by the Company or Acquiror or any members of Acquiror's management, or any other Person, in determining whether to enter into this Agreement upon the terms and conditions set forth herein.

(j) Merger Agreement. The representations and warranties of the Company contained in the Merger Agreement and the other Transaction Documents are true and correct as of the date when made and shall be true and correct as of the Closing Date (as defined in the Merger Agreement) as though made at that time (except for representations and warranties that speak as of a specific date, which shall be true and correct as of such date).

(k) Reliance. The foregoing representations and warranties are made by the Shareholders with the knowledge and expectation that the Company is reasonably relying upon them.

4. Representations of the Company. The Company hereby represents and warrants to the Shareholders, as of the date of this Agreement and as of the Closing Date, that:

(a) Authority and Enforceability. The Company has all requisite power, legal capacity and authority to enter into this Agreement and to assume and perform its obligations hereunder. This Agreement has been duly executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, fraudulent conveyance or other similar laws affecting creditors' rights generally and general principles of equity.

(b) Claims. There are no actions, suits, proceedings or claims pending or, to the knowledge of the Company, threatened with respect to or in any manner affecting the sale of the Shares by the Shareholder to the Company or the Debt Satisfaction.

(c) Approvals. No action, approval, consent, authorization, notice or filing, including, any action, approval, consent or authorization by or notice to or filing with any governmental or quasi-governmental agency, self-regulatory organization, commission, board, bureau or instrumentality, is necessary or required as to the Company in order to permit the sale and transfer of the Shares or consummation of the Debt Satisfaction, in each case in accordance with this Agreement.

5. Specific Disclaimers. Each of the Shareholders specifically disclaims any claim for any interest in the profits, losses, cash or other assets of the Company or Acquiror or from the future value of the Company attributable to the Shares. The Shareholders, jointly and severally, represent, warrant and acknowledge that following the Closing Date, the Company may re-issue the Shares as treasury shares or sell new shares of Common Stock for a higher price per share (or issue or grant securities convertible or exercisable into or exchangeable for shares of Common Stock for a higher price per share on an as converted basis) than either of the Shareholders is or will be receiving pursuant to this Agreement, and neither of the Shareholders shall have any interest whatsoever therein nor any claim relating thereto.

6. Conditions to Obligation to Close.

(a) Conditions to Obligations of the Company. The Company's obligations to consummate the transactions contemplated hereby are subject to the fulfillment or satisfaction, prior to or on the Closing Date, of the following conditions; provided that

these conditions are for the Company's sole benefit and may be waived only by the Company at any time in its sole discretion by providing the Shareholder with prior written notice thereof:

(i) the Merger and the Private Placement shall be consummated simultaneously with the Closing;

(ii) the representations and warranties of each of the Shareholders herein shall be true and correct as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date, which shall be true and correct as of such date), and each of the Shareholders shall have performed, satisfied and complied with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by such Shareholder at or prior to the Closing Date (and the Company shall have received a certificate, executed by the Shareholders, dated as of the Closing Date, certifying to the foregoing and as to such other matters as may be reasonably requested by the Company);

(iii) there shall not have been entered a preliminary or permanent injunction, temporary restraining order or other judicial or administrative order or decree in any jurisdiction, the effect of which would (A) prevent consummation of the transactions contemplated by this Agreement, or (B) cause the transactions contemplated by this Agreement to be rescinded following consummation (and no such injunction or order shall be in effect), nor shall any law or order which would have any of the foregoing effects have been enacted or promulgated by any governmental authority to which the Company or either of the Shareholders is subject;

(iv) the Shareholders shall have delivered a certificate or certificates representing the Shares and an irrevocable stock power pursuant to Section 1(b); and

(v) each of the Shareholders shall have delivered to the Company two copies of a properly completed and executed IRS Form W-9 and such other documents (if any) as may be required in order to establish that the Company is not required to withhold taxes from any payments to the Shareholders hereunder or under any of the other Transaction Documents.

(b) Conditions to Obligations of the Shareholder. Each Shareholder's obligation to consummate the transactions contemplated hereby is subject to the fulfillment or satisfaction, prior to or on the Closing Date, of the following conditions; provided that these conditions are for the Shareholders' sole benefit and may be waived only by the Shareholders at any time in their sole discretion by providing the Company with prior written notice thereof:

(i) the representations and warranties of the Company herein shall be true and correct as of the date when made and as of the Closing Date as though

made at that time (except for representations and warranties that speak as of a specific date, which shall be true and correct as of such date), and the Company shall have performed, satisfied and complied with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to the Closing Date;

(ii) there shall not have been entered a preliminary or permanent injunction, temporary restraining order or other judicial or administrative order or decree in any jurisdiction, the effect of which would (A) prevent consummation of the transactions contemplated by this Agreement, or (B) cause the transactions contemplated by this Agreement to be rescinded following consummation (and no such injunction or order shall be in effect), nor shall any law or order which would have any of the foregoing effects have been enacted or promulgated by any governmental authority to which the Company or either of the Shareholders is subject; and

(iii) the Company shall have paid the Purchase Price in accordance with Section 1(a).

7. Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal Laws of the State of Illinois, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Illinois or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of Illinois. Each Party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts for the State of Illinois for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each Party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such Party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by Law. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION HEREWITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.

8. Further Assurances. Each Party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, and otherwise reasonably cooperate with the other Parties, as any other Party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby and by the Merger Agreement and the other Transaction Documents.

9. Amendments. This Agreement may be amended by the Parties at any time prior to the Closing. This Agreement may not be amended, modified or supplemented except by an instrument in writing signed by the Company and the Shareholders. Any such amendment shall apply to, and bind all Parties.

10. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument, and shall become effective when counterparts have been signed by each Party and delivered to the other Parties, it being understood that all Parties need not sign the same counterpart. In the event that any signature to this Agreement or any amendment hereto is delivered by facsimile transmission or by e-mail delivery of a “.pdf” format data file, such signature shall create a valid and binding obligation of the Party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or “.pdf” signature page were an original thereof. At the request of any Party, the other Parties shall promptly re-execute an original form of this Agreement or any amendment hereto and deliver the same to the other Parties. No Party shall raise the use of a facsimile machine or e-mail delivery of a “.pdf” format data file to deliver a signature to this Agreement or any amendment hereto or the fact that such signature was transmitted or communicated through the use of a facsimile machine or e-mail delivery of a “.pdf” format data file as a defense to the formation or enforceability of a contract, and each Party forever waives any such defense.

11. Entire Agreement. This Agreement and the agreements and instruments to be delivered by the Parties at Closing represent the entire understanding and agreement between the Parties with respect to the matters covered herein and therein and supersede all prior oral and written and all contemporaneous oral negotiations, commitments and understandings with respect to such matters. Except as specifically set forth herein or therein, none of the Parties makes any representation, warranty, covenant or undertaking with respect to such matters.

12. Remedies; Limitation on Liability. The Company shall have all rights and remedies set forth herein and all rights and remedies that the Company has been granted at any time under any other agreement or contract and all of the rights that the Company has under any law. Any Person having any rights under any provision of this Agreement shall be entitled to enforce such rights specifically (without any requirement to post a bond or other security or prove actual damages, which requirements each of the Parties waives to the fullest extent permitted by law), to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law. No failure or delay on the part of any Party in the exercise of any power, right, privilege or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right, privilege or remedy preclude other or further exercise thereof or of any other right, power, privilege or remedy. Notwithstanding the foregoing, the aggregate liability of the Shareholders to the Company, on the one hand, and of the Company to the Shareholders, on the other hand, for any losses, damages or expenses due to or arising out of any breaches or violations of, or inaccuracies in, any of the representations, warranties, covenants and agreements of any such Party hereunder or under any of the other Transaction Documents shall not exceed the Purchase Price; provided, that such limitation of liability of any Party shall not apply to the extent that any such breach, violation, inaccuracy, loss, damage or expense, directly or indirectly resulted from, or is

otherwise related to, such Party's fraud, willful misconduct, gross negligence, bad faith or knowing violation of law.

13. Interpretive Matters. Unless the context otherwise requires, (a) all references to Sections, Schedules or Exhibits are to Sections, Schedules or Exhibits contained in or attached to this Agreement, (b) words in the singular or plural include the singular and plural and pronouns stated in either the masculine, the feminine or neuter gender shall include the masculine, feminine and neuter, and (c) the use of the word "including" in this Agreement shall be by way of example rather than limitation. All references herein to "dollars" or "\$" shall mean the lawful money of the United States of America.

14. Survival. The representations and warranties of the Parties made in Sections 3 and 4 of this Agreement shall survive the Closing indefinitely; provided, however, the representations and warranties set forth in Section 3(j) shall survive the Closing only for a period of fifteen (15) months. This Section 14 shall not limit any claim for fraud or with respect to the breach of any covenant or agreement of any of the Parties which by its terms contemplates performance after the Closing.

15. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors, permitted assigns and heirs; provided, however, that no Party shall directly or indirectly transfer or assign any of its rights hereunder in whole or in part without the written consent of each of the other Parties, which consent may be withheld in the sole discretion of any Party, and any such transfer or assignment without said consent shall be void.

16. No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the Parties to express their mutual intent, and no rule of strict construction will be applied against any Party.

17. Notices. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (iii) one (1) Business Day after deposit with a nationally recognized overnight delivery service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to the Company
prior to the Closing:

Format, Inc.
3553 Camino Mira Costa, Suite E
San Clemente, California 92672
Facsimile: (949) 481-9207
Attn: President

If to the Company on
or after the Closing:

Power Solutions International, Inc. (f/k/a Format, Inc.)
655 Wheat Lane
Wood Dale, Illinois 60191
Facsimile: (630) 350-0103
Attn: Chief Executive Officer

If to either of the
Shareholders:

Ryan and Michelle Neely
336 Plaza Estival
San Clemente, California 92672
Facsimile: (949) 481-9207

or, at such other address and/or facsimile number and/or to the attention of such other Person as the recipient Party has specified by written notice to the other Parties at least five (5) Business Days prior to the effectiveness of such change, and in any case with a copy to counsel to the recipient party if and as specified in writing to the other Parties. Written confirmation of receipt (A) given by the recipient of such notice, consent, waiver or other communication, (B) mechanically or electronically generated by the sender's facsimile machine containing the time, date, recipient facsimile number and an image of the first page of such transmission or (C) provided by a nationally recognized overnight delivery service shall be rebuttable evidence of personal service, receipt by facsimile or deposit with a nationally recognized overnight delivery service in accordance with clause (i), (ii) or (iii) above, respectively.

IN WITNESS WHEREOF, the Parties have executed this Stock Repurchase and Debt Satisfaction Agreement as of the date first above written.

COMPANY:

FORMAT, INC.,
a Nevada corporation

By: /s/ Ryan A. Neely
Name: Ryan A. Neely
Its: President

SHAREHOLDERS:

/s/ Ryan A. Neely
Ryan A. Neely

/s/ Michelle Neely
Michelle Neely

[Signature Page to Stock Repurchase and Debt Satisfaction Agreement]

TERMINATION AGREEMENT

This Termination Agreement (this “Agreement”) is made and entered into as of this 28th day of April, 2011 by and between The W Group, Inc., a Delaware corporation (“The W Group”), and Thomas J. Somodi (“Holder”).

RECITALS

WHEREAS, Holder is the owner of 144,444.44 shares (the “Exchanged Shares”) of common stock of The W Group, par value \$0.0001 per share (“The W Group Common Stock”).

WHEREAS, The W Group and Holder entered into (1) that certain Employment Agreement, dated as of April 16, 2005 (as amended by that certain Amendment to Employment Agreement, dated as of January 1, 2008, between The W Group and Holder, and as the same may have otherwise been amended, supplemented, restated or modified prior to the date hereof, the “Initial Employment Agreement”), and (2) that certain Subscription Agreement, dated as of April 16, 2005 (as amended by that certain Amendment to Subscription Agreement, dated as of January 1, 2008, between The W Group and Holder, and as the same may have otherwise been amended, supplemented, restated or modified prior to the date hereof, the “Subscription Agreement”).

WHEREAS, Format, Inc. a Nevada corporation that is to be renamed Power Solutions International, Inc. (the “Company”), and The W Group have entered into that certain Agreement and Plan of Merger, dated as of the date hereof (the “Merger Agreement”), by and among the Company, The W Group and the Company’s wholly-owned subsidiary, PSI Merger Sub, Inc., a Delaware corporation (“Merger Sub”), pursuant to which (subject to the terms and conditions contained therein) Merger Sub shall merge with and into The W Group, and The W Group shall continue as the surviving corporation as a wholly-owned subsidiary of the Company (the “Merger”).

WHEREAS, pursuant to the Merger Agreement (subject to the terms and conditions contained therein), upon the closing of the Merger, the Company shall issue shares of common stock of the Company, par value \$0.001 per share (“Company Common Stock”), and shares of Series A Convertible Preferred Stock of the Company, par value \$0.001 per share (“Company Preferred Stock”), to the stockholders of The W Group in exchange for all of the outstanding shares of The W Group Common Stock held by such stockholders at the closing of the Merger

WHEREAS, pursuant to the Merger Agreement (subject to the terms and conditions contained therein), upon the closing of the Merger, Holder is individually entitled to receive shares of Company Common stock and shares of Company Preferred Stock (collectively, the “Holder Merger Consideration”) in exchange for the Exchanged Shares.

WHEREAS, Holder and Gary Winemaster (“Buyer”) have entered into a Purchase and Sale Agreement, dated as of the date hereof, pursuant to which (subject to the terms and conditions set forth therein), Holder shall sell to Buyer, and Buyer shall purchase from Holder, all of the Holder Merger Consideration.

WHEREAS, contemporaneously with the Closing, the Company and Holder will execute and deliver an employment agreement, substantially in the form attached as Exhibit A (the “New Employment Agreement”), which will set forth the terms and conditions of Holder’s employment with the Company.

WHEREAS, contemporaneously with the Closing, the Company and Holder will execute and deliver a registration rights agreement, substantially in the form attached as Exhibit B (the “Registration Rights Agreement”), which will provide the Holder, Buyer and certain other stockholders of the Company with “piggyback” registration rights with respect to shares of Company Common Stock.

NOW, THEREFORE, in consideration of the premises and the agreements set forth below, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE I

Exchange

Section 1.1 Termination of Initial Employment Agreement and Subscription Agreement.

(a) Termination and Limited Release

(i) Termination. Upon the terms and subject to the satisfaction or waiver of the conditions set forth in this Agreement, at the Closing and without any further action by The W Group or Holder, each of the Initial Employment Agreement (the term of which expired prior to the date hereof) and the Subscription Agreement, including all of the respective rights and obligations of The W Group and Holder thereunder (including all such rights and obligations that would otherwise survive a termination thereof), shall terminate and be of no further force or effect. The parties hereto hereby acknowledge and agree that, for the avoidance of doubt, the respective rights and obligations of The W Group and Holder under the Initial Employment Agreement and the Subscription Agreement shall survive and continue in full force and effect until the Closing (including, for the avoidance of doubt, the execution and delivery by the Company and Holder, and the effectiveness, of the New Employment Agreement).

(ii) Limitation on Rights under the Subscription Agreement. Neither The W Group nor Holder shall exercise any of its rights under Sections 9, 10 or 12 of the Subscription Agreement prior to the earlier of (A) the Closing (whereupon the Subscription Agreement will terminate), or (B) the termination of this Agreement pursuant to Section 4.13 hereof.

(iii) The W Group Limited Release. The W Group hereby agrees, on behalf of itself and each of its subsidiaries, successors and assigns, that, effective as of the

Closing, The W Group releases Holder from any and all claims, obligations, rights, causes of action and liabilities, of whatever kind or nature, whether known or unknown, whether foreseen or unforeseen, arising on or before such date, which The W Group or any of its affiliates, subsidiaries, successors or assigns ever had, now has or hereafter can, shall or may have for, upon or by reason of any matter, cause or thing whatsoever, which are based upon or arise under the Initial Employment Agreement or the Subscription Agreement.

(iv) Holder Limited Release. Holder hereby agrees that, effective as of the Closing, Holder releases The W Group, the Company and any of their respective affiliates and subsidiaries and their respective officers, directors, partners, members, managers, employees, stockholders, agents and representatives, as well as their respective successors and assigns, from any and all claims, obligations, rights, causes of action and liabilities, of whatever kind or nature, whether known or unknown, whether foreseen or unforeseen, arising on or before such date, which Holder ever had, now has or hereafter can, shall or may have for, upon or by reason of any matter, cause or thing whatsoever, which are based upon or arise under the Initial Employment Agreement or the Subscription Agreement.

Section 1.2 Closing. Subject to the terms and conditions hereof, the closing of the transactions contemplated by this Agreement (the “Closing”) shall take place at the time and date that the closing of the Merger is effected (the “Closing Date”) and shall be subject to, and conditioned upon, the closing of the Merger. The Closing shall take place at the offices of Katten Muchin Rosenman LLP, 525 West Monroe St., Chicago, Illinois 60661, or at such other place as the parties hereto may agree in writing. At the Closing, Holder shall deliver or cause to be delivered to the Company the New Employment Agreement, the Registration Rights Agreement and each of the other Transaction Documents, each duly executed by Holder.

ARTICLE II

Representations, Warranties and Covenants of Holder

Holder does hereby make the following representations and warranties, the truth and correctness of each of which, as of the date hereof and as of the Closing Date, is a condition to the obligations of The W Group to consummate the transactions contemplated hereby.

Section 2.1 Existence and Power.

(a) Holder has the power and capacity to execute and deliver this Agreement, the New Employment Agreement, the Purchase and Sale Agreement, the Registration Rights Agreement and each of the other agreements entered into by and between the Company and Holder in connection with the transactions contemplated hereby (collectively, the “Transaction Documents”), to perform his obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby.

(b) The execution by Holder of this Agreement and each of the other Transaction Documents and the consummation by Holder of the transactions contemplated hereby and thereby (i) do not require the consent, approval, authorization, order, registration or qualification of, or filing with, any governmental or self-regulatory authority or court, or body or

arbitrator having jurisdiction over Holder; and (ii) do not and will not (A) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which Holder is a party, or (B) result in a violation of any Requirement of Law applicable to Holder, except, in all of the above, where the failure to make such filings or obtain such consents, approvals, authorizations, orders, registrations or qualifications would not, and where such defaults, terminations, amendments, accelerations, cancellations, or violations would not, individually or in the aggregate, reasonably be expected to have a material adverse effect (X) on the transactions contemplated by this Agreement or the other Transaction Documents or (Y) on the authority or ability of Holder to enter into and perform his obligations under this Agreement and the other Transaction Documents. For purposes hereof, "Requirement of Law" means any judgment, order (whether temporary, preliminary or permanent), writ, injunction, decree, statute, rule, regulation, notice, law or ordinance and shall also include any rules, regulations and interpretations of any applicable self-regulatory organizations.

Section 2.2 Valid and Enforceable Agreement; Authorization. This Agreement has been duly executed and delivered by Holder and constitutes a legal, valid and binding obligation of Holder, enforceable against Holder in accordance with its terms, except as such enforcement may be subject to (a) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting or relating to enforcement of creditors' rights generally, and (b) general principles of equity. As of the Closing Date, each of the other Transaction Documents to which Holder is a party will have been duly executed and delivered by Holder and will constitute a legal, valid and binding obligation of Holder, enforceable against Holder in accordance with its terms, except as such enforcement may be subject to (x) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting or relating to enforcement of creditors' rights generally, and (y) general principles of equity.

Section 2.3 Title to Exchanged Shares. Holder is the sole beneficial owner of, has sole investment power over (including the sole power to dispose of), and has good and valid title to, the Exchanged Shares, subject to the liens thereon of The W Group's lenders being released on the Closing Date. Except pursuant to the Merger Agreement, the Purchase Sale Agreement and the Voting Agreement with the Company being executed by Holder in connection with the transactions contemplated by the Merger Agreement, Holder has not, and will not have, at any time, in whole or in part, (i) assigned, transferred, hypothecated, pledged or otherwise disposed of any of the Exchanged Shares or the Holder Merger Consideration, or any of Holder's rights in any of the Exchanged Shares or the Holder Merger Consideration, or (ii) given any Person any transfer order, power of attorney or other authority of any nature whatsoever with respect to any of the Exchanged Shares or the Holder Merger Consideration. For purposes hereof, "Person" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization or a government or any department or agency thereof or any other legal entity.

Section 2.4 Legal Proceedings. There is no suit, action, proceeding (including any compliance, enforcement or disciplinary proceeding), arbitration, formal or informal inquiry, audit, inspection, investigation or formal order of investigation of complaint, to which Holder is a party pending or, to the knowledge of Holder, threatened or contemplated, before any court, administrative or regulatory body, governmental authority, arbitrator, mediator or similar body that challenges the validity or propriety of any of the transactions contemplated hereby.

ARTICLE III
Representations, Warranties and Covenants of The W Group

The W Group does hereby make the following representations and warranties, the truth and correctness of each of which, as of the date hereof and as of the Closing Date, is a condition to the obligations of Holder to consummate the transactions contemplated hereby.

Section 3.1 Existence and Power.

(a) The W Group is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the power, authority and capacity to own its properties, to carry on its business as currently conducted and proposed to be conducted, to execute and deliver this Agreement and each of the other agreements entered into by The W Group in connection with the transactions contemplated by this Agreement, to perform The W Group's obligations hereunder, and to consummate the transactions contemplated hereby.

(b) The execution, delivery and performance of this Agreement and the consummation by The W Group of the transactions contemplated hereby, (i) do not require the consent, approval, authorization, order, registration or qualification of, or filing with, any governmental or self-regulatory authority or court, or body or arbitrator having jurisdiction over The W Group; (ii) do not and will not (A) conflict with or violate any provision of the Certificate of Incorporation of The W Group (the "Certificate of Incorporation") or the Bylaws of The W Group (the "The W Group Bylaws"), (B) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which The W Group or any of its subsidiaries is a party, or (C) result in a violation of any Requirement of Law applicable to The W Group or any of its subsidiaries; except, in the case of clauses (i), (ii)(B) and (ii)(C) above, where the failure to make such filings or obtain such consents, approvals, authorizations, orders, registrations or qualifications would not, and where such defaults, terminations, amendments, accelerations, cancellations, or violations would not, individually or in the aggregate, reasonably be expected to have a material adverse effect (I) on the business, condition (financial or otherwise), properties or results of operations of The W Group and its subsidiaries, considered as one enterprise, (II) on the transactions contemplated by this Agreement or (III) on the authority or ability of The W Group to enter into and perform its obligations under this Agreement.

Section 3.2 Valid and Enforceable Agreement; Authorization. The execution, delivery and performance of this Agreement by The W Group and the consummation by The W Group of the transactions contemplated by this Agreement have been duly authorized by the board of directors of The W Group, and no further consent, authorization or approval is required therefor by The W Group or its board of directors or The W Group's stockholders under the Certificate of Incorporation, The W Group Bylaws or applicable law. This Agreement has been duly executed and delivered by The W Group and constitutes a legal, valid and binding obligation of The W Group, enforceable against The W Group in accordance with its terms, except that such

enforcement may be subject to (a) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting or relating to enforcement of creditors' rights generally, and (b) general principles of equity.

Section 3.3 Legal Proceedings. There is no suit, action, proceeding (including any compliance, enforcement or disciplinary proceeding), arbitration, formal or informal inquiry, audit, inspection, investigation or formal order of investigation of complaint, to which The W Group or any of its subsidiaries or the Company is a party pending or, to the knowledge of The W Group, threatened or contemplated, before any court, administrative or regulatory body, governmental authority, arbitrator, mediator or similar body that challenges the validity or propriety of any of the transactions contemplated hereby.

ARTICLE IV

Miscellaneous Provisions

Section 4.1 Notice. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (iii) one business day after deposit with an overnight courier service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications for each of the Company, The W Group and Holder shall be as set forth on **Schedule I** hereof.

Section 4.2 Entire Agreement. This Agreement, the New Employment Agreement and the other documents and agreements executed in connection with the transactions contemplated hereby embody the entire agreement and understanding of the parties hereto with respect to the subject matter hereof and supersede all prior and contemporaneous oral or written agreements, representations, warranties, contracts, correspondence, conversations, memoranda and understandings between or among the parties or any of their agents, representatives or affiliates relative to such subject matter, including any term sheets, emails or draft documents.

Section 4.3 Assignment; Binding Agreement. No party hereto shall have the right to assign any or all of its respective rights or obligations under this Agreement without the written consent of each of the other parties hereto. This Agreement and the various rights and obligations arising hereunder shall inure to the benefit of and be binding upon the parties hereto and their successors and permitted assigns.

Section 4.4 Counterparts. This Agreement may be executed in multiple counterparts, and on separate counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. Any counterpart or other signature hereupon delivered by facsimile or other electronic transmission shall be deemed for all purposes as constituting good and valid execution and delivery of this Agreement by such party.

Section 4.5 Specific Performance. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to specific performance of the terms and provisions hereof, in addition to any other remedy to which they are entitled at law or in equity.

Section 4.6 Governing Law; Jurisdiction; Jury Trial. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of Illinois, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Illinois or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of Illinois. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the State of Illinois for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereto hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. **EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.**

Section 4.7 No Third Party Beneficiaries or Other Rights. Nothing herein shall grant to or create in any Person not a party hereto, or any such Person's dependents or heirs, any right to any benefits hereunder, and no such party shall be entitled to sue any party to this Agreement with respect thereto.

Section 4.8 Waiver; Consent. This Agreement may not be changed, amended, terminated, augmented, rescinded or discharged (other than in accordance with its terms), in whole or in part, except by a writing executed by each of the parties hereto. No waiver of any of the provisions or conditions of this Agreement or any of the rights of a party hereto shall be effective or binding unless such waiver shall be in writing and signed by the party hereto claimed to have given such waiver or consented thereto. Except to the extent otherwise agreed in writing, no waiver of any term, condition or other provision of this Agreement, or any breach thereof shall be deemed to be a waiver of any other term, condition or provision or any breach thereof, or any subsequent breach of the same term, condition or provision, nor shall any forbearance to seek a remedy for any noncompliance or breach be deemed to be a waiver of a party's rights and remedies with respect to such noncompliance or breach.

Section 4.9 Construction; Interpretation; Certain Terms. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Section, schedule, exhibit, recital and party references are to this Agreement unless otherwise stated. The words "hereof," "herein," "hereunder" and words of similar import shall refer to this Agreement as a whole and not to any particular section or provision of this Agreement, and reference to a particular section of this Agreement shall include

all subsections thereof. The term “including” as used in this Agreement shall mean including, without limitation, and shall not be deemed to indicate an exhaustive enumeration of the items at issue. All terms and words used in this Agreement, regardless of the number or gender in which they are used, shall be deemed to include any other number and any other gender as the context may require. No party hereto, nor its counsel, shall be deemed the drafter of this Agreement for purposes of construing the provisions of this Agreement.

Section 4.10 No Broker. Each party hereto represents and warrants that it has not engaged any third party as broker or finder or incurred or become obligated to pay any broker’s commission or finder’s fee in connection with the transactions contemplated by this Agreement other than such fees and expenses for which it shall be solely responsible.

Section 4.11 Further Assurances. Each of The W Group and Holder hereby agrees to execute and deliver, or cause to be executed and delivered, such other documents, instruments and agreements, and take such other actions, as either party may reasonably request in connection with the transactions contemplated by this Agreement.

Section 4.12 Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

Section 4.13 Termination. This Agreement shall terminate automatically upon the termination of the Merger Agreement and shall be terminable by any party hereto after May 31, 2011, but prior to the Closing, if the Merger has not been consummated on or prior to such date, except that the right to terminate under this Section 4.13 will not be available to any party hereto whose breach of any of the provisions of, or failure to fulfill any of its obligations under, this Agreement has been a principal cause of, or resulted in, the failure to consummate the Merger by such date.

* * * * *

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed as of the date first above written.

THE W GROUP:

THE W GROUP, INC.

By: /s/ Gary S. Winemaster

Name: Gary S. Winemaster

Title: President

HOLDER:

/s/ Thomas J. Somodi

Thomas J. Somodi

[Signature Page to Termination Agreement]

Schedule I

Notice Information

The Company:

Power Solutions International, Inc.
c/o The W Group
655 Wheat Lane
Wood Dale, IL 60191

Fax: (630) 350-0103

with a copy to:

Katten Muchin Rosenman LLP
525 W. Monroe Street
Chicago, IL 60661-3693
Attn: Mark D. Wood, Esq.

Fax: (312) 577-8858

Group:

The W Group, Inc.
655 Wheat Lane
Wood Dale, IL 60191

Fax: (630) 350-0103

with a copy to:

Katten Muchin Rosenman LLP
525 W. Monroe Street
Chicago, IL 60661-3693
Attn: Mark D. Wood, Esq.

Fax: (312) 577-8858

Holder:

Thomas J. Somodi
c/o The W Group
655 Wheat Lane
Wood Dale, IL 60191

Fax: (630) 350-0103

with a copy to:

Freeborn & Peters LLP
311 South Wacker Drive
Suite 3000
Chicago, IL 60606
Attn: Todd R. Southwell, Esq.

Fax: 312-360-6994

Exhibit A

Form of New Employment Agreement

[Copy of New Employment Agreement attached as Exhibit 10.3 to this Form 8-K]

Exhibit B

Form of Registration Rights Agreement

[Copy of Registration Rights Agreement attached as Exhibit 10.10 to this Form 8-K]

PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement (this “Agreement”) is made and entered into as of this 28th day of April, 2011, by and between Thomas J. Somodi (“Seller”) and Gary S. Winemaster (“Buyer”) and shall be effective on the Closing Date (as defined in the Merger Agreement (as defined below))(the “Effective Date”).

RECITALS

WHEREAS, Seller is the owner of 144,444.44 shares (the “Exchanged Shares”) of common stock, par value \$0.0001 per share (“The W Group Common Stock”), of The W Group, Inc., a Delaware corporation (“The W Group”).

WHEREAS, The W Group and Seller entered into (1) that certain Employment Agreement, dated as of April 16, 2005 (as amended by that certain Amendment to Employment Agreement, dated as of January 1, 2008, between The W Group and Seller, and as the same may have otherwise been amended, supplemented, restated or modified prior to the date hereof, the “Initial Employment Agreement”), and (2) that certain Subscription Agreement, dated as of April 16, 2005 (as amended by that certain Amendment to Subscription Agreement, dated as of January 1, 2008, between The W Group and Seller, and as the same may have otherwise been amended, supplemented, restated or modified prior to the date hereof, the “Subscription Agreement”).

WHEREAS, Format, Inc., a Nevada corporation to be renamed Power Solutions International, Inc. (the “Company”), and The W Group have entered into that certain Agreement and Plan of Merger, dated as of the date hereof (the “Merger Agreement”), by and among the Company, The W Group and the Company’s wholly-owned subsidiary, PSI Merger Sub, Inc., a Delaware corporation (“Merger Sub”), pursuant to which (subject to the terms and conditions contained therein) Merger Sub shall merge with and into The W Group, and The W Group shall continue as the surviving corporation as a wholly-owned subsidiary of the Company (the “Merger”).

WHEREAS, pursuant to the Merger Agreement (subject to the terms and conditions contained therein), upon the closing of the Merger, the Company shall issue shares of common stock of the Company, par value \$0.001 per share (such stock and any securities into which such stock may be reclassified after the Effective Date, the “Company Common Stock”), and shares of Series A Convertible Preferred Stock of the Company, par value \$0.001 per share (such stock and any securities into which such stock may be reclassified after the Effective Date, the “Company Preferred Stock”), to the stockholders of The W Group in exchange for all of the outstanding shares of The W Group Common Stock held by such stockholders at the closing of the Merger.

WHEREAS, pursuant to the Merger Agreement (subject to the terms and conditions contained therein), upon the closing of the Merger, Seller is individually entitled to receive 1,000,000 shares of Company Common Stock (subject to proportionate adjustment for stock splits, stock dividends, stock combinations (including the Reverse Split (as defined in the Merger Agreement)) and similar events after the Effective Date) (the “Seller Common Shares”) and

9,596.09002 shares of Company Preferred Stock (subject to proportionate adjustment for stock splits, stock dividends, stock combinations and similar events after the Effective Date) (the “Seller Preferred Shares” and, together with the Seller Common Shares, the “Seller Shares”) in exchange for the Exchanged Shares.

WHEREAS, on the Effective Date, the Company and Seller will execute and deliver an Employment Agreement, which shall set forth the terms and conditions of Seller’s employment with the Company.

WHEREAS, The W Group and Seller have entered into a Termination Agreement, dated as of the date hereof (the “Termination Agreement”), pursuant to which (subject to the terms and conditions contained therein), on the Effective Date, the Initial Employment Agreement and the Subscription Agreement shall terminate and be of no further force or effect.

WHEREAS, Buyer desires to purchase from Seller, and Seller desires to sell to Buyer, all of the Seller Shares, upon the terms and conditions set forth in this Agreement.

WHEREAS, capitalized terms used but not defined elsewhere in this Agreement shall have the meanings assigned to them in Section 4.10 hereof.

NOW, THEREFORE, in consideration of the premises and the agreements set forth below, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE I

Purchase and Sale

Section 1.1 Purchase and Sale of the Seller Shares. Effective as of the Effective Date, Seller and Buyer hereby agree that, on the Sale Closing Date (as defined in Section 1.2), Seller shall sell and convey to Buyer, and Buyer shall purchase and acquire from Seller, all of the Seller Shares (including all of Seller’s right, title and interest therein and thereto), free and clear of all Encumbrances (other than any Encumbrance created by Buyer and as expressly provided in Section 1.2), in exchange for the consideration set forth in Section 1.3.

Section 1.2 Closing. Subject to the terms and conditions hereof, the closing of the transactions contemplated by this Agreement (the “Sale Closing”) shall take place at a time and date selected by Buyer by notice to Seller; provided that such date shall be within 90 days after the Effective Date (the date so selected by Buyer, the “Sale Closing Date”). The Closing shall take place at the offices of Katten Muchin Rosenman LLP, 525 West Monroe St., Chicago, Illinois 60661, or at such other place as the parties hereto may agree in writing. At the Sale Closing, (a) Seller shall deliver and convey to Buyer all of the Seller Shares (including all of Seller’s right, title and interest therein and thereto), together with such other documents or instruments of conveyance or transfer as may be necessary or desirable to transfer to and confirm in Buyer all right, title and interest in and to the Seller Shares, free and clear of all Encumbrances (other than any Encumbrance created by Buyer and as expressly provided in this Section 1.2); provided, however, that 410,000 of the Seller Common Shares (subject to proportionate adjustment for stock splits, stock dividends, stock combinations (including the Reverse Split) and

similar events after the Effective Date) and 3,934.39691 of the Seller Preferred Shares (subject to proportionate adjustment for stock splits, stock dividends, stock combinations and similar events after the Effective Date) shall be deposited with the Escrow Agent (as defined below) pursuant to the Escrow Agreement (as defined below), for release only in accordance therewith (the Seller Common Shares and Seller Preferred Shares deposited with the Escrow Agent pursuant to the Escrow Agreement, collectively, the "Escrowed Shares"), (b) Buyer shall pay the Initial Payment Amount (as defined in Section 1.3(a)) to Seller, by wire transfer in immediately available funds, and (c) Seller and Buyer shall enter into an escrow agreement with an escrow agent selected by Buyer and reasonably acceptable to Seller (the "Escrow Agent"), which escrow agreement shall provide that (i) the Seller Shares deposited with the Escrow Agent pursuant thereto shall be immediately released and delivered to Buyer upon the payment by Buyer to Seller of the Additional Payment Amount (as defined in Section 1.3(b)), (ii) the Seller Shares deposited with the Escrow Agent pursuant thereto shall, at the election of Seller following an Additional Payment Default (as defined in Section 1.3), be forfeited back to Seller (any such election, a "Default Election") and (iii) Buyer shall be entitled to receive dividends on, and exercise voting rights with respect to, all of the Escrowed Shares while they are on deposit with the Escrow Agent, and which escrow agreement shall otherwise be on terms mutually acceptable to Seller and Buyer (the "Escrow Agreement"). Notwithstanding the foregoing, at the election of Buyer, Seller and Buyer shall enter into a pledge and security agreement, rather than an escrow agreement, whereby Buyer shall pledge the Escrowed Shares (which shall not be encumbered in any way) to Seller to secure Buyer's obligation to pay the Additional Payment Amount to Seller and Seller will take a first priority lien on such Escrowed Shares, which pledge and security agreement shall be on terms mutually acceptable to Seller and Buyer (and in such case, for purposes hereof, the term "Escrow Agreement" shall mean such pledge and security agreement).

Section 1.3 Consideration for the Purchase of the Seller Share.

(a) Initial Payment. On the Sale Closing Date, upon delivery by Seller of the Seller Shares to Buyer (but subject to the deposit of the Escrowed Shares with the Escrow Agent pursuant to the Escrow Agreement) as set forth in Section 1.2), Buyer shall pay to Seller \$2,500,000 in cash (the "Initial Payment Amount"), by wire transfer of immediately available funds.

(b) Additional Payment. After (but not before) the date (the "Additional Payment Trigger Date") that is the earlier of (i) the date of the commencement of employment of a new Chief Financial Officer of the Company (replacing Seller in such position) and (ii) the second anniversary of the Effective Date, but in no event later than the date (the "Additional Payment Deadline") that is the later of (X) the date that is 60 days after the Additional Payment Trigger Date and (Y) the date that is eight months after the Effective Date, Buyer shall pay to Seller \$1,750,000 in cash (the "Additional Payment Amount"), by wire transfer of immediately available funds (provided, however, that if the Additional Payment Date occurs in 2011, Buyer shall use commercially reasonable efforts to make such payment by the last Business Day of 2011). The failure of Buyer to pay to Seller the Additional Payment Amount by the date that is 60 days after the Additional Payment Deadline shall constitute an "Additional Payment Default." The obligation of Buyer to pay the Additional Payment Amount to Seller shall terminate and be of no further force or effect upon a Default Election made by Seller following an Additional Payment Default.

(c) Tranche I Shares. Within 90 days following the last day of the Tranche I Vesting Period, Buyer shall deliver and convey to Seller 3,933,333 shares^{1/} of Company Common Stock (subject to proportionate adjustment for stock splits, stock dividends, stock combinations (including the Reverse Split) and similar events after the Effective Date) (the “Tranche I Shares”), free and clear of all Encumbrances (other than any Encumbrance created by Seller). For purposes hereof, “Tranche I Vesting Period” means the first period of ten (10) consecutive Trading Days commencing after the Commencement Date and ending prior to the Expiration Date on each of at least seven (7) of which the Common Stock Market Value is equal to or greater than \$0.6356^{2/} (subject to proportionate adjustment for stock splits, stock dividends, stock combinations (including the Reverse Split) and similar events after the Effective Date). In the event that, prior to the occurrence of a Tranche I Vesting Period, the Company is consummating a merger or consolidation with or into another entity in which the Company is not the surviving entity (a “Sale Transaction”) and in which the value of the consideration to be received for each outstanding share of Company Common Stock by the holders thereof is equal to or greater than \$0.6356 (subject to proportionate adjustment for stock splits, stock dividends, stock combinations (including the Reverse Split) and similar events after the Effective Date), as determined in good faith by the Company’s board of directors (the “Board”), Buyer shall deliver the Tranche I Shares to Seller prior to such consummation as if the Tranche I Vesting Period had occurred immediately prior thereto. In the event that, prior to the occurrence of a Tranche I Vesting Period, the Company shall consummate a Sale Transaction in which the value of the consideration to be received for each outstanding share of Company Common Stock by the holders thereof is less than \$0.6356, as determined in good faith by the Board, then, immediately upon consummation of such Sale Transaction, any right of Seller to receive from Buyer, and any obligation of Buyer to deliver to Seller, the Tranche I Shares shall terminate and be of no further force or effect.

(d) Tranche II Shares. Within 90 days following the last day of the Tranche II Vesting Period, Buyer shall deliver and convey to Seller 4,720,000 shares^{3/} of Company Common Stock (subject to proportionate adjustment for stock splits, stock dividends, stock combinations (including the Reverse Split) and similar events after the Effective Date) (the “Tranche II Shares”), free and clear of all Encumbrances (other than any Encumbrance created by Seller). For purposes hereof, “Tranche II Vesting Period” means the first period of ten (10) consecutive Trading Days commencing after the Commencement Date and ending prior to the Expiration Date on each of at least seven (7) of which the Common Stock Market Value is equal to or greater than \$0.7945^{4/} (subject to proportionate adjustment for stock splits, stock dividends, stock combinations (including the Reverse Split) and similar events after the Effective Date). In the event that, prior to the occurrence of a Tranche II Vesting Period, the Company is consummating a Sale Transaction in which the value of the consideration to be received for each outstanding share of Company Common Stock by the holders thereof is equal to or greater than \$0.7945 (subject to proportionate adjustment for stock splits, stock dividends, stock combinations (including the Reverse Split) and similar events after the Effective Date), as determined in good faith by the Board, Buyer shall deliver the Tranche II Shares to Seller prior to such consummation as if the Tranche II Vesting Period had occurred immediately prior

1/ 122,917 shares giving effect to the Reverse Split as if it occurred on the Effective Date.

2/ \$20.3392 giving effect to the Reverse Split as if it occurred on the Effective Date.

3/ 147,500 shares giving effect to the Reverse Split as if it occurred on the Effective Date.

4/ \$25.424 giving effect to the Reverse Split as if it occurred on the Effective Date.

thereto. In the event that, prior to the occurrence of a Tranche II Vesting Period, the Company shall consummate a Sale Transaction in which the value of the consideration to be received for each outstanding share of Company Common Stock by the holders thereof is less than \$0.7945, as determined in good faith by the Board, then, immediately upon consummation of such Sale Transaction, any right of Seller to receive from Buyer, and any obligation of Buyer to deliver to Seller, the Tranche II Shares shall terminate and be of no further force or effect.

(e) Tranche III Shares. Within 90 days following the last day of the Tranche III Vesting Period, Buyer shall deliver and convey to Seller 3,146,656 shares^{5/} of Company Common Stock (subject to proportionate adjustment for stock splits, stock dividends, stock combinations (including the Reverse Split) and similar events after the Effective Date) (the “Tranche III Shares” and, collectively with the Tranche I Shares and the Tranche II Shares, the “Tranche Shares”), free and clear of all Encumbrances (other than any Encumbrance created by Seller). For purposes hereof, “Tranche III Vesting Period” means the first period of ten (10) consecutive Trading Days commencing after the Commencement Date and ending prior to the Expiration Date on each of at least seven (7) of which the Common Stock Market Value is equal to or greater than \$0.9534^{6/} (subject to proportionate adjustment for stock splits, stock dividends, stock combinations (including the Reverse Split) and similar events after the Effective Date). In the event that, prior to the occurrence of a Tranche III Vesting Period, the Company is consummating a Sale Transaction in which the value of the consideration to be received for each outstanding share of Company Common Stock by the holders thereof is equal to or greater than \$0.9534 (subject to proportionate adjustment for stock splits, stock dividends, stock combinations (including the Reverse Split) and similar events after the Effective Date), as determined in good faith by the Board, Buyer shall deliver the Tranche III Shares to Seller prior to such consummation as if the Tranche III Vesting Period had occurred immediately prior thereto. In the event that, prior to the occurrence of a Tranche III Vesting Period, the Company shall consummate a Sale Transaction in which the value of the consideration to be received for each outstanding share of Company Common Stock by the holders thereof is less than \$0.9534, as determined in good faith by the Board, then, immediately upon consummation of such Sale Transaction, any right of Seller or any other person or entity to receive from Buyer, and any obligation of Buyer to deliver to Seller, the Tranche III Shares shall terminate and be of no further force or effect.

(f) Cash Payment Election. Notwithstanding the foregoing, in lieu of delivering shares of Company Common Stock as may required by Section 1.3(c), (d) or (e), and in full satisfaction of Buyer’s obligation (if any) to make such delivery, Buyer may elect to pay to Seller an amount of cash, by wire of transfer of immediately available funds by the delivery deadline set forth in such Section, an amount in cash equal to the product of the applicable threshold Common Stock Market Value (i.e., \$0.6356 in the case of Section 1.3(c), \$0.7945 in the case of Section 1.3(d) and \$0.9534 in the case of Section 1.3(e), in each case subject to proportionate adjustment for stock splits, stock dividends, stock combinations (including the Reverse Split) and similar events after the Effective Date), multiplied by the number of shares of Company Common Stock that Buyer would otherwise be required to deliver pursuant to such Section. Upon any such payment, any obligation of Buyer to deliver shares pursuant to Section 1.3(b), (c) or (d), as applicable, shall terminate and be of no further force or effect.

^{5/} 98,333 shares giving effect to the Reverse Split as if it occurred on the Effective Date.

^{6/} \$30.5088 giving effect to the Reverse Split as if it occurred on the Effective Date.

ARTICLE II
Representations, Warranties and Covenants of Seller

Seller does hereby make the following representations and warranties, as of the date hereof, as of the Effective Date and as of the Sale Closing Date:

Section 2.1 Power and Authority.

(a) Seller has the power and capacity to execute and deliver this Agreement, the Escrow Agreement and each of the other agreements entered into by and between Seller and Buyer in connection with the transactions contemplated hereby (collectively, the “Transaction Documents”), to perform his obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby (collectively, the “Transactions”).

(b) The execution by Seller of this Agreement and each of the other Transaction Documents and the consummation by Seller of the transactions contemplated hereby and thereby (i) do not require the consent, approval, authorization, order, registration or qualification of, or filing with, any governmental or self-regulatory authority or court, or body or arbitrator having jurisdiction over Seller; and (ii) do not and will not (A) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which Seller is a party, or (B) result in a violation of any Requirement of Law applicable to Seller, except in all of the above, where the failure to make such filings or obtain such consents, approvals, authorizations, orders, resignations or qualifications would not, and where such defaults, terminations, amendments, accelerations, cancellations, or violations would not, individually or in the aggregate, reasonably be expected to have a material adverse effect (X) on the Transactions or (Y) on the authority or ability of Seller to enter into and perform his obligations under this Agreement and the other Transaction Documents. For purposes hereof, “Requirement of Law” means any judgment, order (whether temporary, preliminary or permanent), writ, injunction, decree, statute, rule, regulation, notice, law or ordinance and shall also include any rules, regulations and interpretations of any applicable self-regulatory organizations.

Section 2.2 Valid and Enforceable Agreement; Authorization. This Agreement has been duly executed and delivered by Seller and constitutes a legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, except as such enforcement may be subject to (a) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting or relating to enforcement of creditors’ rights generally, and (b) general principles of equity. As of the Sale Closing Date, each of the other Transaction Documents to which Seller is a party will have been duly executed and delivered by Seller and will constitute a legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, except as such enforcement may be subject to (x) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting or relating to enforcement of creditors’ rights generally, and (y) general principles of equity.

Section 2.3 Title to Exchanged Shares and Seller Shares. Seller is the sole beneficial owner of, has the sole investment power over (including the sole power to dispose of), and has good and valid title to, the Exchanged Shares, subject to the liens thereon of The W Group's lenders being released on the Effective Date, and at all times on and after the Effective Date through (and including) the Sale Closing Date will be the sole beneficial owner of, have the sole investment power over (including the sole power to dispose of), and have good and valid title to, all of the Seller Shares. At the Sale Closing, Seller shall transfer good and valid title to the Seller Shares to Buyer, free and clear of all Encumbrances (other than any Encumbrance created by Buyer and as expressly provided in Section 1.2). Except pursuant to this Agreement and the Voting Agreement being entered into between Seller and the Company as of the Effective Date, Seller has not, and will not have, at any time, in whole or in part, (i) assigned, transferred, hypothecated, pledged or otherwise disposed of any of the Exchanged Shares or the Seller Shares, or any of Seller's rights in any of the Exchanged Shares or the Seller Shares, or (ii) given any Person any transfer order, power of attorney or other authority of any nature whatsoever with respect to any of the Exchanged Shares or the Seller Shares.

Section 2.4 Legal Proceedings. There is no suit, action, proceeding (including any compliance, enforcement or disciplinary proceeding), arbitration, formal or informal inquiry, audit, inspection, investigation or formal order of investigation of complaint, to which Seller is a party pending or, to the knowledge of Seller, threatened or contemplated, before any court, administrative or regulatory body, governmental authority, arbitrator, mediator or similar body that challenges the validity or propriety of any of the Transactions.

Section 2.5 Securities Laws.

(a) Seller is an "Accredited Investor" as defined in Rule 501(a) of Regulation D ("Regulation D") as promulgated by the United States Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act").

(b) Seller has received all documents, materials and information which Seller deems necessary or appropriate for evaluating an investment in the Company or which have been requested by Seller and has had a reasonable opportunity to ask questions of the Company and its representatives regarding the Company and the terms and conditions of the Transactions, and the Company has answered all such inquiries that Seller or Seller's representatives have put to it. Seller has had access to all additional information necessary to verify the accuracy of the information set forth in any materials furnished by the Company to Seller, and has taken all the steps necessary to evaluate the merits and risks of an investment as proposed hereunder.

(c) Seller has such knowledge and experience in finance, securities, investments and other business matters so as to be able to evaluate the merits and risks of the Transactions and protect the interests of Seller in connection with the Transactions.

(d) Seller understands that an investment in the Company Common Stock is a highly speculative venture involving a high degree of financial risk and Seller is familiar with the various risks of an investment in the Company as proposed herein, and can afford to bear such risks, including the risks of losing Seller's entire investment.

(e) Seller acknowledges that no public market for the Company Common Stock presently exists and none may develop in the future and that Seller may find it difficult or impossible to liquidate Seller's investment in the Company Common Stock at a time when it may be desirable to do so, or at any other time.

(f) Seller has been advised by the Company that none of the Tranche Shares have been registered under the Securities Act; that the Tranche Shares will be issued on the basis of the statutory exemption provided by Section 4(1) of the Securities Act and under available exemptions from state securities laws; that the Transactions have not been reviewed by, passed on or submitted to any federal or state agency or self regulatory organization where an exemption or preemption is being relied upon; and that Buyer's reliance thereon is based in part upon the representations made by Seller in this Agreement.

(g) Seller acknowledges that he has been informed by Buyer of, or is otherwise familiar with, the nature of the limitations imposed by the Securities Act and the rules and regulations thereunder on the transfer of the Tranche Shares. In particular, Seller agrees that no sale, assignment or transfer of any of the Tranche Shares shall be valid or effective, and the Company shall not be required to give any effect to such a sale, assignment or transfer, unless (i) the sale, assignment or transfer of such Tranche Shares is registered under the Securities Act, it being understood that none of the Tranche Shares are currently registered for sale and that the Company has no obligation or intention to so register the Tranche Shares (except pursuant to the Registration Rights Agreement (as defined in the Termination Agreement)), or (ii) such Tranche Shares are sold, assigned or transferred in accordance with all the requirements and limitations of Rule 144 under the Securities Act ("Rule 144"), it being understood that Rule 144 would not be available at the present time for the sale of the Tranche Shares, or (iii) such sale, assignment or transfer is otherwise exempt from registration under the Securities Act. Seller further understands that, in connection with any sale, assignment or transfer of any of the Tranche Shares or a sale of any of the Tranche Shares pursuant to registration under the Securities Act, Seller shall be required to deliver to the Company (A) an opinion, satisfactory to the Company, of legal counsel acceptable to the Company regarding the availability of exemptions from registration under federal or applicable state securities laws, and (B) such other documents as may be reasonably required by the Company. Each certificate or instrument representing any of the Tranche Shares shall bear a legend substantially to the foregoing effect.

(h) Seller will acquire the Tranche Shares for Seller's own account for investment and not with a view to the sale or distribution thereof or the granting of any participation therein, except pursuant to transactions registered under, or exempt from the registration requirements of, federal and applicable state securities laws, and has no present intention of, or any existing agreements or arrangements with respect to, distributing or selling to others any of the Tranche Shares or granting any participation therein.

(i) The Tranche Shares were not offered to Seller by any means of general solicitation or general advertising.

ARTICLE III
Representations, Warranties and Covenants of Buyer

Buyer does hereby make the following representations and warranties, as of the date hereof, as of the Effective Date and as of the Sale Closing Date:

Section 3.1 Existence and Power.

(a) Buyer has the power and capacity to execute and deliver this Agreement, the Escrow Agreement and each of the other Transaction Documents to which he is a party, to perform his obligations hereunder and thereunder, and to consummate the Transactions.

(b) The execution by Buyer of this Agreement and each of the other Transaction Documents to which he is a party and the consummation by Buyer of the Transactions (i) do not require the consent, approval, authorization, order, registration or qualification of, or filing with, any governmental or self-regulatory authority or court, or body or arbitrator having jurisdiction over Buyer; and (ii) do not and will not (A) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which Buyer is a party, or (B) result in a violation of any Requirement of Law applicable to Buyer, except in all of the above, where the failure to make such filings or obtain such consents, approvals, authorizations, orders, resignations or qualifications would not, and where such defaults, terminations, amendments, accelerations, cancellations, or violations would not, individually or in the aggregate, reasonably be expected to have a material adverse effect (X) on the transactions contemplated by this Agreement or the other Transaction Documents or (Y) on the authority or ability of Buyer to enter into and perform his obligations under this Agreement and the other Transaction Documents.

Section 3.2 Valid and Enforceable Agreement; Authorization. This Agreement has been duly executed and delivered by Buyer and constitutes a legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, except as such enforcement may be subject to (a) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting or relating to enforcement of creditors' rights generally, and (b) general principles of equity. As of the Sale Closing Date, each of the other Transaction Documents to which Buyer is a party will have been duly executed and delivered by Buyer and will constitute a legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, except as such enforcement may be subject to (x) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting or relating to enforcement of creditors' rights generally, and (y) general principles of equity.

Section 3.3 Title to Exchanged Shares. Buyer shall transfer good and valid title to any Tranche Shares delivered to Seller pursuant to Section 1.3(c), (d) or (e), free and clear of all Encumbrances (other than any Encumbrance created by Seller).

Section 3.4 Legal Proceedings. There is no suit, action, proceeding (including any compliance, enforcement or disciplinary proceeding), arbitration, formal or informal inquiry,

audit, inspection, investigation or formal order of investigation of complaint, to which Buyer is a party pending or, to the knowledge of Buyer, threatened or contemplated, before any court, administrative or regulatory body, governmental authority, arbitrator, mediator or similar body that challenges the validity or propriety of any of the Transactions.

Section 3.5 Securities Laws.

(a) Buyer is an “Accredited Investor” as defined in Rule 501(a) of Regulation D.

(b) Buyer has received all documents, materials and information which Buyer deems necessary or appropriate for evaluating an investment in the Company or which have been requested by Buyer and has had a reasonable opportunity to ask questions of the Company and its representatives regarding the Company and the terms and conditions of the Transactions, and the Company has answered all such inquiries that Buyer or Buyer’s representatives have put to it. Buyer has had access to all additional information necessary to verify the accuracy of the information set forth in any materials furnished by the Company to Buyer, and has taken all the steps necessary to evaluate the merits and risks of an investment as proposed hereunder.

(c) Buyer has such knowledge and experience in finance, securities, investments and other business matters so as to be able to evaluate the merits and risks of the Transactions and protect the interests of Buyer in connection with the Transactions.

(d) Buyer understands that an investment in the Company Common Stock is a highly speculative venture involving a high degree of financial risk and Buyer is familiar with the various risks of an investment in the Company as proposed herein, and can afford to bear such risks, including the risks of losing Buyer’s entire investment.

(e) Buyer acknowledges that no public market for the Company Common Stock presently exists and none may develop in the future and that Buyer may find it difficult or impossible to liquidate Buyer’s investment in the Company Common Stock at a time when it may be desirable to do so, or at any other time.

(f) Buyer has been advised by the Company that none of the Seller Shares have been registered under the Securities Act; that the Seller Shares will be issued on the basis of the statutory exemption provided by Section 4(1) of the Securities Act and under available exemptions from state securities laws; that the Transactions have not been reviewed by, passed on or submitted to any federal or state agency or self regulatory organization where an exemption or preemption is being relied upon; and that Seller’s reliance thereon is based in part upon the representations made by Buyer in this Agreement.

(g) Buyer acknowledges that he has been informed by Seller of, or is otherwise familiar with, the nature of the limitations imposed by the Securities Act and the rules and regulations thereunder on the transfer of the Seller Shares. In particular, Buyer agrees that no sale, assignment or transfer of any of the Seller Shares shall be valid or effective, and the Company shall not be required to give any effect to such a sale, assignment or transfer, unless (i) the sale, assignment or transfer of such Seller Shares is registered under the Securities Act, it being understood that none of the Seller Shares are currently registered for sale and that the

Company has no obligation or intention to so register the Seller Shares (except pursuant to the Registration Rights Agreement), or (ii) such Seller Shares are sold, assigned or transferred in accordance with all the requirements and limitations of Rule 144, it being understood that Rule 144 would not be available at the present time for the sale of the Seller Shares, or (iii) such sale, assignment or transfer is otherwise exempt from registration under the Securities Act. Buyer further understands that, in connection with any sale, assignment or transfer of any of the Seller Shares or a sale of any of the Seller Shares pursuant to registration under the Securities Act, Buyer shall be required to deliver to the Company (A) an opinion, satisfactory to the Company, of legal counsel acceptable to the Company regarding the availability of exemptions from registration under federal or applicable state securities laws, and (B) such other documents as may be reasonably required by the Company. Each certificate or instrument representing any of the Securities shall bear a legend substantially to the foregoing effect.

(h) Buyer will acquire the Seller Shares for Buyer's own account for investment and not with a view to the sale or distribution thereof or the granting of any participation therein, except pursuant to transactions registered under, or exempt from the registration requirements of, federal and applicable state securities laws, and has no present intention of, or any existing agreements or arrangements with respect to, distributing or selling to others any of the Seller Shares or granting any participation therein (other than as provided in this Agreement).

(i) The Seller Shares were not offered to Buyer by any means of general solicitation or general advertising.

ARTICLE IV

Miscellaneous Provisions

Section 4.1 Notice. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (iii) one Business Day after deposit with an overnight courier service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications for each of Seller and Buyer shall be as set forth on **Schedule I** hereof.

Section 4.2 Entire Agreement. This Agreement, the Escrow Agreement and the other documents and agreements executed in connection with the Transactions embody the entire agreement and understanding of the parties hereto with respect to the subject matter hereof and supersede all prior and contemporaneous oral or written agreements, representations, warranties, contracts, correspondence, conversations, memoranda and understandings between or among the parties or any of their agents, representatives or affiliates relative to such subject matter, including any term sheets, emails or draft documents.

Section 4.3 Assignment; Binding Agreement. No party hereto shall assign any or all of its respective rights or obligations under this Agreement without the written consent of the other party hereto. This Agreement and the various rights and obligations arising hereunder shall inure to the benefit of and be binding upon the parties hereto and their successors and permitted assigns.

Section 4.4 Counterparts. This Agreement may be executed in multiple counterparts, and on separate counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. Any counterpart or other signature hereupon delivered by facsimile or other electronic transmission shall be deemed for all purposes as constituting good and valid execution and delivery of this Agreement by such party.

Section 4.5 Specific Performance. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to specific performance of the terms and provisions hereof, in addition to any other remedy to which they are entitled at law or in equity.

Section 4.6 Governing Law; Jurisdiction; Jury Trial. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of Illinois, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Illinois or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of Illinois. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the State of Illinois for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereto hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. **EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.**

Section 4.7 No Third Party Beneficiaries or Other Rights. Nothing herein shall grant to or create in any Person not a party hereto, or any such Person's dependents or heirs, any right to any benefits hereunder, and no such party shall be entitled to sue any party to this Agreement with respect thereto.

Section 4.8 Waiver; Consent. This Agreement may not be changed, amended, terminated, augmented, rescinded or discharged (other than in accordance with its terms), in whole or in part, except by a writing executed by each of the parties hereto. No waiver of any of the provisions or conditions of this Agreement or any of the rights of a party hereto shall be effective or binding unless such waiver shall be in writing and signed by the party hereto claimed to have given such waiver or consented thereto. Except to the extent otherwise agreed in writing,

no waiver of any term, condition or other provision of this Agreement, or any breach thereof shall be deemed to be a waiver of any other term, condition or provision or any breach thereof, or any subsequent breach of the same term, condition or provision, nor shall any forbearance to seek a remedy for any noncompliance or breach be deemed to be a waiver of a party's rights and remedies with respect to such noncompliance or breach.

Section 4.9 Construction; Interpretation; Certain Terms. Section, schedule, exhibit, recital and party references are to this Agreement unless otherwise stated. The words "hereof," "herein," "hereunder" and words of similar import shall refer to this Agreement as a whole and not to any particular section or provision of this Agreement, and reference to a particular section of this Agreement shall include all subsections thereof. The term "including" as used in this Agreement shall mean including, without limitation, and shall not be deemed to indicate an exhaustive enumeration of the items at issue. All terms and words used in this Agreement, regardless of the number or gender in which they are used, shall be deemed to include any other number and any other gender as the context may require. No party hereto, nor its counsel, shall be deemed the drafter of this Agreement for purposes of construing the provisions of this Agreement.

Section 4.10 Definitions. For purposes of this Warrant, the following terms shall have the following meanings:

(a) "Business Day" means any day other than Saturday, Sunday or other day on which commercial banks in the city of Chicago, Illinois are authorized or required by law to remain closed.

(b) "Commencement Date" means the date that is the later of the Reverse Split Effective Date and the date that is six months after the Sale Closing Date.

(c) "Common Stock Market Value" on any Trading Day means, on such Trading Day, the last reported sale price of the Company Common Stock on the Principal Market on such Trading Day, or if no such sale is made on such day, the mean of the closing bid and asked prices on such Trading Day on the Principal Market.

(d) "Encumbrance" means any mortgage, lien, pledge, charge, security interest, title retention agreement, option, equity or other adverse claim.

(e) "Expiration Date" means the fifth anniversary of the Effective Date.

(f) "Person" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization or a government or any department or agency thereof or any other legal entity.

(g) "Principal Market" means the OTC Bulletin Board (or successor thereto); provided, however, that, if after the Commencement Date the Common Stock is listed on a U.S. national securities exchange, the "Principal Market" shall mean such U.S. national securities exchange; provided, further, that if the Common Stock is not listed on the OTC Bulletin Board (or successor thereto) or a U.S. national securities exchange, "Principal Market" shall mean the principal securities exchange or trading market for the Common Stock.

(h) “Reverse Split Effective Date” means the date on which the Reverse Split (as defined in the Merger Agreement) becomes effective.

(i) “Trading Day” means any day on which the Company Common Stock is traded on the Principal Market; provided that “Trading Day” shall not include any day on which the Company Common Stock is scheduled to trade, or actually trades, on the Principal Market for less than 4.5 hours.

Section 4.11 No Broker. Each party hereto represents and warrants that it has not engaged any third party as broker or finder or incurred or become obligated to pay any broker’s commission or finder’s fee in connection with the Transactions other than such fees and expenses for which it shall be solely responsible.

Section 4.12 Further Assurances. Each of Seller and Buyer hereby agrees to execute and deliver, or cause to be executed and delivered, such other documents, instruments and agreements, and take such other actions, as either party may reasonably request in connection with the Transactions.

Section 4.13 Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning or interpretation hereof.

Section 4.14 Termination. This Agreement shall terminate automatically upon the termination of the Merger Agreement or the Termination Agreement and shall be terminable by any party hereto after May 31, 2011, but prior to the Sale Closing, if the Merger has not been consummated on or prior to such date, except that the right to terminate under this Section 4.14 will not be available to any party hereto whose breach of any of the provisions of, or failure to fulfill any of its obligations under, this Agreement or any other agreement or instrument to which such party is a party has been a principal cause of, or resulted in, the failure to consummate the Merger by such date.

* * * * *

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed as of the date first above written.

SELLER:

By: /s/ Thomas J. Somodi
Thomas J. Somodi

BUYER:

By: /s/ Gary S. Winemaster
Gary S. Winemaster

[Signature Page to Purchase and Sale Agreement]

Schedule I

Notice Information

Seller:

Thomas J. Somodi

c/o The W Group
655 Wheat Lane
Wood Dale, IL 60191

Fax: (650) 350-0103

with a copy to:

Freeborn & Peters LLP
311 South Wacker Drive
Suite 3000
Chicago, IL 60606
Attn: Todd R. Southwell, Esq.

Fax: 312-360-6994

Buyer:

Gary S. Winemaster

c/o The W Group
655 Wheat Lane
Wood Dale, IL 60191

Fax: (650) 350-0103

with a copy to:

Katten Muchin Rosenman LLP
525 W. Monroe Street
Chicago, IL 60661-3693
Attn: Mark D. Wood, Esq.

Fax: (312) 577-885

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement"), entered into as of April 29, 2011 (the "Execution Date") and effective as of January 1, 2011 (the "Effective Date"), by and between Thomas J. Somodi ("Employee") and Power Solutions International, Inc., a Nevada Corporation (the "Company").

R E C I T A L S:

WHEREAS, the Company desires to employ Employee for its own operations and for the operations of its subsidiary and related entities, including, but not limited to, The W Group, Inc. and Power Great Lakes, Inc. (collectively with the Company, the "Entities"); and

WHEREAS, Employee is willing to be employed by the Company and to perform services on behalf of the Entities;

NOW, THEREFORE, in consideration of the recitals and the mutual promises set forth in this Agreement, the parties hereto agree as follows:

1. Employment and Duties.

A. Position and Duties. As of the Effective Date, Employee shall (i) serve as the Chief Operating Officer for the Company and for the other Entities, (ii) serve as acting Chief Financial Officer for the Company and for the other Entities, which position he shall hold until the commencement of employment with the Company of a new Chief Financial Officer, and (iii) perform duties consistent with such positions, as directed by the Company's Chief Executive Officer and Board of Directors (the "Board"). Employee and the Company agree that, following the Effective Date, the Company may modify Employee's position and duties to the extent such modifications are consistent with the role of a Company executive and Employee's knowledge, skills and expertise. The Company shall endeavor to hire a new Chief Financial Officer as soon as reasonably possible after the Execution Date.

B. Non-Exclusive Services. Employee agrees to perform to the best of his ability such duties as may be reasonably assigned to Employee and devote his time and energy as may be necessary. While it is expected that employment hereunder will be Employee's primary business pursuit, the Company recognizes that Employee has other significant personal, business and corporate responsibilities, obligations and interests. Employee is expressly permitted to maintain and expand such responsibilities, obligations and interests provided they do not materially interfere with Employee's duties on behalf of the Company.

C. Performance Standard. In furtherance of Section 1.A herein, Employee shall perform Employee's duties in a conscientious, reasonable and competent manner

and shall strive to promote the success and best interests of the Company. In addition, Employee agrees to perform his services hereunder in accordance with ordinary business custom and good taste, with integrity, honesty and responsibility.

2. [INTENTIONALLY OMITTED]

3. Term. Employee's employment with the Company pursuant to this Agreement shall be effective as of the Effective Date and continue in effect until the earlier of (i) the date on which Employee dies or otherwise incurs a termination of employment with the Company, and (ii) December 31, 2012 (such period, the "Term"). In the event that the Term expires on December 31, 2012 and Employee's employment with the Company continues, such employment shall be at-will; provided, however, that Executive's obligations under Sections 6 through 8 hereof shall continue in full force and effect.

4. Compensation. The Company agrees to provide the following payments and consideration to Employee as full payment for the services to be performed pursuant to this Agreement. Such payments and consideration may be paid or provided by the Company or through any Entity:

A. Salary. For calendar year 2011, Employee shall receive a total salary of five hundred thousand dollars (\$500,000). From the Execution Date through and including December 31, 2011, Employee shall receive a portion of such salary equal to the excess of five hundred thousand dollars (\$500,000) over the sum of any amounts of salary for calendar year 2011 paid to Employee on or prior to the Execution Date. For calendar year 2012, Employee shall receive an annual salary of five hundred thousand dollars (\$500,000). Any annual salary payable hereunder shall be paid pursuant to the Company's payroll procedures and policies as in effect from time to time.

B. Incentive Compensation. For each of calendar years 2011 and 2012, Employee will be eligible to receive a performance bonus based on the Company's and Employee's performance during such year, as determined in the sole discretion, exercised in good faith, of the Board (or a committee thereof). Any such bonus shall be paid no earlier than January 1, and no later than April 30, of the calendar year following the calendar year in which such bonus is earned.

C. Equity Compensation. During the Term, Employee shall be eligible to receive equity compensation under any equity plan established and maintained by the Company, as determined in the sole discretion, exercised in good faith, of the Board (or a committee thereof). Any such award of equity compensation shall be governed by the terms and conditions of the equity plan under which it is granted.

D. Expense Reimbursements. The Company shall reimburse Employee for all substantiated reasonable and necessary expenses incurred in carrying out Employee's duties under this Agreement pursuant to the Company's business expense reimbursement policies and practices as in effect from time to time. The Company further agrees to reimburse Employee of up to sixty-two thousand five hundred dollars (\$62,500) of his substantiated, reasonable attorneys', accountants' and advisor fees and costs associated

with the negotiation and execution of this Agreement, the Termination Agreement, dated as of April 20, 2011, by and between The W Group, Inc. and Employee, the Purchase and Sale Agreement, dated as of April 20, 2011, by and between Employee and Gary Winemaster (the "Purchase and Sale Agreement"), and the transactions contemplated hereby and thereby, within ten (10) business days following the Execution Date. Reimbursement of any other fees or costs of attorneys, accountants or advisors of or to Employee shall be subject to the prior approval of the Company's Chief Executive Officer.

E. Benefits. Employee shall be eligible to participate in the Company's 401(k) retirement plan and health-related plans (including any family, dental and vision benefits offered thereunder) on the same terms and conditions that apply to other similarly situated executives of the Company from time to time. To the extent permissible under the Company's health-related plans, any underlying group insurance policies, and applicable law or regulation (without penalty to the Company), the Company agrees that, upon any termination of Employee's employment, the Company will continue to provide Employee with substantially similar family coverage under the Company's health-related plans as provided to Employee while he was an employee of the Company until Employee is eligible for Medicare; provided, however, that Employee shall pay the full cost to the Company of any such coverage. The Company shall not unreasonably or in bad faith fail to include language in any Company health-related plan if the lack of such language would prohibit Employee from being eligible for any continuation coverage pursuant to this Section 4.D. If Employee fails to timely reimburse the Company for the cost of any such coverage, the Company's obligation to continue to provide such coverage shall cease.

F. Life Insurance.

I. Employee has procured and owns a life insurance policy on Employee's life that provides for a death benefit of two million dollars (\$2,000,000) ("Life Insurance Policy I"). The Company acknowledges that Life Insurance Policy I is owned by Employee and that Employee may, in his sole discretion, name a beneficiary upon such policy. The Company shall not be named as a beneficiary upon Life Insurance Policy I and shall have no collateral interest in the policy or right of reimbursement as to premium payments made with respect to Life Insurance Policy I. Employee shall have sole responsibility for paying the premiums to maintain such policy.

II. The Company has procured and owns a life insurance policy on Employee's life which provides for a death benefit to the Company of three million dollars (\$3,000,000) ("Life Insurance Policy II"). To the extent permissible, the Company agrees to transfer Life Insurance Policy II to Employee as soon as administratively feasible following the Execution Date. Following any such transfer, Employee shall have sole responsibility for paying the premiums to maintain such policy.

G. Paid Time Off. Employee shall be eligible to take paid time off under the Company's paid time off policies on the same terms and conditions that apply to other similarly situated senior management employees of the Company from time to time; provided; however, that Employee shall be entitled to a minimum of twenty-five (25) days of paid time off per calendar year.

H. Insurance. The Company shall use its commercially reasonable best efforts to obtain and maintain in full force and effect liability insurance applicable to directors and officers in reasonable amounts from established and reputable insurers (subject to appropriate cost considerations), as determined in good faith by the Board. To the extent the Company maintains liability insurance applicable to directors, officers, employees, controlling persons, agents or fiduciaries of the Company, Employee shall be covered by such policy or policies in such a manner as to provide Employee the same rights and benefits as are accorded to the most favorably insured of the Company's directors, if Employee is a director thereof, or of the Company's officers, if Employee is not a director of the Company but is an officer thereof, or of Company's key employees, controlling persons, agents or fiduciaries, if Employee is not an officer or director of the Company, but is a key employee, controlling person, agent or fiduciary thereof, as the case may be. The Company shall advise Employee as to the general terms of, and the amounts of coverage provided by, any liability insurance policy described in this Section 4.G and shall promptly notify Employee if, at any time, any such insurance policy will no longer be maintained, the amount of coverage under any such insurance policy will be decreased or the terms of any such insurance policy will materially change.

5. Employment Termination.

A. Termination without Cause During Term. If, prior to the end of the Term, the Company terminates Employee's employment without Cause (defined below) and such termination constitutes a Separation from Service (defined below), Employee shall be (I) entitled to receive the remainder of the salary he would have received pursuant to Section 4.A hereof if he had remained employed through and including December 31, 2012 and (II) eligible for the health-related plan continuation coverage described in (and subject to the terms of) Section 4.D hereof. Employee's salary severance amount shall be paid as salary continuation pursuant to the Company's payroll schedule as in effect on the date of Employee's Separation from Service; provided, however, that, to the extent that Employee is a "specified employee" (within the meaning of Treasury Regulation Section 1.409A-1(i)) on the date of his Separation from Service, any salary severance amounts that would otherwise be payable under this Section 5.A during the six (6) month period immediately following Employee's Separation from Service shall be paid on the first payroll date following the six (6) month anniversary of Employee's Separation from Service. Notwithstanding the foregoing, Employee agrees that he (i) shall forfeit his right to receive any salary continuation pursuant to this Section 5.A or any health-related plan continuation coverage if he breaches any of his obligations under Sections 6 through 8 hereof, fails to timely execute a general release of claims against the Entities (including their employees, directors, agents and affiliates), or revokes such release during any applicable revocation period; and (ii) in the event of any such breach, failure, or revocation, shall reimburse the Company for the gross amounts of any salary continuation payments already made prior to the occurrence of such breach, failure or revocation.

B. Other Termination. If Employee's employment with the Company terminates under any circumstances other than those described in Section 5.A hereof (including after expiration of the Term), Employee shall not be entitled to any severance payments or benefits, other than eligibility for the health-related plan continuation coverage described in (and subject to the terms of) Section 4.E hereof, which health-related continuation coverage shall not be affected by such termination. Notwithstanding the foregoing or anything else to the contrary contained herein, Employee agrees that he shall forfeit his right to receive any such health-related plan continuation coverage if he breaches any of his obligations under Sections 6 through 8 hereof, fails to timely execute a general release of claims against the Entities (including their employees, directors, agents and affiliates), or revokes such release during any applicable revocation period.

C. No Additional Obligations. Except as otherwise expressly provided in this Agreement, the Company shall have no additional obligations under this Agreement upon the termination of Employee's employment.

D. Notice of Termination. Any termination by the Company of Employee's employment under Section 5.A hereof shall be communicated to Employee by written notice and such written notice shall include in reasonable detail the basis for termination. Such employment termination shall become effective as of the date such notice is provided to Employee, unless the Company specifies a later date in such notice.

E. Definitions.

I. As used in this Agreement, "Cause" shall mean the occurrence of one or more of the following:

- A conviction or a plea of *nolo contendere* by Employee of a felony, or other crime involving dishonesty, disloyalty or fraud;
- action by the Employee constituting gross negligence, willful misconduct or unlawful conduct, which results in significant financial loss or liability to any Entity or, in any material respect, impairs the reputation, goodwill or business of any Entity;
- the Board's good faith determination, following consultation with an independent medical doctor, that Employee suffers from a physical or mental illness or injury that renders Employee incapable of performing his duties, with or without a reasonable accommodation, and that does or may be expected to continue for more than six (6) months during any consecutive twelve (12)-month period;

- Employee's liquidation, assignment or other transfer of (or direct or indirect transfer of any of the economic or other rights associated with) an aggregate of more than fifty percent (50%) of the shares of Common Stock Employee has at any time received from Gary Winemaster pursuant to the Purchase and Sale Agreement (subject to appropriate adjustment for stock splits, stock dividends, stock combinations and other similar events);
- Employee's breach of any provision in Sections 6 through 8 hereof; and
- the continued failure of the Employee for thirty (30) consecutive days, after prior written notice of such failure and following a reasonable opportunity by Employee to cure, to perform the duties assigned to Employee in accordance herewith.

II. As used in this Agreement, "Separation from Service" shall mean Employee's "separation from service" (within the meaning of Treasury Regulation Section 1.409A-1(h)) with the Company.

6. Confidential Information. Employee acknowledges that by reason of his employment by the Company, or while being associated with the Entities, Employee has had and will have access to and become informed of Confidential Information (defined below) that is a competitive asset of the Company, and agrees that the Entities have a protectable interest in such Confidential Information. Therefore, Employee agrees that he shall not, directly or indirectly, disclose to any unauthorized person or use for his own purposes any such Confidential Information without the prior written consent of the Company unless and to the extent that such Confidential Information (i) becomes or is generally known to the public and available for use by the public and industry other than as a result of Employee's unauthorized acts or omissions in breach of this Agreement, or (ii) is required to be disclosed by judicial process, law or securities exchange on which the securities of the Company or any of its affiliates are listed; provided, however, that Employee, to the extent not prohibited by such process, law or exchange, shall give the Company written notice of the Confidential Information to be so disclosed pursuant to clause (ii) of this sentence as far in advance of its disclosure as is reasonably practicable, shall cooperate with the Company in any efforts to protect the Confidential Information from disclosure (including efforts to secure a judicial order to such effect), and shall limit his disclosure of such Confidential Information to the minimum disclosure required by such process, law or exchange. Employee acknowledges that all documents and other property including or reflecting Confidential Information furnished to Employee by any entity or otherwise acquired or developed by an Entity or acquired, developed or known by Employee by reason of the performance of his duties for, or his association with, any of the Entities shall at all times be the property of the Company. Employee shall take all reasonable steps to safeguard Confidential Information and protect it against disclosure, misuse, loss or theft. Employee shall deliver to the Company, at such time as the Company may request, all memoranda, notes, plans, records, reports, computer tapes, printouts and software and other documents and data (and copies

thereof) that constitute Confidential Information that Employee may then possess or have under his control. “Confidential Information” means (x) any and all trade secrets concerning the business and affairs of any Entity, any product specifications, data, know-how, formulae, compositions, processes, designs, sketches, photographs, graphs, drawings, samples, inventions and ideas, past, current and planned research and development, current and planned manufacturing and distribution methods and processes, customer lists, current and anticipated customer requirements, price lists, market studies, business plans, computer software and programs (including object code and source code), database technologies, systems, structures, architectures processes, improvements, devices, discoveries, concepts, methods, and information of any Entity; (y) any and all information concerning the business and affairs of any Entity (which includes financial statements, financial projections and budgets, historical and projected sales, capital spending budgets and plans, the names and backgrounds of key personnel, contractors, agents, suppliers and potential suppliers, personnel training and techniques and materials, and purchasing methods and techniques), however documented; and (z) any and all notes, analysis, compilations, studies, summaries and other material prepared by or for any Entity containing or based, in whole or in part, upon any information included in the foregoing.

7. Non-Compete. Employee acknowledges that by reason of Employee’s duties and association with the Entities, Employee has or will become familiar with Confidential Information concerning the Entities and that Employee’s services are of special, unique and extraordinary value to the Entities. Therefore, Employee agrees that during his employment with the Company and until the one (1) year anniversary of the termination thereof for any reason (the “Noncompete Period”), Employee shall not, without the prior express written approval of the Company, other than in the legitimate exercise of his duties for the Company, directly or indirectly (i) own, manage, operate, or control any entity that engages in the business of designing, manufacturing, marketing, distributing and/or otherwise supplying or providing power systems (and/or subsystems, components, kits and/or parts), other engine power products, telematics products and/or connected asset services (and/or other products and/or services directly related to any of the foregoing) to manufacturers and suppliers of off-highway industrial equipment, or in any other business in which the Company engages as of the date on which Employee’s employment with the Company ends (“Competitive Activity”), or (ii) be employed or engaged in a strategic, business development, or executive capacity (or any role involving services similar to those that Employee provided to the Entities or their affiliates), whether or not for compensation, by any person or entity engaged in a Competitive Activity. The provisions in this Section 7 shall operate in the market areas of the United States and any other market areas of any other countries anywhere in the world in which the Entities conduct or plan to conduct their business as of Employee’s separation from the Company. The foregoing shall not restrict the Employee from directly or indirectly owning stock of the Company or up to an aggregate of two percent (2%) of the outstanding stock of any publicly held company engaged in a business competitive to the Entities’ business.

8. Non-Solicitation. Employee agrees that during his employment with the Company and until the one (1) year anniversary of the termination thereof, he shall not, directly or indirectly, whether individually, as a director, stockholder, partner, owner, employee or agent of any business, or in any other capacity: (i) induce or attempt to induce any employee of any Entity to leave his or her employ or in any way interfere with the relationship between any Entity and any employee thereof; (ii) solicit to hire or hire any person who was an employee of any Entity at

any time during the one (1) year period prior to the date of Employee's termination with the Company; or (iii) induce or attempt to induce any customer, developer, client, member, supplier, vendor, licensee, licensor, franchisee or other business relation of any Entity to cease doing business with any Entity, or in any way interfere with the relationship between any such customer, developer, client, member, supplier, vendor, licensee, licensor, franchisee or business relation of any Entity (including, without limitation, making any negative statements or communications about any Entity or any of their respective officers, directors, products or services).

9. Enforcement. Employee acknowledges that the provisions of Sections 6 through 8 hereof are in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged. Employee expressly agrees and acknowledges that the restrictions contained in Sections 6 through 8 hereof do not preclude Employee from earning a livelihood, nor do they unreasonably impose limitations on Employee's ability to earn a living. In addition, Employee agrees and acknowledges that the potential harm to any Entity of its non-enforcement outweighs any harm to Employee of its enforcement by injunction or otherwise. Employee acknowledges that Employee has carefully read this Agreement and has given careful consideration to the restraints imposed upon Employee by this Agreement, and is in full accord as to their necessity. If, at the time of enforcement of any of Sections 6 through 8 hereof, a court of competent jurisdiction or an arbitrator shall hold that the duration, scope or area restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum duration, scope or area reasonable under such circumstances shall be substituted for the stated duration, scope or area and that the court or arbitrator shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law. Employee expressly acknowledges and agrees that the restrictions contained herein are reasonable in terms of duration, scope and area restrictions and are necessary to protect the Confidential Information and the goodwill of the businesses of any Entity, and Employee agrees not to challenge the validity or enforceability of the restrictions contained herein. The parties hereto expressly agree that money damages would not be an adequate remedy for breaching any provision of Sections 6 through 8 hereof. Therefore, in the event of a breach or threatened breach of any such provision, the Company and/or any other Entity or their respective successors or assigns shall be entitled to, in addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violations of the provisions hereof (without the necessity of posting a bond or other security, or proving economic harm).

10. Assignment. This Agreement may not be assigned by either the Company or Employee, except that this Agreement shall inure to the benefit of and be enforceable by the Employee's estate and/or legal representative and the Company's successors and assigns, including without limitation, any individual or entity that may acquire all, or substantially all, of the Company's assets and business or with and into which the Company may be consolidated or merged; and this provision shall apply in the event of any subsequent merger or consolidation.

11. Notices. All notices given under this Agreement shall be in writing, and shall be personally delivered or sent to the following address by registered mail, postage prepaid or at such other address as either party shall designate in writing to the other.

If to Employee: The most recent address on the file with the Company
If to Company: 655 Wheat Lane
Wood Dale, Illinois 60191
Attention: Gary Winemaster

12. Miscellaneous Provisions.

A. Entire Agreement. This Agreement contains the entire agreement between the parties hereto with respect to the transactions contemplated herein. No modification or amendment of this Agreement shall be effective unless in writing and signed by the parties hereto.

B. Tax Withholding. The Company shall withhold from any amounts payable to Employee hereunder all federal, state, city or other taxes the withholding of which the Company determines to be legally required pursuant to any applicable law or regulation (it being understood by the parties hereto that Employee shall be responsible for payment of all taxes, foreign or otherwise, in respect to the payments provided herein).

C. Section 409A. The Company and Employee intend this Agreement to be structured and interpreted to comply with, or to satisfy an exemption from, Section 409A of the Internal Revenue Code of 1986, as amended, and all regulations, guidance, compliance programs, and other interpretative authority in effect thereunder, such that there are no adverse tax consequences, interest, or penalties thereunder ("409A Tax") imposed on Employee as a result of any payment hereunder. The Company and Employee agree to cooperate in good faith to provide full effect to such intent; provided, however, that the Company shall have no liability for a 409A Tax imposed on Employee.

D. Attorney Fees. In any action, proceeding or dispute in connection with this Agreement, the court resolving such dispute may determine whether any party shall pay any of the reasonable attorneys fees or costs of any other party.

E. Further Assurances. Each party to this Agreement shall from time to time hereafter, and upon request, execute acknowledge and deliver such other instruments and documents as may be reasonably required to carry out the terms and conditions of this Agreement.

F. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Illinois (regardless of its conflict of laws principles), and without reference to any rules of construction regarding the party responsible for the drafting hereof. Each party hereto submits to venue in, and jurisdiction of, the State or Federal Court (as may be appropriate) nearest to the Company's then headquarters.

G. Headings. The section headings in this Agreement are inserted for convenience only and shall not modify or affect the construction or interpretation of any provision of this Agreement.

H. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument, and may be delivered by facsimile or other form of electronic transmission.

I. Waiver. The failure of either party hereto to insist on strict performance of this Agreement by the other, according to the terms and understandings herein set forth, shall not be construed as a waiver of the right to insist on such performance, and no waiver by either party hereto of any breach by the other of any provision hereof shall be deemed a waiver of any other prior or subsequent breach.

J. Severability. If any provision hereof is invalid or unenforceable, the invalidity or unenforceability shall not affect any other provision hereof and this Agreement shall be construed in all respects as if the invalid or unenforceable provision had been omitted.

[Signature Page Follows]

Dated as of the Execution Date.

POWER SOLUTIONS INTERNATIONAL, INC.

THOMAS J. SOMODI

By: /s/ Ryan A. Neely

/s/ Thomas J. Somodi

Name: Ryan A. Neely

Title: President

[Signature Page to T. Somodi Employment Agreement]

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (“Agreement”) is made as of the 29th day of April, 2011 by and among Format, Inc., a Nevada corporation (the “Company”), and the Investors set forth on the signature pages affixed hereto (each an “Investor” and collectively the “Investors”).

Recitals

A. The Company has entered into an Agreement and Plan of Merger (the “Merger Agreement”) dated as of April 29, 2011 with PSI Merger Sub, Inc., a Delaware corporation (“Merger Sub”), and The W Group, Inc., a Delaware corporation (“Group”), pursuant to which, among other things, substantially concurrent with the closing of the transactions contemplated by this Agreement, Merger Sub will merge with and into Group, with Group as the surviving entity thereof, and shares of Common Stock and Preferred Stock (each as defined below) will be issued to the stockholders of Group (the “Merger”); and

B. Substantially contemporaneously with the consummation of the Merger, (i) the Company will repurchase all of the Common Stock held by the majority shareholders of the Company prior to the Merger pursuant to a Stock Repurchase and Debt Satisfaction Agreement, dated as of April 29, 2011 (the “Stock Repurchase Agreement,” and the transactions contemplated thereby, the “Stock Repurchase”), (ii) the Company will issue to the Placement Agent (as defined herein) warrants to purchase shares of Common Stock (the “Agent Warrants”), and (iii) the Company will change its name to Power Solutions International, Inc. pursuant to a merger into the Company of a newly-formed wholly-owned Nevada Subsidiary (as defined below) of the Company, all as described in the Private Placement Memorandum; and

C. The Company and the Investors are executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by the provisions of Regulation D (“Regulation D”), as promulgated by the U.S. Securities and Exchange Commission (the “SEC”) under the Securities Act of 1933, as amended; and

D. The Investors wish to purchase from the Company, and the Company wishes to sell and issue to the Investors, upon the terms and conditions stated in this Agreement, (i) an aggregate of 18,000 shares (the “Shares”) of the Company’s Series A Convertible Preferred Stock, par value \$0.001 per share (the “Preferred Stock”), such shares of Preferred Stock to have the relative rights, preferences and designations set forth in the Certificate of Designations set forth in Exhibit A attached hereto (the “Certificate of Designations”), and to be convertible into shares of Common Stock, par value \$0.001 per share (together with any securities into which such shares may be reclassified, whether by merger, charter amendment or otherwise, the “Common Stock”) (subject to adjustment) at a conversion price of \$0.375 per share (subject to adjustment), and (ii) warrants to purchase an aggregate of 24,000,000 shares of Common Stock (subject to adjustment) at an exercise price of \$0.40625 per share (subject to adjustment) in the form attached hereto as Exhibit B (the “Warrants”); and

E. Contemporaneous with the sale of the Shares and Warrants, the parties hereto will execute and deliver a Registration Rights Agreement, in the form attached hereto as Exhibit C (the “Registration Rights Agreement”), pursuant to which the Company will agree to provide certain registration rights under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, and applicable state securities laws; and

F. In connection with the sale of the Shares and the Warrants, the Company has prepared an amended and restated private placement memorandum dated, April 16, 2011, including a draft of the current report on Form 8-K to be filed by the Company with the SEC following the consummation of the Merger (such amended and restated private placement memorandum, including the draft current report on Form 8-K and any other documents incorporated by reference therein, together with any supplements or amendments thereto provided to the Investors prior to the date hereof, the “Private Placement Memorandum”), setting forth or including a description of the Company and its Subsidiaries (giving effect to the Merger). All references in this Agreement to financial statements and schedules and other information which is “contained,” “included” or “stated” in the Private Placement Memorandum (or other references of like import) shall be deemed to mean and include all such financial statements and schedules and other information which are included in the Private Placement Memorandum.

In consideration of the mutual promises made herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. In addition to those terms defined above and elsewhere in this Agreement, for the purposes of this Agreement, the following terms shall have the meanings set forth below:

“Affiliate” means, with respect to any Person, any other Person which directly or indirectly through one or more intermediaries Controls, is controlled by, or is under common Control with, such Person.

“Automatic Conversion Date” means the date on which the Reverse Split is effected.

“Base Price” has the meaning set forth in Section 7.12.

“Beneficial Ownership” shall be determined in accordance with Rule 13d-3(e) under the Exchange Act; provided, however, that any limitation on the conversion of the Shares or the exercise of the Warrants shall be disregarded for purposes of such determination. “Beneficially Owns” and “Beneficial Owner” shall have meanings correlative thereto.

“Business Day” means a day, other than a Saturday or Sunday, on which banks in New York City are open for the general transaction of business.

“Common Stock Equivalents” means any securities of the Company or its Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

“Company’s Knowledge” means the actual knowledge of the executive officers (as defined in Rule 405 under the 1933 Act) of the Company, after due inquiry.

“Confidential Information” means trade secrets, confidential information and know-how (including but not limited to ideas, formulae, compositions, processes, procedures and techniques, research and development information, computer program code, performance specifications, support documentation, drawings, specifications, designs, business and marketing plans, and customer and supplier lists and related information).

“Consent and Waiver Agreement” means the Consent and Waiver Agreement, dated as of January 20, 2011, among Group and the other parties to the Loan Agreement.

“Control” (including the terms “controlling”, “controlled by” or “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

“Conversion Shares” means the shares of Common Stock issuable upon the conversion of the Shares.

“D&O Lock-Up Agreements” mean agreements by each person listed on Exhibit D attached hereto, in substantially the form attached hereto as Exhibit E, pursuant to which such persons shall agree not to sell or otherwise dispose of shares of Common Stock directly or indirectly for a period commencing on the date hereof and ending on the 180th day after the Effective Date, subject to exceptions set forth in such agreements.

“Effective Date” means the date on which the initial Registration Statement is declared effective by the SEC.

“Effectiveness Deadline” means the date on which the initial Registration Statement is required to be declared effective by the SEC under the terms of the Registration Rights Agreement.

“Escrow Agreement” means the Escrow Agreement, dated the date hereof, among the Company, the Placement Agent and Alliance Bank of Arizona, as the escrow agent thereunder.

“Intellectual Property” means all of the following: (i) patents, patent applications, patent disclosures and inventions (whether or not patentable and whether or not reduced to practice); (ii) trademarks, service marks, trade dress, trade names, corporate names, logos,

slogans and Internet domain names, together with all goodwill associated with each of the foregoing; (iii) copyrights and copyrightable works; (iv) registrations, applications and renewals for any of the foregoing; and (v) proprietary computer software (including but not limited to data, data bases and documentation).

“Loan Agreement” means the Loan and Security Agreement, dated as of July 15, 2008, as amended prior to the date hereof, among Group, the agent and the lenders named therein and the other parties thereto.

“Material Adverse Effect” means a material adverse effect on (i) the assets, liabilities, results of operations, condition (financial or otherwise), business, or prospects of the Company and its Subsidiaries taken as a whole (after giving effect to the consummation of the Merger), or (ii) the ability of the Company to perform its obligations under the Transaction Documents.

“Material Contract” means any contract, instrument or other agreement to which the Company or any Subsidiary is a party or by which it is bound which is material to the business of the Company and its Subsidiaries, taken as a whole (after giving effect to the consummation of the Merger).

“Migratory Merger” means the merger of the Company with and into a wholly owned Subsidiary of the Company effected solely for the purpose of changing the Company’s jurisdiction of incorporation from Nevada to Delaware. Upon the consummation of the Migratory Merger, the certificate of incorporation of the surviving entity of the Migratory Merger shall be in substantially the form attached hereto as Exhibit G and the bylaws of the surviving entity of the Migratory Merger shall be in substantially the form attached hereto as Exhibit H.

“Person” means an individual, corporation, partnership, limited liability company, trust, business trust, association, joint stock company, joint venture, sole proprietorship, unincorporated organization, governmental authority or any other form of entity not specifically listed herein.

“Placement Agent” means Roth Capital Partners, LLC.

“Proposals” has the meaning set forth in Section 7.9.

“Purchase Price” means Eighteen Million Dollars (\$18,000,000).

“Registration Statement” has the meaning set forth in the Registration Rights Agreement.

“Required Investors” means (i) prior to the Closing Date, the Investors agreeing to purchase at least 66 2/3% of the Shares and Warrants hereunder, (ii) from and after the Closing Date and prior to the effective date of the Reverse Split, the Investors holding at least 66 2/3% of the Shares then outstanding and held by all of the Investors and their permitted

transferees, and (iii) from and after the effective date of the Reverse Split, the Investors holding at least 66 2/3% of the Conversion Shares, the Warrant Shares, the Reset Shares (if any) and the Reset Warrant Shares (if any) then outstanding and held by all of the Investors and their permitted transferees.

“Reset Price” has the meaning set forth in Section 7. 12.

“Reset Securities” means the Reset Shares, the Reset Warrants and the Reset Warrant Shares.

“Reset Shares” has the meaning set forth in Section 7.12.

“Reset Warrants” has the meaning set forth in Section 7.12.

“Reset Warrant Shares” has the meaning set forth in Section 7.12.

“Reverse Split” means a one-for-32 reverse split of the Common Stock which does not reduce the number of shares of Common Stock that the Company is authorized to issue; provided, that such reverse split may be effected by providing that each 32 shares of Common Stock shall be exchanged for one share of common stock of the surviving entity in the Migratory Merger, in which case, the consummation of the Migratory Merger shall constitute the Reverse Split.

“SEC Filings” has the meaning set forth in Section 4.6.

“Securities” means the Shares, the Conversion Shares, the Warrants, the Warrant Shares, the Reset Shares, the Reset Warrants and the Reset Warrant Shares.

“Shareholder Approval” means the approval of the Proposals by the shareholders of the Company in accordance with applicable law, the Company’s Articles of Incorporation and the Company’s Bylaws.

“SSF Funds” means the Investors which are Affiliates of AWM Investment Company, Inc.

“Subsidiary” of any Person means another Person, an amount of the voting securities, other voting ownership or voting partnership interests of which is sufficient to elect at least a majority of its Board of Directors or other governing body (or, if there are no such voting interests, 50% or more of the equity interests of which) is owned directly or indirectly by such first Person. Without limiting the generality of the foregoing, Group shall be considered a Subsidiary of the Company.

“Transaction Documents” means the Merger Agreement, the Stock Repurchase Agreement, this Agreement, the Certificate of Designations, the Consent and Waiver Agreement, the Warrants, the Registration Rights Agreement, the Escrow Agreement and the Voting Agreements.

“Valuation Period” means the period commencing on the Automatic Conversion Date and ending on the earlier of (i) the second anniversary of the Effective Date and (ii) the 180th day after the closing of a firm commitment public underwritten offering of equity or equity-related securities of the Company which results in gross proceeds of not less than Fifteen Million Dollars (\$15,000,000).

“Voting Agreement” means a Voting Agreement in the form attached hereto as Exhibit F.

“Warrant Shares” means the shares of Common Stock issuable upon the exercise of the Warrants.

“1933 Act” means the Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

“1934 Act” means the Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

2. Purchase and Sale of the Shares and Warrants. Subject to the terms and conditions of this Agreement, on the Closing Date, each of the Investors shall severally, and not jointly, purchase, and the Company shall sell and issue to the Investors, the Shares and Warrants in the respective amounts set forth opposite the Investors’ names on the signature pages attached hereto in exchange for such Investor’s pro rata portion of the Purchase Price as specified in Section 3 below.

3. Closing. Unless other arrangements have been made with a particular Investor, each of the Investors shall deposit an amount equal to such Investor’s pro rata portion of the Purchase Price as specified on the signature pages to this Agreement by wire transfer of immediately available funds to a non-interest-bearing escrow account (the “Escrow Account”) in the name of the Company at Alliance Bank of Arizona (the “Escrow Agent”), and such amount (such Investor’s “Escrow Amount”) shall remain in such account until distributed by the Escrow Agent in accordance with this Agreement and the escrow agreement entered into between the Company and the Escrow Agent (the “Escrow Agreement”) (which shall reflect the terms herein). In the event that this Agreement is terminated pursuant to Section 6.3 hereof, then such Investor’s Escrow Amount shall be promptly released from the Escrow Account by the Escrow Agent to such Investor pursuant to the terms of the Escrow Agreement. On the date (the “Closing Date”) the Company receives the Purchase Price, the certificates evidencing the Shares and Warrants shall be released to the Investors (the “Closing”). The Closing of the purchase and sale of the Shares and Warrants shall take place at the offices of Lowenstein Sandler PC, 1251 Avenue of the Americas, 18th Floor, New York, New York 10020, or at such other location and on such other date as the Company and the Investors shall mutually agree.

4. Representations and Warranties of the Company. The Company hereby represents and warrants to the Investors that, except as set forth in the schedules delivered herewith (collectively, the “Disclosure Schedules”):

4.1 Organization, Good Standing and Qualification. Each of the Company and its Subsidiaries is a corporation or limited liability company duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, as applicable, and has all requisite corporate or limited liability company power and authority, as applicable, to carry on its business as now conducted and to own or lease its properties. Each of the Company and its Subsidiaries is duly qualified to do business as a foreign corporation or limited liability company and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property makes such qualification or leasing necessary unless the failure to so qualify has not had and could not reasonably be expected to have a Material Adverse Effect. All of the Company's Subsidiaries are listed on Schedule 4.1 hereto.

4.2 Authorization. The Company has full power and authority and, except for obtaining the Shareholder Approval and effecting the Migratory Merger and the Reverse Split, has taken all requisite action on the part of the Company, its officers, directors and shareholders necessary for (i) the authorization, execution and delivery of the Transaction Documents, (ii) the authorization of the performance of all obligations of the Company hereunder or thereunder, and (iii) the authorization, issuance (or reservation for issuance) and delivery of the Securities. The Transaction Documents constitute the legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability, relating to or affecting creditors' rights generally and to general equitable principles and except as any rights to indemnification or contribution under the Registration Rights Agreement may be limited by federal and state securities laws and public policy considerations.

4.3 Capitalization. Schedule 4.3 sets forth as of the date hereof (a) the authorized capital stock of the Company; (b) the number of shares of capital stock issued and outstanding; (c) the number of shares of capital stock issuable pursuant to the Company's stock plans (including, after giving effect to the Merger); (d) the number of shares of capital stock issuable pursuant to the Merger; (e) the number of shares of capital stock issuable and reserved for issuance pursuant to securities (other than the Shares and the Warrants) exercisable for, or convertible into or exchangeable for any shares of capital stock of the Company; and (f) the pro forma capitalization of the Company after giving effect to the Merger, the Reverse Split, the issuance of the Shares and the Warrants and the consummation of the other transactions contemplated by the Transaction Documents. All of the issued and outstanding shares of the Company's capital stock have been duly authorized and validly issued and are fully paid, nonassessable and free of pre-emptive rights and were issued in full compliance with applicable state and federal securities law and any rights of third parties. Except as described on Schedule 4.3, all of the issued and outstanding shares of capital stock or membership interests, as applicable, of each Subsidiary have been duly authorized and validly issued and are fully paid, nonassessable and free of pre-emptive rights, were issued in full compliance with applicable state and federal securities law and any rights of third parties and, upon consummation of the Merger, will be directly or indirectly owned by the Company, beneficially and of record, subject to no lien, encumbrance or other adverse claim. Except as described on Schedule 4.3, no Person is entitled to pre-emptive or similar statutory or contractual rights with respect to any securities of the Company. Except for Securities to be issued hereunder and the Agent Warrants or as

described on Schedule 4.3, there are no outstanding warrants, options, convertible securities or other rights, agreements or arrangements of any character under which the Company or any of its Subsidiaries is or may be obligated to issue any equity securities of any kind, and except as contemplated by this Agreement, neither the Company nor any of its Subsidiaries is currently in negotiations for the issuance of any equity securities of any kind. Except as described on Schedule 4.3 and except for the Registration Rights Agreement, the Stock Repurchase Agreement and the Voting Agreements, there are no voting agreements, repurchase or redemption agreements, buy-sell agreements, option or right of first purchase agreements or other agreements of any kind among the Company and any of the securityholders of the Company relating to the securities of the Company held by them. Except as described on Schedule 4.3 and except as provided in the Registration Rights Agreement, no Person has the right to require the Company to register any securities of the Company under the 1933 Act, whether on a demand basis or in connection with the registration of securities of the Company for its own account or for the account of any other Person.

Except for the Agent Warrants or as described on Schedule 4.3, the issuance and sale of the Securities hereunder will not obligate the Company to issue shares of Common Stock or other securities to any other Person (other than the Investors) and, except for the Reverse Split, will not result in the adjustment of the exercise, conversion, exchange or reset price of any outstanding security.

Except as described on Schedule 4.3, the Company does not have outstanding shareholder purchase rights or “poison pill” or any similar arrangement in effect giving any Person the right to purchase any equity interest in the Company upon the occurrence of certain events.

4.4 Valid Issuance. The Shares have been duly and validly authorized and, when issued and paid for pursuant to this Agreement, will be validly issued, fully paid and nonassessable, and shall be free and clear of all encumbrances and restrictions (other than those created by the Investors), except for restrictions on transfer set forth in the Transaction Documents or imposed by applicable securities laws and will have the relative rights, powers and preferences set forth in the Certificate of Designation. Once the Reverse Split has been effected, upon the due conversion of the Shares in accordance with the Certificate of Designation, the Conversion Shares will be validly issued, fully paid and nonassessable, and shall be free and clear of all encumbrances and restrictions, except for restrictions on transfer set forth in the Transaction Documents or imposed by applicable securities laws. The Warrants have been duly and validly authorized. Once the Reverse Split has been effected, upon the due exercise of the Warrants, the Warrant Shares will be validly issued, fully paid and non-assessable free and clear of all encumbrances and restrictions, except for restrictions on transfer set forth in the Transaction Documents or imposed by applicable securities laws and except for those created by the Investors. The Reset Shares have been duly and validly authorized and, when issued pursuant to this Agreement, will be validly issued, fully paid and nonassessable, and shall be free and clear of all encumbrances and restrictions (other than those created by the Investors), except for restrictions on transfer set forth in the Transaction Documents or imposed by applicable securities laws. The Reset Warrants have been duly and validly authorized. Once the Reverse Split has been effected, upon the due exercise of the Reset Warrants, the Reset Warrant Shares

will be validly issued, fully paid and non-assessable free and clear of all encumbrances and restrictions, except for restrictions on transfer set forth in the Transaction Documents or imposed by applicable securities laws and except for those created by the Investors. Once the Reverse Split has been effected, the Company will have reserved a sufficient number of shares of Common Stock for issuance upon the full conversion of the Shares, the exercise of the Warrants, the issuance of the Reset Shares and the exercise of the Reset Warrants.

4.5 Consents. Except for the Shareholder Approval and as described on Schedule 4.5, the execution, delivery and performance by the Company of the Transaction Documents and the offer, issuance and sale of the Securities require no consent of, action by or in respect of, or filing with, any Person, governmental body, agency, or official, other than filings that have been made pursuant to applicable state securities laws, post-sale filings pursuant to applicable state and federal securities laws which the Company undertakes to file within the applicable time periods and those consents which have been obtained and are in full force and effect. Subject to the accuracy of the representations and warranties of each Investor set forth in Section 5 hereof, the Company has taken all action necessary to exempt (A) the issuance and sale of the Securities, including (i) the issuance of the Conversion Shares upon the due conversion of the Shares, (ii) the issuance of the Warrant Shares upon due exercise of the Warrants, (iii) the issuance of the Reset Shares, (iv) the issuance of the Reset Warrants Shares upon due exercise of the Reset Warrants and (B) the other transactions contemplated by the Transaction Documents from the provisions of any shareholder rights plan or other “poison pill” arrangement, any anti-takeover, business combination or control share law or statute binding on the Company or to which the Company or any of its assets and properties may be subject and any provision of the Company’s Articles of Incorporation or Bylaws that is or could reasonably be expected to become applicable to the Investors as a result of the transactions contemplated hereby, including without limitation, the issuance of the Securities and the ownership, disposition or voting of the Securities by the Investors or the exercise of any right granted to the Investors pursuant to this Agreement or the other Transaction Documents.

4.6 Delivery of SEC Filings; Business. The Company has filed on the EDGAR system, true and complete copies of the Company’s most recent Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (the “10-K”), and all other reports filed by the Company pursuant to the 1934 Act since the filing of the 10-K and prior to the date hereof (collectively, the “SEC Filings”). The SEC Filings are the only filings required of the Company pursuant to the 1934 Act for such period. Immediately following the Closing, the Company and its Subsidiaries will be engaged in all material respects only in the business described in the Private Placement Memorandum and the Private Placement Memorandum contains a complete and accurate description in all material respects of the business of the Company and its Subsidiaries, taken as a whole (after giving effect to the Merger).

4.7 Use of Proceeds. The net proceeds of the sale of the Shares and the Warrants hereunder shall be used by the Company as specified in the Private Placement Memorandum.

4.8 No Material Adverse Change. Since December 31, 2010, except as identified and described in the Private Placement Memorandum or as described on Schedule 4.8, there has not been:

(i) any change in the consolidated assets, liabilities, financial condition or operating results of the Company and its Subsidiaries from that reflected in the financial statements included in the Private Placement Memorandum, except for changes in the ordinary course of business which have not had and could not reasonably be expected to have a Material Adverse Effect, individually or in the aggregate;

(ii) any declaration or payment of any dividend, or any authorization or payment of any distribution, on any of the capital stock of the Company, or any redemption or repurchase of any securities of the Company;

(iii) any material damage, destruction or loss, whether or not covered by insurance to any assets or properties of the Company or its Subsidiaries;

(iv) any waiver, not in the ordinary course of business, by the Company or any Subsidiary of a material debt owed to it;

(v) any satisfaction or discharge of any lien, claim or encumbrance or payment of any obligation by the Company or a Subsidiary, except in the ordinary course of business and which is not material to the assets, properties, financial condition, operating results or business of the Company and its Subsidiaries taken as a whole (as such business is presently conducted and as it is proposed to be conducted after giving effect to the Merger);

(vi) except as contemplated by the Merger Agreement, the Migratory Merger or the Reverse Split, any change or amendment to the Company's Articles of Incorporation or Bylaws, or material change to any material contract or arrangement by which the Company or any Subsidiary is bound or to which any of their respective assets or properties is subject;

(vii) any material labor difficulties or labor union organizing activities with respect to employees of the Company or any Subsidiary;

(viii) except for the transactions contemplated by the Transaction Documents, any material transaction entered into by the Company or a Subsidiary other than in the ordinary course of business;

(ix) the loss of the services of any key employee, or material change in the composition or duties of the senior management of the Company or any Subsidiary;

(x) the loss of any customer which has had or could reasonably be expected to have a Material Adverse Effect; or

(xi) any other event or condition of any character that has had or could reasonably be expected to have a Material Adverse Effect.

4.9 SEC Filings.

(a) At the time of filing thereof, the SEC Filings complied as to form in all material respects with the requirements of the 1934 Act and did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(b) The Company has not filed any registration statement or any amendment thereto with the SEC since January 1, 2008.

4.10 No Conflict, Breach, Violation or Default. Subject to the approval of the Proposals by its shareholders as contemplated in Section 7.9, the execution, delivery and performance of the Transaction Documents by the Company, the consummation of the Merger and the Migratory Merger and the issuance and sale of the Securities will not (i) conflict with or result in a breach or violation of (a) any of the terms and provisions of, or constitute a default under the Company's Articles of Incorporation or the Company's Bylaws, both as in effect on the date hereof (true and complete copies of which have been filed on the EDGAR system) and as to be in effect following the Merger and the Migratory Merger, or (b) any statute, rule, regulation or order of any governmental agency or body or any court, domestic or foreign, having jurisdiction over the Company, any Subsidiary or any of their respective assets or properties, except for such breaches or violations as could not be reasonably expected to result in a Material Adverse Effect, individually or in the aggregate, or (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any lien, encumbrance or other adverse claim upon any of the properties or assets of the Company or any Subsidiary or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any Material Contract, except for such conflicts, defaults or other events as could not be reasonably expected to result in a Material Adverse Effect, individually or in the aggregate.

4.11 Tax Matters. The Company and each Subsidiary has timely prepared and filed all tax returns required to have been filed by the Company or such Subsidiary with all appropriate governmental agencies and, except as set forth on Schedule 4.11, timely paid all taxes shown thereon or otherwise owed by it unless and to the extent being actively contested in good faith by appropriate proceedings, for which reasonable reserves have been established on the consolidated financial statements of the Company or Group, as applicable. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of taxes for all fiscal periods are adequate in all material respects, and there are no material unpaid assessments against the Company or any Subsidiary nor, to the Company's Knowledge, except as set forth on Schedule 4.11, any basis for the assessment of any additional taxes, penalties or interest for any fiscal period or audits by any federal, state or local taxing authority except for any assessment which is not material to the Company and its Subsidiaries, taken as a whole (after giving effect to the Merger). All taxes and other assessments and levies that the Company or any Subsidiary is

required to withhold or to collect for payment have been duly withheld and collected and paid to the proper governmental entity or third party when due. There are no tax liens or claims pending or, to the Company's Knowledge, threatened against the Company or any Subsidiary or any of their respective assets or property. Except as described on Schedule 4.11, there are no outstanding tax sharing agreements or other such arrangements between the Company and any Subsidiary or other corporation or entity.

4.12 Title to Properties. Except as disclosed in the Private Placement Memorandum and after giving effect to the Merger, the Company and each Subsidiary has good and marketable title to all real properties and all other material properties and assets owned by it, in each case free from liens, encumbrances and defects that would materially affect the value thereof or materially interfere with the use made or currently planned to be made thereof by them; and except as disclosed in the Private Placement Memorandum and after giving effect to the Merger, the Company and each Subsidiary holds any leased real or material personal property under valid and enforceable leases with no exceptions that would materially interfere with the use made or currently planned to be made thereof by them.

4.13 Certificates, Authorities and Permits. Each of the Company and its Subsidiaries possess adequate certificates, authorities or permits issued by appropriate governmental agencies or bodies necessary to conduct the business now operated by it, and neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any such certificate, authority or permit that, if determined adversely to the Company or such Subsidiary, could reasonably be expected to have a Material Adverse Effect, individually or in the aggregate.

4.14 Labor Matters.

(a) Except as set forth on Schedule 4.14, the Company is not a party to or bound by any collective bargaining agreements or other agreements with labor organizations. The Company has not violated in any laws, regulations, orders or contract terms, affecting the collective bargaining rights of employees, labor organizations or any laws, regulations or orders affecting employment discrimination, equal opportunity employment, or employees' health, safety, welfare, wages and hours, except for such violations as could not reasonably be expected to result in a Material Adverse Effect, individually or in the aggregate.

(b) (i) There are no labor disputes existing, or to the Company's Knowledge, threatened, involving strikes, slow-downs, work stoppages, job actions, disputes, lockouts or any other disruptions of or by the Company's employees, (ii) there are no unfair labor practices or petitions for election pending or, to the Company's Knowledge, threatened before the National Labor Relations Board or any other federal, state or local labor commission relating to the Company's employees, (iii) no demand for recognition or certification heretofore made by any labor organization or group of employees is pending with respect to the Company and (iv) to the Company's Knowledge, the Company enjoys good labor and employee relations with its employees and labor organizations.

(c) The Company is, and at all times has been, in compliance with all applicable laws respecting employment (including laws relating to classification of employees and independent contractors) and employment practices, terms and conditions of employment, wages and hours, and immigration and naturalization, except for such noncompliance as could not reasonably be expected to result in a Material Adverse Effect, individually or in the aggregate. There are no claims pending against the Company before the Equal Employment Opportunity Commission or any other administrative body or in any court asserting any violation of Title VII of the Civil Rights Act of 1964, the Age Discrimination Act of 1967, 42 U.S.C. §§ 1981 or 1983 or any other federal, state or local Law, statute or ordinance barring discrimination in employment.

(d) Except as disclosed in the Private Placement Memorandum or as described on Schedule 4.14, after giving effect to the Merger, neither the Company nor any Subsidiary will be a party to, or bound by, any employment or other contract or agreement that contains any severance, termination pay or change of control liability or obligation, including, without limitation, any “excess parachute payment,” as defined in Section 280G(b) of the Internal Revenue Code.

(e) Except as specified in Schedule 4.14, to the Company’s Knowledge, each of the Company’s employees is a Person who is either a United States citizen or a permanent resident entitled to work in the United States. To the Company’s Knowledge, the Company has no liability for the improper classification by the Company of such employees as independent contractors or leased employees prior to the Closing.

4.15 Intellectual Property.

(a) All Intellectual Property of the Company and its Subsidiaries is currently in compliance with all legal requirements (including timely filings, proofs and payments of fees) and is valid and enforceable (after giving effect to the Merger). Except as disclosed in the Private Placement Memorandum, no Intellectual Property of the Company or its Subsidiaries which is necessary for the conduct of Company’s and each of its Subsidiaries’ respective businesses as currently conducted or as currently proposed to be conducted after giving effect to the Merger has been or is now involved in any cancellation, dispute or litigation, and, to the Company’s Knowledge, no such action is threatened. No patent of the Company or its Subsidiaries has been or is now involved in any interference, reissue, re-examination or opposition proceeding.

(b) All of the licenses and sublicenses and consent, royalty or other agreements concerning Intellectual Property which are necessary for the conduct of the Company’s and each of its Subsidiaries’ respective businesses as currently conducted or as currently proposed to be conducted to which the Company or any Subsidiary is a party or by which any of their assets are bound (other than generally commercially available, non-custom, off-the-shelf software application programs having a retail acquisition price of less than \$10,000 per license) (collectively, “License Agreements”) are valid and binding obligations of the Company or its Subsidiaries that are parties thereto and, to the Company’s Knowledge, the other parties thereto, enforceable in accordance with their terms, except to the extent that enforcement

thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws affecting the enforcement of creditors' rights generally or by general principles of equity, and there exists no event or condition which will result in a material violation or breach of or constitute (with or without due notice or lapse of time or both) a default by the Company or any of its Subsidiaries under any such License Agreement.

(c) The Company and its Subsidiaries own or have the valid right to use all of the Intellectual Property that is necessary for the conduct of the Company's and each of its Subsidiaries' respective businesses as currently conducted or as currently proposed to be conducted after giving effect to the Merger and for the ownership, maintenance and operation of the Company's and its Subsidiaries' properties and assets, free and clear of all liens, encumbrances, adverse claims or obligations to license all such owned Intellectual Property, other than licenses entered into in the ordinary course of the Company's and its Subsidiaries' businesses.

(d) The conduct of the Company's and its Subsidiaries' businesses as currently conducted or as currently proposed to be conducted after giving effect to the Merger does not infringe or otherwise impair or conflict with (collectively, "Infringe") any Intellectual Property rights of any third party or any confidentiality obligation owed to a third party, and, to the Company's Knowledge, the Intellectual Property and Confidential Information of the Company and its Subsidiaries which are necessary for the conduct of Company's and each of its Subsidiaries' respective businesses as currently conducted or as currently proposed to be conducted after giving effect to the Merger are not being Infringed by any third party. Except as disclosed in the Private Placement Memorandum, there is no litigation or order pending or outstanding or, to the Company's Knowledge, threatened or imminent, that seeks to limit or challenge or that concerns the ownership, use, validity or enforceability of any Intellectual Property or Confidential Information of the Company and its Subsidiaries and the Company's and its Subsidiaries' use of any Intellectual Property or Confidential Information owned by a third party, and, to the Company's Knowledge, there is no valid basis for the same.

(e) The consummation of the transactions contemplated hereby and by the other Transaction Documents will not result in the alteration, loss, impairment of or restriction on the Company's or any of its Subsidiaries' ownership or right to use any of the Intellectual Property or Confidential Information which is necessary for the conduct of Company's and each of its Subsidiaries' respective businesses as currently conducted or as currently proposed to be conducted.

(f) The Company and its Subsidiaries have taken reasonable steps to protect the Company's and its Subsidiaries' rights in their Intellectual Property and Confidential Information.

4.16 Environmental Matters. Neither the Company nor any Subsidiary is in violation of any statute, rule, regulation, decision or order of any governmental agency or body or any court, domestic or foreign, relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, "Environmental Laws"), owns or operates any real

property contaminated with any substance that is subject to any Environmental Laws, is liable for any off-site disposal or contamination pursuant to any Environmental Laws, or is subject to any claim relating to any Environmental Laws, which violation, contamination, liability or claim has had or could reasonably be expected to have a Material Adverse Effect, individually or in the aggregate; and there is no pending or, to the Company's Knowledge, threatened investigation that might lead to such a claim.

4.17 Litigation. Except as disclosed in the Private Placement Memorandum or as described on Schedule 4.17, there are no pending actions, suits or proceedings against or affecting the Company, its Subsidiaries or any of its or their properties; and to the Company's Knowledge, no such actions, suits or proceedings are threatened or contemplated. Neither the Company nor any Subsidiary, nor any director or officer thereof, is or since January 1, 2005 has been the subject of any action involving a claim of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty. There has not been, and to the Company's Knowledge, there is not pending or contemplated, any investigation by the SEC involving the Company or any current or former director or officer of the Company. The SEC has not issued any stop order or other order suspending the effectiveness of any registration statement filed by the Company or any Subsidiary under the 1933 Act or the 1934 Act.

4.18 Financial Statements. The financial statements included in each SEC Filing or the Private Placement Memorandum comply in all material respects with applicable accounting requirements and the rules and regulations of the SEC with respect thereto as in effect at the time of filing (or to the extent corrected by a subsequent restatement) or the date of the Private Placement Memorandum, as applicable, and present fairly, in all material respects, the consolidated financial position of the Company or Group as of the dates shown and their respective consolidated results of operations and cash flows for the periods shown, and such financial statements have been prepared in conformity with United States generally accepted accounting principles applied on a consistent basis ("GAAP") (except as may be disclosed therein or in the notes thereto, and, in the case of interim financial statements, as permitted by GAAP or the applicable rules under the 1934 Act, as applicable). Except as set forth in the financial statements of the Company included in the SEC Filings filed prior to the date hereof, in the financial statements of Group included in the Private Placement Memorandum or as described on Schedule 4.18, neither the Company nor any of its Subsidiaries has incurred any liabilities, contingent or otherwise, except those incurred in the ordinary course of business, consistent (as to amount and nature) with past practices since the date of such financial statements, none of which, individually or in the aggregate, have had or could reasonably be expected to have a Material Adverse Effect.

(b) The pro forma financial information and the related notes included in the Private Placement Memorandum have been properly compiled and prepared in accordance with the applicable requirements of the Securities Act and the rules and regulations thereunder and present fairly the information shown therein, and the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions and circumstances referred to therein.

4.19 Insurance Coverage. The Company and the Subsidiaries maintain in full force and effect insurance coverage that is customary for comparably situated companies for the business currently being conducted and as currently proposed to be conducted after giving effect to the Merger and the properties owned or leased by the Company and each Subsidiary, and the Company believes such insurance coverage to be adequate against all liabilities, claims and risks against which it is customary for comparably situated companies to insure.

4.20 Compliance with OTC Bulletin Board Requirements. The Common Stock is registered pursuant to Section 12(g) of the 1934 Act and is quoted on The OTC Bulletin Board quotation service (the “OTCBB”), and the Company has taken no action designed to, or likely to have the effect of, terminating the registration of the Common Stock under the 1934 Act or removal from quotation of the Common Stock from the OTCBB, nor has the Company received any notification that the SEC, the OTCBB or the Financial Industry Regulatory Authority, Inc. is contemplating terminating such registration or quotation.

4.21 Brokers and Finders. No Person will have, as a result of the transactions contemplated by the Transaction Documents, any valid right, interest or claim against or upon the Company or any Subsidiary (other than as described in the Private Placement Memorandum) or an Investor for any commission, fee or other compensation pursuant to any agreement, arrangement or understanding entered into by or on behalf of the Company or any Subsidiary.

4.22 No General Solicitation. Neither the Company nor any Person acting on its behalf has conducted any general solicitation or general advertising (as those terms are used in Regulation D) in connection with the offer or sale of any of the Securities.

4.23 No Integrated Offering. Neither the Company nor any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any Company security or solicited any offers to buy any security, under circumstances that would adversely affect reliance by the Company on Section 4(2) for the exemption from registration for the transactions contemplated hereby or would require registration of the offer or sale of the Securities to the Investors under the 1933 Act.

4.24 Private Placement. Subject to the accuracy of the representations and warranties of each Investor set forth in Section 5 hereof, the offer and sale of the Securities to the Investors as contemplated hereby are exempt from the registration requirements of the 1933 Act.

4.25 Questionable Payments. Neither the Company nor any of its Subsidiaries nor, to the Company’s Knowledge, any of their respective current or former shareholders, directors, officers, employees, agents or other Persons acting on behalf of the Company or any Subsidiary, has on behalf of the Company or any Subsidiary or in connection with their respective businesses: (a) used any corporate funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity; (b) made any direct or indirect unlawful payments to any governmental officials or employees from corporate funds; (c) established or maintained any unlawful or unrecorded fund of corporate monies or other assets; (d) made any false or fictitious entries on the books and records of the Company or any

Subsidiary; or (e) made any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment of any nature.

4.26 Transactions with Affiliates. Except as disclosed in the SEC Filings or the Private Placement Memorandum or as disclosed on Schedule 4.26, none of the officers or directors of the Company and, to the Company's Knowledge, none of the employees of the Company is presently a party to any transaction with the Company or any Subsidiary (other than as holders of stock options and/or warrants, and for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from, any officer, director or such employee or, to the Company's Knowledge, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

4.27 Internal Controls. The Company is in material compliance with the provisions of the Sarbanes-Oxley Act of 2002 currently applicable to the Company. The Company and the Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Company has established disclosure controls and procedures (as defined in 1934 Act Rules 13a-15(e) and 15d-15(e)) for the Company and designed such disclosure controls and procedures to ensure that material information relating to the Company, including the Subsidiaries, is made known to the certifying officers by others within those entities, particularly during the period in which the Company's most recently filed periodic report under the 1934 Act, as the case may be, is being prepared. The Company's certifying officers have evaluated the effectiveness of the Company's controls and procedures as of the end of the period covered by the most recently filed periodic report under the 1934 Act (such date, the "Evaluation Date"). The Company presented in its most recently filed periodic report under the 1934 Act the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Since the Evaluation Date, there have been no significant changes in the Company's internal controls (as such term is defined in Item 308 of Regulation S-K) or, to the Company's Knowledge, in other factors that could significantly affect the Company's internal controls. The Company maintains and will continue to maintain a standard system of accounting established and administered in accordance with GAAP and the applicable requirements of the 1934 Act.

4.28 Disclosures. Neither the Company nor the Placement Agent nor any Person acting on the Company's behalf has provided the Investors or their agents or counsel with any information that constitutes or might constitute material, non-public information, other than the terms of the transactions contemplated hereby and other information that will be included in the Form 8-K with respect to the transactions contemplated by the Transaction Documents to be filed with the SEC within four Business Days of the Closing (collectively, the "Transaction").

Information”), except for certain financial information for the first quarter of 2011 and such additional non-public information as may have been provided to a particular Investor pursuant to a written confidentiality agreement between the Company and such Investor (a “Restricted Investor”). The Private Placement Memorandum and the other written materials delivered to the Investors in connection with the transactions contemplated by the Transaction Documents do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

4.29 Merger Agreement. A true and complete copy of the Merger Agreement, together with all exhibits and schedules thereto, has been provided to the Investors. The Merger Agreement has been duly authorized, executed and delivered by each of the parties thereto and constitutes the legal, valid and binding obligation of each of the parties thereto, enforceable against each of them in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability, relating to or affecting creditors’ rights generally and to general principles of equity. The representations and warranties made in the Merger Agreement by each of the parties thereto are true and correct and will be true and correct at all times prior to and on the Closing Date, except to the extent any such representation or warranty expressly speaks as of an earlier date, in which case such representation or warranty shall be true and correct as of such earlier date. Each of the parties to the Merger Agreement has performed or will perform prior to the Closing Date all obligations and conditions required to be performed or observed by it pursuant to the Merger Agreement on or prior to the Closing Date. The description of the Merger Agreement contained in the Private Placement Memorandum is true and complete in all material respects.

4.29 Investment Company. The Company is not required to be registered as, and is not an Affiliate of, and immediately following the Closing will not be required to register as, an “investment company” within the meaning of the Investment Company Act of 1940, as amended.

4.30 Statistical and Market Data. The statistical and market and industry-related data included in the Private Placement Memorandum are based on or derived from sources which the Company believes to be reliable and accurate or represent the Company’s good faith estimates that are made on the basis of data derived from such sources.

4.31 Cuba. Neither the Company nor any of its Affiliates does business with the government of Cuba or with any Person or Affiliate located in Cuba within the meaning of Section 517.075, Florida Statutes.

5. Representations and Warranties of the Investors. Each of the Investors hereby severally, and not jointly, represents and warrants to the Company that:

5.1 Organization and Existence. Such Investor is a validly existing corporation, limited partnership or limited liability company and has all requisite corporate, partnership or limited liability company power and authority to invest in the Securities pursuant to this Agreement.

5.2 Authorization. The execution, delivery and performance by such Investor of the Transaction Documents to which such Investor is a party have been duly authorized and each will constitute the valid and legally binding obligation of such Investor, enforceable against such Investor in accordance with their respective terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability, relating to or affecting creditors' rights generally and to general principles of equity.

5.3 Purchase Entirely for Own Account. The Securities to be received by such Investor hereunder will be acquired for such Investor's own account, not as nominee or agent, and not with a view to the resale or distribution of any part thereof in violation of the 1933 Act, and such Investor has no present intention of selling, granting any participation in, or otherwise distributing the same in violation of the 1933 Act without prejudice, however, to such Investor's right at all times to sell or otherwise dispose of all or any part of such Securities in compliance with applicable federal and state securities laws. Nothing contained herein shall be deemed a representation or warranty by such Investor to hold the Securities for any period of time. Such Investor is not a broker-dealer registered with the SEC under the 1934 Act or an entity engaged in a business that would require it to be so registered.

5.4 Investment Experience. Such Investor acknowledges that it can bear the economic risk and complete loss of its investment in the Securities and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the investment contemplated hereby.

5.5 Disclosure of Information. Such Investor has had an opportunity to receive all information related to the Company requested by it and to ask questions of and receive answers from the Company regarding the Company, its business and the terms and conditions of the offering of the Securities. Such Investor acknowledges receipt of copies of the SEC Filings and the Private Placement Memorandum. Neither such inquiries nor any other due diligence investigation conducted by such Investor shall modify, limit or otherwise affect such Investor's right to rely on the Company's representations and warranties contained in this Agreement.

5.6 Restricted Securities. Such Investor understands that the Securities are characterized as "restricted securities" under the U.S. federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the 1933 Act only in certain limited circumstances. Such Investor understands and acknowledges that the Company may have been a "shell company" (as defined in Rule 12b-2 under the 1934 Act) prior to the Merger and that there are limitations on the availability of Rule 144 to shareholders of a company that was at any time a "shell company."

5.7 Legends. It is understood that, except as provided below, certificates evidencing the Securities may bear the following or any similar legend:

(a) “The securities represented hereby have not been registered with the Securities and Exchange Commission or the securities commission of any state in reliance upon an exemption from registration under the Securities Act of 1933, as amended, and, accordingly, may not be transferred unless (i) such securities have been registered for sale pursuant to the Securities Act of 1933, as amended, (ii) such securities may be sold pursuant to Rule 144, or (iii) the Company has received an opinion of counsel reasonably satisfactory to it that such transfer may lawfully be made without registration under the Securities Act of 1933, as amended.”

(b) If required by the authorities of any state in connection with the issuance of sale of the Securities, the legend required by such state authority.

5.8 Accredited Investor. Such Investor is, and at the time it exercises any Warrants or Reset Warrants will be, an accredited investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D, as amended, under the 1933 Act.

5.9 No General Solicitation. Such Investor did not learn of the investment in the Securities as a result of any general solicitation or general advertising.

5.10 Brokers and Finders. No Person will have, as a result of the transactions contemplated by the Transaction Documents, any valid right, interest or claim against or upon the Company, any Subsidiary or an Investor for any commission, fee or other compensation pursuant to any agreement, arrangement or understanding entered into by or on behalf of such Investor.

5.11 Prohibited Transactions. Since the earlier of (a) such time as such Investor was first contacted by the Company or any other Person acting on behalf of the Company regarding the transactions contemplated hereby or (b) thirty (30) days prior to the date hereof, neither such Investor nor any Affiliate of such Investor which (x) had knowledge of the transactions contemplated hereby, (y) has or shares discretion relating to such Investor’s investments or trading or information concerning such Investor’s investments, including in respect of the Securities, or (z) is subject to such Investor’s review or input concerning such Affiliate’s investments or trading (collectively, “Trading Affiliates”) has, directly or indirectly, effected or agreed to effect any short sale, whether or not against the box, established any “put equivalent position” (as defined in Rule 16a-1(h) under the 1934 Act) with respect to the Common Stock, granted any other right (including, without limitation, any put or call option) with respect to the Common Stock or with respect to any security that includes, relates to or derived any significant part of its value from the Common Stock or otherwise sought to hedge its position in the Securities (each, a “Prohibited Transaction”) or engaged in any other purchase, sale or other transaction with respect to securities of the Company. Prior to the earliest to occur of (i) the termination of this Agreement, (ii) the Effective Date or (iii) the Effectiveness Deadline, such Investor shall not, and shall cause its Trading Affiliates not to, engage, directly or indirectly, in a Prohibited Transaction. Such Investor acknowledges that the representations, warranties and covenants contained in this Section 5.11 are being made for the benefit of the Investors as well as the Company and that each of the other Investors shall have an independent

right to assert any claims against such Investor arising out of any breach or violation of the provisions of this Section 5.11.

6. Conditions to Closing.

6.1 Conditions to the Investors' Obligations. The obligation of each Investor to purchase the Shares and the Warrants at the Closing is subject to the fulfillment to such Investor's satisfaction, on or prior to the Closing Date, of the following conditions, any of which may be waived by such Investor (as to itself only):

(a) The representations and warranties made by the Company in Section 4 hereof qualified as to materiality shall be true and correct at all times prior to and on the Closing Date, except to the extent any such representation or warranty expressly speaks as of an earlier date, in which case such representation or warranty shall be true and correct as of such earlier date, and, the representations and warranties made by the Company in Section 4 hereof not qualified as to materiality shall be true and correct in all material respects at all times prior to and on the Closing Date, except to the extent any such representation or warranty expressly speaks as of an earlier date, in which case such representation or warranty shall be true and correct in all material respects as of such earlier date. The Company shall have performed in all material respects all obligations and covenants herein required to be performed by it on or prior to the Closing Date.

(b) The Company shall have obtained any and all consents, permits, approvals, registrations and waivers (other than the Shareholder Approval) necessary for consummation of the purchase and sale of the Securities and the consummation of the other transactions contemplated by the Transaction Documents, all of which shall be in full force and effect.

(c) The Company shall have executed and delivered the Registration Rights Agreement.

(d) The Certificate of Designation shall have been filed with the Secretary of State of Nevada and shall be effective; a filed copy of the Certificate of Designations shall have been provided to the Investors.

(e) On or prior to the Closing Date, the Company shall have received gross proceeds from the sale of the Shares and Warrants as contemplated hereby of at least Eighteen Million Dollars (\$18,000,000).

(f) The Company shall have delivered to the Investors, executed Voting Agreements executed by the Company and each of the shareholders listed on Schedule 6.1(f) hereto, each of which shall be in full force and effect.

(g) The Merger Agreement and the Stock Repurchase Agreement shall be in full force and effect, enforceable against each of the parties thereto; each of the Company and the other parties to the Merger Agreement and the Stock Repurchase Agreement shall have

complied in all material respects with all agreements and satisfied all conditions (other than the consummation of the transactions contemplated thereby) on its part to be performed or satisfied under the Merger Agreement and/or the Stock Repurchase Agreement (as applicable) at or prior to the Closing Date, in each case without any modification or waiver thereof, and shall have provided documentation reasonably satisfactory to the Investors evidencing such satisfaction, such that the Merger and the Stock Repurchase shall close contemporaneously with the transactions contemplated hereby.

(h) The Company shall have delivered to the Investors a fully executed counterpart of the Consent and Waiver Agreement, which shall be in full force and effect.

(i) No judgment, writ, order, injunction, award or decree of or by any court, or judge, justice or magistrate, including any bankruptcy court or judge, or any order of or by any governmental authority, shall have been issued, and no action or proceeding shall have been instituted by any governmental authority, enjoining or preventing the consummation of the transactions contemplated hereby or in the other Transaction Documents.

(j) The Company shall have delivered a Certificate, executed on behalf of the Company by its Chief Executive Officer or its Chief Financial Officer, dated as of the Closing Date, certifying to the fulfillment of the conditions specified in subsections (a), (b), (e), (i) and (m) of this Section 6.1.

(k) The Company shall have delivered a Certificate, executed on behalf of the Company by its Secretary, dated as of the Closing Date, certifying the resolutions adopted by the Board of Directors of the Company approving the transactions contemplated by this Agreement and the other Transaction Documents, the issuance of the Securities, the Merger, the Migratory Merger and the Reverse Split and calling the Shareholders Meeting, certifying the current versions of the Articles of Incorporation and Bylaws of the Company and certifying as to the signatures and authority of persons signing the Transaction Documents and related documents on behalf of the Company.

(l) The Investors shall have received opinions from counsel to each of the Company and Group, dated as of the Closing Date, in form and substance reasonably acceptable to the Investors and addressing such legal matters as the Investors may reasonably request.

(m) No stop order or suspension of trading shall have been imposed by the SEC or any other governmental or regulatory body with respect to public trading in the Common Stock.

(n) The Company shall have delivered to the Investors executed counterparts of the D&O Lock-Up Agreements from each of the Persons listed in Exhibit D.

6.2 Conditions to Obligations of the Company. The Company's obligation to sell and issue the Shares and the Warrants at the Closing is subject to the fulfillment to the

satisfaction of the Company on or prior to the Closing Date of the following conditions, any of which may be waived by the Company:

(a) The representations and warranties made by the Investors in Section 5 hereof, other than the representations and warranties contained in Sections 5.3, 5.4, 5.5, 5.6, 5.7, 5.8 and 5.9 (the “Investment Representations”), shall be true and correct in all material respects when made, and shall be true and correct in all material respects on the Closing Date with the same force and effect as if they had been made on and as of said date. The Investment Representations shall be true and correct in all respects when made, and shall be true and correct in all respects on the Closing Date with the same force and effect as if they had been made on and as of said date. The Investors shall have performed in all material respects all obligations and covenants herein required to be performed by them on or prior to the Closing Date.

(b) The Investors shall have executed and delivered the Registration Rights Agreement.

(c) The Investors shall have delivered the Purchase Price to the Company.

(d) The Merger Agreement and the Stock Repurchase Agreement shall be in full force and effect, enforceable against each of the parties thereto; each of the Company and the other parties to the Merger Agreement and the Stock Repurchase Agreement shall have complied in all material respects with all agreements and satisfied all conditions (other than the consummation of the transactions contemplated hereby) on its part to be performed or satisfied under the Merger Agreement and/or the Stock Repurchase Agreement (as applicable) at or prior to the Closing Date, such that the Merger and the Stock Repurchase shall close contemporaneously with the transactions contemplated hereby.

(e) No judgment, writ, order, injunction, award or decree of or by any court, or judge, justice or magistrate, including any bankruptcy court or judge, or any order of or by any governmental authority, shall have been issued, and no action or proceeding shall have been instituted by any governmental authority, enjoining or preventing the consummation of the transactions contemplated hereby or in the other Transaction Documents.

(f) Each Investor shall have furnished to the Company two copies of a properly completed and executed IRS Form W-9, IRS Form W-8IMY or IRS Form W-8BEN, as applicable, and such other documents (if any) as the Company may reasonably request in order to establish that the Company is not required to withhold taxes, or if so required, the amount of any taxes to be withheld, from any payments to such Investor hereunder or under any of the other Transaction Documents.

6.3 Termination of Obligations to Effect Closing; Effects.

(a) The obligations of the Company, on the one hand, and the Investors, on the other hand, to effect the Closing and to perform its or their other obligations hereunder shall terminate as follows:

(i) Upon the mutual written consent of the Company and the Required Investors;

(ii) By the Company if any of the conditions set forth in Section 6.2 shall have become incapable of fulfillment, and shall not have been waived by the Company;

(iii) By an Investor (with respect to itself only) if any of the conditions set forth in Section 6.1 shall have become incapable of fulfillment, and shall not have been waived by such Investor; or

(iv) By either the Company or any Investor (with respect to itself only) if the Closing has not occurred on or prior to the earliest to occur of (i) the second Business Day after the effective date of the Merger, (ii) the termination of the Merger Agreement or (iii) April 30, 2011;

provided, however, that, except in the case of clause (i) above, the party seeking to terminate its obligation to effect the Closing and to perform its other obligations hereunder shall not then be in breach of any of its representations, warranties, covenants or agreements in this Agreement or the other Transaction Documents if such breach has resulted in the circumstances giving rise to such party's seeking to terminate its obligation to effect the Closing and to perform its other obligations hereunder.

(b) In the event of termination by the Company or any Investor of its obligations to effect the Closing and to perform its other obligations hereunder pursuant to this Section 6.3, written notice thereof shall forthwith be given to the other Investors by the Company and the other Investors shall have the right to terminate their obligations to effect the Closing and to perform its other obligations hereunder upon written notice to the Company and the other Investors. Nothing in this Section 6.3 shall be deemed to release any party from any liability for any breach by such party of the terms and provisions of this Agreement or the other Transaction Documents or to impair the right of any party to compel specific performance by any other party of its obligations under this Agreement or the other Transaction Documents.

7. Covenants and Agreements of the Company.

7.1 Reservation of Common Stock. Once the Reverse Split is effective, the Company shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock a sufficient number of shares solely for the purpose of providing for the conversion of the Shares, the exercise of the Warrants, the issuance of the Reset Shares and the exercise of the Reset Warrants.

7.2 Reports. The Company will furnish to the Investors and/or their assignees such information relating to the Company and its Subsidiaries as from time to time may reasonably be requested by the Investors and/or their assignees; provided, however, that the Company shall not disclose material nonpublic information to the Investors, or to advisors to or representatives of the Investors, unless prior to disclosure of such information the Company identifies such information as being material nonpublic information and provides the Investors, such advisors and representatives with the opportunity to accept or refuse to accept such material nonpublic information for review and any Investor wishing to obtain such information enters into an appropriate confidentiality agreement with the Company with respect thereto.

7.3 No Conflicting Agreements. The Company will not take any action, enter into any agreement or make any commitment that would conflict or interfere in any material respect with the Company's obligations to the Investors under the Transaction Documents.

7.4 Insurance. The Company shall not materially reduce the insurance coverages described in Section 4.19.

7.5 Compliance with Laws. The Company will comply in all material respects with all applicable laws, rules, regulations, orders and decrees of all governmental authorities.

7.6 Listing of Underlying Shares and Related Matters. The Company will use its reasonable best efforts to have its Common Stock listed on any one of the New York Stock Exchange, the NYSE Amex or any NASDAQ stock exchange as soon as reasonably practicable after the Company meets the quantitative listing standards of any such exchange. If the Company applies to have its Common Stock or other securities traded on any other principal stock exchange or market, it shall include in such application the Conversion Shares, the Warrant Shares, the Reset Shares, if any, and the Reset Warrant Shares, if any, and will take such other action as is necessary to cause such Common Stock to be so listed. The Company will use commercially reasonable efforts to continue the listing and trading of its Common Stock on such exchange or market and, in accordance, therewith, will use commercially reasonable efforts to comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of such exchange or market, as applicable.

7.7 Termination of Covenants. The provisions of Sections 7.2 through 7.6 shall terminate and be of no further force and effect on the date on which the Company's obligations under the Registration Rights Agreement to register or maintain the effectiveness of any registration covering the Registrable Securities (as such term is defined in the Registration Rights Agreement) shall terminate.

7.8 Removal of Legends. In connection with any sale or disposition of the Securities by an Investor pursuant to Rule 144 or pursuant to any other exemption under the 1933 Act such that the purchaser acquires freely tradable shares and upon compliance by the Investor with the requirements of this Agreement, the Company shall or, in the case of Common Stock, shall cause the transfer agent for the Common Stock (the "Transfer Agent") to issue

replacement certificates representing the Securities sold or disposed of without restrictive legends. Upon the earlier of (i) registration of the Securities for resale pursuant to the Registration Rights Agreement or (ii) the Securities becoming eligible to be sold without restriction pursuant to Rule 144 the Company shall (A) deliver to the Transfer Agent irrevocable instructions that the Transfer Agent shall reissue a certificate representing such Securities without legends upon receipt by such Transfer Agent of the legended certificates for such Securities, together with either (1) customary representations by the Investor and such Investor's broker that Rule 144 applies to the Securities represented thereby and such Securities have been or are being sold in accordance with Rule 144 or (2) a statement by the Investor that such Investor has sold the Securities represented thereby in accordance with the Plan of Distribution contained in the Registration Statement, and (B) cause its counsel to deliver to the Transfer Agent one or more blanket opinions to the effect that the removal of such legends in such circumstances may be effected under the 1933 Act. From and after the earlier of such dates, upon an Investor's written request, the Company shall promptly cause certificates evidencing the Investor's Securities to be replaced with certificates which do not bear such restrictive legends, and Conversion Shares subsequently issued upon due conversion of the Shares, Warrant Shares subsequently issued upon due exercise of the Warrants and Reset Warrant Shares issued upon due exercise of the Reset Warrants shall not bear such restrictive legends, provided the provisions of either clause (i) or clause (ii) above, as applicable, are satisfied with respect to such Conversion Shares, Warrant Shares and/or Reset Warrant Shares. When the Company is required to cause an unlegended certificate to replace a previously issued legended certificate, if: (1) the unlegended certificate is not delivered to an Investor within three (3) Business Days of submission by that Investor of a legended certificate and supporting documentation to the Transfer Agent as provided above and (2) prior to the time such unlegended certificate is received by the Investor, the Investor, or any third party on behalf of such Investor or for the Investor's account, purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Investor of shares represented by such certificate (a "Buy-In"), then the Company shall pay in cash to the Investor (for costs incurred either directly by such Investor or on behalf of a third party) the amount by which the total purchase price paid for Common Stock as a result of the Buy-In (including brokerage commissions, if any) exceeds the proceeds received by such Investor as a result of the sale to which such Buy-In relates. The Investor shall provide the Company written notice indicating the amounts payable to the Investor in respect of the Buy-In.

7.9 Proxy Statement; Shareholders Meeting.

(a) Promptly following the execution and delivery of this Agreement the Company shall use its commercially reasonable best efforts to call and hold a meeting of its shareholders (the "Shareholders Meeting") not later than the date which is 120 days after the Closing Date (the "Shareholders Meeting Deadline"), for the purpose of seeking approval of the Company's shareholders for (i) the Migratory Merger and (ii) the Reverse Split (collectively, the "Proposals"). In connection therewith, the Company will promptly prepare and file with the SEC no later than the date which is 60 days after the Closing Date (the "Proxy Filing Deadline") proxy materials (including a proxy statement and form of proxy) for use at the Shareholders Meeting and, after receiving and promptly responding to any comments of the SEC thereon, shall (subject to any waiting period imposed by SEC rules) promptly mail such proxy materials to the

shareholders of the Company. Each Investor shall promptly furnish in writing to the Company such information relating to such Investor and its investment in the Company as the Company may reasonably request for inclusion in the Proxy Statement. The Company will comply with Section 14(a) of the 1934 Act and the rules promulgated thereunder in relation to any proxy statement (as amended or supplemented, the “Proxy Statement”) and any form of proxy to be sent to the shareholders of the Company in connection with the Shareholders Meeting, and the Proxy Statement shall not, on the date that the Proxy Statement (or any amendment thereof or supplement thereto) is first mailed to shareholders or at the time of the Shareholders Meeting, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein not false or misleading, or omit to state any material fact necessary to correct any statement in any earlier communication with respect to the solicitation of proxies or the Shareholders Meeting which has become false or misleading. If the Company should discover at any time prior to the Shareholders Meeting, any event relating to the Company or any of its Subsidiaries or any of their respective Affiliates, officers or directors that is required to be set forth in a supplement or amendment to the Proxy Statement, in addition to the Company’s obligations under the 1934 Act, the Company will promptly inform the Investors thereof.

(b) Subject to their fiduciary obligations under applicable law (as determined in good faith by the Company’s Board of Directors after consultation with the Company’s outside counsel), the Company’s Board of Directors shall recommend to the Company’s shareholders that the shareholders vote in favor of the Proposals (the “Company Board Recommendation”) and take all commercially reasonable action to solicit the approval of the shareholders for the Proposals unless the Board of Directors shall have modified, amended or withdrawn the Company Board Recommendation pursuant to the provisions of the immediately succeeding sentence. The Company covenants that the Board of Directors of the Company shall not modify, amend or withdraw the Company Board Recommendation unless the Board of Directors (after consultation with the Company’s outside counsel) shall determine in the good faith exercise of its business judgment that maintaining the Company Board Recommendation would violate its fiduciary duty to the Company’s shareholders. Whether or not the Company’s Board of Directors modifies, amends or withdraws the Company Board Recommendation pursuant to the immediately preceding sentence, the Company shall in accordance with Nevada law and the provisions of its Articles of Incorporation and Bylaws, (i) take all action necessary to convene the Shareholders Meeting as promptly as practicable, but no later than the Shareholders Meeting Deadline, to consider and vote upon the approval of the Proposals and (ii) submit the Proposals at the Shareholders Meeting to the shareholders of the Company for their approval.

(c) No later than two Business Days after receipt of the Shareholder Approval, the Company shall effect the Migratory Merger and the Reverse Split (such date, the “Recap Deadline”).

(d) If (i) a preliminary Proxy Statement is not filed with the SEC on or before the Proxy Filing Deadline, (ii) the Shareholders Meeting is not held on or before the Shareholders Meeting Deadline or (iii) the Migratory Merger and the Reverse Split are not effected on or before the Recap Deadline (each, an “Event” and the date on which such Event first occurs, the “Event Date”), the Company will make pro rata payments to each Investor, as

liquidated damages and not as a penalty, in an amount equal to 1.5% of the aggregate amount invested by such Investor for each 30-day period or pro rata for any portion thereof following the Event Date until the related Event is cured. Such payments shall constitute the Investors' exclusive monetary remedy for such events, but shall not affect the right of the Investors to seek injunctive relief. Such payments shall be made to each Investor in cash no later than three (3) Business Days after the end of each 30-day period.

7.10 Board Composition. No later than the 180th day after the Closing Date, the Company shall re-constitute its Board of Directors to consist of not less than five members, a majority of whom shall constitute "Independent Directors" as defined in Nasdaq Marketplace Rule 5605(a)(2).

7.11 Subsequent Equity Sales.

(a) From the date hereof until ninety (90) days after the Closing Date, without the consent of the Required Investors, neither the Company nor any Subsidiary shall issue shares of Common Stock or Common Stock Equivalents. Notwithstanding the foregoing, the provisions of this Section 7.11(a) shall not apply to (i) the issuance of Common Stock or Common Stock Equivalents upon the conversion or exercise of any securities of the Company or a Subsidiary outstanding on the date hereof, provided that the terms of such security are not amended after the date hereof to decrease the exercise price or increase the Common Stock or Common Stock Equivalents receivable upon the exercise, conversion or exchange thereof or (ii) the issuance of any Common Stock or Common Stock Equivalents pursuant to any Company equity incentive plan approved by the Company's shareholders or a committee of the Company's Board of Directors comprised solely of "Independent Directors" (as defined in Section 7.10).

(b) From the date hereof until the earlier of (i) three years from the Closing Date or (ii) such time as no Investor holds any of the Securities, the Company shall be prohibited from effecting or entering into an agreement to effect any "Variable Rate Transaction." The term "Variable Rate Transaction" shall mean a transaction in which the Company issues or sells (i) any debt or equity securities that are convertible into, exchangeable or exercisable for, or include the right to receive additional shares of Common Stock either (A) at a conversion, exercise or exchange rate or other price that is based upon and/or varies with the trading prices of or quotations for the shares of Common Stock at any time after the initial issuance of such debt or equity securities, or (B) with a conversion, exercise or exchange price that is subject to being reset at some future date after the initial issuance of such debt or equity security or upon the occurrence of specified or contingent events directly or indirectly related to the business of the Company or the market for the Common Stock or (ii) enters into any agreement, including, but not limited to, an equity line of credit, whereby the Company may sell securities at a future determined price. For the avoidance of doubt, the issuance of a security which is subject to customary anti-dilution protections, including where the conversion, exercise or exchange price is subject to adjustment as a result of stock splits, reverse stock splits and other similar recapitalization or reclassification events, shall not be deemed to be a "Variable Rate Transaction."

(c) The Company shall not, and shall use its commercially reasonable efforts to ensure that no Affiliate of the Company shall, sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the 1933 Act) that will be integrated with the offer or sale of the Securities in a manner that would require the registration under the 1933 Act of the sale of the Securities to the Investors.

7.12 Valuation Reset. If prior to the end of the Valuation Period, the Company issues its equity or equity-linked securities in one or a series of related public or private offerings resulting in aggregate gross proceeds to the Company of at least \$5,000,000 at an effective price per share of Common Stock (such effective price, the “Reset Price”) less than \$[—] (appropriately adjusted for any stock split, reverse stock split, stock dividend or other reclassification or combination of the Common Stock occurring after the date hereof, including the Reverse Split) (the “Base Price”), then no later than the closing date of such offering (such closing date, the “Reset Date”), the Company shall issue to each Investor (i) additional shares of Common Stock (the “Reset Shares”) so that after giving effect to such issuance, the effective price per share of Common Stock acquired by such Investor hereunder (irrespective of the number of Shares or Warrants actually then held by such Investor and excluding shares issuable upon the exercise of the Warrants) shall be equal to the Reset Price and (ii) additional Warrants (the “Reset Warrants”) covering a number of shares of Common Stock equal to 50% of the Reset Shares (the “Reset Warrant Shares”).

7.13 Equal Treatment of Investors. No consideration shall be offered or paid to any Person (other than the Company) to amend or consent to a waiver or modification of any provision of any of the Transaction Documents unless the same consideration is also offered to all of the parties to the Transaction Documents (other than the Company). For clarification purposes, this provision constitutes a separate right granted to each Investor by the Company and negotiated separately by each Investor, and is intended for the Company to treat the Investors as a class and shall not in any way be construed as the Investors acting in concert or as a group with respect to the purchase, disposition or voting of Securities or otherwise.

7.14 Limitation on Adoption or Maintenance of Shareholder Rights Plan. Until the earlier of (a) such time as the SSF Funds, together with their Affiliates, cease to be the Beneficial Owners of at least 25% of the aggregate Conversion Shares and Warrant Shares with respect to which they acquire Beneficial Ownership on the Closing Date pursuant to this Agreement (appropriately adjusted for any stock split, reverse stock split, stock dividend or other reclassification or combination of the Common Stock occurring after the date hereof, including the Reverse Split) and (b) the fifth anniversary of the Closing Date, the Company shall not, except with the prior written consent of AWM Investment Company, Inc., or any successor thereto, adopt or maintain any shareholder rights plan or other “poison pill” arrangement without the prior approval of a majority of the Independent Directors on the Company’s Board of Directors.

8. Survival and Indemnification.

8.1 Survival. The representations, warranties, covenants and agreements contained in this Agreement shall survive the Closing of the transactions contemplated by this Agreement.

8.2 Indemnification. The Company agrees to indemnify and hold harmless each Investor and its Affiliates and their respective directors, officers, trustees, members, managers, employees and agents, and their respective successors and assigns, from and against any and all losses, claims, damages, liabilities and expenses (including without limitation reasonable attorney fees and disbursements and other expenses incurred in connection with investigating, preparing or defending any action, claim or proceeding, pending or threatened and the costs of enforcement thereof) (collectively, "Losses") to which such Person may become subject as a result of any breach of representation, warranty, covenant or agreement made by or to be performed on the part of the Company under the Transaction Documents, and will reimburse any such Person for all such amounts as they are incurred by such Person.

8.3 Conduct of Indemnification Proceedings. Any person entitled to indemnification hereunder shall (i) give prompt notice to the Company of any claim with respect to which it seeks indemnification and (ii) permit the Company to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party; provided that any person entitled to indemnification hereunder shall have the right to employ separate counsel and to participate in the defense of such claim, but the fees and expenses of such counsel shall be at the expense of such person unless (a) the Company has agreed to pay such fees or expenses, or (b) the Company shall have failed to assume the defense of such claim and employ counsel reasonably satisfactory to such person or (c) in the reasonable judgment of any such person, based upon written advice of its counsel, a conflict of interest exists between such person and the Company with respect to such claims (in which case, if the person notifies the Company in writing that such person elects to employ separate counsel at the expense of the Company, the Company shall not have the right to assume the defense of such claim on behalf of such person); and provided, further, that the failure of any indemnified party to give notice as provided herein shall not relieve the Company of its obligations hereunder, except to the extent that such failure to give notice shall materially adversely affect the Company in the defense of any such claim or litigation. It is understood that the Company shall not, in connection with any proceeding in the same jurisdiction, be liable for fees or expenses of more than one separate firm of attorneys at any time for all such indemnified parties. The Company will not, except with the consent of the indemnified party, consent to entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such claim or litigation. The Company shall not be liable for any settlement of any action, claim or proceeding effected without its prior written consent; provided, however, that the Company shall not unreasonably withhold its consent. Following indemnification as provided hereunder, the Company shall be subrogated to all rights of the indemnified parties with respect to all third parties, firms or corporations relating to the matter for which indemnification has been made.

9. Miscellaneous.

9.1 Successors and Assigns. This Agreement may not be assigned by a party hereto without the prior written consent of the Company or the Investors, as applicable, provided, however, that an Investor may assign its rights and delegate its duties hereunder in whole or in part to an Affiliate or to a third party acquiring some or all of its Securities in a transaction complying with applicable securities laws without the prior written consent of the Company or the other Investors. The provisions of this Agreement shall inure to the benefit of and be binding upon the respective permitted successors and assigns of the parties. Without limiting the generality of the foregoing, in the event that the Company is a party to a merger, consolidation, share exchange or similar business combination transaction in which the Common Stock is converted into the equity securities of another Person, from and after the effective time of such transaction, such Person shall, by virtue of such transaction, be deemed to have assumed the obligations of the Company hereunder, the term "Company" shall be deemed to refer to such Person, and the term "Shares" shall be deemed to refer to the securities received by the Investors in connection with such transaction. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

9.2 Counterparts; Faxes. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Any signature page to this Agreement may be delivered via facsimile or other form of electronic transmission, which signature page so delivered shall be deemed an original.

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

9.4 Notices. Unless otherwise provided, any notice required or permitted under this Agreement shall be given in writing and shall be deemed effectively given as hereinafter described (i) if given by personal delivery, then such notice shall be deemed given upon such delivery, (ii) if given by telecopier, then such notice shall be deemed given upon receipt of confirmation of complete transmittal, (iii) if given by mail, then such notice shall be deemed given upon the earlier of (A) receipt of such notice by the recipient or (B) three Business Days after such notice is deposited in first class mail, postage prepaid, and (iv) if given by an internationally recognized overnight air courier, then such notice shall be deemed given one Business Day after delivery to such carrier. All notices shall be addressed to the party to be notified at the address as follows, or at such other address as such party may designate by ten days' advance written notice to the other party:

If to the Company:

c/o The W Group
655 Wheat Lane
Wood Dale, Illinois 60191
Attention: Chief Financial Officer
Fax: (630) 350-0103

With a copy to:

Katten Muchin Rosenman LLP
525 West Monroe Street
Chicago, Illinois 60661-3693
Attention: Mark D. Wood, Esq.
Fax: (312) 577-8858

If to the Investors:

to the addresses set forth on the signature pages hereto.

9.5 Expenses. The parties hereto shall pay their own costs and expenses in connection herewith, except that the Company shall pay the reasonable fees and expenses of Lowenstein Sandler PC upon the consummation of the transactions contemplated hereby, it being understood that Lowenstein Sandler PC has only rendered legal advice to the Special Situations Funds participating in this transaction and not to the Company or any other Investor in connection with the transactions contemplated hereby, and that each of the Company and each Investor has relied for such matters on the advice of its own respective counsel. Such expenses shall be paid at the Closing or, if incurred thereafter, upon demand. The Company shall reimburse the Investors upon demand for all reasonable out-of-pocket expenses incurred by the Investors, including without limitation reimbursement of attorneys' fees and disbursements, in connection with any amendment, modification or waiver of this Agreement or the other Transaction Documents. In the event that legal proceedings are commenced by any party to this Agreement against another party to this Agreement in connection with this Agreement or the other Transaction Documents, the party or parties which do not prevail in such proceedings shall severally, but not jointly, pay their pro rata share of the reasonable attorneys' fees and other reasonable out-of-pocket costs and expenses incurred by the prevailing party in such proceedings.

9.6 Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Required Investors. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each holder of any Securities purchased under this Agreement at the time outstanding, each future holder of all such Securities, and the Company.

9.7 Publicity. Except as set forth below, no public release or announcement concerning the transactions contemplated hereby shall be issued by the Company or the Investors without the prior consent of the Company (in the case of a release or announcement by the Investors) or the Investors (in the case of a release or announcement by the Company) (which consents shall not be unreasonably withheld), except as such release or announcement may be required by law or the applicable rules or regulations of any securities exchange or securities market, in which case the Company or the Investors, as the case may be, shall allow the Investors or the Company, as applicable, to the extent reasonably practicable in the circumstances, reasonable time to comment on such release or announcement in advance of such issuance. No later than 5:30 p.m. New York time on the fourth Business Day following the Closing Date, the Company will file with the SEC a Current Report on Form 8-K, in substantially the form included in the Private Placement Memorandum, disclosing all of the Transaction Information (the “Transaction 8-K”), and no later than May 16, 2011 (the “Disclosure Deadline”), the Company will file with the SEC an amendment to the Transaction 8-K that includes financial information for the first quarter of 2011 (the “8-K Amendment”). In addition, the Company will make such other filings and notices relating to the transactions contemplated by the Transaction Documents in the manner and time required by the SEC. From and after the earlier of (i) the Disclosure Deadline and (ii) the filing of the 8-K Amendment with the SEC, the Investors (other than any Restricted Investor) will not be restricted from effecting transactions in the securities of the Company as a result of their possession of the Transaction Information.

9.8 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof but shall be interpreted as if it were written so as to be enforceable to the maximum extent permitted by applicable law, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the parties hereby waive any provision of law which renders any provision hereof prohibited or unenforceable in any respect.

9.9 Entire Agreement. This Agreement, including the Exhibits and the Disclosure Schedules, and the other Transaction Documents constitute the entire agreement among the parties hereof with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, both oral and written, between the parties with respect to the subject matter hereof and thereof.

9.10 Further Assurances. The parties shall execute and deliver all such further instruments and documents and take all such other actions as may reasonably be required to carry out the transactions contemplated hereby and to evidence the fulfillment of the agreements herein contained.

9.11 Governing Law; Consent to Jurisdiction; Waiver of Jury Trial. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York without regard to the choice of law principles thereof. Each of the parties hereto irrevocably submits to the exclusive jurisdiction of the courts of the State of New York located in New York County and the United States District Court for the Southern District of New York for

the purpose of any suit, action, proceeding or judgment relating to or arising out of this Agreement and the transactions contemplated hereby. Service of process in connection with any such suit, action or proceeding may be served on each party hereto anywhere in the world by the same methods as are specified for the giving of notices under this Agreement. Each of the parties hereto irrevocably consents to the jurisdiction of any such court in any such suit, action or proceeding and to the laying of venue in such court. Each party hereto irrevocably waives any objection to the laying of venue of any such suit, action or proceeding brought in such courts and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. **EACH OF THE PARTIES HERETO WAIVES ANY RIGHT TO REQUEST A TRIAL BY JURY IN ANY LITIGATION WITH RESPECT TO THIS AGREEMENT AND REPRESENTS THAT COUNSEL HAS BEEN CONSULTED SPECIFICALLY AS TO THIS WAIVER.**

9.12 Independent Nature of Investors' Obligations and Rights. The obligations of each Investor under any Transaction Document are several and not joint with the obligations of any other Investor, and no Investor shall be responsible in any way for the performance of the obligations of any other Investor under any Transaction Document. The decision of each Investor to purchase Securities pursuant to the Transaction Documents has been made by such Investor independently of any other Investor. Nothing contained herein or in any Transaction Document, and no action taken by any Investor pursuant thereto, shall be deemed to constitute the Investors as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Investors are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by the Transaction Documents. Each Investor acknowledges that no other Investor has acted as agent for such Investor in connection with making its investment hereunder and that no other Investor will be acting as agent of such Investor in connection with monitoring its investment in the Securities or enforcing its rights under the Transaction Documents. Each Investor shall be entitled to independently protect and enforce its rights, including, without limitation, the rights arising out of this Agreement or out of the other Transaction Documents, and it shall not be necessary for any other Investor to be joined as an additional party in any proceeding for such purpose. The Company acknowledges that each of the Investors has been provided with the same Transaction Documents for the purpose of closing a transaction with multiple Investors and not because it was required or requested to do so by any Investor.

[signature page follows]

IN WITNESS WHEREOF, the parties have executed this Agreement or caused their duly authorized officers to execute this Agreement as of the date first above written.

The Company:

FORMAT, INC.

By: /s/ Ryan A. Neely
Name: Ryan A. Neely
Title: President

The Investors:

By: _____
Name:
Title:

Exhibit A

Certificate of Designation

[Copy of Certificate of Designation attached as Exhibit 3.1 to this Form 8-K]

Exhibit B

Form of Warrant

[Copy of Form of Warrant attached as Exhibit 10.6 to this Form 8-K]

Exhibit C

Registration Rights Agreement

[Copy of Registration Rights Agreement attached as Exhibit 10.9 to this Form 8-K]

Exhibit D

Gary Winemaster
Kenneth Winemaster
Thomas Somodi
Kenneth Landini

Exhibit E

Form of D&O Lock-Up Agreement

[Copy of Form of D&O Lock-Up Agreement attached as Exhibit 10.8 to this Form 8-K]

Exhibit F

Form of Voting Agreement

[Copy of Form of Voting Agreement attached as Exhibit 10.5 to this Form 8-K]

EXHIBIT G

CERTIFICATE OF INCORPORATION
OF
POWER SOLUTIONS INTERNATIONAL, INC.

FIRST: The name of the Corporation is Power Solutions International, Inc.

SECOND: The Corporation's registered office in the State of Delaware is located at []. The name of the Corporation's registered agent at such address is [].

THIRD: The nature of the business and the objects and purposes to be transacted, promoted and carried on are to engage in any lawful act or activity for which corporations may be organized under the DGCL.

FOURTH:

A. CAPITAL STOCK

1. **Authorized Stock.** The total number of shares of capital stock which this corporation shall have authority to issue is fifty five million (55,000,000) shares, divided as follows: (i) fifty million (50,000,000) shares of Common Stock, par value \$0.001 per share, and (ii) five million (5,000,000) shares of Preferred Stock, par value \$0.001 per share.

B. DESIGNATIONS AND RIGHTS. The designations and the powers, preferences and relative, participating, optional or other rights of the capital stock and the qualifications, limitations or restrictions thereof are as follows:

1. **Common Stock.**

a. **Voting Rights.** Except as otherwise provided by law, each share of Common Stock shall entitle the holder thereof to one vote in any matter which is submitted to a vote of stockholders of the Corporation.

b. **Dividends.** Subject to the express terms of the Preferred Stock outstanding from time to time, such dividend or distribution as may be determined by the board of directors of the Corporation (the "Board of Directors") may from time to time be declared and paid or made upon the Common Stock out of any source at the time lawfully available for the payment of dividends, and all such dividends shall be shared equally by the holders of Common Stock on a per share basis.

c. **Liquidation.** The holders of Common Stock shall be entitled to share ratably, upon any liquidation, dissolution or winding up of the affairs of the Corporation

(voluntary or involuntary), all assets of the Corporation which are legally available for distribution, if any, remaining after payment of all debts and other liabilities and subject to the prior rights of any holders of Preferred Stock of the preferential amounts, if any, to which they are entitled.

2. Preferred Stock. The Preferred Stock may be issued from time to time in one or more series, each of which series shall have such distinctive designation or title and such number of shares as shall be fixed by the Board of Directors prior to the issuance of any shares thereof. Each such series of Preferred Stock shall have such voting powers, full or limited, or no voting powers, and such preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions providing for the issue of such series of Preferred Stock as may be adopted from time to time by the Board of Directors prior to the issuance of any shares thereof pursuant to the authority hereby expressly vested in it. The Board of Directors is further authorized to increase or decrease (but not below the number of shares outstanding) the number of shares of any series of Preferred Stock subsequent to the issuance of shares of that series. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status of which they had prior to the adoption of the resolution originally fixing the number of shares of such series. Except as provided in the resolution or resolutions of the Board of Directors creating any series of Preferred Stock or as otherwise provided herein, the shares of Common Stock shall have the exclusive right to vote for the election and removal of directors and for all other purposes.

FIFTH: Board of Directors. The business and affairs of the Corporation shall be managed by, or under the direction of, a board of directors consisting of not less than five (5) nor more than eleven (11) directors. The exact number of directors shall be determined from time to time by resolution adopted by the affirmative vote of a majority of the directors in office at the time of adoption of such resolution.

Each director shall hold office until the next annual meeting of stockholders and until his or her successor shall be elected and qualified, subject, however, to prior death, resignation, retirement or removal from office. Directors may be removed, with or without cause, by the holders of at least a majority of the votes regularly entitled to vote at an election of directors. Vacancies on the Board of Directors and newly-created directorships may be filled by the Board of Directors or the stockholders; provided, however, that any vacancy resulting from the removal of a director may only be filled by the stockholders.

SIXTH:

A. Written Consent. Any corporate action required or permitted to be taken at any annual or special meeting of stockholders may be taken by written consent of a majority of the stockholders in lieu of a meeting.

B. Special Meetings. Special meetings of the stockholders of the Corporation may be called, upon not less than ten (10) nor more than sixty (60) days' written notice, only (i) by the Chairman of the Board of Directors, (ii) by the Chief Executive Officer of the Corporation, (iii) by the Board of Directors pursuant to a resolution approved by a majority of the Board of Directors, or (iv) at the request in writing of stockholders owning at least twenty percent (20%) of the entire capital stock of the Corporation issued and outstanding and entitled to vote.

SEVENTH:

A. Amendment of By-Laws. In furtherance and not in limitation of the power conferred by statute, the Board of Directors is expressly authorized to make, alter, amend or repeal the By-laws of the Corporation ("By-laws"). The By-laws may be altered, amended, or repealed, or new By-laws may be adopted, by the Board of Directors in accordance with the preceding sentence or by the vote of the holders of at least a majority of the voting power of the shares of the Corporation entitled to vote generally in the election of directors at an annual or special meeting of stockholders; provided that, if such alteration, amendment, repeal or adoption of new By-laws is effected at a duly called special meeting, notice of such alteration, amendment, repeal or adoption of new By-laws is contained in the notice of such special meeting. The Board of Directors shall not have the power to amend, alter or repeal, or to adopt any provision inconsistent with, any By-law adopted by the stockholders.

B. Election of Directors. Elections of Directors need not be by written ballot unless the By-laws shall so provide.

C. Meetings of Stockholders. Meetings of stockholders may be held within or without the State of Delaware, as the By-laws may provide.

D. Books of Corporation. The books of the Corporation may be kept at such place within or without the State of Delaware as the By-laws may provide or as may be designated from time to time by the Board of Directors.

EIGHTH: The Board of Directors may adopt a resolution proposing to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute. Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least eighty percent (80%) of the voting power of the shares entitled to vote generally in the election of directors shall be required to amend, alter or repeal, or to adopt any provision inconsistent with, Article Fifth, Sixth, Seventh, Eighth or Ninth of this Certificate of Incorporation.

NINTH:

A. Indemnification of Officers and Directors: The Corporation shall:

(a) indemnify, to the fullest extent permitted by the DGCL, any present or former director of the Corporation, and may indemnify any present or former officer, employee or agent of the Corporation selected by, and to the extent determined by, the Board of Directors for indemnification, the selection and determination of which may be evidenced by an indemnification agreement, who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person's conduct was unlawful; and

(b) indemnify any present or former director of the Corporation, and may indemnify any present or former officer, employee or agent of the Corporation selected by, and to the extent determined by, the Board of Directors for indemnification, the selection and determination of which may be evidenced by an indemnification agreement, who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper; and

(c) indemnify any present or former director of the Corporation, and may indemnify any present or former officer, employee or agent of the Corporation selected by, and to the extent determined by, the Board of Directors for indemnification, the

selection and determination of which may be evidenced by an indemnification agreement, against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith, to the extent that a present or former director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section (a) or (b) of this Article NINTH, or in defense of any claim, issue or matter therein; and

(d) make any indemnification under Section (a) or (b) of this Article NINTH (unless ordered by a court) only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent of the Corporation is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section (a) or (b) of this Article NINTH. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (1) by a majority vote of directors who were not parties to such action, suit or proceeding, even though less than a quorum, or (2) by a committee of such directors designated by majority vote of such directors, even if less than a quorum, or (3) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders of the Corporation; and

(e) pay expenses (including attorneys' fees) incurred by a present or former director, or by any present or former officer, employee or agent of the Corporation selected for indemnification by the Board of Directors in accordance with Section (a) or (b) of this Article NINTH, in defending a civil or criminal action, suit or proceeding in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such director or officer is not entitled to be indemnified by the Corporation as authorized in Article NINTH herein; and

(f) not deem the indemnification and advancement of expenses provided by, or granted pursuant to, the other subsections of this Article NINTH exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the By-laws, any agreement, any vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office or position; and

(g) have the right, power and authority to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article NINTH and the DGCL; and

(h) continue the indemnification and advancement of expenses provided by, or granted pursuant to, Article NINTH herein, unless otherwise provided when authorized or ratified, as to a person who has ceased to be a director, officer, employee or

agent of the Corporation, and the indemnification and advancement of expenses provided by, or granted pursuant to this Article NINTH shall inure to the benefit of the heirs, executors and administrators of such a person; and

The provisions of this Article NINTH shall be treated as a contract between the Corporation and each director, or appropriately designated officer, employee or agent, who serves in such capacity at any time while this Article NINTH is in effect, and any repeal or modification of this Article NINTH shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any action, suit or proceeding theretofore or thereafter brought or threatened based in whole or in part upon such state of facts; provided, however, that the provisions of this Article NINTH shall not be treated as a contract between the Corporation and any directors, officers, employees or agents of any other corporation (the "Second Corporation") that shall merge into or consolidate with the Corporation where the Corporation shall be the surviving or resulting corporation, and any such directors, officers, employees or agents of the Second Corporation, in their capacity as such, shall be indemnified only at the discretion of the Board of Directors.

B. Elimination of Certain Liability of Directors: No director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, as the same exists or hereafter may be amended, or (iv) for any transaction from which the director derived an improper personal benefit. If the DGCL is amended to authorize the further elimination or limitation of liability of directors, then the liability of a director of the Corporation, in addition to the limitation on personal liability provided herein, shall be limited to the fullest extent permitted by the amended DGCL. Any repeal or modification of this Article NINTH by the stockholders of the Corporation shall be prospective only and shall not adversely affect any limitation on the personal liability of a director of the Corporation existing at the time of such repeal or modification.

ELEVENTH: The Corporation hereby irrevocably expressly elects not to be governed by the provisions of Section 203 of the DGCL or any successor statute of similar effect.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Incorporation to be signed by its [_____] on [_____] 2011.

POWER SOLUTIONS INTERNATIONAL, INC.

By: _____

Name: _____

Its: _____

EXHIBIT H
BYLAWS
OF
POWER SOLUTIONS INTERNATIONAL, INC.

ARTICLE I
OFFICES

Section 1.1. Principal and Business Offices. Power Solutions International, Inc. (the “Corporation”) may have such principal and other business offices, either within or outside of the State of Delaware, as the Board of Directors of the Corporation (the “Board of Directors”) may designate or as the Corporation’s business may require from time to time.

Section 1.2. Registered Agent and Office. The Corporation’s registered agent may be changed from time to time by or under the authority of the Board of Directors. The address of the Corporation’s registered agent may change from time to time by or under the authority of the Board of Directors, or the registered agent. The business office of the Corporation’s registered agent shall be identical to the registered office. The Corporation’s registered office may, but need not be, identical with the Corporation’s principal office, if any, in the State of Delaware.

ARTICLE II
MEETINGS OF STOCKHOLDERS

Section 2.1. Place of Meetings. The Board of Directors may designate any place, either within or without the State of Delaware, as the place of meeting for any annual meeting or for any special meeting. If no such place is designated by the Board of Directors, the place of meeting will be the principal business office of the Corporation. Notwithstanding the foregoing, the Board of Directors may, in its sole discretion, determine that the meeting shall not be held in any place, but may instead be held solely by means of electronic or telephonic communication, upon such guidelines as the Board of Directors shall determine, provided that such guidelines are consistent with Section 211 of the General Corporation Law of the State of Delaware, as the same may be from time to time amended (the “DGCL”).

Section 2.2. Annual Meeting. Annual meetings of stockholders shall be held at such time and date as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which stockholders shall elect directors to hold office for the term provided in the Certificate of Incorporation of the Corporation (the

“Certificate of Incorporation”), and conduct such other business as shall have been properly brought before the meeting.

Section 2.3. Special Meetings of Stockholders. Special meetings of the stockholders of the Corporation may be called only in the manner provided in the Certificate of Incorporation (including any certificates of designations filed pursuant thereto). The business transacted at any special meeting of the stockholders shall be limited to the purposes stated in the notice for the meeting transmitted to stockholders, which only shall be the purposes for which the meeting has been called in accordance with the Certificate of Incorporation.

Section 2.4. Notice of Stockholder Meetings.

(a) Except as otherwise required by the DGCL, notice of any meeting of stockholders, stating the place, if any, date and hour of the meeting, the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for determining stockholders entitled to notice of the meeting), and if such notice is being delivered in connection with a special meeting, the purpose or purposes for which the meeting is called, shall be given to each stockholder entitled to vote at such meeting as of the record date for determining the stockholders entitled to notice of the meeting not less than ten (10) nor more than sixty (60) days before the date of the meeting. Notice of any such meeting shall be given in writing or by facsimile, electronic mail or other means of electronic transmission. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at the stockholder’s address as it appears on the records of the Corporation. If notice is given by facsimile transmission, notice is deemed to be given when directed to a number at which the stockholder has consented to receive notice. If notice is given by electronic mail, notice is deemed to be given when directed to an electronic mail address at which the stockholder has consented to receive notice, or if notice is given by posting on an electronic network together with separate notice to the stockholder of such specific posting, notice is deemed to be given upon the later of (a) such posting and (b) the giving of such separate notice. If notice is given by any other means of electronic transmission, notice is deemed to be given when directed to the stockholder.

(b) Notice given to stockholders by electronic mail, facsimile or other electronic transmission shall be effective, provided that notice is given by a form of electronic mail, facsimile or other electronic transmission consented to by the stockholder to whom the notice is given. Any such consent is revocable by the stockholder by written notice to the Corporation. Any such consent shall be deemed to be revoked if (i) the Corporation is unable to deliver two consecutive notices to such stockholder by electronic mail, facsimile or electronic transmission, and (ii) such inability becomes known to the Secretary, any Assistant Secretary of the Corporation or the transfer agent for the Corporation or such other Person responsible for giving notice;

provided, however, that the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action.

Section 2.5. Written Consent. Any action required or permitted to be taken at any annual or special meeting of stockholders may be taken without a meeting, without prior notice and without a vote, only as permitted by, and in the manner provided in, the Certificate of Incorporation.

Section 2.6. Fixing of Record Date. In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which shall not precede the date upon which the resolution fixing the record date is adopted and which shall be (i) not more than sixty (60) nor less than ten (10) days before the date of a meeting, and (ii) not more than sixty (60) days prior to any other action. Such date shall also be the record date for determining the stockholders entitled to vote at such meeting; provided, however, that the Board of Directors may, as of the date it fixes the record date for determining the stockholders entitled to notice of the meeting, fix a record date for determining the stockholders entitled to vote at the meeting that is later than the record date for determining the stockholders entitled to notice of the meeting and is on or prior to the date of the meeting. A determination of stockholders of record entitled to notice of, or to vote at, a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance with the foregoing at the adjourned meeting.

Section 2.7. Voting Lists. The officer who has charge of the stock ledger of the Corporation shall prepare and, at least ten (10) days before every meeting of stockholders, make a complete list of the stockholders entitled to vote at the meeting (provided, however, that if the record date for determining the stockholders entitled to vote at the meeting on such issue is fewer than ten (10) days before the meeting date, the list shall reflect the stockholders entitled to vote at the meeting as of the tenth day before the meeting date), arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours at the principal place of business of the Corporation. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is

available only to stockholders of the Corporation. If the meeting is to be held at a place, then the list shall be produced and kept at the place of the meeting during the whole time thereof, and may be inspected by any stockholder that is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting.

Section 2.8. Quorum and Adjournments. Unless otherwise provided by law or the Certificate of Incorporation, at any meeting of stockholders, a majority of the votes that could be cast by the holders of the shares entitled to vote on the applicable matters before the meeting, present in person or represented by proxy, shall constitute a quorum at the meeting for such matters. Where a separate vote by a class or classes or series is required, a majority of the voting power of the shares of such class or classes or series present in person or represented by proxy shall constitute a quorum entitled to take action with respect to that vote on that matter. If such quorum is not present in person or represented by proxy at such meeting, the holders of a majority of the voting power of stock entitled to vote thereat, present in person or represented by proxy, may adjourn the meeting to another date, time or place (if any).

When a meeting is adjourned to another date, time or place, notice need not be given of the adjourned meeting if the time and place (if any) thereof, and the means of remote communications (if any) by which stockholders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. If the adjournment is for more than thirty (30) days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the adjourned meeting; provided, however, that if after the adjournment a new record date for stockholders entitled to vote is fixed for the adjourned meeting, the Board of Directors shall fix a new record date for notice of such adjourned meeting in accordance with Section 2.5, and shall give notice of the adjourned meeting to each stockholder of record entitled to vote at such adjourned meeting as of the record date fixed for notice of such adjourned meeting. At any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the original meeting. The stockholders present at a meeting may continue to transact business until adjournment, notwithstanding the withdrawal of such number of stockholders as may leave less than a quorum.

Section 2.9. Voting Rights. Unless otherwise provided in the Certificate of Incorporation (including any certificate of designation forming a part thereof), each stockholder having voting power shall, at every meeting of the stockholders of the Corporation, be entitled to one (1) vote in person or by proxy for each share of the capital stock having voting power held by such stockholder. At any meeting of the stockholders, every stockholder entitled to vote may vote in person or by proxy authorized by an

instrument in writing, or by facsimile, electronic mail or any other means of electronic transmission permitted by the DGCL filed in accordance with the procedure established for the meeting, but no proxy shall be voted on after three (3) years from its date, unless the proxy expressly provides for a longer period. Any copy, facsimile telecommunication or other reliable reproduction of the writing or electronic transmission created pursuant to this paragraph may be substituted or used in lieu of the original writing or electronic transmission for any and all purposes for which the original writing or electronic transmission could be used; provided that such copy, facsimile telecommunication or other reproduction is a complete reproduction of the entire original writing or electronic transmission. All voting may (except where otherwise required by law) be by a voice vote; provided, however, that upon demand therefor by a stockholder entitled to vote or by such stockholder's proxy, a stock vote shall be taken. Every stock vote shall be taken by ballots, each of which shall state the name of the stockholder or proxy voting and such other information as may be required under the procedure established for the meeting. The Corporation may, and to the extent required by law shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting, count the votes, decide the results and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate appointed in advance of a meeting is able to act at a meeting of stockholders, the person presiding at the meeting may, and to the extent required by law shall, appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of such inspector's duties, shall take and sign an oath to faithfully execute the duties of inspector with strict impartiality and according to the best of such inspector's ability.

Section 2.10. Vote Required. At any meeting of stockholders duly called and held at which a quorum is present, (i) except to the extent otherwise required by the Certificate of Incorporation or the DGCL, in all matters other than the election of directors, the affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote on the subject matter shall be the act of the stockholders, and (ii) each director shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting of the stockholders and entitled to vote on the election of directors.

Section 2.11. Presiding Over Meetings. The Chairman of the Board shall preside at all meetings of the stockholders; provided, that in the absence or inability to act of the Chairman of the Board, the Chief Executive Officer, the President or the Chief Financial Officer (in that order) shall preside, and in their absence or inability to act, another person designated by the Board of Directors shall preside. The person presiding shall have the power to adjourn such meeting of stockholders to another date, time and place (if any). The Secretary of the Corporation shall act as secretary of each meeting of the stockholders; provided, however, that in the event of the Secretary's absence or

inability to act, the chairman of the meeting shall appoint a person who need not be a stockholder of the Corporation to act as secretary of the meeting.

ARTICLE III DIRECTORS

Section 3.1. General Powers. The business and affairs of the Corporation shall be under the direction of, and managed by, the Board of Directors, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not required by law, the Certificate of Incorporation or these Bylaws to be done by the stockholders. Directors need not be residents of the State of Delaware or stockholders of the Corporation. The number of directors shall be determined in the manner provided in the Certificate of Incorporation.

Section 3.2. Number and Tenure of Directors. The number and tenure of directors of the Corporation shall be determined as set forth in the Certificate of Incorporation. Vacancies shall be filled as provided in the Certificate of Incorporation. Any director may resign at any time effective on giving written notice to the Chairman of the Board, the President or the Board of Directors and to the Secretary. Such notice may be given either in writing or by means of electronic transmission. Such resignation shall take effect at the time specified in such notice and, unless tendered to take effect upon acceptance thereof, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.3. Removal. Any or all of the directors may be removed from office only on the terms set forth, and in the manner provided, in the Certificate of Incorporation.

Section 3.4. Vacancies. Any vacancies occurring in the Board of Directors and newly created directorships shall be filled in the manner provided in the Certificate of Incorporation.

Section 3.5. Place of Meetings. The Board of Directors may hold meetings, both regular and special, either within or without the State of Delaware. The first meeting of each newly elected Board of Directors shall be held promptly following the adjournment of the annual meeting of the stockholders at the same place as such annual meeting, and no notice of such meeting shall be necessary to the newly elected directors in order to legally constitute the meeting, provided a quorum shall be present. In the event such meeting is not held at such time and place, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors.

Section 3.6. Regular Meetings. Regular meetings of the Board of Directors may be held without notice at such time and in such place, which may be within or without the State of Delaware, as shall from time to time be determined by the Board of Directors; provided, however, that the Board of Directors may determine that the meeting shall not be held in any place, but by means of remote communication.

Section 3.7. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board, the Chief Executive Officer or the President of the Corporation on at least one day's notice, either personally, or by mail, overnight courier, electronic mail, facsimile or other means of electronic transmission to each director stating the purpose or purposes for which such meeting is being called. Special meetings shall be called by the Chairman of the Board, the Chief Executive Officer or the President in like manner and on like notice at the written request of at least two directors stating the purpose or purposes for which such meeting is requested. Notice of any meeting of the Board of Directors for which a notice is required may be waived in writing or by electronic transmission signed by the person or persons entitled to such notice, whether before or after the time of such meeting, and such waiver shall be equivalent to the giving of such notice. Attendance of a director at any such meeting shall constitute a waiver of notice thereof, except where the director attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because such meeting is not lawfully called or convened. The Chairman of the Board shall preside at all meetings of the Board of Directors. In the absence of, or inability to act by, the Chairman of the Board, the Chief Executive Officer, if then a member of the Board of Directors, shall preside, and in the absence of, or inability to act by, the Chief Executive Officer, another director designated by the Board of Directors shall preside.

Section 3.8. Informal Action. Unless otherwise restricted by the Certificate of Incorporation, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board of Directors or committee, as the case may be, consent thereto in writing, or by facsimile, electronic mail or other means of electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board of Directors or committee. Such filings shall be in paper form if the minutes are maintained in paper form or in electronic form if the minutes are maintained in electronic form.

Section 3.9. Participation by Conference Telephone. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or committee, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation by such means shall constitute presence in person at such meeting.

Section 3.10. Quorum; Voting. At all meetings of the Board of Directors, a majority of the then duly elected directors shall constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by the DGCL or the Certificate of Incorporation. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time.

Section 3.11. Presumption of Assent. A director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be conclusively presumed to have assented to the action taken unless such director's dissent shall be entered in the minutes of the meeting or unless such director shall file such director's written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 3.12. Compensation of Directors. In the discretion of the Board of Directors, directors who are not employees of the Corporation may be paid their expenses, if any, of attendance at each meeting of the Board of Directors or a committee thereof, may be paid a stated salary or a fixed sum for attendance at each meeting of the Board of Directors or a committee thereof and may be awarded other compensation for their service as directors (or committee members).

ARTICLE IV COMMITTEES OF DIRECTORS

Section 4.1. Appointment and Powers. The Board of Directors may, by resolution passed by a majority of the directors then in office, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member at any meeting of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation (including all powers and authority provided to the Board of Directors under the DGCL, the Certificate of Incorporation and these Bylaws), and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the

Certificate of Incorporation or amending, modifying, rescinding or adopting any Bylaws of the Corporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease, or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, recommending to the stockholders any other action or matter expressly required by the DGCL to be submitted to the stockholders for approval or amending the Bylaws of the Corporation; and, unless the resolution designating the committee so provides, such committee shall not have the power or authority to declare a dividend, to authorize the issuance of stock or to adopt a certificate of ownership and merger pursuant to Section 253 of the DGCL.

Section 4.2. Removal. Any member of any committee appointed by the Board of Directors, or the entire membership of such committee, may be removed, with or without cause, by the vote of a majority of the Board of Directors.

Section 4.3. Resignations. Any member of any committee may resign at any time by delivering a written notice of resignation, signed by such member, to the Chairman of the Board, the President or the Board of Directors and to the Secretary. Unless otherwise specified therein, such resignation shall take effect upon delivery. Such notice may be given either in writing or by means of electronic transmission. Such resignation shall take effect upon delivery or, if specified in the notice of resignation, at the time specified in such notice and, unless tendered to take effect upon acceptance thereof, the acceptance of such resignation shall not be necessary to make it effective.

Section 4.4. Committee Minutes. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required. Each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by law.

ARTICLE V WAIVER OF NOTICE

Section 5.1. Waiver. Whenever any notice is required to be given under applicable law or the provisions of the Certificate of Incorporation or these Bylaws, a waiver thereof in writing or by electronic transmission, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of stockholders, directors or members of a committee of the Board of Directors need be specified in any written waiver of notice or any waiver given by electronic transmission.

Section 5.2. Attendance as Waiver of Notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, and objects at the beginning of such meeting, to the transaction of any business because such meeting is not lawfully called or convened.

ARTICLE VI OFFICERS

Section 6.1. Number and Qualifications. The officers of the Corporation shall be chosen by the Board of Directors and shall be a Chairman of the Board, a Chief Executive Officer, a President, a Chief Financial Officer, one or more Vice Presidents, a Secretary and a Treasurer. The Board of Directors may also choose a Vice Chairman of the Board, one or more Assistant Secretaries and Assistant Treasurers and such additional officers as the Board of Directors may deem necessary or appropriate from time to time. Membership on the Board of Directors shall not be a prerequisite to the holding of any other office. Any number of offices may be held by the same person, unless the Certificate of Incorporation or these Bylaws otherwise provide.

Section 6.2. Election. The Board of Directors at its first meeting after each annual meeting of stockholders shall elect the officers of the Corporation. If the election of officers is not held at such meeting, such election shall be held as soon thereafter as may be convenient. The Board of Directors may also elect or appoint officers of the Corporation at any other meeting of the Board of Directors.

Section 6.3. Other Officers and Agents. The Board of Directors may choose such other officers and agents as it shall deem necessary or appropriate, which officers and agents shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

Section 6.4. Compensation of Officers. The Board of Directors shall have the authority to establish compensation of all officers for service to the Corporation. No officer shall be prevented from receiving such salary or other compensation by reason of the fact that such officer is also a director of the Corporation.

Section 6.5. Term of Office. The officers of the Corporation shall hold office until their successors are chosen and qualified or until their earlier resignation or removal. Any officer elected or appointed by the Board of Directors may be removed at any time, either with or without cause, by the affirmative vote of a majority of the directors then in office at any meeting of the Board of Directors. If a vacancy shall exist in any office of the Corporation, the Board of Directors may elect any person to fill such vacancy, such person to hold office as provided in Article VI, Section 6.1.

Section 6.6. The Chairman of the Board. The Chairman of the Board, if one is chosen, shall be chosen by the Board of Directors from among the members of the Board of Directors. The Chairman of the Board shall preside at all meetings of the stockholders and of the Board of Directors, and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

Section 6.7. The Chief Executive Officer. The Chief Executive Officer shall be the principal executive officer of the Corporation and shall, in general, supervise and control all of the business and affairs of the Corporation, unless otherwise provided by the Board of Directors. In the absence of the Chairman of the Board, the Chief Executive Officer shall preside at all meetings of the stockholders and, if the Chief Executive Officer is a director, at all meetings of the Board of Directors, and shall see that orders and resolutions of the Board of Directors are carried into effect. The Chief Executive Officer may sign bonds, mortgages, certificates for shares and other contracts and documents on behalf of the Corporation, whether or not under the seal of the Corporation, except in cases where the signing and execution thereof shall be expressly delegated by law, the Board of Directors or these Bylaws to some other officer or agent of the Corporation. The Chief Executive Officer shall have general powers of supervision and shall be the final arbiter of all differences between officers of the Corporation, and the Chief Executive Officer's decision as to any matter affecting the Corporation shall be final and binding as between the officers of the Corporation, subject only to the Board of Directors. The Chief Executive Officer shall perform such other duties as the Board of Directors may from time to time prescribe.

Section 6.8. The President. Unless another party has been designated as Chief Operating Officer, the President shall be the Chief Operating Officer of the Corporation, responsible for the day-to-day active management of the business of the Corporation, under the general supervision of the Chief Executive Officer. In the absence of the Chief Executive Officer, the President shall perform the duties of the Chief Executive Officer and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the Chief Executive Officer. The President shall have concurrent power with the Chief Executive Officer to sign bonds, mortgages, certificates for shares and other contracts and documents, whether or not under the seal of the Corporation, except in cases where the signing and execution thereof shall be expressly delegated by law, the Board of Directors or these Bylaws to some other officer or agent of the Corporation. In general, the President shall perform all duties incident to the office of the President and such other duties as the Chief Executive Officer or the Board of Directors may from time to time prescribe.

Section 6.9. The Chief Operating Officer. The Board of Directors shall designate whether the President or some other party shall be the Chief Operating Officer of the Corporation. If the President has not been designated as Chief Operating Officer, the Chief Operating Officer shall have such duties and responsibilities, under the general

supervision of the President, as the President or the Board of Directors may from time to time prescribe.

Section 6.10. The Chief Financial Officer. The Chief Financial Officer shall keep or cause to be kept the books of account of the Corporation in a thorough and proper manner, and shall render statements of the financial affairs of the Corporation in such form and as often as required by the Board of Directors or the Chief Executive Officer. The Chief Financial Officer shall perform other duties commonly incident to such office and shall also perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer shall designate from time to time. The Board of Directors or the Chief Executive Officer may direct any assistant financial officer to assume and perform the duties of the Chief Financial Officer in the absence or disability of the Chief Financial Officer, and each assistant financial officer shall perform other duties commonly incident to such office and shall also perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer shall designate from time to time.

Section 6.11. The Vice Presidents. In the absence of the President or in the event of the President's inability or refusal to act, the Vice President (if there is more than one, in the order determined by the Board of Directors, or in the absence of such determination, then in the order of their election) shall perform the duties of the President and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the President. The Vice Presidents shall perform such other duties and have such other powers as the Chief Executive Officer, the President or the Board of Directors may from time to time prescribe.

Section 6.12. The Secretary. At the direction of the Board of Directors, the Secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record all the proceedings of the meetings of the Corporation and of the Board of Directors in a book to be kept for that purpose and shall perform like duties for the committees of the Board of Directors when required. The Secretary shall give, or cause to be given, or cause to be given notice of all meetings of the stockholders and meetings of the Board of Directors and shall perform such other duties as the Chief Executive Officer, the President or the Board of Directors may from time to time prescribe. The Secretary shall have custody of the corporate seal of the Corporation, and the Secretary or an Assistant Secretary shall have authority to affix the same to any instrument requiring it, and when so affixed, it may be attested by the Secretary's signature or by the signature of such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by such officer's signature.

Section 6.13. The Assistant Secretary. The Assistant Secretary, or if there be more than one, the Assistant Secretaries in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election), shall, in the absence of the Secretary or in the event of the Secretary's inability or refusal to act, perform the duties and exercise the powers of the Secretary and shall perform such other

duties and have such other powers as the Chief Executive Officer, the President or the Board of Directors may from time to time prescribe.

Section 6.14. The Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Chief Executive Officer and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all of the Treasurer's transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond (which shall be renewed every six (6) years) in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of the Treasurer's office and for the restoration to the Corporation, in case of the Treasurer's death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in the Treasurer's possession or under the Treasurer's control belonging to the Corporation.

Section 6.15. The Assistant Treasurer. The Assistant Treasurer, or if there shall be more than one, the Assistant Treasurers in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election), shall, in the absence of the Treasurer or in the event of the Treasurer's inability or refusal to act, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Chief Executive Officer, the President, the Chief Financial Officer or the Board of Directors may from time to time prescribe.

ARTICLE VII

CERTIFICATES OF STOCK, TRANSFERS AND RECORD DATES

Section 7.1. Form of Certificates. The shares of the Corporation shall be represented by certificates, provided that the Board of Directors may provide by resolution or resolutions that shares of some or all of any or all classes or series of its stock shall be uncertificated. Any such resolutions shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Notwithstanding the adoption of such a resolution by the Board of Directors, every holder of stock in the Corporation shall be entitled to have a certificate signed by, or in the name of, the Corporation by (a) the Chairman of the Board, the Vice-Chairman of the Board or the President of the Corporation, and (b) the Secretary, the Treasurer, an Assistant Secretary or an Assistant Treasurer of the Corporation, certifying the number of shares owned by such holder in the Corporation. If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of such class of stock or series thereof and the qualifications, limitations or restrictions of such

preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock; provided that, except as otherwise provided in Section 202 of the DGCL, in lieu of the foregoing requirements, there may be set forth, on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock, a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Subject to the foregoing, certificates of stock of the Corporation shall be in such form as the Board of Directors may from time to time prescribe.

Section 7.2. Facsimile Signatures. Where a certificate is countersigned (i) by a transfer agent other than the Corporation or its employee or (ii) by a registrar other than the Corporation or its employee, any other signatures on the certificate may be facsimile. In case any officer, transfer agent or registrar who has signed, or whose facsimile signature has been placed upon, a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Section 7.3. Lost Certificates. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or such owner's legal representative, to advertise the same in such manner as the Corporation shall require and/or give the Corporation a bond in such sum as it may direct as indemnity, or other form of indemnity, against any claim that may be made against the Corporation or its transfer agent or registrar with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 7.4. Transfers of Shares. All transfers of shares of the stock of the Corporation are subject to the terms, conditions and restrictions, if any, of the Certificate of Incorporation. Transfers of shares of the capital stock of the Corporation shall be made on the books of the Corporation by the registered holder thereof, or by such holder's attorney thereunder authorized by power of attorney duly executed and filed with the Secretary of the Corporation, or with a transfer agent appointed as provided in Article VII, Section 7.5, and, if certificated shares, on surrender of the certificate or certificates for the shares properly endorsed and the payment of all transfer taxes thereon. The person in whose names shares of stock are registered on the books of the Corporation shall be considered the owner thereof for all purposes as regards the Corporation, but whenever any transfer of shares is made for collateral security, and not absolutely, that fact, if known to the Secretary, shall be stated in the entry of transfer. The Board of

Directors may, from time to time, make any additional rules and regulations as it may deem expedient, not inconsistent with these Bylaws, concerning the issue, transfer and registration of shares of capital stock of the Corporation.

Section 7.5. Transfer Agents and Registrants The Board of Directors may appoint one or more transfer agents and one or more registrars for the stock of the Corporation.

Section 7.6. Registered Stockholders. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to, or interest in, such share or shares on the part of any other person, whether or not the Corporation shall have express or other notice thereof, except as otherwise required by the law of the State of Delaware.

ARTICLE VIII CONFLICT OF INTERESTS

Section 8.1. Contract or Relationship Not Void. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, limited liability company, association or other organization in which one or more of its directors or officers are directors, officers, partners, members or managers or have a financial interest shall be void or voidable solely for this reason, or solely because such director or officer is present at, or participates in, the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because such director's or officer's vote is counted for such purpose, if:

- (a) the material facts as to the director's or officer's relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors thereof, even though the disinterested directors be less than a quorum; or
- (b) the material facts as to the director's or officer's relationship or interest and to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or

- (c) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified by the Board of Directors, a committee thereof, or the stockholders.

Section 8.2. Quorum. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

ARTICLE IX GENERAL PROVISIONS

Section 9.1. Dividends. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting thereof, pursuant to law, out of funds legally available therefor. Dividends may be paid in cash, in property or in shares of capital stock or rights to acquire the same, subject to the provisions of the Certificate of Incorporation. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the directors shall think conducive to the interest of the Corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

Section 9.2. Checks. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 9.3. Fiscal Year. The fiscal year of the Corporation shall end on the thirty-first (31st) day of December of each year unless otherwise fixed by resolution of the Board of Directors.

Section 9.4. Stock in Other Corporations. Shares of any other corporation which may from time to time be held by this Corporation may be represented and voted at any meeting of stockholders of such corporation by the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer or a Vice President of the Corporation, or by any proxy appointed in writing by the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer or a Vice President of the Corporation, or by any other person or persons thereunto authorized by the Board of Directors. Shares of capital stock of any other corporation represented by certificates standing in the name of the Corporation may be endorsed for sale or transfer in the name of the Corporation by the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer or any Vice President of the Corporation or by any other officer or officers thereunto authorized by the Board of Directors.

Section 9.5. Corporate Seal. The Corporation may have, but shall not be required to have, a corporate seal as shall be determined by the Secretary of the Corporation in the Secretary’s discretion. If a corporate seal is obtained, the seal shall contain the name of the Corporation and the words “Corporate Seal, Delaware”, and the use thereof shall be determined from time to time by the officer or officers executing and delivering instruments on behalf of the Corporation, provided that the affixing of a corporate seal to an instrument shall not give the instrument additional force or effect or change the construction thereof. The seal, if any, may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

ARTICLE X
AMENDMENTS

These Bylaws may be altered, amended or repealed, and new bylaws may be adopted, only in the manner provided in the Certificate of Incorporation.

Gary Winemaster
Kenneth Winemaster
Thomas Somodi
Ken Landini

DISCLOSURE SCHEDULES

The following are the Disclosure Schedules to the Purchase Agreement (the “Purchase Agreement”) dated as of the 29th day of April, 2011 by and among Format, Inc., a Nevada corporation (the “Company”), and the Investors set forth on the signature pages affixed to the Purchase Agreement. The inclusion of any matter on the Disclosure Schedules does not constitute an admission as to its materiality or lack of materiality. A disclosure contained in one schedule of the Disclosure Schedules shall be deemed made for each other schedule herein without specific repetition and with or without cross reference to the extent such applicability is readily apparent on its face. All capitalized terms used herein and not to the contrary defined shall have the meanings ascribed to them in the Purchase Agreement. Unless otherwise set forth therein, the disclosures set forth in the Disclosure Schedules are made as if the Merger and the related transactions were consummated immediately prior to the time at which the disclosures are made.

Schedule 4.1 – Subsidiaries**1. The Company has the following Subsidiaries:**

Power Great Lakes, Inc., an Illinois corporation

Power Production, Inc., an Illinois corporation

Power Solutions, Inc., an Illinois corporation

Auto Manufacturing, Inc., an Illinois corporation

Torque Power Source Parts, Inc., an Illinois corporation

Power Global Solutions, Inc., an Illinois corporation

PSI International, LLC, an Illinois limited liability company

Power Properties, L.L.C., an Illinois limited liability company

XISync LLC, an Illinois limited liability company

The W Group, Inc., a Delaware corporation

2. The Company owns certain Units of Vconverter Production, LLC, a Michigan limited liability company, the number of which may increase or decrease from time to time pursuant to that certain Investment Agreement dated as of January 1, 2010 by and among the Company, Vconverter Corporation, a Michigan corporation and Vconverter Production, LLC.

Schedule 4.3 – Capitalization

(I) Immediately prior to the consummation of the Merger and the Stock Repurchase, the authorized capital stock of the Company consists of (i) 50,000,000 shares of Common Stock, of which 3,770,083 are issued and outstanding, and (ii) 5,000,000 shares of preferred stock, par value \$0.001 per share, of which 114,000 shares are designated as Preferred Stock, of which no shares are issued and outstanding. Immediately following the consummation of the Merger and the Stock Repurchase, and after giving effect to the issuance of the Shares, the authorized capital stock of the Company will consist of (i) 50,000,000 shares of common stock, of which 10,770,083 will be issued and outstanding, and (ii) 5,000,000 shares of preferred stock, par value \$0.001 per share, of which 114,000 shares will be designated as Preferred Stock, and of which 113,960.90289 shares will be issued and outstanding.

(II) The Company does not have any shares of capital stock issuable pursuant to any stock plans.

(III) The number of shares of capital stock issuable pursuant to the Merger is as follows: (i) 95,960.90289 shares of Preferred Stock, and (ii) 10,000,000 shares of Common Stock.

(IV) Immediately prior to the consummation of the Merger and the Stock Repurchase, the Company does not have any shares of capital stock issuable and reserved for issuance pursuant to securities exercisable for, or convertible into or exchangeable for any shares of capital stock of the Company. Immediately following the consummation of the Merger and the Stock Repurchase (without giving effect to the Reverse Split), other than the number of shares of capital stock issuable and reserved for issuance pursuant to the Shares and the Warrants, and giving effect to the limitations on conversion set forth in the Certificate of Designations, the Warrants and the Agent Warrant, an aggregate of 32,126,698 shares of the capital stock of the Company will be issuable and reserved for issuance upon conversion of the shares of Preferred Stock issued pursuant to the Merger Agreement and no shares of the capital stock of the Company will be issuable and reserved for issuance upon the exercise of the Agent Warrant.

(V) Immediately prior to the consummation of the Merger and the Stock Repurchase, there are no outstanding warrants, options, convertible securities or other rights, agreements or arrangements of any character under which the Company or any of its Subsidiaries is or may be obligated to issue any equity securities of any kind, and except as contemplated by the Agreement, and except for the issuance of Common Stock and Preferred Stock pursuant to the Merger Agreement, neither the Company nor any of its Subsidiaries is currently in negotiations for the issuance of any equity securities of any kind. Immediately following the consummation of the Merger and the Stock Repurchase, except for the shares of Preferred Stock issued pursuant to the Merger Agreement, the Securities issued under the Agreement, and the Agent Warrant, there will be no outstanding warrants, options, convertible securities or other rights, agreements or arrangements of any character under which the Company or any of its Subsidiaries is or may be obligated to issue any equity securities of any kind, and except as contemplated by the Agreement and the Merger Agreement, neither the Company nor any of its Subsidiaries is currently in negotiations for the issuance of any equity securities of any kind.

(VI) Pursuant to the terms of a registration rights agreement being entered into in connection with the consummation of the Merger, in the event the Company proposes to register any shares of Common Stock under the 1933 Act (other than (1) pursuant to a registration statement on Form S-4 or Form S-8 (or a similar or successor form), or (2) pursuant to Section 2(a) of the Registration Rights Agreement) with respect to an offering of Common Stock by the Company for its own account or for the account of any of its shareholders, each of Gary Winemaster, Kenneth Winemaster and Thomas Somodi (and possibly Kenneth Landini) shall be entitled, subject to the D&O Lock-Up Agreements, to have the shares of Common Stock held by such Person (and any shares of Common Stock issuable upon conversion or exercise of any securities held by such Person) included in such registration; provided that such piggy-back registration rights shall be junior to the piggy-back registration rights of Investors (as defined in the Registration Rights Agreement) granted pursuant to Section 2(e) of the Registration Rights Agreement.

(VII) See attached for the pro forma capitalization of the Company as of the Closing after giving effect to the Merger, the Reverse Split, the issuance of the Shares and the Warrants and the consummation of the other transactions contemplated by the Transaction Documents.

(VIII) The W Group and Thomas Somodi are entering into a termination agreement in connection with the transactions contemplated by the Merger Agreement and the Agreement, which provides that, upon the closing of the Merger, the subscription agreement, dated as of April 16, 2005, by and between The W Group and Thomas Somodi, as amended by the amendment to subscription agreement, effective as of January 1, 2008 (the “Subscription Agreement”), will terminate and be of no further force or effect. Until such termination, the Subscription Agreement provides (1) Mr. Somodi with the right to require The W Group to purchase his shares of capital stock of The W Group, and The W Group with the right to require Mr. Somodi to sell his shares of capital stock of The W Group to The W Group, in each case upon The W Group’s achievement of certain thresholds relating to the valuation of The W Group, and (2) other rights and obligations described in the Private Placement Memorandum.

Power Solutions International, Inc. - Pro Forma Fully-Diluted Capitalization Table, Post-Reverse Split (1)

<u>Shareholder</u>	<u>Series A Convertible Preferred Stock (Pre-Split)</u>	<u>Preferred Conversion Shares (Post-Split) (2)</u>	<u>Investor Warrant Shares (Post-Split) (3)</u>	<u>Placement Agent Warrant Shares (Post-Split) (4)</u>	<u>Common Stock (Post-Split)</u>	<u>Total Shares (Post-Split)</u>
Gary Winemaster	52,778.49712	4,398,208	0	0	171,875	4,570,083
Kenneth Winemaster	33,586.31575	2,798,860	0	0	109,375	2,908,235
Thomas Somodi	9,596.09002	799,674	0	0	31,250	830,924
Shareholders of Format, Inc.	0	0	0	0	24,091	24,091
Existing Investors	18,000	1,500,000	750,000	0	0	2,250,000
Placement Agent	0	0	0	105,000	0	105,000
Total	113,960.90289	9,496,742	750,000	105,000	336,591	10,688,333

- (1) Reflects capitalization of Power Solutions International, Inc., after giving effect to the Merger and the private placement contemplated by the Agreement on a fully-diluted basis (assuming for purposes hereof that the Reverse Split is consummated concurrently with the Closing). This proforma capitalization table does not give effect to (A) the transactions contemplated by that certain Purchase and Sale Agreement, entered into in connection with the Merger, by and between Gary Winemaster and Thomas Somodi, or (B) the gifts of shares of Series A Convertible Preferred Stock by each of Gary Winemaster and Kenneth Winemaster to Kenneth Landini, in each case as described in the Private Placement Memorandum.
- (2) The shares of Series A Convertible Preferred Stock will automatically convert into shares of Common Stock upon the occurrence of the Reverse Split, at a post-Reverse Split conversion price of \$12.00 per share, subject to adjustment.
- (3) Represents shares of Common Stock issuable upon exercise of the Warrants, at a post-Reverse Split exercise price of \$13.00 per share, subject to adjustment.
- (4) Represents shares of Common Stock issuable upon exercise of the Agent Warrant at a post-Reverse Split exercise price of \$13.20 per share, subject to adjustment.

Schedule 4.5 – Consents

1. The filing of a Certificate of Merger of PSI Merger Sub, Inc. with and into The W Group, Inc. with the Delaware Secretary of State.

2. The filing of Articles of Merger of Power Solutions International, Inc. with and into Format, Inc. with the Nevada Secretary of State.

3. Notice filings with FINRA pursuant to Rule 6490.

4. The filing of an amendment to the articles of incorporation of the Company with the Nevada Secretary of State and/or the filing of a certificate of merger with the Delaware Secretary of State and the filing of articles of merger with the Nevada Secretary of State, each in connection with the Reverse Split and the Migratory Merger.

5. The filing of preliminary and definitive proxy statements with the SEC, and the mailing of such definitive proxy statement to the stockholders of the Company, each in connection with the Reverse Split and the Migratory Merger.

6. The filing of an information statement with the SEC pursuant to Rule 14f-1 promulgated under the 1934 Act, regarding a change in the majority of directors of the Company.

7. The filing of the Certificate of Designations with the Nevada Secretary of State.

8. The authorizations, consents, approvals, filings, and registrations contemplated by the Registration Rights Agreement.

Schedule 4.8 – Changes Since December 31, 2010

(ii) Effective March 30, 2011, The W Group, Inc., a Subsidiary of the Company (“The W Group”), made non-cash offset dividends in the aggregate amount of \$223,993 to Gary Winemaster and Kenneth Winemaster, who were previously officers, directors and shareholders of The W Group prior to the Merger and are becoming officers, directors and stockholders of the Company, to offset and cancel loans in the aggregate amount of \$223,993 owed by Gary Winemaster and Kenneth Winemaster to The W Group. Thomas J. Somodi, who was previously an officer, director and shareholder of The W Group prior to the Merger and is becoming an officer, director and stockholder of the Company, and Kenneth Winemaster each waived any right to receive dividend payments proportionate, based on their respective ownership percentages in The W Group, to the amounts of the non-cash offset dividend received by Gary Winemaster.

(iv) See item 4.8(ii) above.

(v)

[a] In February 2011, a Subsidiary of the Company, Power Solutions, Inc., on behalf of itself and its affiliates, entered into a Non-Exclusive Patent License and Settlement Agreement (the “Settlement Agreement”) and paid [Confidential Settlement Amount] to settle a patent infringement suit relating to the MasterTrak product line. The suit is *Innovative Global Systems LLC v. OnStar, LLC, et al.*, Civil Action No. 6:10-cv-00574 filed in the United States District Court for the Eastern District of Texas. In consideration of the payment and the Settlement Agreement, the plaintiffs in the case agreed to release and discharge Power Solutions, Inc. and its affiliates from the suit.

[b] Effective upon the closing of the transaction contemplated by the Agreement, the Subsidiaries will terminate and repay all amounts owed under that certain Loan and Security Agreement by and among Fifth Third Bank, certain Lenders (as defined in the Loan and Security Agreement) and the Subsidiaries dated July 15, 2008, as amended (the “Fifth Third Agreement”); pursuant to the Consent and Waiver, all pledged certificates held by Fifth Third Bank and all guarantees under the Fifth Third Agreement will be released upon repayment of the term loans under the Fifth Third Agreement, and all liens held by Fifth Third Bank will be released in connection with the termination of the Fifth Third Agreement, all in connection with the Company’s and the Subsidiaries’ entry into the Loan and Security Agreement with Harris N.A.

[c] On April 15, 2011, two Subsidiaries of the Company, Power Great Lakes, Inc. (“PGL”) and Power Production, Inc. (“Power Production”), made final payment of all payments due, and exercised an option to purchase all equipment leased (the “Equipment”), under a Lease Supplement No. 2 dated April 4, 2008 (the “Lease Supplement”) between PGL, Power Production and Vogen Funding, L.P. (“Lessor”), which Lease Supplement was entered into under that certain Master Lease Agreement dated September 4, 2007 between PGL, Power Production and Lessor. The Equipment includes various tooling, office equipment, network equipment and other equipment used in the business of the Subsidiaries, and the original value of the Equipment was \$408,582.07. PGL and Power Production exercised an option to purchase

the Equipment and paid \$40,858.21 to Lessor on April 15, 2011, pursuant to which all liens held by Lessor on the Equipment were released.

(vi)

[a] Pursuant to, and as a condition of the Merger, the Company will file Articles of Merger with the Nevada secretary of state, pursuant to which the Company's name will be changed to "Power Solutions International, Inc."

[b] All obligations of Thomas J. Somodi and The W Group under that certain Subscription Agreement dated as of April 16, 2005, as amended effective January 1, 2008, and under that certain Employment Agreement dated as of April 16, 2005, as amended effective January 1, 2008, will be terminated at the closing of the Merger pursuant to a Termination Agreement between Thomas J. Somodi and The W Group.

[c] See item 4.8(v)[b].

(viii)

[a] Effective April 29, 2011, the Company and its Subsidiaries entered into that certain Loan and Security Agreement with Harris N.A. and other related agreements entered into in connection therewith.

[b] The W Group and Thomas J. Somodi entered into that certain Termination Agreement, dated April 28, 2011, terminating, effective upon the closing of the Merger, all obligations of Thomas J. Somodi and The W Group under that certain Subscription Agreement dated as of April 16, 2005, as amended effective January 1, 2008, and under that certain Employment Agreement dated as of April 16, 2005, as amended effective January 1, 2008.

[c] See item 4.3(VI).

(ix)

[a] Thomas Whelpley, vice president of engineering, retired effective December 31, 2010.

[b] Contemporaneously with the Closing, the Company is entering into an employment agreement with Thomas J. Somodi, effective as of January 1, 2011, which provides that the Company will endeavor to hire a new Chief Financial Officer as soon as reasonably possible after the execution of such employment agreement. Upon the hiring of a new Chief Financial Officer, Thomas J. Somodi will no longer hold the position of Chief Financial Officer but will continue in his role as Chief Operating Officer.

[c] In February 2011, PGL terminated the employment of Greg Johnson, a vice president. The Company has since learned that Mr. Johnson has retained an attorney

regarding his termination and may be contemplating a claim for severance payments under his employment agreement.

Schedule 4.10 – Conflicts, Breach, Violations or Defaults

The execution, delivery and performance of the Transaction Documents by the Company, and the consummation of the Merger and the Migratory Merger and the issuance and sale of the Securities by the Company, would constitute a breach by the Subsidiaries of the Fifth Third Agreement but for the fact that Fifth Third Bank delivered the Consent and Waiver and the fact that the Fifth Third Agreement will be terminated in connection with the closing of the transactions contemplated by the Agreement.

Schedule 4.11 – Tax Matters

The W Group made its estimated federal and state income tax payments for its fourth quarter of 2010 subsequent to the due dates therefor. Accordingly, interest and penalties are payable with respect to such late payments. The W Group paid an estimate of such interest and penalties when it made its estimated federal and state income tax payments with respect to its fourth quarter of 2010.

Schedule 4.12 – Title to Properties

1. Harris N.A., as agent, and each Lender under that certain Loan and Security Agreement dated as of April 29, 2011 by and among the Company and Subsidiaries and Harris N.A., individually and as agent for any Lender, has a continuing lien upon all of the assets of the Company and Subsidiaries.

2. Under the Fifth Third Agreement, Fifth Third Bank, as agent, for its benefit and the benefit of each Lender under the Fifth Third Agreement, had a continuing security interest in all assets of the Subsidiaries and held in pledge all certificates representing the issued and outstanding shares or membership interests of the Subsidiaries. Upon termination of the Fifth Third Agreement effective April 29, 2011, and the repayment by the Subsidiaries of all amounts due thereunder, the security interest and pledge will be terminated.

3. See Item 4.8(v)[c].

Schedule 4.14 – Labor Matters

(d).

1. See Item 4.8(ix)[b].

2. Contemporaneously with the Closing, the Company is entering into an employment agreement with Thomas J. Somodi, effective as of January 1, 2011, that provides for severance payments upon the occurrence of certain circumstances.

3. The Subsidiaries have entered into employment agreements with several engineers and sales personnel, which agreements generally provide that if the employee is terminated by the relevant Subsidiary without cause, the employee shall receive severance equal to one year's salary, plus in some cases, accrued bonus amounts.

Schedule 4.15 – Intellectual Property.

(a) See item 4.8(v)[a] above.

Schedule 4.17 – Litigation

1. See Item 4.8(ix)[b].

2. Louisiana Machinery & Equipment ("Louisiana Machinery") filed suit in Louisiana claiming that a wood chipper ordered from PGL was defective. Louisiana Machinery seeks to recover approximately \$16,000 from PGL that Louisiana Machinery claims it spent to repair the defect. PGL contends that the problems with the wood chipper resulted from Louisiana Machinery improperly fueling the engine. The case is venued in a parish near New Orleans, Louisiana. There has been no activity in the case for approximately two years. The case is pending, but there is no trial date and neither party has taken any action for approximately two years.

Schedule 4.18 – Financial Statements

The Company and its Subsidiaries have incurred certain fees and expenses in connection with, or otherwise relating to, the transactions contemplated by the Transaction Documents.

The Warrants issued in the Private Placement are expected to be treated as derivatives requiring fair value accounting treatment, resulting in the recording of a liability for accounting and financial reporting purposes in an initial aggregate amount of approximately \$2,900,000, and which may result in charges to income in future periods.

Schedule 4.20 – Compliance with OTC Bulletin Board Requirements

On August 5, 2010, the Company received notice from FINRA that the Common Stock had been deleted from the OTCBB for failure to comply with Rule 15c2-11 promulgated under the 1934 Act. After investigation by FINRA, on August 20, 2010, the Company received clearance from FINRA that the quotation of Common Stock on the OTCBB may resume, and the Common Stock currently remains eligible for quotation on the OTCBB.

Schedule 4.26 – Transactions with Affiliates

1. In connection with The Company's ownership interest in Vconverter Production, LLC (see Item 4.1(2)), Gary Winemaster and Thomas J. Somodi are two of the five managers of Vconverter Production, LLC. Neither Gary Winemaster nor Thomas J. Somodi has any equity or other economic interest in Vconverter Production, LLC.

2. See item 4.3(VI).

VOTING AGREEMENT

VOTING AGREEMENT, dated as of April 29, 2011 (the "Agreement"), by and between Power Solutions International, Inc., a Nevada corporation (the "Company"), and — (the "Shareholder").

W I T N E S S E T H

WHEREAS, contemporaneously with the execution and delivery of this Agreement, the Company is entering into a Purchase Agreement, dated as of the date hereof (as such agreement may hereafter be amended from time to time, the "Purchase Agreement"), with the investors named therein (the "Investors"), which, among other things, provides for, upon the terms and subject to the conditions set forth therein, the sale of the Company's securities (the "Securities") to the Investors; and

WHEREAS, capitalized terms used herein have the respective meanings ascribed thereto in the Purchase Agreement; and

WHEREAS, pursuant to the Purchase Agreement, the Company has agreed to call a Shareholders Meeting for the purpose of seeking approval of the Company's shareholders for the Proposals; and

WHEREAS, after giving effect to the transactions contemplated by the Transaction Documents, the Shareholder will beneficially own the number of shares of Common Stock and shares of the Company's Series A Preferred Stock set forth opposite the Shareholder's name on Schedule I hereto (all such shares so owned and which may hereafter be acquired by such Shareholder prior to the termination of this Agreement, whether upon the exercise of options, conversion of convertible securities, exercise of warrants or by means of purchase, dividend, distribution or otherwise, being referred to herein as the Shareholder's "Shares"); and

WHEREAS, as a condition to the Investors' willingness to enter into the Purchase Agreement, the Investors have required the Shareholder to enter into this Agreement; and

WHEREAS, in order to induce the Investors to enter into the Purchase Agreement, the Shareholder is willing to enter into this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the Company and the Shareholder hereby agree as follows:

ARTICLE I.

TRANSFER AND VOTING OF SHARES; AND
OTHER COVENANTS OF THE SHAREHOLDER

SECTION 1.1. Voting of Shares. From the date hereof until termination of this Agreement pursuant to Section 3.2 hereof (the “Term”), at any meeting of the shareholders of the Company, however called, and at any adjournment or postponement thereof, and in any action by consent of the shareholders of the Company, the Shareholder shall (A) appear at such meeting or otherwise cause its Shares to be counted as present thereat for purposes of establishing a quorum and (B) vote (or cause to be voted) its Shares in favor of the Proposals and such other matters as may be necessary or advisable to consummate the transactions contemplated by the Purchase Agreement.

SECTION 1.2. No Inconsistent Arrangements. Except as contemplated by this Agreement or as described in Schedule 1.2, the Shareholder shall not during the Term (i) transfer, or consent to any transfer of, any or all of the Shareholder’s Shares or any interest therein, or create or permit to exist any lien or other encumbrance on such Shares, (ii) enter into any contract, option or other agreement or understanding with respect to any transfer of any or all of such Shares or any interest therein, (iii) grant any proxy, power-of-attorney or other authorization in or with respect to such Shares, (iv) deposit such Shares into a voting trust or enter into a voting agreement or arrangement with respect to such Shares, or (v) take any other action that would in any way restrict, limit or interfere with the performance of its obligations hereunder or the transactions contemplated hereby or by the Purchase Agreement.

SECTION 1.3. Proxy; Reliance. The Shareholder hereby revokes any and all prior proxies or powers of attorney in respect of any of the Shareholder’s Shares and constitutes and appoints David M. Greenhouse and Austin W. Marx, with full power of substitution and resubstitution, at any time during the Term, as its true and lawful attorney and proxy (its “Proxy”), for and in its name, place and stead, to vote each of such Shares as its Proxy in favor of the matters set forth in Section 1.1, at every annual, special, adjourned or postponed meeting of the shareholders of the Company, including the right to sign its name (as shareholder) to any consent, certificate or other document relating to the Company that the Nevada General Corporation Law may permit or require as provided in Section 1.1, solely with respect to the matters set forth in Section 1.1, and in the manner contemplated by this Section 1.3. If the Shareholder fails for any reason to be counted as present or to vote (including by written consent, if applicable) such Shareholder’s Shares in accordance with the requirements of Section 1.1 above (or anticipatorily breaches such section), then the Proxy shall have the right to cause to be present or vote such Shareholder’s Shares in accordance with the provisions of Section 1.1.

**THE FOREGOING PROXY AND POWER OF ATTORNEY ARE
IRREVOCABLE AND COUPLED WITH AN INTEREST THROUGHOUT THE TERM.**

SECTION 1.4. Stop Transfer. Except as described in Schedule 1.2, the Shareholder shall not attempt to effect any transfer of the Shareholders Shares, and any such request shall be null and void, *ab initio*. The Shareholder will not request that the Company register the transfer (book-entry or otherwise) of any certificate or uncertificated interest

representing any of the Shareholder's Shares. The Company shall issue stop-transfer instructions to the transfer agent for the Common Stock instructing the transfer agent not to register any transfer of Shares during the Term except in compliance with the terms of this Agreement.

SECTION 1.5. Additional Shares. The Shareholder hereby agrees, while this Agreement is in effect, to promptly notify the Company of the number of any new Shares acquired (whether upon the exercise of options, conversion of convertible securities, exercise of warrants or by means of purchase, dividend, distribution or otherwise) by such Shareholder, if any, after the date hereof.

SECTION 1.6. Disclosure. The Shareholder hereby authorizes the Company to publish and disclose in the Proxy Statement (including all documents and schedules filed with the SEC), its identity and ownership of the Shares and the nature of its commitments, arrangements and understandings under this Agreement.

SECTION 1.7. Share Legend. As promptly as practicable following the date of this Agreement and, in any event, no more than five (5) Business Days after the date hereof, the Shareholder shall cause the certificate(s) representing the Shareholders' Shares to be delivered to the Company and the Company shall place the following legend on such certificates:

"The voting of the shares represented by this certificate is governed by the terms of a Voting Agreement, a copy of which is available from the Secretary of the Company."

Promptly after the legending of the certificates as provided above, the Company shall return such certificates to the Shareholder or as the Shareholder may other direct. Upon the termination of this Agreement in accordance with its terms, the Shareholder shall have the right to cause the Company to reissue the certificates representing the Shareholders' Shares without the legend set forth above.

ARTICLE II.

REPRESENTATIONS AND WARRANTIES OF THE SHAREHOLDER

The Shareholder hereby represents and warrants to the Company and the Investors as follows:

SECTION 2.1. Due Authorization, etc. The Shareholder has the legal capacity to execute, deliver and perform this Agreement, to appoint the Proxy and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by or on behalf of the Shareholder and constitutes a legal, valid and binding obligation of the Shareholder, enforceable against the Shareholder in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, moratorium or other similar laws and except that the availability of equitable remedies, including specific performance, is subject to the discretion of the court before which any proceeding for such remedy may be brought.

SECTION 2.2. Required Filings and Consents. The execution and delivery of this Agreement by the Shareholder does not, and the performance of this Agreement by the

Shareholder will not, require any consent, approval, authorization or permit of, or filing with or notification to, any governmental or regulatory authority (other than any necessary filing under the Exchange Act), domestic or foreign, except where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not prevent or delay the performance by the Shareholder of the Shareholder's obligations under this Agreement.

SECTION 2.3. Ownership of Shares. After giving effect to the transactions contemplated by the Transaction Documents, the Shareholder will be the record and beneficial owner of the Shares set forth opposite its name on Schedule I hereto. On the date hereof, such Shares constitute all of the Shares owned of record or beneficially by such Shareholder or which such Shareholder has the right to acquire.

ARTICLE III.

MISCELLANEOUS

SECTION 3.1. Definitions. Terms used but not otherwise defined in this Agreement have the meanings ascribed to such terms in the Purchase Agreement.

SECTION 3.2. Termination. This Agreement shall terminate and be of no further force and effect (i) with the prior written consent of the Required Investors, (ii) upon the approval of the Proposals by the Company's shareholders at the Shareholders Meeting at which a quorum was present and acting throughout, or (iii) automatically and without any required action of the parties hereto upon termination of the Purchase Agreement in accordance with its terms. No such termination of this Agreement shall relieve any party hereto from any liability for any breach of this Agreement prior to termination.

SECTION 3.3. Third Party Beneficiary. The Investors are express third party beneficiaries of this Agreement and shall have the right to enforce the provisions hereof against the parties hereto as if the Investors were a party hereto. No amendment, modification or waiver of the terms of this Agreement shall be effective unless consented to by the Required Investors in writing.

SECTION 3.4. Further Assurance. From time to time, at another party's request or at the request of the Required Investors and without consideration, each party hereto shall execute and deliver such additional documents and take all such further action as may be necessary or desirable to make effective, in the most expeditious manner practicable, the agreements contemplated by this Agreement.

SECTION 3.5. No Waiver. The failure of any party hereto to exercise any right, power or remedy provided under this agreement or otherwise available in respect hereof at law or in equity, or to insist upon compliance by any other party hereto with its obligations hereunder, or any custom or practice of the parties at variance with the terms hereof, shall not constitute a waiver by such party of its right to exercise any such or other right, power or remedy or to demand such compliance.

SECTION 3.6. Specific Performance. The Shareholder acknowledges that if the Shareholder fails to perform any of its obligations under this Agreement, immediate and irreparable harm or injury would be caused to the Company and the Investors for which money damages would not be an adequate remedy. In such event, the Shareholder agrees that the Company and each Investor shall have the right, in addition to any other rights it may have, to specific performance of this Agreement. Accordingly, should the Company or any Investor institute an action or proceeding seeking specific enforcement of the provisions hereof, the Shareholder hereby waives the claim or defense that the Company or such Investor has an adequate remedy at law and hereby agrees not to assert in any such action or proceeding the claim or defense that such a remedy at law exists.

SECTION 3.7. Notice. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made (i) as of the date delivered or sent by facsimile if delivered personally or by facsimile, and (ii) on the third Business Day after deposit in the U.S. mail, if mailed by registered or certified mail (postage prepaid, return receipt requested), in each case to the parties at the following addresses (or at such other address for a party as shall be specified by like notice, except that notices of changes of address shall be effective upon receipt):

(a) If to the Company:

c/o The W Group
655 Wheat Lane
Wood Dale, Illinois 60191
Attention: Chief Financial Officer
Fax: (630) 350-0103

With a copy to:

Katten Muchin Rosenman LLP
525 West Monroe Street
Chicago, Illinois 60661-3693
Attention: Mark D. Wood, Esq.
Fax: (312) 577-8858

(b) If to the Shareholder, at the address set forth below the Shareholder's name on Schedule I hereto.

SECTION 3.8. Expenses. All fees, costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Company, including, without limitation, the fees, costs and expenses incurred by the Shareholder.

SECTION 3.9. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the legal substance of the agreements contemplated hereby is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal

or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the agreements contemplated hereby are fulfilled to the maximum extent possible.

SECTION 3.10. Entire Agreement. This Agreement constitutes the entire agreement and supersedes any and all other prior agreements and undertakings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof.

SECTION 3.11. Assignment. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned, in whole or in part, by operation of law or otherwise.

SECTION 3.12. Governing Law; Consent to Jurisdiction; Waiver of Jury Trial. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of Nevada without regard to the choice of law principles thereof. Each of the parties hereto irrevocably submits to the exclusive jurisdiction of the courts of the State of New York located in New York County and the United States District Court for the Southern District of New York for the purpose of any suit, action, proceeding or judgment relating to or arising out of this Agreement and the transactions contemplated hereby. Service of process in connection with any such suit, action or proceeding may be served on each party hereto anywhere in the world by the same methods as are specified for the giving of notices under this Agreement. Each of the parties hereto irrevocably consents to the jurisdiction of any such court in any such suit, action or proceeding and to the laying of venue in such court. Each party hereto irrevocably waives any objection to the laying of venue of any such suit, action or proceeding brought in such courts and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. **EACH OF THE PARTIES HERETO WAIVES ANY RIGHT TO REQUEST A TRIAL BY JURY IN ANY LITIGATION WITH RESPECT TO THIS AGREEMENT AND REPRESENTS THAT COUNSEL HAS BEEN CONSULTED SPECIFICALLY AS TO THIS WAIVER.**

SECTION 3.13. Amendment. This Agreement may not be amended except by an instrument in writing signed on behalf of the Company, the Shareholder and the Required Investors.

SECTION 3.14. Waiver. Any party hereto may (a) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (b) waive any inaccuracies in the representations and warranties of the other parties hereto contained herein or in any document delivered pursuant hereto and (c) waive compliance by the other parties hereto with any of their agreements or conditions contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only as against such party and only if set forth in an instrument in writing signed by such party. The failure of any party hereto to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights.

SECTION 3.15. Descriptive Headings; Interpretation. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

SECTION 3.16. Counterparts; Faxes. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Any signature page to this Agreement may be delivered via facsimile or other form of electronic transmission, which signature page so delivered shall be deemed an original.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above.

POWER SOLUTIONS INTERNATIONAL, INC.

By: _____

Name:

Title:

[NAME OF SHAREHOLDER]

By: _____

Name:

Title:

[Signature Page to Voting Agreement]

Schedule I

Name and Address of
Shareholder

Number of Shares of Common
Stock Beneficially Owned

Number of Shares of Series A
Preferred Stock Beneficially Owned

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND, ACCORDINGLY, MAY NOT BE TRANSFERRED UNLESS (I) SUCH SECURITIES HAVE BEEN REGISTERED FOR SALE PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED, (II) SUCH SECURITIES MAY BE SOLD PURSUANT TO RULE 144, OR (III) THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO IT THAT SUCH TRANSFER MAY LAWFULLY BE MADE WITHOUT REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

THIS WARRANT SHALL BE VOID AFTER 5:00 P.M. EASTERN TIME ON APRIL 29, 2016 (THE “EXPIRATION DATE”).

No. [—]

POWER SOLUTIONS INTERNATIONAL, INC.

**WARRANT TO PURCHASE — SHARES OF
COMMON STOCK, PAR VALUE \$0.001 PER SHARE**

For VALUE RECEIVED, _____ (“Warrantholder”), is entitled to purchase, subject to the provisions of this Warrant, from Power Solutions International, Inc., a Nevada corporation (the “Company”), at any time after the Automatic Conversion Date and not later than 5:00 P.M., Eastern time, on the Expiration Date (as defined above), at an exercise price per share equal to \$0.40625 (the exercise price in effect being herein called the “Warrant Price”), [—] shares (“Warrant Shares”) of the Company’s Common Stock, par value \$0.001 per share (“Common Stock”). The number of Warrant Shares purchasable upon exercise of this Warrant and the Warrant Price shall be subject to adjustment from time to time as described herein. This Warrant is being issued pursuant to the Purchase Agreement, dated as of April 29, 2011 (the “Purchase Agreement”), among the Company and the initial holders of the Company Warrants (as defined below). Capitalized terms used herein have the respective meanings ascribed thereto in the Purchase Agreement unless otherwise defined herein.

Section 1. Registration. The Company shall maintain books for the transfer and registration of the Warrant. Upon the initial issuance of this Warrant, the Company shall issue and register the Warrant in the name of the Warrantholder.

Section 2. Transfers. As provided herein, this Warrant may be transferred only pursuant to a registration statement filed under the Securities Act of 1933, as amended (the “Securities Act”), or an exemption from such registration. Subject to such restrictions, the Company shall transfer this Warrant from time to time upon the books to be maintained by the Company for that purpose, upon surrender hereof for transfer, properly endorsed or accompanied by appropriate instructions for transfer and such other documents as may be reasonably required by the Company, including, if required by the Company, an opinion of its counsel to the effect

that such transfer is exempt from the registration requirements of the Securities Act, to establish that such transfer is being made in accordance with the terms hereof, and a new Warrant shall be issued to the transferee and the surrendered Warrant shall be canceled by the Company.

Section 3. Exercise of Warrant. Subject to the provisions hereof, the Warrantholder may exercise this Warrant, in whole or in part, at any time from and after the Automatic Conversion Date and prior to its expiration upon surrender of the Warrant, together with delivery of a duly executed Warrant exercise form, in the form attached hereto as Appendix A (the "Exercise Agreement") and payment by certified check or wire transfer of immediately available funds (or, in certain circumstances, by cashless exercise as provided below) of the aggregate Warrant Price for that number of Warrant Shares then being purchased, to the Company during normal business hours on any Business Day at the Company's principal executive offices (or such other office or agency of the Company as it may designate by notice to the Warrantholder). The Warrant Shares so purchased shall be deemed to be issued to the Warrantholder or the Warrantholder's designee, as the record owner of such shares, as of the close of business on the date on which this Warrant shall have been surrendered (or the date evidence of loss, theft or destruction thereof and security or indemnity satisfactory to the Company has been provided to the Company), the Warrant Price shall have been paid and the completed Exercise Agreement shall have been delivered. Certificates for the Warrant Shares so purchased shall be delivered to the Warrantholder within three (3) Business Days after this Warrant shall have been so exercised. The certificates so delivered shall be in such denominations as may be requested by the Warrantholder and shall be registered in the name of the Warrantholder or such other name as shall be designated by the Warrantholder, as specified in the Exercise Agreement. If this Warrant shall have been exercised only in part, then, unless this Warrant has expired, the Company shall, at its expense, at the time of delivery of such certificates, deliver to the Warrantholder a new Warrant representing the right to purchase the number of shares with respect to which this Warrant shall not then have been exercised. As used herein, "Business Day" means a day, other than a Saturday or Sunday, on which banks in New York City are open for the general transaction of business. Each exercise hereof shall constitute the re-affirmation by the Warrantholder that the representations and warranties contained in Section 5 of the Purchase Agreement are true and correct in all material respects with respect to the Warrantholder as of the time of such exercise.

If (1) a certificate representing the Warrant Shares is not delivered to the Warrantholder within three (3) Business Days of the due exercise of this Warrant by the Warrantholder and (2) prior to the time such certificate is received by the Warrantholder, the Warrantholder, or any third party on behalf of the Warrantholder or for the Warrantholder's account, purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Warrantholder of shares represented by such certificate (a "Buy-In"), then the Company shall pay in cash to the Warrantholder (for costs incurred either directly by such Warrantholder or on behalf of a third party) the amount by which the total purchase price paid for such shares of Common Stock as a result of the Buy-In (including brokerage commissions, if any) exceeds the proceeds received by such Warrantholder as a result of the sale to which such Buy-In relates. The Warrantholder shall provide the Company written notice indicating the amounts payable to the Warrantholder in respect of the Buy-In.

Section 4. Compliance with the Securities Act of 1933. Except as provided in the Purchase Agreement, the Company may cause the legend set forth on the first page of this Warrant to be set forth on each Warrant, and a similar legend on any security issued or issuable upon exercise of this Warrant, unless counsel for the Company is of the opinion as to any such security that such legend is unnecessary.

Section 5. Payment of Taxes. The Company will pay any documentary stamp taxes attributable to the initial issuance of Warrant Shares issuable upon the exercise of the Warrant; provided, however, that the Company shall not be required to pay any tax or taxes which may be payable in respect of any transfer involved in the issuance or delivery of any certificates for Warrant Shares in a name other than that of the Warrantholder in respect of which such shares are issued, and in such case, the Company shall not be required to issue or deliver any certificate for Warrant Shares or any Warrant until the person requesting the same has paid to the Company the amount of such tax or has established to the Company's reasonable satisfaction that such tax has been paid. The Warrantholder shall be responsible for income taxes due under federal, state or other law, if any such tax is due.

Section 6. Mutilated or Missing Warrants. In case this Warrant shall be mutilated, lost, stolen, or destroyed, the Company shall issue in exchange and substitution of and upon surrender and cancellation of the mutilated Warrant, or in lieu of and substitution for the Warrant lost, stolen or destroyed, a new Warrant of like tenor and for the purchase of a like number of Warrant Shares, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction of the Warrant, and with respect to a lost, stolen or destroyed Warrant, reasonable indemnity or bond with respect thereto, if requested by the Company.

Section 7. Reservation of Common Stock. From and after the Automatic Conversion Date, the Company shall at all applicable times thereafter keep reserved until issued (if necessary) as contemplated by this Section 7, out of the authorized and unissued shares of Common Stock, sufficient shares to provide for the exercise of the rights of purchase represented by this Warrant. The Company agrees that all Warrant Shares issued upon due exercise of the Warrant shall be, at the time of delivery of the certificates for such Warrant Shares, duly authorized, validly issued, fully paid and non-assessable shares of Common Stock of the Company.

Section 8. Adjustments. Subject and pursuant to the provisions of this Section 8, the Warrant Price and number of Warrant Shares subject to this Warrant shall be subject to adjustment from time to time as set forth hereinafter.

(a) If the Company shall, at any time or from time to time while this Warrant is outstanding, pay a dividend or make a distribution on its Common Stock in shares of Common Stock, subdivide its outstanding shares of Common Stock into a greater number of shares or combine its outstanding shares of Common Stock into a smaller number of shares (including pursuant to the Reverse Split) or issue by reclassification of its outstanding shares of Common Stock any shares of its capital stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing corporation), then (i) the Warrant Price in effect immediately prior to the date on which such change shall become

effective shall be adjusted by multiplying such Warrant Price by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such change and the denominator of which shall be the number of shares of Common Stock outstanding immediately after giving effect to such change and (ii) the number of Warrant Shares purchasable upon exercise of this Warrant shall be adjusted by multiplying the number of Warrant Shares purchasable upon exercise of this Warrant immediately prior to the date on which such change shall become effective by a fraction, the numerator of which is shall be the Warrant Price in effect immediately prior to the date on which such change shall become effective and the denominator of which shall be the Warrant Price in effect immediately after giving effect to such change, calculated in accordance with clause (i) above. Such adjustments shall be made successively whenever any event listed above shall occur.

(b) If any capital reorganization, reclassification of the capital stock of the Company, consolidation or merger of the Company with another corporation in which the Company is not the survivor, or sale, transfer or other disposition of all or substantially all of the Company's assets to another corporation shall be effected, then, as a condition of such reorganization, reclassification, consolidation, merger, sale, transfer or other disposition, lawful and adequate provision shall be made whereby each Warrantholder shall thereafter have the right to purchase and receive upon the basis and upon the terms and conditions herein specified and in lieu of the Warrant Shares immediately theretofore issuable upon exercise of the Warrant, such shares of stock, securities or assets as would have been issuable or payable with respect to or in exchange for a number of Warrant Shares equal to the number of Warrant Shares immediately theretofore issuable upon exercise of the Warrant, had such reorganization, reclassification, consolidation, merger, sale, transfer or other disposition not taken place, and in any such case appropriate provision shall be made with respect to the rights and interests of each Warrantholder to the end that the provisions hereof (including, without limitation, provision for adjustment of the Warrant Price) shall thereafter be applicable, as nearly equivalent as may be practicable in relation to any shares of stock, securities or assets thereafter deliverable upon the exercise hereof. The Company shall not effect any such consolidation, merger, sale, transfer or other disposition unless prior to or simultaneously with the consummation thereof the successor corporation (if other than the Company) resulting from such consolidation or merger, or the corporation purchasing or otherwise acquiring such assets or other appropriate corporation or entity, shall assume the obligation to deliver to the Warrantholder, at the last address of the Warrantholder appearing on the books of the Company, such shares of stock, securities or assets as, in accordance with the foregoing provisions, the Warrantholder may be entitled to purchase, and the other obligations under this Warrant. The provisions of this paragraph (b) shall similarly apply to successive reorganizations, reclassifications, consolidations, mergers, sales, transfers or other dispositions.

(c) In case the Company shall fix a payment date for the making of a distribution to all holders of Common Stock (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing corporation) of evidences of indebtedness or assets (other than cash dividends or cash distributions payable out of consolidated earnings or earned surplus or dividends or distributions referred to in Section 8(a)), or subscription rights or warrants, the Warrant Price to be in effect after such payment date shall be determined by multiplying the Warrant Price in effect immediately prior to such payment date

by a fraction, the numerator of which shall be the total number of shares of Common Stock outstanding multiplied by the Market Price (as defined below) per share of Common Stock immediately prior to such payment date, less the fair market value (as determined by the Company's Board of Directors in good faith) of said assets or evidences of indebtedness so distributed, or of such subscription rights or warrants, and the denominator of which shall be the total number of shares of Common Stock outstanding multiplied by such Market Price per share of Common Stock immediately prior to such payment date. "Market Price" as of a particular date (the "Valuation Date") shall mean the following: (a) if the Common Stock is then listed on any national stock exchange, the closing sale price of one share of Common Stock on such exchange on the last trading day prior to the Valuation Date; (b) if the Common Stock is then quoted on the OTC Bulletin Board (the "Bulletin Board") or a similar quotation system or association, the closing sale price of one share of Common Stock on the Bulletin Board or such other quotation system or association on the last trading day prior to the Valuation Date or, if no such closing sale price is available, the average of the high bid and the low asked price quoted thereon on the last trading day prior to the Valuation Date; or (c) if the Common Stock is not then listed on a national stock exchange or quoted on the Bulletin Board or such other quotation system or association, the fair market value of one share of Common Stock as of the Valuation Date, as determined in good faith by the Board of Directors of the Company and the Required Holders (as defined below). If the Common Stock is not then listed on a national securities exchange, the Bulletin Board or such other quotation system or association, the Board of Directors of the Company shall respond promptly, in writing, to an inquiry by the Warrantholder prior to the exercise hereunder as to the fair market value of a share of Common Stock as determined by the Board of Directors of the Company. In the event that the Board of Directors of the Company and the Required Holders are unable to agree upon the fair market value in respect of subpart (c) of this paragraph, the Company and the Required Holders shall jointly select an appraiser, who is experienced in such matters. The decision of such appraiser shall be final and conclusive, and the cost of such appraiser shall be borne equally by the Company and the Required Holders. Such adjustment shall be made successively whenever such a payment date is fixed.

(d) An adjustment to the Warrant Price shall become effective immediately after the payment date in the case of each dividend or distribution and immediately after the effective date of each other event which requires an adjustment.

(e) In the event that, as a result of an adjustment made pursuant to this Section 8, the Warrantholder shall become entitled to receive any shares of capital stock of the Company other than shares of Common Stock, the number of such other shares so receivable upon exercise of this Warrant shall be subject thereafter to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Warrant Shares contained in this Warrant.

(f) Except as provided in subsection (g) hereof, if and whenever the Company shall issue or sell, or is, in accordance with any of subsections (f)(1) through (f)(7) hereof, deemed to have issued or sold, any Additional Shares of Common Stock for no consideration or for a consideration per share less than the Warrant Price in effect immediately prior to the time of such issue or sale, then and in each such case (a "Trigger Issuance") the then-existing Warrant

Price, shall be reduced, as of the close of business on the effective date of the Trigger Issuance, to the lowest price per share at which any share of Common Stock was issued or sold or deemed to be issued or sold; provided, however, that in no event shall the Warrant Price after giving effect to such Trigger Issuance be greater than the Warrant Price in effect prior to such Trigger Issuance.

For purposes of this subsection (f), “Additional Shares of Common Stock” shall mean all shares of Common Stock issued by the Company or deemed to be issued pursuant to this subsection (f), other than Excluded Issuances (as defined in subsection (g) hereof).

For purposes of this subsection (f), the following subsections (f)(1) to (f)(7) shall also be applicable:

(f)(1) Issuance of Rights or Options. In case at any time the Company shall in any manner grant (directly and not by assumption in a merger or otherwise) any warrants or other rights to subscribe for or to purchase, or any options for the purchase of, Common Stock or any stock or security convertible into or exchangeable for Common Stock (such warrants, rights or options being called “Options” and such convertible or exchangeable stock or securities being called “Convertible Securities”), whether or not such Options or the right to convert or exchange any such Convertible Securities are immediately exercisable, and the price per share for which Common Stock is issuable upon the exercise of such Options or upon the conversion or exchange of such Convertible Securities (determined by dividing (i) the sum (which sum shall constitute the applicable consideration) of (x) the total amount, if any, received or receivable by the Company as consideration for the granting of such Options, plus (y) the aggregate amount of additional consideration payable to the Company upon the exercise of all such Options, plus (z), in the case of such Options which relate to Convertible Securities, the aggregate amount of additional consideration, if any, payable upon the issue or sale of such Convertible Securities and upon the conversion or exchange thereof, by (ii) the total number of shares of Common Stock issuable upon the exercise of such Options or upon the conversion or exchange of all such Convertible Securities issuable upon the exercise of such Options) shall be less than the Warrant Price in effect immediately prior to the time of the granting of such Options, then the total number of shares of Common Stock issuable upon the exercise of such Options or upon conversion or exchange of the total amount of such Convertible Securities issuable upon the exercise of such Options shall be deemed to have been issued for such price per share as of the date of granting of such Options or the issuance of such Convertible Securities and thereafter shall be deemed to be outstanding for purposes of adjusting the Warrant Price. Except as otherwise provided in subsection 8(f)(3), no adjustment of the Warrant Price shall be made upon the actual issue of such Common Stock or of such Convertible Securities upon exercise of such Options or upon the actual issue of such Common Stock upon conversion or exchange of such Convertible Securities.

(f)(2) Issuance of Convertible Securities. In case the Company shall in any manner issue (directly and not by assumption in a merger or otherwise) or sell any Convertible Securities, whether or not the rights to exchange or convert any such Convertible Securities are immediately exercisable, and the price per share for which Common Stock is issuable upon such conversion or exchange (determined by dividing (i) the sum (which sum shall constitute the applicable consideration) of (x) the total amount received or receivable by the Company as consideration for the issue or sale of such Convertible Securities, plus (y) the aggregate amount of additional consideration, if any, payable to the Company upon the conversion or exchange thereof, by (ii) the total number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities) shall be less than the Warrant Price in effect immediately prior to the time of such issue or sale, then the total number of shares of Common Stock issuable upon conversion or exchange of all such Convertible Securities shall be deemed to have been issued for such price per share as of the date of the issue or sale of such Convertible Securities and thereafter shall be deemed to be outstanding for purposes of adjusting the Warrant Price; provided that (a) except as otherwise provided in subsection 8(f)(3), no adjustment of the Warrant Price shall be made upon the actual issuance of such Common Stock upon conversion or exchange of such Convertible Securities and (b) no further adjustment of the Warrant Price shall be made by reason of the issue or sale of Convertible Securities upon exercise of any Options to purchase any such Convertible Securities for which adjustments of the Warrant Price have been made pursuant to the other provisions of subsection 8(f).

(f)(3) Change in Option Price or Conversion Rate. Upon the happening of any of the following events, namely, if the purchase price provided for in any Option referred to in subsection 8(f)(1) hereof, the additional consideration, if any, payable upon the conversion or exchange of any Convertible Securities referred to in subsection 8(f)(1) or 8(f)(2), or the rate at which Convertible Securities referred to in subsection 8(f)(1) or 8(f)(2) are convertible into or exchangeable for Common Stock, shall change at any time (including, but not limited to, changes under or by reason of provisions designed to protect against dilution), the Warrant Price in effect at the time of such event shall forthwith be readjusted to the Warrant Price which would have been in effect at such time had such Options or Convertible Securities still outstanding provided for such changed purchase price, additional consideration or conversion rate, as the case may be, at the time initially granted, issued or sold. On the termination of any Option for which any adjustment was made pursuant to this subsection 8(f) or any right to convert or exchange Convertible Securities for which any adjustment was made pursuant to this subsection 8(f) (including without limitation upon the redemption or purchase for consideration of such Convertible Securities by the Company), the Warrant Price then in effect hereunder shall forthwith be changed to the Warrant Price which would have been in effect at the time of such termination had such Option or Convertible Securities, to the extent outstanding immediately prior to such termination, never been issued.

(f)(4) Stock Dividends. Subject to the provisions of this Section 8(f), in case the Company shall declare or pay a dividend or make any other distribution upon any stock of the Company (other than the Common Stock) payable in Common Stock, Options or Convertible Securities, then any Common Stock, Options or Convertible Securities, as the case may be, issuable in payment of such dividend or distribution shall be deemed to have been issued or sold without consideration.

(f)(5) Consideration for Stock. In case any shares of Common Stock, Options or Convertible Securities shall be issued or sold for cash, the consideration received therefor shall be deemed to be the gross amount received by the Company therefor, before deduction therefrom of any expenses incurred or any underwriting commissions or concessions paid or allowed by the Company in connection therewith. In case any shares of Common Stock, Options or Convertible Securities shall be issued or sold for a consideration other than cash, the amount of the consideration other than cash received by the Company shall be deemed to be the fair value of such consideration as determined in good faith by the Board of Directors of the Company, before deduction of any expenses incurred or any underwriting commissions or concessions paid or allowed by the Company in connection therewith. In case any Options shall be issued in connection with the issue and sale of other securities of the Company, together comprising one integral transaction in which no specific consideration is allocated to such Options by the parties thereto, such Options shall be deemed to have been issued for such consideration as determined in good faith by the Board of Directors of the Company. If Common Stock, Options or Convertible Securities shall be issued or sold by the Company and, in connection therewith, other Options or Convertible Securities (the "Additional Rights") are issued, then the consideration received or deemed to be received by the Company shall be reduced by the fair market value of the Additional Rights (as determined using the Black-Scholes option pricing model or another method mutually agreed to by the Company and the Required Holders). The Board of Directors of the Company shall respond promptly, in writing, to an inquiry by the Warrantholder as to the fair market value of the Additional Rights. In the event that the Board of Directors of the Company and the Required Holders are unable to agree upon the fair market value of the Additional Rights, the Company and the Required Holders shall jointly select an appraiser, who is experienced in such matters. The decision of such appraiser shall be final and conclusive, and the cost of such appraiser shall be borne evenly by the Company and the holders of the Company Warrants.

(f)(6) Record Date. In case the Company shall take a record of the holders of its Common Stock for the purpose of entitling them (i) to receive a dividend or other distribution payable in Common Stock, Options or Convertible Securities or (ii) to subscribe for or purchase Common Stock, Options or Convertible Securities, then such record date shall be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

(f)(7) Treasury Shares. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company or any of its wholly-owned subsidiaries, and the disposition of any such shares (other than the cancellation or retirement thereof) shall be considered an issue or sale of Common Stock for the purpose of this subsection (f).

(g) Anything herein to the contrary notwithstanding, the Company shall not be required to make any adjustment of the Warrant Price in the case of the issuance of (A) capital stock, Options or Convertible Securities issued to directors, officers, employees or consultants of the Company in connection with their service as directors of the Company, their employment by the Company or their retention as consultants by the Company pursuant to an equity compensation program approved by the Board of Directors of the Company or the compensation committee of the Board of Directors of the Company, (B) shares of Common Stock issued upon the conversion or exercise of Options or Convertible Securities issued prior to the date hereof, provided such securities are not amended after the date hereof to increase the number of shares of Common Stock issuable thereunder or to lower the exercise or conversion price thereof, (C) securities issued pursuant to the Merger Agreement and securities issued upon the exercise or conversion of those securities, provided such securities are not amended after the date hereof to increase the number of shares of Common Stock issuable thereunder or to lower the exercise or conversion price thereof, (D) securities issued pursuant to the Purchase Agreement and securities issued upon the exercise or conversion of those securities, and (E) shares of Common Stock issued or issuable by reason of a dividend, stock split or other distribution on shares of Common Stock (but only to the extent that such a dividend, split or distribution results in an adjustment in the Warrant Price pursuant to the other provisions of this Warrant) (collectively, "Excluded Issuances").

(h) Upon any adjustment to the Warrant Price pursuant to Section 8(f) above, the number of Warrant Shares purchasable hereunder shall be adjusted by multiplying such number by a fraction, the numerator of which shall be the Warrant Price in effect immediately prior to such adjustment and the denominator of which shall be the Warrant Price in effect immediately thereafter.

(i) To the extent permitted by applicable law and the listing requirements of any stock market or exchange on which the Common Stock is then listed, the Company from time to time may decrease the Warrant Price by any amount for any period of time if the period is at least twenty (20) days, the decrease is irrevocable during the period and the Board shall have made a determination that such decrease would be in the best interests of the Company, which determination shall be conclusive. Whenever the Warrant Price is decreased pursuant to the preceding sentence, the Company shall provide written notice thereof to the Warrantholder at least five (5) days prior to the date the decreased Warrant Price takes effect, and such notice shall state the decreased Warrant Price and the period during which it will be in effect.

Section 9. Fractional Interest. The Company shall not be required to issue fractions of Warrant Shares upon the exercise of this Warrant. If any fractional share of Common Stock would, except for the provisions of the first sentence of this Section 9, be deliverable upon such exercise, the Company, in lieu of delivering such fractional share, shall pay to the exercising Warrantholder an amount in cash equal to the Market Price of such fractional share of Common Stock on the date of exercise.

Section 10. [INTENTIONALLY OMITTED]

Section 11. Benefits. Nothing in this Warrant shall be construed to give any person, firm or corporation (other than the Company and the Warrantholder) any legal or equitable right, remedy or claim, it being agreed that this Warrant shall be for the sole and exclusive benefit of the Company and the Warrantholder.

Section 12. Notices to Warrantholder. Upon the happening of any event requiring an adjustment of the Warrant Price, the Company shall promptly give written notice thereof to the Warrantholder at the address appearing in the records of the Company, stating the adjusted Warrant Price and the adjusted number of Warrant Shares resulting from such event and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. Failure to give such notice to the Warrantholder or any defect therein shall not affect the legality or validity of the subject adjustment.

Section 13. Identity of Transfer Agent. The Transfer Agent for the Common Stock as of the date of initial issuance of this Warrant is Pacific Stock Transfer Company. Upon the appointment of any subsequent transfer agent for the Common Stock or other shares of the Company's capital stock issuable upon the exercise of the rights of purchase represented by the Warrant, the Company will mail to the Warrantholder a statement setting forth the name and address of such transfer agent.

Section 14. Notices. Unless otherwise provided, any notice required or permitted under this Warrant shall be given in writing and shall be deemed effectively given as hereinafter described (i) if given by personal delivery, then such notice shall be deemed given upon such delivery, (ii) if given by facsimile, then such notice shall be deemed given upon receipt of confirmation of complete transmittal, (iii) if given by mail, then such notice shall be deemed given upon the earlier of (A) receipt of such notice by the recipient or (B) three days after such notice is deposited in first class mail, postage prepaid, and (iv) if given by an internationally recognized overnight air courier, then such notice shall be deemed given one Business Day after delivery to such carrier. All notices shall be addressed as follows: if to the Warrantholder, at its address as set forth in the Company's books and records and, if to the Company, at the address as follows, or at such other address as the Warrantholder or the Company may designate by ten days' advance written notice to the other:

If to the Company:

c/o The W Group
655 Wheat Lane

Wood Dale, Illinois 60191
Attention: Chief Financial Officer
Fax: (630) 350-0103

With a copy to:

Katten Muchin Rosenman LLP
525 West Monroe Street
Chicago, Illinois 60661-3693
Attention: Mark D. Wood, Esq.
Fax: (312) 577-8858

Section 15. Registration Rights. The initial Warrantholder is entitled to the benefit of certain registration rights with respect to the shares of Common Stock issuable upon the exercise of this Warrant as provided in the Registration Rights Agreement, and any subsequent Warrantholder may be entitled to such rights.

Section 16. Successors. All the covenants and provisions hereof by or for the benefit of the Warrantholder shall bind and inure to the benefit of its respective successors and assigns hereunder.

Section 17. Governing Law; Consent to Jurisdiction; Waiver of Jury Trial. This Warrant shall be governed by, and construed in accordance with, the internal laws of the State of New York, without reference to the choice of law provisions thereof. The Company and, by accepting this Warrant, the Warrantholder, each irrevocably submits to the exclusive jurisdiction of the courts of the State of New York located in New York County and the United States District Court for the Southern District of New York for the purpose of any suit, action, proceeding or judgment relating to or arising out of this Warrant and the transactions contemplated hereby. Service of process in connection with any such suit, action or proceeding may be served on each party hereto anywhere in the world by the same methods as are specified for the giving of notices under this Warrant. The Company and, by accepting this Warrant, the Warrantholder, each irrevocably consents to the jurisdiction of any such court in any such suit, action or proceeding and to the laying of venue in such court. The Company and, by accepting this Warrant, the Warrantholder, each irrevocably waives any objection to the laying of venue of any such suit, action or proceeding brought in such courts and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. **EACH OF THE COMPANY AND, BY ITS ACCEPTANCE HEREOF, THE WARRANTHOLDER HEREBY WAIVES ANY RIGHT TO REQUEST A TRIAL BY JURY IN ANY LITIGATION WITH RESPECT TO THIS WARRANT AND REPRESENTS THAT COUNSEL HAS BEEN CONSULTED SPECIFICALLY AS TO THIS WAIVER.**

Section 18. [INTENTIONALLY OMITTED]

Section 19. Cashless Exercise. Notwithstanding any other provision contained herein to the contrary, from and after the six-month anniversary of the Closing Date and so long as the

Company is required under the Registration Rights Agreement to have effected the registration of the Warrant Shares for resale to the public pursuant to a Registration Statement (as such term is defined in the Registration Rights Agreement), if the Warrant Shares may not be freely sold to the public for any reason (including, but not limited to, the failure of the Company to have effected the registration of the Warrant Shares or to have a current prospectus available for delivery or otherwise, but excluding the period of any Allowed Delay (as defined in the Registration Rights Agreement), the Warrantholder may elect to receive, by the surrender of this Warrant (or such portion of this Warrant being so exercised) together with a Net Issue Election Notice, in the form annexed hereto as Appendix B, duly executed, to the Company, without the payment by the Warrantholder of the aggregate Warrant Price in respect of the shares of Common Stock to be acquired, such number of fully paid, validly issued and nonassessable shares of Common Stock as is computed using the following formula:

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

where

X = the number of shares of Common Stock to which the Warrantholder is entitled upon such cashless exercise;

Y = the total number of shares of Common Stock covered by this Warrant for which the Warrantholder has surrendered purchase rights at such time for cashless exercise (including both shares to be issued to the Warrantholder and shares as to which the purchase rights are to be canceled as payment therefor);

A = the “Market Price” of one share of Common Stock as at the date the net issue election is made; and

B = the Warrant Price in effect under this Warrant at the time the net issue election is made.

Section 20. No Rights as Stockholder. Prior to the exercise of this Warrant, the Warrantholder shall not have or exercise any rights as a stockholder of the Company by virtue of its ownership of this Warrant.

Section 21. Amendment; Waiver. This Warrant is one of a series of Warrants of like tenor issued by the Company pursuant to the Purchase Agreement and initially covering an aggregate of 24,000,000 shares of Common Stock (collectively, the “Company Warrants”). Any term of this Warrant may be amended or waived (including the adjustment provisions included in Section 8 of this Warrant) upon the written consent of the Company and the holders of Company Warrants representing at least 66 2/3% of the number of shares of Common Stock then subject to all outstanding Company Warrants (the “Required Holders”); provided, that (x) any such amendment or waiver must apply to all Company Warrants; and (y) the number of Warrant Shares subject to this Warrant, the Warrant Price and the Expiration Date may not be amended, and the right to exercise this Warrant may not be altered or waived, without the written consent of the Warrantholder.

Section 22. Section Headings. The section headings in this Warrant are for the convenience of the Company and the Warrantholder and in no way alter, modify, amend, limit or restrict the provisions hereof.

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed, as of the 29th day of April, 2011.

POWER SOLUTIONS INTERNATIONAL, INC.

By: _____
Name:
Title:

APPENDIX A
POWER SOLUTIONS INTERNATIONAL, INC.
WARRANT EXERCISE FORM

To Power Solutions International, Inc.:

The undersigned hereby irrevocably elects to exercise the right of purchase represented by the within Warrant ("Warrant") for, and to purchase thereunder by the payment of the Warrant Price and surrender of the Warrant, _____ shares of Common Stock ("Warrant Shares") provided for therein, and requests that certificates for the Warrant Shares be issued as follows:

Name

Address

Federal Tax ID or Social Security No.

and delivered by

(certified mail to the above address, or

(electronically (provide DWAC Instructions: _____), or

(other (specify): _____).

and, if the number of Warrant Shares shall not be all the Warrant Shares purchasable upon exercise of the Warrant, that a new Warrant for the balance of the Warrant Shares purchasable upon exercise of this Warrant be registered in the name of the undersigned Warrantholder or the undersigned's Assignee as below indicated and delivered to the address stated below.

Dated: _____, __

Note: The signature must correspond with the name of the Warrantholder as written on the first page of the Warrant in every particular, without alteration or enlargement or any change whatever, unless the Warrant has been assigned.

Signature: _____

Name (please print)

Address

Federal Identification or
Social Security No.

Assignee:

APPENDIX B
POWER SOLUTIONS INTERNATIONAL, INC.
NET ISSUE ELECTION NOTICE

To: Power Solutions International, Inc.

Date:[_____]

The undersigned hereby elects under Section 19 of this Warrant to surrender the right to purchase [_____] shares of Common Stock pursuant to this Warrant and hereby requests the issuance of [_____] shares of Common Stock. The certificate(s) for the shares issuable upon such net issue election shall be issued in the name of the undersigned or as otherwise indicated below.

Signature

Name for Registration

Mailing Address

POWER SOLUTIONS INTERNATIONAL, INC.
COMMON STOCK WARRANT

THE SECURITIES REPRESENTED BY THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES REPRESENTED BY THIS WARRANT MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS OR (B) AN OPINION, IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY, OF LEGAL COUNSEL ACCEPTABLE TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR APPLICABLE STATE SECURITIES LAWS. ANY TRANSFEREE OF THE SECURITIES SHOULD CAREFULLY REVIEW THE TERMS HEREOF. THE SECURITIES REPRESENTED BY THIS WARRANT MAY BE LESS THAN THE NUMBER SET FORTH ON THE FACE HEREOF.

This certifies that, for good and valuable consideration, receipt of which is hereby acknowledged, Roth Capital Partners, LLC (“**Holder**”) is entitled to purchase, subject to the terms and conditions of this Warrant, from Power Solutions International, Inc., a Nevada corporation (the “**Company**”), 3,360,000 fully paid and nonassessable shares of the Company’s common stock, \$0.001 par value per share (“**Common Stock**”), in accordance with Section 2 hereof during the period commencing on April 29, 2011 (the “**Commencement Date**”) and ending at 5:00 p.m. California time, April 29, 2016 (the “**Expiration Date**”), at which time this Warrant will expire and become void unless earlier terminated as provided herein. The shares of Common Stock of the Company for which this Warrant is exercisable, as adjusted from time to time pursuant to the terms hereof, are hereinafter referred to as the “**Shares**.” Capitalized terms used and not defined elsewhere in this Warrant have the respective meanings assigned to such terms in Section 17 hereof.

1. **Exercise Price.** The initial purchase price for the Shares shall be \$0.4125 per share. Such price shall be subject to adjustment pursuant to the terms hereof (such price, as adjusted from time to time, is hereinafter referred to as the “**Exercise Price**”).

2. **Exercise and Payment.**

(a) **Cash Exercise.** At any time from and after the date of effectiveness of the Reverse Split (as defined in Section 3), this Warrant may be exercised, in whole or in part, from time to time by the Holder, during the term hereof, by surrender of this Warrant and a notice of exercise in the form annexed hereto as Exhibit A (each, a “**Notice of Exercise**”) duly completed and executed by the Holder to the Company at the principal executive offices of the Company, together with payment in the amount obtained by multiplying the Exercise Price then in effect by the number of Shares thereby purchased, as designated in the Notice of Exercise. Payment may be in cash or by check payable to the order of the Company.

(b) **Net Issuance.** In lieu of payment of the Exercise Price described in Section 2(a), the Holder may elect to receive, without the payment by the Holder of any additional consideration, shares equal to the value of this Warrant or any portion hereof by the surrender of this Warrant or such portion to the Company, with a net issue election notice in the form annexed hereto as Exhibit B (each, a “**Net Issuance Election**”) duly executed, at the principal executive offices of the Company. Thereupon, the Company shall issue to the Holder such number of fully paid and nonassessable Shares as is computed using the following formula:

where: $X = Y \frac{(A-B)}{A}$

X = the number of Shares to be issued to the Holder pursuant to this Section 2(b).

Y = the number of Shares covered by this Warrant in respect of which the Net Issuance Election is made pursuant to this Section 2(b).

A = the fair market value of one share of Common Stock, as determined in accordance with the provisions of this Section 2(b).

B = the Exercise Price in effect under this Warrant at the time the Net Issuance Election is made pursuant to this Section 2(b).

For purposes of this Section 2(b), the “fair market value” per share of the Common Stock shall mean:

(i) if the Common Stock is traded on a national securities exchange or admitted to unlisted trading privileges on such an exchange, or is quoted in an over-the-counter quotation system, the last reported sale price of the Common Stock on such exchange or quotation system on the last Trading Day before the effective date of exercise of the net issuance election or, if no such sale is made on such Trading Day, the mean of the closing bid and asked prices such Trading Day on such exchange or over-the-counter quotation system; or

(ii) if the Common Stock is not so listed or admitted to unlisted trading privileges or quoted in an over-the-counter quotation system or bid and ask prices are not reported, the price per share of Common Stock which the Company could obtain from a willing buyer for shares sold by the Company for authorized but unissued shares of Common Stock, as such price shall be determined by mutual agreement of the Company and the Holder.

3. **Reservation of Shares.** From and after the date of effectiveness of the Reverse Split, the Company shall reserve and keep reserved for issuance and delivery upon exercise of this Warrant such number of shares of Common Stock or other shares of capital stock of the Company from time to time issuable upon exercise of this Warrant. All such shares shall be duly authorized, and when issued upon such exercise, shall be validly issued, fully paid and non-assessable, free and clear of all liens, security interests, charges and other encumbrances with respect to the issuance thereof and free and clear of all preemptive rights.

For purposes of this Warrant, “**Reverse Split**” means a reverse stock split of the Company’s outstanding shares of Common Stock in a ratio of One to Thirty-two (1:32), which has been approved by a majority of the Company’s voting shares (which includes the voting rights of the Series A Preferred Stock, as defined in that certain Certificate of Designation of Series A Convertible Preferred Stock of the Company) subsequent to a validly filed Schedule 14A Proxy Statement filing; provided, that, such reverse stock split may be effected by providing that each thirty-two (32) shares of Common Stock shall be exchanged for one share of common stock of the surviving entity in the Migratory Merger, in which case, the consummation of the Migratory Merger shall constitute the Reverse Split.

4. **Delivery of Stock Certificates; Issuance of New Warrant.** Within a reasonable time after exercise, in whole or in part, of this Warrant, the Company shall issue in the name of and deliver to the Holder a certificate or certificates for the number of fully paid and nonassessable shares of Common Stock which the Holder shall have requested in the Notice of Exercise or Net Issuance Election, as applicable. If this Warrant is exercised in part, the Company shall deliver to the Holder a new Warrant for the unexercised portion of this Warrant at the time of delivery of such stock certificate or certificates.

5. **No Fractional Shares.** No fractional shares or scrip representing fractional shares will be issued upon exercise of this Warrant. If upon any exercise of this Warrant a fraction of a share results, the Company will pay the Holder the difference between the cash value of the fractional share and the portion of the Exercise Price allocable to the fractional share.

6. **Listing.** The Company shall use its reasonable best efforts to (i) cause all of the Shares from time to time issuable upon the exercise of this Warrant to be quoted or listed (as applicable) on the Principal Market at all times on which any other shares of Common Stock are quoted or listed thereon; and (ii) cause all of the other shares of capital stock of the Company issuable upon exercise of this Warrant to be quoted or listed (as applicable) on each national securities exchange or automated quotation system, if any, upon which any other shares of the same class of such other shares of capital stock of the Company are quoted or listed, at all times on which such other shares of the same class are so quoted or listed.

7. **Charges, Taxes and Expenses.** The Company shall pay all transfer taxes or other incidental charges, if any, in connection with the transfer of the Shares purchased pursuant to the exercise hereof from the Company to the Holder.

8. **Loss, Theft, Destruction or Mutilation of Warrant.** Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to the Company, and upon reimbursement to the Company of all reasonable expenses incidental thereto, and upon surrender and cancellation of this Warrant, if mutilated, the Company will make and deliver a new Warrant of like tenor and dated as of such cancellation, in lieu of this Warrant.

9. **Saturdays, Sundays, Holidays, Etc.** If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a day other than a Business Day, then such action may be taken or such right may be exercised on the next succeeding Business Day.

10. **Adjustment of Exercise Price and Number of Shares.** The Exercise Price and the number of and kind of securities purchasable upon exercise of this Warrant shall be subject to adjustment from time to time as follows:

(a) **Subdivisions, Combinations and Other Issuances.** If the Company shall at any time after the Commencement Date but prior to the expiration of this Warrant subdivide its outstanding securities as to which purchase rights under this Warrant exist, by split-up or otherwise, or combine its outstanding securities as to which purchase rights under this Warrant exist (including pursuant to the Reverse Split), the number of Shares as to which this Warrant is exercisable as of the date of such subdivision, split-up or combination will be proportionately increased in the case of a subdivision, or proportionately decreased in the case of a combination. Appropriate adjustments also will be made to the Exercise Price, but the aggregate purchase price payable for the total number of Shares purchasable under this Warrant as of such date shall remain the same.

(b) **Stock Dividend.** If at any time after the Commencement Date but prior to the expiration of this Warrant the Company declares a dividend or other distribution on Common Stock payable in Common Stock or Convertible Securities without payment of any consideration by such holder for the additional shares of Common Stock or the Convertible Securities (including the additional shares of Common Stock issuable pursuant to the terms thereof), then the number of Shares of Common Stock for which this Warrant may be exercised shall be increased as of the record date (or the date of such dividend distribution if no record date is set) for determining which holders of Common Stock shall be entitled to receive such dividend, in proportion to the increase in the number of outstanding shares (and shares of Common Stock issuable pursuant to the terms of the Convertible Securities) of Common Stock as a result of such dividend, and the Exercise Price shall be adjusted so that the aggregate amount payable for the purchase of all the Shares issuable hereunder immediately after the record date (or on the date of such distribution, if applicable) for such dividend will equal the aggregate amount so payable immediately before such record date (or on the date of such distribution, if applicable). As used herein, “**Convertible Securities**” means evidences of indebtedness, shares of stock or other securities which are convertible into or exchangeable for, with or without payment of additional consideration, shares of Common Stock, either immediately or upon the arrival of a specified date or the happening of a specified event or both.

(c) **Other Distributions.** If at any time after the Commencement Date but prior to the expiration of this Warrant the Company distributes to holders of its Common Stock, other than as part of its dissolution or liquidation or the winding up of its affairs, any shares of its capital stock, any evidence of indebtedness or any of its assets (other than cash, Common Stock or Convertible Securities), then the Company may, at its option, either (i) decrease the Exercise Price of this Warrant by an appropriate amount based upon the value distributed on each share of Common Stock as determined in good faith by the Company’s board of directors or (ii) provide by resolution of the Company’s board of directors that on exercise of this Warrant, the Holder hereof shall thereafter be entitled to receive, in addition to the Shares otherwise receivable on exercise hereof, the number of shares or other securities or property which would have been received had this Warrant at the time been exercised.

(d) **Merger.** If at any time after the Commencement Date but prior to the expiration of this Warrant there shall be a merger or consolidation of the Company with or into another corporation when the Company is not the surviving corporation, then the Holder shall thereafter be entitled to receive upon exercise of this Warrant, during the period specified herein and upon payment of the aggregate Exercise Price then in effect, the number of shares or other securities or property of the successor corporation resulting from such merger or consolidation, which would have been received by Holder for the Shares subject to this Warrant had this Warrant been exercised at such time.

(e) **Reclassification, Etc.** If at any time after the Commencement Date but prior to the expiration of this Warrant there shall be a change or reclassification of the securities as to which purchase rights under this Warrant exist into the same or a different number of securities of any other class or classes, then the Holder shall thereafter be entitled to receive upon exercise of this Warrant, during the period specified herein and upon payment of the Exercise Price then in effect, the number of shares or other securities or property resulting from such change or reclassification which would have been received by Holder for the Shares subject to this Warrant had this Warrant been exercised at such time.

11. **Notice of Adjustments; Notices.** Whenever the Exercise Price or number of Shares purchasable hereunder is adjusted pursuant to Section 10 hereof, the Company must execute and deliver to the Holder in accordance with Section 18(c) hereof a certificate setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated and the Exercise Price and number of and kind of securities purchasable hereunder after giving effect to such adjustment, and must cause a copy of such certificate to be mailed (by first class mail, postage prepaid) to the Holder.

12. **Rights As Stockholder; Notice to Holders.** Nothing contained in this Warrant will be construed as conferring upon the Holder or Holder's permitted transferees the right to vote or to receive dividends or to consent or to receive notice as a shareholder in respect of any meeting of shareholders for the election of directors of the Company or of any other matter, or any rights whatsoever as shareholders of the Company. The Company will notify the Holder in accordance with Section 18(c) hereof if at any time prior to the expiration or exercise in full of this Warrant, any of the following events occur:

(a) a dissolution, liquidation or winding up of the Company shall be proposed;

(b) a capital reorganization or reclassification of the Common Stock (other than a subdivision or combination of the outstanding Common Stock and other than a change in the par value of the Common Stock) or any consolidation or merger of the Company with or into another corporation (other than a consolidation or merger in which the Company is the continuing corporation and that does not result in any reclassification or change of Common Stock outstanding) or in the case of any sale or conveyance to another corporation of the property of the Company as an entirety or substantially as an entirety; or

(c) a taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend) or other distribution, any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other rights.

Such giving of notice will be simultaneous with the giving of notice to holders of Common Stock. Such notice must specify the record date or the date of closing the stock transfer books, as the case may be. Failure to provide such notice will not affect the validity of any action taken in connection with such dividend, distribution or subscription rights, or proposed merger, consolidation, sale, conveyance, dissolution, liquidation or winding up.

13. **Restricted Securities.** The Holder understands that this Warrant and, subject to the last sentence of this Section 13, the Shares purchasable hereunder constitute “restricted securities” under the federal securities laws inasmuch as they are, or will be, acquired from the Company in transactions not involving a public offering and accordingly may not, under such laws and applicable regulations, be resold or transferred without registration under the Securities Act of 1933, as amended (the “1933 Act”), or an applicable exemption from such registration. Holder further acknowledges that a legend to the foregoing effect shall be placed on any Shares issued to the Holder upon exercise of this Warrant. Notwithstanding the foregoing, if a Holder exercises a net issuance under Section 2(b), the Shares acquired upon such exercise will be deemed to be purchased under Section 3(a)(9) of the 1933 Act, and for purposes of Rule 144 under the 1933 Act, Holder will be entitled to “tack” its holding period of this Warrant onto the holding period for such Shares.

14. **Certification of Investment Purpose.** Holder covenants and agrees that, at the time of exercise hereof (and as a condition to the Company’s issuance of Shares upon such exercise), it shall deliver to the Company a written certification executed by the Holder that (i) the securities acquired by it upon exercise hereof are for the account of such Holder and acquired for investment purposes only and that such securities are not acquired with a view to, or for sale in connection with, any distribution thereof, and (ii) except in connection with a net issuance under Section 2(b), Holder is an “Accredited Investor” as defined in Rule 501(a) of Regulation D as promulgated by the SEC under the 1933 Act.

15. **Disposition of Shares; Transferability.**

(a) Holder hereby agrees not to make any disposition of any Shares purchased hereunder unless and until:

(i) Holder shall have notified the Company of the proposed disposition and provided a written summary of the terms and conditions of the proposed disposition; and

(ii) Holder shall have complied with all requirements of this Warrant applicable to the disposition of the Shares.

The Company shall not be required (i) to transfer on its books any Shares which have been sold or transferred in violation of the provisions of this Section 15 or (ii) to treat as the owner of the Shares, or otherwise to accord voting or dividend rights to, any transferee to whom the Shares have been transferred in contravention of the terms of this Warrant.

(b) **Transfer.** This Warrant shall be transferable only on the books of the Company maintained at its principal office in Wood Dale, Illinois, or wherever its principal office may then be located, upon delivery thereof duly endorsed by the Holder or by its duly authorized attorney or representative, accompanied by proper evidence of succession, assignment or authority to transfer as reasonably requested by the Company. Upon any registration of transfer, the Company shall execute and deliver a new Warrant or new Warrants registered in the name of the permitted transferee of this Warrant.

(c) **Limitations on Transfer.** This Warrant may not be sold, transferred, assigned or hypothecated (any such action, a “Transfer”) by the Holder except to (i) one or more persons, each of whom on the date of transfer is an officer of the Holder; (ii) a general partnership or general partnerships, the general partners of which are the Holder and one or more persons, each of whom on the date of transfer is an officer of the Holder; (iii) a successor to the Holder in any merger or consolidation; (iv) a purchaser of all or substantially all of the Holder’s assets; or (v) any person receiving this Warrant from one or more of the persons listed in this Section 15(c) at such person’s death pursuant to will, trust or the laws of intestate succession. This Warrant may be divided or combined, upon request to the Company by the Holder, into a certificate or certificates representing the right to purchase the same aggregate number of Shares. If at the time of a Transfer, a registration statement is not in effect to register this Warrant, the Company may require the Holder to make such representations and deliver such legal opinions, and may place such legends on certificates representing this Warrant, as may be reasonably required in the opinion of counsel to the Company to permit a Transfer without such registration.

16. **Registration Rights.** The Holder shall be entitled to the benefits of the Registration Rights Agreement, dated as of April 29, 2011, among the Company, the Holder, and the other Investors named therein, with respect to the filing of a registration statement to register resales of Shares issued or issuable upon exercise of this Warrant.

17. **Definitions.** For purposes of this Warrant, the following terms shall have the following meanings:

(a) **“Business Day.”** means any day other than Saturday, Sunday or other day on which commercial banks in the city of Chicago, Illinois are authorized or required by law to remain closed.

(b) **“Migratory Merger”** means the merger of the Company with and into a wholly-owned Subsidiary of the Company effected for the purpose of changing the Company’s jurisdiction of incorporation from Nevada to Delaware.

(c) **“Principal Market”** means the OTC Bulletin Board (or successor thereto); provided, however, that, if after the Commencement Date the Common Stock is listed on a U.S. national securities exchange, the **“Principal Market”** shall mean such U.S. national securities exchange; provided, further, that if the Common Stock is not listed on the OTC Bulletin Board (or successor thereto) or a U.S. national securities exchange, **“Principal Market”** shall mean the principal securities exchange or trading market for the Common Stock.

(d) “**SEC**” means the United States Securities and Exchange Commission.

(e) “**Trading Day**” means any day on which the Common Stock is traded on the Principal Market; provided that “**Trading Day**” shall not include any day on which the Common Stock is scheduled to trade, or actually trades, on the Principal Market for less than 4.5 hours.

18. **Miscellaneous.**

(a) **Construction.** Unless the context indicates otherwise, the term “**Holder**” shall include any permitted transferee or transferees of this Warrant pursuant to Section 15(b), and the term “**Warrant**” shall include any and all warrants outstanding pursuant to this Warrant, including those evidenced by a certificate or certificates issued upon division, exchange, substitution or transfer pursuant to Section 15.

(b) **Restrictions.** By receipt of this Warrant, the Holder makes the same representations with respect to the acquisition of this Warrant as the Holder is required to make upon the exercise of this Warrant and acquisition of the Shares purchasable hereunder as required by Section 14 hereof.

(c) **Notices.** Unless otherwise provided, any notice required or permitted under this Warrant shall be given in writing and shall be deemed effectively given upon personal delivery to the party to be notified or three (3) days following deposit with the United States Post Office, by registered or certified mail, postage prepaid and addressed to the party to be notified (or one (1) day following timely deposit with a reputable overnight courier with next day delivery instructions), or upon confirmation of receipt by the sender of any notice by facsimile transmission, at the address indicated below or at such other address as such party may designate by ten (10) days’ advance written notice to the other parties.

To Holder: Roth Capital Partners LLC
24 Corporate Plaza
Newport Beach, California 92660
Attention: Managing Director

To the Company: Power Solutions International, Inc.
655 Wheat Lane
Wood Dale, Illinois 60191
Attention: Chief Financial Officer

(d) **Governing Law.** This Warrant shall be governed by and construed under the laws of the State of Illinois as applied to agreements among Illinois residents entered into and to be performed entirely within Illinois.

(e) **Entire Agreement.** This Warrant, the exhibits and schedules hereto, and the documents referred to herein, constitute the entire agreement and understanding of the parties

hereto with respect to the subject matter hereof, and supersede all prior and contemporaneous agreements and understandings, whether oral or written, between the parties hereto with respect to the subject matter hereof.

(f) **Binding Effect**. This Warrant and the various rights and obligations arising hereunder shall inure to the benefit of and be binding upon the Company and its successors and assigns, and Holder and its successors and assigns.

(g) **Waiver; Consent**. This Warrant may not be changed, amended, terminated, augmented, rescinded or discharged (other than by performance), in whole or in part, except by a writing executed by the parties hereto, and no waiver of any of the provisions or conditions of this Warrant or any of the rights of a party hereto shall be effective or binding unless such waiver shall be in writing and signed by the party claimed to have given or consented thereto.

(h) **Severability**. If one or more provisions of this Warrant are held to be unenforceable under applicable law, such provision shall be excluded from this Warrant and the balance of the Warrant shall be interpreted as if such provision were so excluded and the balance shall be enforceable in accordance with its terms.

(i) **Counterparts**. This Warrant may be signed in several counterparts, each of which shall constitute an original.

[Signatures Follow on Next Page]

IN WITNESS WHEREOF, the parties hereto have executed this Common Stock Warrant effective as of the date hereof.

DATED: April 29, 2011

THE COMPANY:

POWER SOLUTIONS INTERNATIONAL, INC., a Nevada corporation

By: /s/ Ryan A. Neely

Name: Ryan A. Neely

Its: President

HOLDER:

ROTH CAPITAL PARTNERS, LLC, a California limited liability company

By: /s/ Eric Rindahl

Name: Eric Rindahl

Its: Managing Director

[Signature Page to Placement Agent Warrant]

Exhibit A

NOTICE OF EXERCISE

To: Power Solutions International, Inc.

1. The undersigned hereby elects to purchase _____ shares of common stock, \$0.001 par value per share (“Stock”), of Power Solutions International, Inc., a Nevada corporation (the “Company”), pursuant to the terms of the attached Warrant (the “Warrant”), and tenders herewith payment of the purchase price pursuant to the terms of the Warrant.
2. Attached as Exhibit A is an investment representation letter addressed to the Company and executed by the undersigned as required by Section 14 of the Warrant.
3. Please issue certificates representing the shares of Stock purchased hereunder in the names and in the denominations indicated on Exhibit A attached hereto.
4. Please issue a new Warrant for the unexercised portion of the attached Warrant, if any, in the name of the undersigned.

Holder: _____

Dated: _____

By: _____

Its: _____

Exhibit B

NET ISSUANCE ELECTION NOTICE

To: Power Solutions International, Inc.

1. The undersigned hereby elects under Section 2 of the attached Warrant to surrender the right to purchase _____ shares of common stock, \$0.001 par value per share (“Stock”), of Power Solutions International, Inc., a Nevada corporation (the “Company”), pursuant to the terms of the attached Warrant.
2. Attached as Exhibit A is an investment representation letter addressed to the Company and executed by the undersigned as required by Section 14 of the Warrant.
3. Please issue certificates representing the shares of Stock purchased hereunder in the names and in the denominations indicated on Exhibit A attached hereto.
4. Please issue a new Warrant for the unexercised portion of the attached Warrant, if any, in the name of the undersigned.

Holder: _____

Dated: _____

By: _____

Its: _____

April 29, 2011

The Investors party to the
Purchase Agreement referred to below

Ladies and Gentlemen:

This Agreement (this "Agreement") is being delivered to you in connection with the proposed purchase agreement (as such agreement may hereafter be amended from time to time, the "Purchase Agreement") to be entered into by Power Solutions International, Inc., a Nevada corporation (the "Company"), and the investors named therein (the "Investors"), which, among other things, provides for the issuance and sale by the Company of certain of its securities to the Investors. Capitalized terms used herein have the respective meanings ascribed thereto in the Purchase Agreement unless otherwise defined herein.

As a condition to the Investors' willingness to enter into the Purchase Agreement, the Investors have required that the undersigned enter into this Agreement. In order to induce the Investors to enter into the Purchase Agreement, the undersigned hereby agrees that, it will not, other than in connection with the Merger and the Stock Repurchase, during the period commencing on the date of the Purchase Agreement and ending on the earlier of (i) the termination thereof and (ii) 180 days after the Effective Date (the "Lock-Up Period"), (1) offer, hypothecate, pledge, sell, contract or agree to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of or agree to transfer or dispose of, directly or indirectly, or file (or participate in the filing of) a registration statement with the Securities and Exchange Commission (the "Commission") in respect of, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder (the "Exchange Act") with respect to, any shares of Common Stock or any securities of the Company that are substantially similar to Common Stock, or any securities convertible into or exercisable or exchangeable for, or any warrants or other rights to purchase, the foregoing (including, without limitation, the Series A Preferred Stock), or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock or Series A Preferred Stock or any other securities of the Company that are substantially similar to Common Stock, or any securities convertible into or exchangeable or exercisable for, or any warrants or other rights to purchase, the foregoing, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock, Series A Preferred Stock or other securities, in cash or otherwise or (3) publicly announce an intention to effect any transaction specified in clause (1) or (2). The foregoing sentence shall not apply to (a) the Purchase and Sale Agreement, dated as of April 29, 2011, by and between Gary Winemaster and Thomas Somodi, and the transfers of Common Stock as contemplated thereby or (b) transfers of shares of Common Stock or any security convertible into Common Stock (including, without limitation, the Series A Preferred Stock) as a

bona fide gift, by will or intestacy or to a member of the “immediate family” (as defined below) of the undersigned or to a family partnership or trust for the benefit of the undersigned and/or one or more members of the immediate family of the undersigned or to any other person who is, or is to become, an officer, director or other affiliate of the Company; *provided that* in the case of any transfer or distribution pursuant to clause (b) each donee, distributee or other transferee shall agree in writing to be bound by the terms of this agreement with respect to any securities so transferred. The undersigned hereby waives any rights the undersigned may have to require registration of Common Stock during the Lock-Up Period. In addition, the undersigned agrees that it will not, during the Lock-Up Period, make any demand for or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock (including, without limitation, the Series A Preferred Stock). The undersigned also agrees and consents to the entry of stop transfer instructions with the Company’s transfer agent and registrar against the transfer of the undersigned’s shares of Common Stock or Series A Preferred Stock except in compliance with the foregoing restrictions. As used herein, “immediate family” shall mean the spouse, any lineal descendant, father, mother, brother or sister of the undersigned.

No provision in this agreement shall be deemed to restrict or prohibit the exercise or exchange by the undersigned of any option or warrant to acquire shares of Common Stock, or any other security exchangeable or exercisable for, or convertible into, Common Stock, *provided that* any Common Stock acquired on such exercise or exchange will be subject to the restrictions provided for in this agreement. In addition, no provision herein shall be deemed to restrict or prohibit the entry into or modification of a so-called “10b5-1 plan” at any time (other than the entry into or modification of such a plan in such a manner as to cause the sale of any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock within the Lock-Up Period); *provided that* no sales or transfers may be made under such plan until the Lock-Up Period ends or this agreement is terminated in accordance with its terms.

The undersigned acknowledges that the Investors are relying upon this agreement in entering into the Purchase Agreement and consummating the transactions contemplated thereby. No amendment, modification or waiver of the terms of this Agreement shall be effective unless consented to by the Required Investors in writing.

The undersigned acknowledges that if the undersigned fails to perform any of its obligations under this Agreement, immediate and irreparable harm or injury would be caused to the Investors for which money damages would not be an adequate remedy. In such event, the undersigned agrees that each Investor shall have the right, in addition to any other rights it may have, to specific performance of this Agreement. Accordingly, should any Investor institute an action or proceeding seeking specific enforcement of the provisions hereof, the undersigned hereby waives the claim or defense that such Investor has an adequate remedy at law and hereby agrees not to assert in any such action or proceeding the claim or defense that such a remedy at law exists.

This agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflict of laws principles thereof.

[signature page follows]

The undersigned further understands that this agreement is irrevocable and shall be binding upon the undersigned’s heirs, legal representatives, successors and assigns.

Very truly yours,

(Name)

(Address)

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (the “Agreement”) is made and entered into as of this 29th day of April, 2011 by and among Power Solutions International, Inc., a Nevada corporation (the “Company”), the “Investors” named in that certain Purchase Agreement by and among the Company and the Investors and Roth Capital Partners, LLC (the “Placement Agent”) (the “Purchase Agreement”). Capitalized terms used herein have the respective meanings ascribed thereto in the Purchase Agreement unless otherwise defined herein.

The parties hereby agree as follows:

1. Certain Definitions.

As used in this Agreement, the following terms shall have the following meanings:

“Agent Warrant Shares” means the shares of Common Stock issuable upon the exercise of the Agent Warrants.

“Common Stock” means the Company’s common stock, par value \$0.001 per share, and any securities into which such shares may hereinafter be reclassified.

“Delayed Issuance Shares” means the Warrant Shares, the Agent Warrant Shares and the Conversion Shares which are not issuable upon the conversion of the Preferred Stock prior to the Reverse Split.

“Investors” means the Investors identified in the Purchase Agreement, the Placement Agent and any Affiliate or permitted transferee of any Investor or the Placement Agent who is a subsequent holder of any Registrable Securities and who complies with the provisions of Section 7(c).

“Prospectus” means (i) the prospectus included in any Registration Statement, as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement and by all other amendments and supplements to the prospectus, including post-effective amendments and all material incorporated by reference in such prospectus, and (ii) any “free writing prospectus” (as defined in Rule 405 under the 1933 Act) relating to any Registration Statement.

“Register,” “registered” and “registration” refer to a registration made by preparing and filing a Registration Statement or similar document in compliance with the 1933 Act (as defined below), and the declaration or ordering of effectiveness of such Registration Statement or document.

“Registrable Securities” means (i) the Conversion Shares, (ii) the Warrant Shares, (iii) the Reset Shares, (iv) the Reset Warrant Shares, (v) the Agent Warrant Shares and (vi) any other securities issued or issuable with respect to or in exchange for Registrable Securities, whether by merger, charter amendment or otherwise; *provided, that*, a security shall cease to be a Registrable Security upon (A) sale pursuant to a Registration Statement or Rule 144 under the

1933 Act, (B) such security becoming eligible for sale without restriction by the Investor holding such security pursuant to Rule 144 or (C) such security otherwise becoming eligible for sale without restriction pursuant to Section 4(1) of the 1933 Act; *provided, that*, any restrictive legend on any certificate or other instrument representing such security has been removed or there has been delivered to the transfer agent for such security irrevocable documentation (including any necessary legal opinion) to the effect that, upon submission by the applicable Investor of the certificate or instrument representing such security, any such restrictive legend shall be removed.

“Registration Statement” means any registration statement of the Company filed under the 1933 Act that covers the resale of any of the Registrable Securities pursuant to the provisions of this Agreement, amendments and supplements to such Registration Statement, including post-effective amendments, all exhibits and all material incorporated by reference in such Registration Statement.

“Required Investors” means the Investors holding at least 66 2/3% of the Registrable Securities. For purposes of this definition, an Investor shall be deemed to hold any Registrable Securities then issuable upon conversion or exercise (as applicable) of any Shares, Warrants or Reset Warrants held by such Investor.

“Reset Issuance Shares” means the Reset Shares and the Reset Warrant Shares.

“SEC” means the U.S. Securities and Exchange Commission.

“1933 Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“1934 Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

2. Registration.

(a) Registration Statements.

(i) Promptly following the closing of the purchase and sale of the securities contemplated by the Purchase Agreement (the “Closing Date”) but no later than thirty (30) days after the Closing Date (the “Filing Deadline”), the Company shall prepare and file with the SEC one Registration Statement on Form S-1, covering the resale of the Registrable Securities, other than the Reset Issuance Shares; *provided, that*, such Registration Statement need not cover the Delayed Issuance Shares if the Company determines (upon advice of counsel), or is advised by the SEC, that the Delayed Issuance Shares may not be covered thereby. Subject to any SEC comments, such Registration Statement shall include the plan of distribution attached hereto as Exhibit A; *provided, however*, that no Investor (other than the Placement Agent or any Affiliate or transferee of the Placement Agent) shall be named as an “underwriter” in the Registration Statement without the Investor’s prior written consent. Such Registration Statement also shall cover, to the extent allowable under the 1933 Act and the rules promulgated thereunder (including Rule 416), such indeterminate number of additional shares of Common Stock resulting from stock splits, stock dividends or similar transactions with respect to the Registrable Securities. Such Registration Statement shall not include any shares of Common

Stock or other securities for the account of any other holder without the prior written consent of the Required Investors. The Registration Statement (and each amendment or supplement thereto, and each request for acceleration of effectiveness thereof) shall be provided in accordance with Section 3(c) to the Investors and their counsel prior to its filing or other submission. If a Registration Statement covering the Registrable Securities is not filed with the SEC on or prior to the Filing Deadline, the Company will make pro rata payments to each Investor, as liquidated damages and not as a penalty, in an amount equal to 1.5% of the aggregate amount invested by such Investor for each 30-day period or pro rata for any portion thereof following the Filing Deadline for which no Registration Statement is filed with respect to the Registrable Securities. Such payments shall constitute the Investors' exclusive monetary remedy for such events, but shall not affect the right of the Investors to seek injunctive relief. Such payments shall be made to each Investor in cash no later than three (3) Business Days after the end of each 30-day period.

(ii) Additional Registrable Securities. Upon (i) the Recap Deadline (unless the Delayed Issuance Shares are included in the Registration Statement filed pursuant to Section 2(a)(i)), (ii) the Reset Date and (iii) any change in the Warrant Price (as defined in the Warrant) such that additional shares of Common Stock become issuable upon the exercise of the Warrants (other than as a result of a change contemplated by Rule 416 under the 1933 Act), the Company shall prepare and file with the SEC one or more Registration Statements on Form S-3 or amend the Registration Statement filed pursuant to clause (i) above, if such Registration Statement has not previously been declared effective (or, if Form S-3 is not then available to the Company, on such form of registration statement as is then available to effect a registration for resale of the Delayed Issuance Shares (unless the Delayed Issuance Shares are included in the Registration Statement filed pursuant to Section 2(a)(i)), the Reset Issuance Shares or such additional shares of Common Stock, as applicable (the "Additional Shares")), covering the resale of the Additional Shares, but only to the extent the Additional Shares are not at the time covered by an effective Registration Statement. Subject to any SEC comments, such Registration Statement shall include the plan of distribution attached hereto as Exhibit A; *provided, however*, that no Investor (other than the Placement Agent or any Affiliate or transferee of the Placement Agent) shall be named as an "underwriter" in the Registration Statement without the Investor's prior written consent. Such Registration Statement also shall cover, to the extent allowable under the 1933 Act and the rules promulgated thereunder (including Rule 416), such indeterminate number of additional shares of Common Stock resulting from stock splits, stock dividends or similar transactions with respect to the Additional Shares. Such Registration Statement shall not include any shares of Common Stock or other securities for the account of any other holder without the prior written consent of the Required Investors. The Registration Statement (and each amendment or supplement thereto, and each request for acceleration of effectiveness thereof) shall be provided in accordance with Section 3(c) to the Investors and their counsel prior to its filing or other submission. If a Registration Statement covering the Additional Shares is required to be filed under this Section 2(a)(ii) and is not filed with the SEC within five Business Days of the occurrence of any of the events specified in this Section 2(a)(ii) (the "Additional Shares Filing Deadline"), the Company will make pro rata payments to each Investor, as liquidated damages and not as a penalty, in an amount equal to 1.5% of the aggregate amount invested by such Investor for each 30-day period or pro rata for any portion thereof following the Additional Shares Filing Deadline for which no Registration Statement is filed with respect to the Additional Shares. Such payments shall constitute the Investors' exclusive monetary remedy for such events, but shall not affect the right of the Investors to seek injunctive relief. Such payments shall be made to each Investor in cash no later than three (3) Business Days after the end of each 30-day period.

(iii) S-3 Qualification. Promptly following the date (the “Qualification Date”) upon which the Company becomes eligible to use a registration statement on Form S-3 to register the Registrable Securities or Additional Shares, as applicable, for resale, but in no event more than thirty (30) days after the Qualification Date (the “Qualification Deadline”), the Company shall file a registration statement on Form S-3 covering the Registrable Securities or Additional Shares, as applicable (or a post-effective amendment on Form S-3 to the registration statement on Form S-1) (a “Shelf Registration Statement”) and shall use commercially reasonable efforts to cause such Shelf Registration Statement to be declared effective as promptly as practicable thereafter. If a Shelf Registration Statement covering the Registrable Securities is not filed with the SEC on or prior to the Qualification Deadline, the Company will make pro rata payments to each Investor, as liquidated damages and not as a penalty, in an amount equal to 1.5% of the aggregate purchase price paid by such Investor pursuant to the Purchase Agreement attributable to those Registrable Securities that remain unsold at that time for each 30-day period or pro rata for any portion thereof following the date by which such Shelf Registration Statement should have been filed for which no such Shelf Registration Statement is filed with respect to the Registrable Securities or Additional Shares, as applicable. Such payments shall constitute the Investors’ exclusive monetary remedy for such events, but shall not affect the right of the Investors to seek injunctive relief. Such payments shall be made to each Investor in cash no later than three (3) Business Days after the end of each 30-day period.

(b) Expenses. The Company will pay all expenses associated with each registration, including filing and printing fees, the Company’s counsel and accounting fees and expenses, costs associated with clearing the Registrable Securities for sale under applicable state securities laws, listing fees, fees and expenses of one counsel to the Investors (not to exceed \$10,000 per Registration Statement) and the Investors’ reasonable out-of-pocket expenses in connection with the registration, but excluding discounts, commissions, fees of underwriters, selling brokers, dealer managers or similar securities industry professionals with respect to the Registrable Securities being sold.

(c) Effectiveness.

(i) The Company shall use commercially reasonable efforts to have the Registration Statement declared effective as soon as practicable. The Company shall notify the Investors by facsimile or e-mail as promptly as practicable, and in any event, within twenty-four (24) hours, after any Registration Statement is declared effective and shall simultaneously provide the Investors with copies of any related Prospectus to be used in connection with the sale or other disposition of the securities covered thereby. If (A)(x) a Registration Statement covering the Registrable Securities is not declared effective by the SEC prior to the earlier of (i) five (5) Business Days after the SEC shall have informed the Company that no review of the Registration Statement will be made or that the SEC has no further comments on the Registration Statement or (ii) the 120th day after the Closing Date, (y) a Registration Statement covering Additional Shares is not declared effective by the SEC prior to the earlier of (i) five (5) Business Days after the SEC shall have informed the Company that no review of the Registration Statement will be made or that the SEC has no further comments on the Registration Statement

or (ii) the 120th day after the Additional Shares Filing Deadline, or (z) a Shelf Registration Statement is not declared effective by the SEC prior to the earlier of (i) five (5) Business Days after the SEC shall have informed the Company that no review of the Registration Statement will be made or that the SEC has no further comments on the Registration Statement or (ii) the 120th day after the Qualification Deadline, or (B) after a Registration Statement has been declared effective by the SEC, sales cannot be made pursuant to such Registration Statement for any reason (including without limitation by reason of a stop order, or the Company's failure to update the Registration Statement), but excluding any Allowed Delay (as defined below) or the inability of any Investor to sell the Registrable Securities covered thereby due to market conditions, then the Company will make pro rata payments to each Investor, as liquidated damages and not as a penalty, in an amount equal to 1.5% of the aggregate amount invested by such Investor for each 30-day period or pro rata for any portion thereof following the date by which such Registration Statement should have been effective (the "Blackout Period"). Such payments shall constitute the Investors' exclusive monetary remedy for such events, but shall not affect the right of the Investors to seek injunctive relief. The amounts payable as liquidated damages pursuant to this paragraph shall be paid monthly within three (3) Business Days of the last day of each month following the commencement of the Blackout Period until the termination of the Blackout Period. Such payments shall be made to each Investor in cash.

(ii) For not more than twenty (20) consecutive days or for a total of not more than forty-five (45) days in any twelve (12) month period, the Company may suspend the use of any Prospectus included in any Registration Statement contemplated by this Section, or delay the filing of any post-effective amendment or supplement thereto, in the event that the Company determines in good faith that such suspension or delay (as applicable) is necessary to (A) delay the disclosure of material non-public information concerning the Company, the disclosure of which at the time is not, in the good faith opinion of the Company, in the best interests of the Company or (B) amend or supplement the affected Registration Statement or the related Prospectus so that such Registration Statement or Prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the case of the Prospectus in light of the circumstances under which they were made, not misleading (an "Allowed Delay"); provided, that the Company shall promptly (a) notify each Investor in writing of the commencement of an Allowed Delay, but shall not (without the prior written consent of an Investor) disclose to such Investor any material non-public information giving rise to an Allowed Delay, (b) advise the Investors in writing to cease all sales under the Registration Statement until the end of the Allowed Delay and (c) use commercially reasonable efforts to terminate an Allowed Delay as promptly as reasonably practicable.

(d) Rule 415; Cutback If at any time the SEC takes the position that the offering of some or all of the Registrable Securities in a Registration Statement is not eligible to be made on a delayed or continuous basis under the provisions of Rule 415 under the 1933 Act or requires any Investor (other than the Placement Agent or any Affiliate or transferee of the Placement Agent) to be named as an "underwriter", the Company shall use its best efforts to persuade the SEC that the offering contemplated by the Registration Statement is a valid secondary offering and not an offering "by or on behalf of the issuer" as defined in Rule 415 and that none of the Investors (other than the Placement Agent or any Affiliate or transferee of the Placement Agent) is an "underwriter." The Investors shall have the right to participate or have

their counsel participate in any meetings or discussions with the SEC regarding the SEC's position and to comment or have their counsel comment on any written submission made to the SEC with respect thereto. No such written submission shall be made to the SEC to which the Investors' counsel reasonably objects. In the event that, despite the Company's best efforts and compliance with the terms of this Section 2(d), the SEC refuses to alter its position, the Company shall (i) remove from the Registration Statement such portion of the Registrable Securities (the "Cut Back Shares") and/or (ii) agree to such restrictions and limitations on the registration and resale of the Registrable Securities as the SEC may require to assure the Company's compliance with the requirements of Rule 415 (collectively, the "SEC Restrictions"); *provided, however*, that the Company shall not agree to name any Investor (other than the Placement Agent or any Affiliate or transferee of the Placement Agent) as an "underwriter" in such Registration Statement without the prior written consent of such Investor. Any cut-back imposed on the Investors pursuant to this Section 2(d) shall be allocated among the Investors on a pro rata basis and shall be applied first to any Agent Warrant Shares held by the Placement Agent or any Affiliate or transferee of the Placement Agent and second to any Warrant Shares held by the remaining Investors, unless the SEC Restrictions otherwise require or provide or the Investors otherwise agree. No liquidated damages shall accrue as to any Cut Back Shares until such date as the Company is able to effect the registration of such Cut Back Shares in accordance with any SEC Restrictions (such date, the "Restriction Termination Date" of such Cut Back Shares). From and after the Restriction Termination Date applicable to any Cut Back Shares, all of the provisions of this Section 2 (including the liquidated damages provisions) shall again be applicable to such Cut Back Shares; *provided, however*, that (i) the Filing Deadline, the Additional Shares Filing Deadline and/or the Qualification Deadline, as applicable, for the Registration Statement including such Cut Back Shares shall be ten (10) Business Days after such Restriction Termination Date, and (ii) the date by which the Company is required to obtain effectiveness with respect to such Cut Back Shares under Section 2(c) shall be the 120th day immediately after the Restriction Termination Date.

(e) Right to Piggyback Registration.

(i) If at any time following the date of this Agreement that any Registrable Securities remain outstanding (A) there is not one or more effective Registration Statements covering all of the Registrable Securities and (B) the Company proposes for any reason to register any shares of Common Stock under the 1933 Act (other than pursuant to a registration statement on Form S-4 or Form S-8 (or a similar or successor form)) with respect to an offering of Common Stock by the Company for its own account or for the account of any of its shareholders, it shall at each such time promptly give written notice to the holders of the Registrable Securities of its intention to do so (but in no event less than fifteen (15) days before the anticipated filing date) and, to the extent permitted under the provisions of Rule 415 under the 1933 Act, include in such registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein within fifteen (15) days after receipt of the Company's notice (a "Piggyback Registration"). Subject to Section 2(e) (iii), such notice shall offer the holders of the Registrable Securities the opportunity to register such number of shares of Registrable Securities as each such holder may request and shall indicate the intended method of distribution of such Registrable Securities.

(ii) Notwithstanding the foregoing, (A) if such registration involves an underwritten public offering, the Investors must sell their Registrable Securities to, if applicable, the underwriter(s) at the same price and subject to the same underwriting discounts and commissions that apply to the other securities sold in such offering (it being acknowledged that the Company shall be responsible for other expenses as set forth in Section 2(b)) and subject to the Investors entering into customary underwriting documentation for selling shareholders in an underwritten public offering, and (B) if, at any time after giving written notice of its intention to register any Registrable Securities pursuant to Section 2(e)(i) and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to cause such registration statement to become effective under the 1933 Act, the Company shall deliver written notice to the Investors and, thereupon, shall be relieved of its obligation to register any Registrable Securities in connection with such registration; provided, however, that nothing contained in this Section 2(e)(ii) shall limit the Company's liabilities and/or obligations under this Agreement, including, without limitation, the obligation to pay liquidated damages under this Section 2.

(iii) Notwithstanding the foregoing, (i) if a Piggyback Registration is an underwritten primary registration on behalf of the Company (including any such offering that is also proposed to include securities to be sold on behalf of holders thereof) and the managing underwriters advise the Company in writing that in their opinion the number of securities requested to be included in the registration jeopardizes the marketing of the proposed offering, the Company will include in such registration: *first*, the securities that the Company proposes to sell, *second* the Registrable Securities requested to be included in such registration by the Investors (other than the Placement Agent or any transferee of the Placement Agent), pro rata among such Investors on the basis of the number of Registrable Securities owned by such Investors, with further successive pro rata allocations among such Investors if any such Investor has requested the registration of less than all of the Registrable Securities such Investor is entitled to register, *third* the Registrable Securities requested to be included in such registration by the Placement Agent or any transferee of the Placement Agent, and *fourth*, any other securities requested to be included in such registration; or (ii) if a Piggyback Registration is an underwritten secondary registration solely on behalf of holders of the Company's securities (other than the Investors) and the managing underwriters advise the Company in writing that in their opinion the number of securities requested to be included in the registration jeopardizes the marketing of the proposed offering, the Company will include in such registration: *first*, the securities requested to be included therein by the holders requesting such registration, *second*, the Registrable Securities requested to be included in such registration by the Investors (other than the Placement Agent or any transferee of the Placement Agent), pro rata among such Investors on the basis of the number of Registrable Securities owned by such Investors, with further successive pro rata allocations among such Investors if any such Investor has requested the registration of less than all of the Registrable Securities such Investor is entitled to register, *third* the Registrable Securities requested to be included in such registration by the Placement Agent or any transferee of the Placement Agent, and *fourth*, any other securities requested to be included in such registration.

3. Company Obligations. The Company will use commercially reasonable efforts to effect the registration of the Registrable Securities in accordance with the terms hereof, and pursuant thereto the Company will, as expeditiously as possible:

(a) use commercially reasonable efforts to cause such Registration Statement to become effective and to remain continuously effective for a period (the “Effectiveness Period”) that will terminate upon the earliest of (i) the first date on which all Registrable Securities covered by such Registration Statement as amended from time to time, have been sold, (ii) the first date on which all Registrable Securities covered by such Registration Statement may be sold without restriction pursuant to Rule 144, or (iii) the first date on which none of the securities included in such Registration Statement constitute Registrable Securities;

(b) prepare and file with the SEC such amendments and post-effective amendments to the Registration Statement and the Prospectus as may be necessary to keep the Registration Statement effective for the Effectiveness Period and to comply with the provisions of the 1933 Act and the 1934 Act with respect to the distribution of all of the Registrable Securities covered thereby;

(c) provide copies to and permit counsel designated by the Investors to review each Registration Statement and all amendments and supplements thereto no fewer than three (3) Business Days prior to their filing with the SEC and not file any document to which such counsel reasonably objects;

(d) furnish to the Investors and their legal counsel (i) promptly after the same is prepared and publicly distributed, filed with the SEC, or received by the Company (but not later than two (2) Business Days after the filing date, receipt date or sending date, as the case may be) one (1) copy of any Registration Statement and any amendment thereto, each preliminary prospectus and Prospectus and each amendment or supplement thereto, and each letter written by or on behalf of the Company to the SEC or the staff of the SEC, and each item of correspondence from the SEC or the staff of the SEC, in each case relating to such Registration Statement (other than any portion of any thereof which contains information for which the Company has sought confidential treatment), and (ii) such number of copies of a Prospectus, including a preliminary prospectus, and all amendments and supplements thereto and such other documents as each Investor may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Investor that are covered by the related Registration Statement;

(e) use commercially reasonable efforts to (i) prevent the issuance of any stop order or other suspension of effectiveness and, (ii) if such order is issued, obtain the withdrawal of any such order as soon as possible;

(f) prior to any public offering of Registrable Securities, use commercially reasonable efforts to register or qualify or cooperate with the Investors and their counsel in connection with the registration or qualification of such Registrable Securities for offer and sale under the securities or blue sky laws of such jurisdictions requested by the Investors and do any and all other commercially reasonable acts or things necessary or advisable to enable the distribution in such jurisdictions of the Registrable Securities covered by the Registration Statement; *provided, however*, that the Company shall not be required in connection therewith or as a condition thereto to (i) qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(f), (ii) subject itself to general taxation in any jurisdiction where it would not otherwise be so subject but for this Section 3(f), or (iii) file a general consent to service of process in any such jurisdiction;

(g) use commercially reasonable efforts to cause all Registrable Securities covered by a Registration Statement to be listed on each securities exchange, interdealer quotation system or other market on which similar securities issued by the Company are then listed;

(h) promptly notify the Investors, at any time prior to the end of the Effectiveness Period, upon discovery that, or upon the happening of any event as a result of which, the Prospectus includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing, and, subject to Section 2(c)(ii), promptly prepare, file with the SEC and furnish to such holder a supplement to or an amendment of such Prospectus as may be necessary so that such Prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing;

(i) otherwise use commercially reasonable efforts to comply with all applicable rules and regulations of the SEC under the 1933 Act and the 1934 Act, including, without limitation, Rule 172 under the 1933 Act, file any final Prospectus, including any supplement or amendment thereof, with the SEC pursuant to Rule 424 under the 1933 Act, promptly inform the Investors in writing if, at any time during the Effectiveness Period, the Company does not satisfy the conditions specified in Rule 172 and, as a result thereof, the Investors are required to deliver a Prospectus in connection with any disposition of Registrable Securities and take such other actions as may be reasonably necessary to facilitate the registration of the Registrable Securities hereunder; and make available to its security holders not later than the Availability Date (as defined below), an earnings statement covering a period of at least twelve (12) months, beginning after the effective date of each Registration Statement, which earnings statement shall satisfy the provisions of Section 11(a) of the 1933 Act, including Rule 158 promulgated thereunder (for the purpose of this subsection 3(i), “Availability Date” means the 45th day following the end of the fourth fiscal quarter that includes the effective date of such Registration Statement, except that, if such fourth fiscal quarter is the last quarter of the Company’s fiscal year, “Availability Date” means the 90th day after the end of such fourth fiscal quarter); and

(j) With a view to making available to the Investors the benefits of Rule 144 (or its successor rule) and any other rule or regulation of the SEC that may at any time permit the Investors to sell shares of Common Stock to the public without registration, the Company covenants and agrees to: (i) make and keep public information available, as those terms are understood and defined in Rule 144, until the earlier of (A) six months after such date as all of the Registrable Securities may be sold without restriction by the holders thereof pursuant to Rule 144 or any other rule of similar effect or (B) such date as all of the Registrable Securities shall have been resold by the holders thereof; (ii) file with the SEC in a timely manner all reports and other documents required of the Company under the 1934 Act; and (iii) furnish to each Investor upon request, as long as such Investor owns any Registrable Securities, (A) a written statement by the Company that it has complied with the reporting requirements of the 1934 Act, (B) a copy

of the Company's most recent Annual Report on Form 10-K or Quarterly Report on Form 10-Q, and (C) such other information as may be reasonably requested in order to avail such Investor of any rule or regulation of the SEC that permits the selling of any such Registrable Securities without registration.

4. Due Diligence Review; Information. At the reasonable request of an Investor, the Company shall make available, during normal business hours, for inspection and review by the Investor, and advisors to and representatives of such Investor (who may or may not be affiliated with the Investor and who are reasonably acceptable to the Company), all financial and other records, all SEC Filings (as defined in the Purchase Agreement) and other filings with the SEC, and all other corporate documents and properties of the Company as may be reasonably necessary for the purpose of such review, and cause the Company's officers, directors and employees, within a reasonable time period, to supply all such information reasonably requested by the Investors or any such representative, advisor or underwriter in connection with such Registration Statement (including, without limitation, in response to all questions and other inquiries reasonably made or submitted by any of them), prior to and from time to time after the filing and effectiveness of the Registration Statement for the sole purpose of enabling the Investors and such representatives, advisors and underwriters and their respective accountants and attorneys to conduct initial and ongoing due diligence with respect to the Company and the accuracy of such Registration Statement.

The Company shall not disclose material nonpublic information to the Investors, or to advisors to or representatives of the Investors, unless prior to disclosure of such information the Company identifies such information as being material nonpublic information and provides the Investors, such advisors and representatives with the opportunity to accept or refuse to accept such material nonpublic information for review and any Investor wishing to obtain such information enters into an appropriate confidentiality agreement with the Company with respect thereto.

5. Obligations of the Investors.

(a) Each Investor shall furnish in writing to the Company such information regarding itself, the Registrable Securities held by it and the intended method of disposition of the Registrable Securities held by it, as shall be reasonably required to effect the registration of such Registrable Securities and shall execute such documents in connection with such registration as the Company may reasonably request. At least five (5) Business Days prior to the first anticipated filing date of any Registration Statement, the Company shall notify each Investor of the information the Company requires from such Investor if such Investor elects to have any of the Registrable Securities included in the Registration Statement. An Investor shall provide such information to the Company at least two (2) Business Days prior to the first anticipated filing date of such Registration Statement if such Investor elects to have any of the Registrable Securities included in the Registration Statement.

(b) Each Investor, by its acceptance of the Registrable Securities agrees to cooperate with the Company as reasonably requested by the Company in connection with the preparation and filing of a Registration Statement hereunder, unless such Investor has notified the Company in writing of its election to exclude all of its Registrable Securities from such Registration Statement.

(c) Each Investor agrees that, upon receipt of any notice from the Company of either (i) the commencement of an Allowed Delay pursuant to Section 2(c)(ii) or (ii) the happening of an event pursuant to Section 3(h) hereof, such Investor will immediately discontinue disposition of Registrable Securities pursuant to the Registration Statement covering such Registrable Securities, until the Investor is advised by the Company that such dispositions may again be made.

6. Indemnification.

(a) Indemnification by the Company. The Company will indemnify and hold harmless each Investor and its officers, directors, members, employees and agents, successors and assigns, and each other person, if any, who controls such Investor within the meaning of the 1933 Act, against any losses, claims, damages or liabilities, joint or several, to which they may become subject under the 1933 Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon: (i) any untrue statement or alleged untrue statement or omission or alleged omission of any material fact contained in any Registration Statement, any preliminary Prospectus or final Prospectus, or any amendment or supplement thereto; (ii) any blue sky application or other document executed by the Company specifically for that purpose or based upon written information furnished by the Company filed in any state or other jurisdiction in order to qualify any or all of the Registrable Securities under the securities laws thereof (any such application, document or information herein called a “Blue Sky Application”); (iii) the omission or alleged omission to state in a Blue Sky Application a material fact required to be stated therein or necessary to make the statements therein not misleading; (iv) any violation by the Company or its agents of any rule or regulation promulgated under the 1933 Act applicable to the Company or its agents and relating to action or inaction required of the Company in connection with such registration; or (v) any failure to register or qualify the Registrable Securities included in any such Registration Statement in any state where the Company or its agents has affirmatively undertaken or agreed in writing that the Company will undertake such registration or qualification on an Investor’s behalf, and will reimburse such Investor, and each such officer, director or member and each such controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; *provided, however*, that the Company will not be liable in any such case if and to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission so made in conformity with information furnished by such Investor or any such controlling person in writing specifically for use in such Registration Statement, Prospectus or Blue Sky Application.

(b) Indemnification by the Investors. Each Investor agrees, severally but not jointly, to indemnify and hold harmless, to the fullest extent permitted by law, the Company, its directors, officers, employees, shareholders and each person who controls the Company (within the meaning of the 1933 Act) against any losses, claims, damages, liabilities and expense (including reasonable attorney fees) resulting from any untrue statement or alleged untrue statement of a material fact or any omission or alleged omission of a material fact

required to be stated in any Registration Statement, Prospectus or preliminary Prospectus, or amendment or supplement thereto, or any Blue Sky Application, or necessary to make the statements therein not misleading, to the extent, but only to the extent that such untrue statement or omission or alleged untrue statement or alleged omission is contained in any information furnished in writing by such Investor to the Company specifically for inclusion in such Registration Statement or Prospectus or amendment or supplement thereto or Blue Sky Application. In no event shall the liability of an Investor be greater in amount than the dollar amount of the proceeds (net of all expenses paid by such Investor in connection with any claim relating to this Section 6 and the amount of any damages such Investor has otherwise been required to pay by reason of such untrue statement or omission) received by such Investor upon the sale of the Registrable Securities included in the Registration Statement giving rise to such indemnification obligation.

(c) Conduct of Indemnification Proceedings. Any person entitled to indemnification hereunder shall (i) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party; provided that any person entitled to indemnification hereunder shall have the right to employ separate counsel and to participate in the defense of such claim, but the fees and expenses of such counsel shall be at the expense of such person unless (a) the indemnifying party has agreed to pay such fees or expenses, or (b) the indemnifying party shall have failed to assume the defense of such claim and employ counsel reasonably satisfactory to such person or (c) in the reasonable judgment of any such person, based upon written advice of its counsel, a conflict of interest exists between such person and the indemnifying party with respect to such claims (in which case, if the person notifies the indemnifying party in writing that such person elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of such claim on behalf of such person); and provided, further, that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations hereunder, except to the extent that such failure to give notice shall materially adversely affect the indemnifying party in the defense of any such claim or litigation. It is understood that the indemnifying party shall not, in connection with any proceeding in the same jurisdiction, be liable for fees or expenses of more than one separate firm of attorneys at any time for all such indemnified parties. No indemnifying party will, except with the consent of the indemnified party, consent to entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such claim or litigation. Unless the indemnifying party has failed to assume the defense of a claim in accordance with the requirements of this Section 6, no indemnified party shall settle any action, claim or proceeding effected without the prior written consent of the indemnified party; *provided, however*, that the indemnifying party shall not unreasonably withhold its consent. Following indemnification as provided hereunder, the Company shall be subrogated to all rights of the indemnified parties with respect to all third parties, firms or corporations relating to the matter for which indemnification has been made.

(d) Contribution. If for any reason the indemnification provided for in the preceding paragraphs (a) and (b) is unavailable to an indemnified party or insufficient to hold it harmless, other than as expressly specified therein, then the indemnifying party shall contribute

to the amount paid or payable by the indemnified party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the indemnified party and the indemnifying party, as well as any other relevant equitable considerations. No person guilty of fraudulent misrepresentation within the meaning of Section 11(f) of the 1933 Act shall be entitled to contribution from any person not guilty of such fraudulent misrepresentation. In no event shall the contribution obligation of a holder of Registrable Securities be greater in amount than the dollar amount of the proceeds (net of all expenses paid by such holder in connection with any claim relating to this Section 6 and the amount of any damages such holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission) received by it upon the sale of the Registrable Securities giving rise to such contribution obligation.

7. Miscellaneous.

(a) Amendments and Waivers. This Agreement may be amended only by a writing signed by the Company and the Required Investors. The Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company shall have obtained the written consent to such amendment, action or omission to act of the Required Investors.

(b) Notices. All notices and other communications provided for or permitted hereunder shall be made as set forth in Section 9.4 of the Purchase Agreement.

(c) Assignments and Transfers by Investors. The provisions of this Agreement shall be binding upon and inure to the benefit of the Investors and their respective successors and assigns. An Investor may transfer or assign, in whole or from time to time in part, to one or more persons its rights hereunder in connection with the transfer of Registrable Securities by such Investor to such person, provided that such Investor complies with all laws applicable thereto and provides written notice of assignment to the Company promptly after such assignment is effected, which notice contains an agreement of such transferee to be bound by the provisions hereof.

(d) Assignments and Transfers by the Company. This Agreement may not be assigned by the Company (whether by operation of law or otherwise) without the prior written consent of the Required Investors; *provided, however*, that in the event that the Company is a party to a merger, consolidation, share exchange or similar business combination transaction in which the Common Stock is converted into the equity securities of another Person, from and after the effective time of such transaction, such Person shall, by virtue of such transaction, be deemed to have assumed the obligations of the Company hereunder, the term “Company” shall be deemed to refer to such Person and the term “Registrable Securities” shall be deemed to include the securities received by the Investors in connection with such transaction unless such securities are otherwise freely tradable by the Investors after giving effect to such transaction.

(e) Benefits of the Agreement. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective permitted successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

(f) Counterparts; Faxes. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Any signature page to this Agreement may be delivered via facsimile or other form of electronic transmission, which signature page so delivered shall be deemed an original.

(g) Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

(h) Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof but shall be interpreted as if it were written so as to be enforceable to the maximum extent permitted by applicable law, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the parties hereby waive any provision of law which renders any provisions hereof prohibited or unenforceable in any respect.

(i) Further Assurances. The parties shall execute and deliver all such further instruments and documents and take all such other actions as may reasonably be required to carry out the transactions contemplated hereby and to evidence the fulfillment of the agreements herein contained.

(j) Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

(k) Governing Law; Consent to Jurisdiction; Waiver of Jury Trial. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York without regard to the choice of law principles thereof. Each of the parties hereto irrevocably submits to the exclusive jurisdiction of the courts of the State of New York located in New York County and the United States District Court for the Southern District of New York for the purpose of any suit, action, proceeding or judgment relating to or arising out of this Agreement and the transactions contemplated hereby. Service of process in connection with any such suit, action or proceeding may be served on each party hereto anywhere in the world by the same methods as are specified for the giving of notices under this Agreement. Each of the parties hereto irrevocably consents to the jurisdiction of any such court in any such suit, action or proceeding and to the laying of venue in such court. Each party hereto irrevocably waives any objection to the laying of venue of any such suit, action or proceeding brought in such courts and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

EACH OF THE PARTIES HERETO WAIVES

ANY RIGHT TO REQUEST A TRIAL BY JURY IN ANY LITIGATION WITH RESPECT TO THIS AGREEMENT AND REPRESENTS THAT COUNSEL HAS BEEN CONSULTED SPECIFICALLY AS TO THIS WAIVER.

IN WITNESS WHEREOF, the parties have executed this Agreement or caused their duly authorized officers to execute this Agreement as of the date first above written.

The Company:

POWER SOLUTIONS INTERNATIONAL, INC.

By: /s/ Ryan A. Neely

Name: Ryan A. Neely

Title: President

The Placement Agent:

ROTH CAPITAL PARTNERS, LLC

By: /s/ Eric Rindahl

Name: Eric Rindahl

Title: Managing Director

[Signature Page to Registration Rights Agreement]

The Investors:

By: _____
Name:
Title:

[Signature Page to Registration Rights Agreement]

Plan of Distribution

The selling shareholders, which as used herein includes donees, pledgees, transferees or other successors-in-interest selling shares of common stock or interests in shares of common stock received after the date of this prospectus from a selling shareholder as a gift, pledge, partnership distribution or other transfer, may, from time to time, sell, transfer or otherwise dispose of any or all of their shares of common stock or interests in shares of common stock on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These dispositions may be at fixed prices, at prevailing market prices at the time of sale, at prices related to the prevailing market price, at varying prices determined at the time of sale, or at negotiated prices.

The selling shareholders may use any one or more of the following methods when disposing of shares or interests therein:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent, but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- short sales effected after the date the registration statement of which this Prospectus is a part is declared effective by the SEC;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- through broker-dealers that agree with the selling shareholders to sell a specified number of such shares at a stipulated price per share;
- a combination of any such methods of sale; and
- any other method permitted by applicable law.

The selling shareholders may, from time to time, pledge or grant a security interest in some or all of the shares of common stock owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the shares of common stock, from time to time, under this prospectus, or under an amendment to this

prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act amending the list of selling shareholders to include the pledgee, transferee or other successors in interest as selling shareholders under this prospectus. The selling shareholders also may transfer the shares of common stock in other circumstances, in which case the transferees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus.

In connection with the sale of our common stock or interests therein, the selling shareholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the common stock in the course of hedging the positions they assume. The selling shareholders may also sell shares of our common stock short and deliver these securities to close out their short positions, or loan or pledge the common stock to broker-dealers that in turn may sell these securities. The selling shareholders may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The aggregate proceeds to the selling shareholders from the sale of the common stock offered by them will be the purchase price of the common stock less discounts or commissions, if any. Each of the selling shareholders reserves the right to accept and, together with their agents from time to time, to reject, in whole or in part, any proposed purchase of common stock to be made directly or through agents. We will not receive any of the proceeds from this offering. Upon any exercise of the warrants by payment of cash, however, we will receive the exercise price of the warrants.

The selling shareholders also may resell all or a portion of the shares in open market transactions in reliance upon Rule 144 under the Securities Act of 1933, provided that they meet the criteria and conform to the requirements of that rule.

Roth Capital Partners, LLC and its affiliates and transferees are, and the other selling shareholders and any underwriters, broker-dealers or agents that participate in the sale of the common stock or interests therein may be, “underwriters” within the meaning of Section 2(11) of the Securities Act. Any discounts, commissions, concessions or profit they earn on any resale of the shares may be underwriting discounts and commissions under the Securities Act. Selling shareholders who are “underwriters” within the meaning of Section 2(11) of the Securities Act will be subject to the prospectus delivery requirements of the Securities Act.

To the extent required, the shares of our common stock to be sold, the names of the selling shareholders, the respective purchase prices and public offering prices, the names of any agents, dealer or underwriter, any applicable commissions or discounts with respect to a particular offer will be set forth in an accompanying prospectus supplement or, if appropriate, a post-effective amendment to the registration statement that includes this prospectus.

In order to comply with the securities laws of some states, if applicable, the common stock may be sold in these jurisdictions only through registered or licensed brokers or dealers. In

addition, in some states the common stock may not be sold unless it has been registered or qualified for sale or an exemption from registration or qualification requirements is available and is complied with.

We have advised the selling shareholders that the anti-manipulation rules of Regulation M under the Exchange Act may apply to sales of shares in the market and to the activities of the selling shareholders and their affiliates. In addition, to the extent applicable we will make copies of this prospectus (as it may be supplemented or amended from time to time) available to the selling shareholders for the purpose of satisfying the prospectus delivery requirements of the Securities Act. The selling shareholders may indemnify any broker-dealer that participates in transactions involving the sale of the shares against certain liabilities, including liabilities arising under the Securities Act.

We have agreed to indemnify the selling shareholders against liabilities, including liabilities under the Securities Act and state securities laws, relating to the registration of the shares offered by this prospectus.

We have agreed with the selling shareholders to keep the registration statement of which this prospectus constitutes a part effective until the earlier of (1) such time as all of the shares covered by this prospectus have been disposed of pursuant to and in accordance with the registration statement or Rule 144 under the Securities Act or (2) the date on which all of the shares may be sold without restriction pursuant to Rule 144 under the Securities Act.

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (the “Agreement”) is made and entered into as of this 29th day of April, 2011 by and among Power Solutions International, Inc., a Nevada corporation (the “Company”), and Gary Winemaster, Kenneth Winemaster and Thomas Somodi (the “Stockholders”).

The parties hereby agree as follows:

1. Certain Definitions.

As used in this Agreement, the following terms shall have the following meanings:

“Business Day” means a day, other than a Saturday or Sunday, on which banks in New York City are open for the general transaction of business.

“Common Stock” means the Company’s common stock, par value \$0.001 per share, and any securities into which such shares may hereinafter be reclassified.

“Investors” means the Stockholders and any transferee of any Investor who is a subsequent holder of any Registrable Securities and who complies with the provisions of Section 6(c).

“Person” means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization or a government or any department or agency thereof or any other legal entity.

“Private Placement Investors” means the “Investors” as such term is defined and used in the Private Placement Registration Rights Agreement.

“Private Placement Registrable Securities” means the “Registrable Securities” as such term is defined and used in the Private Placement Registration Rights Agreement.

“Private Placement Registration Rights Agreement” means that certain Registration Rights Agreement, dated as of even date herewith, by and among the Company, the investors named therein and Roth Capital Partners, LLC.

“Prospectus” means (i) the prospectus included in any Registration Statement, as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement and by all other amendments and supplements to the prospectus, including post-effective amendments and all material incorporated by reference in such prospectus, and (ii) any “free writing prospectus” (as defined in Rule 405 under the 1933 Act) relating to any Registration Statement.

“Register,” “registered” and “registration” refer to a registration made by preparing and filing a Registration Statement or similar document in compliance with the 1933 Act (as defined below), and the declaration or ordering of effectiveness of such Registration Statement or document.

“Registrable Securities” means (i) any shares of Common Stock held by any of the Investors, or issuable upon exercise, conversion or exchange of any securities held by any of the Investors, at any time on or after the date hereof, and (ii) any other securities issued or issuable with respect to or in exchange for any such shares of Common Stock, whether by merger, charter amendment or otherwise; provided, that a security shall cease to be a Registrable Security upon (A) sale pursuant to a Registration Statement or Rule 144 under the 1933 Act, or (B) such security becoming eligible for sale without restriction or limitation by the Investor holding such security pursuant to Rule 144.

“Registration Statement” means any registration statement of the Company filed under the 1933 Act that covers the resale of any of the Registrable Securities pursuant to the provisions of this Agreement, amendments and supplements to such Registration Statement, including post-effective amendments, all exhibits and all material incorporated by reference in such Registration Statement.

“Required Investors” means the Investors holding at least 66 2/3% of the Registrable Securities. For purposes of this definition, an Investor shall be deemed to hold any Registrable Securities then issuable upon conversion, exercise or exchange (as applicable) of any securities held by such Investor.

“SEC” means the U.S. Securities and Exchange Commission.

“1933 Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“1934 Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

2. Rights to Piggyback Registration.

(a) If, at any time following the date of this Agreement that any Registrable Securities are outstanding, the Company proposes for any reason to register any shares of Common Stock under the 1933 Act (other than pursuant to a registration statement on Form S-4 or Form S-8 (or a similar or successor form) or pursuant to Section 2(a) of the Private Placement Registration Rights Agreement) with respect to an offering of Common Stock by the Company for its own account or for the account of any of its shareholders, it shall at each such time promptly give written notice to the holders of the Registrable Securities of its intention to do so (but in no event less than fifteen (15) days before the anticipated filing date) and, to the extent permitted under the provisions of Rule 415 under the 1933 Act, include in such registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein within fifteen (15) days after receipt of the Company’s notice (a “Piggyback Registration”). Subject to Section 2(c), such notice shall offer the holders of the Registrable Securities the opportunity to register such number of shares of Registrable Securities as each such holder may request and shall indicate the intended method of distribution of such Registrable Securities.

(b) Notwithstanding the foregoing, (i) if a Piggyback Registration is an underwritten public offering, the Investors must sell their Registrable Securities to, if applicable, the underwriter(s) at the same price and subject to the same underwriting discounts and commissions that apply to the other securities sold in such offering (it being acknowledged that the Company shall be responsible for other expenses as set forth in Section 2(d)) and subject to the Investors entering into customary underwriting documentation for selling shareholders in an underwritten public offering, and (ii) if, at any time after giving written notice of its intention to register any Registrable Securities pursuant to Section 2(a) and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to cause such registration statement to become effective under the 1933 Act, the Company shall deliver written notice to the Investors and, thereupon, shall be relieved of its obligation to register any Registrable Securities in connection with such registration.

(c) Notwithstanding the foregoing, (i) if a Piggyback Registration is an underwritten primary registration on behalf of the Company (including any such offering that is also proposed to include securities to be sold on behalf of holders thereof) and the managing underwriters advise the Company in writing that in their opinion the number of securities requested to be included in the registration jeopardizes the marketing of the proposed offering, the Company will include in such registration: *first*, the securities that the Company proposes to sell and the Private Placement Registrable Securities requested to be included in such registration by the Private Placement Investors, *second*, the Registrable Securities and any other shares of Common Stock requested to be included in such registration pursuant to registration rights substantially similar to those set forth herein, pro rata among the Investors and the holders of such other shares on the basis of the number of Registrable Securities and shares of Common Stock owned by the Investors and such holders, respectively, with further successive pro rata allocations among the Investors and such holders if any such Investor or holder has requested the registration of less than all of the Registrable Securities or shares of Common Stock such Investor or holder, as applicable, is entitled to register, and *third*, any other securities requested to be included in such registration; or (ii) if a Piggyback Registration is an underwritten secondary registration solely on behalf of holders of the Company's securities (other than the Private Placement Investors) and the managing underwriters advise the Company in writing that in their opinion the number of securities requested to be included in the registration jeopardizes the marketing of the proposed offering, the Company will include in such registration: *first*, the securities requested to be included therein by the holders requesting such registration, the securities that the Company proposes to sell, and the Private Placement Registrable Securities requested to be included in such registration by the Private Placement Investors, *second*, the Registrable Securities and any other shares of Common Stock requested to be included in such registration pursuant to registration rights substantially similar to those set forth herein, pro rata among the Investors and the holders of such other shares on the basis of the number of Registrable Securities and shares of Common Stock owned by the Investors and such holders, respectively, with further successive pro rata allocations among the Investors and such holders if any such Investor or holder has requested the registration of less than all of the Registrable Securities or shares of Common Stock such Investor or holder, as applicable, is entitled to register, and *third*, any other securities requested to be included in such registration.

(e) The Company will pay all expenses associated with each registration, including filing and printing fees, the Company's counsel and accounting fees and expenses,

costs associated with clearing the Registrable Securities for sale under applicable state securities laws and listing fees, but excluding fees and expenses of any counsel to the Investors and discounts, commissions, fees of underwriters, selling brokers, dealer managers or similar securities industry professionals with respect to the Registrable Securities being sold.

3. Company Obligations. The Company will use commercially reasonable efforts to effect the registration of the Registrable Securities in accordance with the terms hereof, and pursuant thereto the Company will:

(a) provide copies to and permit counsel designated by the Investors to review each Registration Statement and all amendments and supplements thereto no fewer than three (3) Business Days prior to their filing with the SEC and not file any document to which such counsel reasonably objects;

(b) furnish to the Investors and their legal counsel (i) promptly after the same is prepared and publicly distributed, filed with the SEC, or received by the Company (but not later than two (2) Business Days after the filing date, receipt date or sending date, as the case may be) one (1) copy of any Registration Statement and any amendment thereto, each preliminary prospectus and Prospectus and each amendment or supplement thereto, and each letter written by or on behalf of the Company to the SEC or the staff of the SEC, and each item of correspondence from the SEC or the staff of the SEC, in each case relating to such Registration Statement (other than any portion of any thereof which contains information for which the Company has sought confidential treatment), and (ii) such number of copies of a Prospectus, including a preliminary prospectus, and all amendments and supplements thereto and such other documents as each Investor may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Investor that are covered by the related Registration Statement;

(c) prior to any public offering of Registrable Securities, use commercially reasonable efforts to register or qualify or cooperate with the Investors and their counsel in connection with the registration or qualification of such Registrable Securities for offer and sale under the securities or blue sky laws of such jurisdictions requested by the Investors and do any and all other commercially reasonable acts or things necessary or advisable to enable the distribution in such jurisdictions of the Registrable Securities covered by the Registration Statement; provided, however, that the Company shall not be required in connection therewith or as a condition thereto to (i) qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(c), (ii) subject itself to general taxation in any jurisdiction where it would not otherwise be so subject but for this Section 3(c), or (iii) file a general consent to service of process in any such jurisdiction;

(d) use commercially reasonable efforts to cause all Registrable Securities covered by a Registration Statement to be listed on each securities exchange, interdealer quotation system or other market on which similar securities issued by the Company are then listed;

(e) promptly notify the Investors upon (i) the issuance of any stop order with respect to, or other suspension of effectiveness of a Registration Statement, (ii) discovery that, or

upon the happening of any event as a result of which, the Prospectus includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing, or (iii) the Company's determination to delay the disclosure of material non-public information concerning the Company, the disclosure of which at the time is not, in the good faith opinion of the Company, in the best interests of the Company; and

(f) otherwise use commercially reasonable efforts to comply with all applicable rules and regulations of the SEC under the 1933 Act and the 1934 Act, including, without limitation, Rule 172 under the 1933 Act, file any final Prospectus, including any supplement or amendment thereof, with the SEC pursuant to Rule 424 under the 1933 Act, promptly inform the Investors in writing if, at any time during the Effectiveness Period, the Company does not satisfy the conditions specified in Rule 172 and, as a result thereof, the Investors are required to deliver a Prospectus in connection with any disposition of Registrable Securities and take such other actions as may be reasonably necessary to facilitate the registration of the Registrable Securities hereunder; and make available to its security holders not later than the Availability Date (as defined below), an earnings statement covering a period of at least twelve (12) months, beginning after the effective date of each Registration Statement, which earnings statement shall satisfy the provisions of Section 11(a) of the 1933 Act, including Rule 158 promulgated thereunder (for the purpose of this subsection 3(f), "Availability Date" means the 45th day following the end of the fourth fiscal quarter that includes the effective date of such Registration Statement, except that, if such fourth fiscal quarter is the last quarter of the Company's fiscal year, "Availability Date" means the 90th day after the end of such fourth fiscal quarter).

4. Obligations of the Investors.

(a) Each Investor shall furnish in writing to the Company such information regarding itself, the Registrable Securities held by it and the intended method of disposition of the Registrable Securities held by it, as shall be reasonably required to effect the registration of such Registrable Securities and shall execute such documents in connection with such registration as the Company may reasonably request. At least five (5) Business Days prior to the first anticipated filing date of any Registration Statement, the Company shall notify each Investor of the information the Company requires from such Investor if such Investor elects to have any of the Registrable Securities included in the Registration Statement. An Investor shall provide such information to the Company at least two (2) Business Days prior to the first anticipated filing date of such Registration Statement if such Investor elects to have any of the Registrable Securities included in the Registration Statement.

(b) Each Investor, by its acceptance of the Registrable Securities agrees to cooperate with the Company as reasonably requested by the Company in connection with the preparation and filing of a Registration Statement in which such Investor has requested inclusion of any of its Registrable Securities pursuant to Section 2(a).

(c) Each Investor agrees that, upon receipt of any notice from the Company of the happening of an event pursuant to Section 3(e) hereof, such Investor will immediately discontinue disposition of Registrable Securities pursuant to the Registration Statement covering such Registrable Securities, until the Investor is advised by the Company that such dispositions may again be made.

5. Indemnification.

(a) Indemnification by the Company. The Company will indemnify and hold harmless each Investor and its officers, directors, members, employees and agents, successors and assigns, and each other person, if any, who controls such Investor within the meaning of the 1933 Act, against any losses, claims, damages or liabilities, joint or several, to which they may become subject under the 1933 Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon: (i) any untrue statement or alleged untrue statement or omission or alleged omission of any material fact contained in any Registration Statement, any preliminary Prospectus or final Prospectus, or any amendment or supplement thereto; (ii) any blue sky application or other document executed by the Company specifically for that purpose or based upon written information furnished by the Company filed in any state or other jurisdiction in order to qualify any or all of the Registrable Securities under the securities laws thereof (any such application, document or information herein called a “Blue Sky Application”); (iii) the omission or alleged omission to state in a Blue Sky Application a material fact required to be stated therein or necessary to make the statements therein not misleading; (iv) any violation by the Company or its agents of any rule or regulation promulgated under the 1933 Act applicable to the Company or its agents and relating to action or inaction required of the Company in connection with such registration; or (v) any failure to register or qualify the Registrable Securities included in any such Registration Statement in any state where the Company or its agents has affirmatively undertaken or agreed in writing that the Company will undertake such registration or qualification on an Investor’s behalf and will reimburse such Investor, and each such officer, director or member and each such controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company will not be liable in any such case if and to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission so made in conformity with information furnished by such Investor or any such controlling person in writing specifically for use in such Registration Statement, Prospectus or Blue Sky Application.

(b) Indemnification by the Investors. Each Investor agrees, severally but not jointly, to indemnify and hold harmless, to the fullest extent permitted by law, the Company, its directors, officers, employees, shareholders and each person who controls the Company (within the meaning of the 1933 Act) against any losses, claims, damages, liabilities and expense (including reasonable attorney fees) resulting from any untrue statement or alleged untrue statement of a material fact or any omission or alleged omission of a material fact required to be stated in any Registration Statement, Prospectus or preliminary Prospectus, or amendment or supplement thereto, or any Blue Sky Application, or necessary to make the statements therein not misleading, to the extent, but only to the extent that such untrue statement or omission or alleged untrue statement or alleged omission is contained in any information furnished in writing by such Investor to the Company specifically for inclusion in such Registration Statement or Prospectus or amendment or supplement thereto or Blue Sky Application. In no event shall the liability of an Investor be greater in amount than the dollar

amount of the proceeds (net of all expenses paid by such Investor in connection with any claim relating to this Section 5 and the amount of any damages such Investor has otherwise been required to pay by reason of such untrue statement or omission) received by such Investor upon the sale of the Registrable Securities included in the Registration Statement giving rise to such indemnification obligation.

(c) Conduct of Indemnification Proceedings. Any person entitled to indemnification hereunder shall (i) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party; provided that any person entitled to indemnification hereunder shall have the right to employ separate counsel and to participate in the defense of such claim, but the fees and expenses of such counsel shall be at the expense of such person unless (A) the indemnifying party has agreed to pay such fees or expenses, or (B) the indemnifying party shall have failed to assume the defense of such claim and employ counsel reasonably satisfactory to such person or (C) in the reasonable judgment of any such person, based upon written advice of its counsel, a conflict of interest exists between such person and the indemnifying party with respect to such claims (in which case, if the person notifies the indemnifying party in writing that such person elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of such claim on behalf of such person); and provided, further, that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations hereunder, except to the extent that such failure to give notice shall materially adversely affect the indemnifying party in the defense of any such claim or litigation. It is understood that the indemnifying party shall not, in connection with any proceeding in the same jurisdiction, be liable for fees or expenses of more than one separate firm of attorneys at any time for all such indemnified parties. No indemnifying party will, except with the consent of the indemnified party, consent to entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such claim or litigation. Unless the indemnifying party has failed to assume the defense of a claim in accordance with the requirements of this Section 5, no indemnified party shall settle any action, claim or proceeding effected without the prior written consent of the indemnified party; provided, however, that the indemnifying party shall not unreasonably withhold its consent. Following indemnification as provided hereunder, the Company shall be subrogated to all rights of the indemnified parties with respect to all third parties, firms or corporations relating to the matter for which indemnification has been made.

(d) Contribution. If for any reason the indemnification provided for in the preceding paragraphs (a) and (b) is unavailable to an indemnified party or insufficient to hold it harmless, other than as expressly specified therein, then the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the indemnified party and the indemnifying party, as well as any other relevant equitable considerations. No person guilty of fraudulent misrepresentation within the meaning of Section 11(f) of the 1933 Act shall be entitled to contribution from any person not guilty of such fraudulent misrepresentation. In no event shall the contribution obligation of a holder of Registrable Securities be greater in amount than the dollar amount of the proceeds (net of all expenses paid by such holder in connection

with any claim relating to this Section 5 and the amount of any damages such holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission) received by it upon the sale of the Registrable Securities giving rise to such contribution obligation.

6. Miscellaneous.

(a) Amendments and Waivers. This Agreement may be amended only by a writing signed by the Company and the Required Investors. The Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company shall have obtained the written consent to such amendment, action or omission to act, of the Required Investors.

(b) Notices. Notices. Unless otherwise provided, any notice required or permitted under this Agreement shall be given in writing and shall be deemed effectively given as hereinafter described (i) if given by personal delivery, then such notice shall be deemed given upon such delivery, (ii) if given by telecopier, then such notice shall be deemed given upon receipt of confirmation of complete transmittal, (iii) if given by mail, then such notice shall be deemed given upon the earlier of (A) receipt of such notice by the recipient or (B) three Business Days after such notice is deposited in first class mail, postage prepaid, and (iv) if given by an internationally recognized overnight air courier, then such notice shall be deemed given one Business Day after delivery to such carrier. All notices shall be addressed to the party to be notified at the address as follows, or at such other address as such party may designate by ten days' advance written notice to the other party:

If to the Company:

c/o The W Group
655 Wheat Lane
Wood Dale, Illinois 60191
Attention: Chief Financial Officer
Fax: (630) 350-0103

With a copy to:

Katten Muchin Rosenman LLP
525 West Monroe Street
Chicago, Illinois 60661-3693
Attention: Mark D. Wood, Esq.
Fax: (312) 577-8858

If to any Investor:

to its address in the stock records of the Company.

(c) Assignments and Transfers by Investors. The provisions of this Agreement shall be binding upon and inure to the benefit of the Investors and their respective

successors and assigns. An Investor may transfer or assign, in whole or from time to time in part, to one or more persons its rights hereunder in connection with the transfer of Registrable Securities by such Investor to such person, provided that such Investor complies with all laws applicable thereto and provides written notice of assignment to the Company promptly after such assignment is effected, which notice contains an agreement of such transferee to be bound by the provisions hereof.

(d) Assignments and Transfers by the Company. This Agreement may not be assigned by the Company (whether by operation of law or otherwise) without the prior written consent of the Required Investors; provided, however, that in the event that the Company is a party to a merger, consolidation, share exchange or similar business combination transaction in which the Common Stock is converted into the equity securities of another Person, from and after the effective time of such transaction, such Person shall, by virtue of such transaction, be deemed to have assumed the obligations of the Company hereunder, the term “Company” shall be deemed to refer to such Person and the term “Registrable Securities” shall be deemed to include the securities received by the Investors in connection with such transaction unless such securities are otherwise freely tradable by the Investors after giving effect to such transaction.

(e) Benefits of the Agreement. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective permitted successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

(f) Counterparts; Faxes. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Any signature page to this Agreement may be delivered via facsimile or other form of electronic transmission, which signature page so delivered shall be deemed an original.

(g) Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

(h) Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof but shall be interpreted as if it were written so as to be enforceable to the maximum extent permitted by applicable law, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the parties hereby waive any provision of law which renders any provisions hereof prohibited or unenforceable in any respect.

(i) Further Assurances. The parties shall execute and deliver all such further instruments and documents and take all such other actions as may reasonably be required to carry out the transactions contemplated hereby and to evidence the fulfillment of the agreements herein contained.

(j) Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

(k) Governing Law; Consent to Jurisdiction; Waiver of Jury Trial. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of Illinois without regard to the choice of law principles thereof. Each of the parties hereto irrevocably submits to the exclusive jurisdiction of the courts of the State of Illinois located in Cook County and the United States District Court for the Northern District of Illinois for the purpose of any suit, action, proceeding or judgment relating to or arising out of this Agreement and the transactions contemplated hereby. Service of process in connection with any such suit, action or proceeding may be served on each party hereto anywhere in the world by the same methods as are specified for the giving of notices under this Agreement. Each of the parties hereto irrevocably consents to the jurisdiction of any such court in any such suit, action or proceeding and to the laying of venue in such court. Each party hereto irrevocably waives any objection to the laying of venue of any such suit, action or proceeding brought in such courts and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. **EACH OF THE PARTIES HERETO WAIVES ANY RIGHT TO REQUEST A TRIAL BY JURY IN ANY LITIGATION WITH RESPECT TO THIS AGREEMENT AND REPRESENTS THAT COUNSEL HAS BEEN CONSULTED SPECIFICALLY AS TO THIS WAIVER.**

IN WITNESS WHEREOF, the parties have executed this Agreement or caused their duly authorized officers to execute this Agreement as of the date first above written.

The Company:

POWER SOLUTIONS INTERNATIONAL, INC.

By: /s/ Ryan Neely

Name: Ryan Neely

Title: President

The Stockholders:

/s/ Gary Winemaster

Gary Winemaster

/s/ Kenneth Winemaster

Kenneth Winemaster

/s/ Thomas Somodi

Thomas Somodi

[Signature Page to Shareholder Registration Rights Agreement]

CONFIDENTIAL TREATMENT — REDACTED COPY

****CERTAIN INFORMATION IN THIS EXHIBIT HAS BEEN
OMITTED AND HAS BEEN FILED SEPARATELY
WITH THE SECURITIES AND EXCHANGE COMMISSION
PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST
UNDER 17 C.F.R. SECTIONS 24b-2,
200.80 (B)(4) AND 230.406.**

**POWER SOLUTIONS INTERNATIONAL, INC., THE W GROUP, INC.,
POWER SOLUTIONS, INC., POWER GREAT LAKES, INC.,
AUTO MANUFACTURING, INC., TORQUE POWER SOURCE PARTS, INC.,
POWER PROPERTIES, L.L.C., POWER PRODUCTION, INC.,
POWER GLOBAL SOLUTIONS, INC., PSI INTERNATIONAL, LLC, and XISYNC LLC**

LOAN AND SECURITY AGREEMENT

Dated: April 29, 2011

\$35,000,000

**HARRIS N.A.,
Individually and as Agent for any Lender which is
or becomes a Party hereto**

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LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT is made as of this 29th day of April, 2011, by and among **HARRIS N.A.** (“Harris”) with an office at 111 West Monroe Street, Chicago, Illinois 60603, individually as a Lender and as Agent (“Agent”) for itself and any other financial institution which is or becomes a party hereto (each such financial institution, including Harris, is referred to hereinafter individually as a “Lender” and collectively as the “Lenders”), the **LENDERS** and **POWER SOLUTIONS INTERNATIONAL, INC.**, a Nevada corporation, with its chief executive office and principal place of business at 655 Wheat Lane, Wood Dale, Illinois 60191 (“Parent”), **THE W GROUP, INC.**, a Delaware corporation, with its chief executive office and principal place of business at 655 Wheat Lane, Wood Dale, Illinois 60191 (“Holdings”), **POWER SOLUTIONS, INC.**, an Illinois corporation, with its chief executive office and principal place of business at 655 Wheat Lane, Wood Dale, Illinois 60191 (“Power Solutions”), **POWER GREAT LAKES, INC.**, an Illinois corporation, with its chief executive office and principal place of business at 655 Wheat Lane, Wood Dale, Illinois 60191 (“Great Lakes”), **AUTO MANUFACTURING, INC.**, an Illinois corporation, with its chief executive office and principal place of business at 655 Wheat Lane, Wood Dale, Illinois 60191 (“Auto Manufacturing”), **TORQUE POWER SOURCE PARTS, INC.**, an Illinois corporation, with its chief executive office and principal place of business at 655 Wheat Lane, Wood Dale, Illinois 60191 (“Torque”), **POWER PROPERTIES, L.L.C.**, an Illinois limited liability company, with its chief executive office and principal place of business at 655 Wheat Lane, Wood Dale, Illinois 60191 (“Properties”), **POWER PRODUCTION, INC.**, an Illinois corporation, with its chief executive office and principal place of business at 655 Wheat Lane, Wood Dale, Illinois 60191 (“Production”), **POWER GLOBAL SOLUTIONS, INC.**, an Illinois corporation, with its chief executive office and principal place of business at 655 Wheat Lane, Wood Dale, Illinois 60191 (“Global”), **PSI INTERNATIONAL, LLC**, an Illinois limited liability company, with its chief executive office and principal place of business at 655 Wheat Lane, Wood Dale, Illinois 60191 (“PSI”) and **XISYNC LLC**, an Illinois limited liability company, with its chief executive office and principal place of business at 655 Wheat Lane, Wood Dale, Illinois 60191 (“XISYNC” and together with Parent, Holdings, Power Solutions, Great Lakes, Auto Manufacturing, Torque, Properties, Production, Global and PSI, individually a “Borrower” and collectively “Borrowers”).

RECITALS:

Borrowers have requested that Lenders provide a credit facility to Borrowers to finance their mutual and collective business enterprise. Lenders are willing to provide the credit facility on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, for valuable consideration hereby acknowledged, the parties agree as follows:

SECTION 1. DEFINITIONS; RULES OF CONSTRUCTION

1.1. Specific Definitions.

When used in this Loan and Security Agreement (a) the terms Account, Certificated Security, Chattel Paper, Commercial Tort Claim, Deposit Account, Document, Electronic Chattel Paper, Equipment, Financial Asset, Fixtures, General Intangible, Goods, Instrument,

Inventory, Investment Property, Letter of Credit Right, Payment Intangible, Proceeds, Security, Security Entitlement, Software, Supporting Obligations, Tangible Chattel Paper and Uncertificated Security have the respective meanings assigned thereto under the UCC; (b) all terms reflecting Collateral having the meanings assigned thereto under the UCC shall be deemed to mean such Property, whether now owned or hereafter created or acquired by any Borrower or in which such Borrower now has or hereafter acquires any interest; (c) capitalized terms which are not otherwise defined have the respective meanings assigned thereto in said Loan and Security Agreement; and (d) the following terms shall have the following meanings (terms defined in the singular to have the same meaning when used in the plural and vice versa):

Account Debtor - any Person who is or may become obligated under or on account of any Account, Contract Right, Chattel Paper or General Intangible.

Affiliate - a Person (other than a Subsidiary): (i) which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, a Person; (ii) which beneficially owns or holds 5% or more of any class of the Voting Stock of a Person; or (iii) 5% or more of the Voting Stock (or in the case of a Person which is not a corporation, 5% or more of the equity interest) of which is beneficially owned or held by a Person or a Subsidiary of a Person.

Agent – Harris N.A., in its capacity as agent for the Lenders under the Agreement and any successor in that capacity appointed pursuant to subsection 12.11 of the Agreement.

Agent Loans - as defined in subsection 2.1.5 of the Agreement.

Aggregate Percentage - with respect to each Lender, the percentage equal to the quotient of (i) such Lender’s Loan Commitment divided by (ii) the aggregate of all Loan Commitments.

Agreement - the Loan and Security Agreement referred to in the first sentence hereof, and all Exhibits and Schedules thereto, as each of the same may be amended from time to time.

APO Transactions – (i) the merger of PSI Merger Sub, Inc., a Delaware corporation, with and into Holdings pursuant to the Merger Agreement and (ii) the repurchase of the equity of Parent held by Ryan Neely and Michelle Neely and the cancellation of Indebtedness owed by Parent to Ryan Neely and Michelle Neely pursuant to the Stock Repurchase Agreement.

APO Transaction Documents – the Merger Agreement and the Stock Repurchase Agreement, and all agreements, instruments and documents executed or delivered in connection therewith.

Applicable Inventory Advance Rate - the percentage set forth below with respect to the applicable period set forth below (the “Applicable Period”):

<u>Applicable Period</u>	<u>Applicable Inventory Advance Rate</u>
Closing Date through and including June 30, 2011	65%
July 1, 2011 through and	64.4%

<u>Applicable Period</u>	<u>Applicable Inventory Advance Rate</u>
including September 30, 2011	
October 1, 2011 through and including December 31, 2011	63.8%
January 1, 2012 through and including March 31, 2012	63.2%
April 1, 2012 through and including June 30, 2012	62.6%
July 1, 2012 through and including September 30, 2012	62.0%
October 1, 2012 through and including December 31, 2012	61.4%
January 1, 2013 through and including March 31, 2013	60.8%
April 1, 2013 through and including June 30, 2013	60.2%
July 1, 2013 and at all times thereafter	59.8%

; provided, however, that, if any appraisal delivered after the Closing Date pursuant to Section 3.10 hereof should provide for a NOLV percentage of Eligible Inventory of (i) less than 59.8% (such percentage being the “Downward Adjusted NOLV Percentage”), the Applicable Inventory Advance Rates for the then current and each subsequent Applicable Period will be adjusted downward on a straight line basis such that, for the Applicable Period beginning July 1, 2013, the Applicable Inventory Advance Rate shall be equal to the Downward Adjusted NOLV Percentage and (ii) greater than 59.8% (such percentage being the “Upward Adjusted NOLV Percentage”, with such Upward Adjusted NOLV Percentage in no event to exceed 65%), the Applicable Inventory Advance Rates for the then current and each subsequent Applicable Period will be adjusted upward on a straight line basis such that, for the Applicable Period beginning July 1, 2013, the Applicable Inventory Advance Rate shall be equal to the Upward Adjusted NOLV Percentage.

Applicable Margin - from the Closing Date to, but not including, the first Adjustment Date (as hereinafter defined) the percentages set forth below with respect to each Base Rate Revolving Loan, each LIBOR Revolving Loan and the Unused Line Fee:

Base Rate Revolving Loans	0.50%
LIBOR Revolving Loans	2.50%
Unused Line Fee	0.50%

The percentages set forth above will be adjusted on the first day of the month following delivery by Borrowers to Agent of the financial statements required to be delivered pursuant to subsection 9.1.3(ii) of the Agreement for each March 31, June 30, September 30 and December 31 during the Term, commencing with the month ending September 30, 2011 (each such date an “Adjustment Date”), effective prospectively, by reference to the applicable “Financial

Measurement” (as defined below) for the four quarters most recently ending in accordance with the following:

<u>Financial Measurement</u>	<u>Base Rate Revolving Loans</u>	<u>LIBOR Revolving Loans</u>	<u>Unused Line Fee</u>
Greater than or equal to 1.50 to 1.0	0.00%	2.00%	0.375%
Less than 1.50 to 1.0	0.50%	2.50%	0.50%

provided that, (i) if Parents’ audited financial statements for any fiscal year delivered pursuant to subsection 9.1.3(i) of the Agreement reflect a Financial Measurement that yields a higher Applicable Margin than that yielded by the monthly financial statements previously delivered pursuant to subsection 9.1.3(ii) of the Agreement for the last month of such fiscal year, the Applicable Margin shall be readjusted retroactively for the period that was incorrectly calculated and (ii) if Borrowers fail to deliver the financial statements required to be delivered pursuant to subsection 9.1.3(i) or subsection 9.1.3(ii) of the Agreement on or before the due date thereof, the interest rate shall automatically adjust to the highest interest rate set forth above, effective prospectively from such due date until the next Adjustment Date. For purposes hereof, “Financial Measurement” shall mean the Fixed Charge Coverage Ratio.

Assignment and Acceptance Agreement - an assignment and acceptance agreement in form and content reasonably acceptable to Agent pursuant to which a Lender assigns to another Lender all or any portion of any of such Lender’s Revolving Loan Commitment, as permitted pursuant to the terms of this Agreement.

Availability - the amount of additional money which Borrowers are entitled to borrow from time to time as Revolving Credit Loans, such amount being the difference derived when the sum of the principal amount of Revolving Credit Loans then outstanding (including any amounts which Agent or any Lender may have paid for the account of any Borrower pursuant to any of the Loan Documents and which have not been reimbursed by Borrowers), the LC Amount and any Reserves is subtracted from the Borrowing Base. If the amount outstanding is equal to or greater than the Borrowing Base, Availability is 0.

Bank – Harris N.A.

Bankruptcy Code – Title 11 of the United States Code.

Base Rate – for any day the greatest of: (i) the rate of interest announced or otherwise established by Agent from time to time as its prime commercial rate, or its equivalent, for U.S. Dollar loans to borrowers located in the United States as in effect on such day, with any change in the Base Rate resulting from a change in said prime commercial rate to be effective as of the date of the relevant change in said prime commercial rate (it being acknowledged and agreed that such rate may not be Agent’s best or lowest rate), (ii) the sum of (x) the rate determined by Agent to be the average (rounded upward, if necessary, to the next higher of 1/100 of 1%) of the rates per annum quoted to Agent at approximately 10:00 a.m. (Chicago time) (or as soon thereafter as is practicable) on such day (or, if such day is not a Business Day, on the immediately preceding

Business Day) by two or more Federal funds brokers selected by Agent for sale to Agent at face value of Federal funds in the secondary market in an amount equal or comparable to the principal amount owed to Agent for which such rate is being determined, plus (y) ¹/₂ of 1% and (iii) the then applicable LIBOR Lending Rate for one month interest periods plus 1%.

Base Rate Loans –the Base Rate Revolving Loan.

Base Rate Revolving Loan – any Revolving Loan for the periods when the rate of interest applicable to such Revolving Loan is calculated by reference to the Base Rate.

Borrower Representative – Parent.

Borrowing Base - as at any date of determination thereof, an amount equal to the lesser of:

(i) the Revolving Credit Maximum Amount; or

(ii) an amount equal to the sum of:

(a) 85% of the net amount of Eligible Accounts outstanding at such date; plus

(b) the greater of (i) the Applicable Inventory Advance Rate multiplied by the value of Eligible Inventory at such date, and (ii) 100% of the NOLV of Eligible Inventory at such date, in any event not to exceed 65% of the value of Eligible Inventory at such date.

For purposes hereof, (1) the net amount of Eligible Accounts at any time shall be the face amount of such Eligible Accounts less any and all returns, rebates, discounts (which may, at Agent's option, be calculated on shortest terms), credits, allowances or excise taxes of any nature at any time issued, owing, claimed by Account Debtors, granted, outstanding or payable in connection with such Accounts at such time and (2) the amount of Eligible Inventory shall be determined on a first-in, first-out, lower of cost or market basis in accordance with GAAP.

Borrowing Base Certificate - a certificate by a responsible officer of Borrower Representative, on its own behalf and on behalf of all other Borrowers, substantially in the form of Exhibit 9.1.4 (or another form reasonably acceptable to Agent) setting forth the calculation of the Borrowing Base, including a calculation of each component thereof, all in such detail as shall be reasonably satisfactory to Agent. All calculations of the Borrowing Base in connection with the preparation of any Borrowing Base Certificate shall originally be made by Borrowers and certified to Agent; provided, that Agent shall have the right to review and adjust, in the exercise of its reasonable credit judgment, any such calculation after giving notice thereof to Borrowers, to the extent that Agent determines that such calculation is not in accordance with this Agreement.

Business Day - any day excluding Saturday, Sunday and any day which is a legal holiday under the laws of the State of Illinois or is a day on which banking institutions located in such state are closed.

Capital Expenditures - expenditures made or liabilities incurred for the acquisition of any fixed assets or improvements, replacements, substitutions or additions thereto which have a

useful life of more than one year, including the total principal portion of Capitalized Lease Obligations.

Capitalized Lease Obligation - any Indebtedness represented by obligations under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP.

Closing Date - the date on which all of the conditions precedent in Section 9 of the Agreement are satisfied or waived and the initial Loan is made or the initial Letter of Credit or LC Guaranty is issued under the Agreement.

Code – the Internal Revenue Code of 1986.

Collateral - all of the Property and interests in Property described in Section 5 of the Agreement, and all other Property and interests in Property that now or hereafter secure the payment and performance of any of the Obligations.

Compliance Certificate - as defined in subsection 9.1.3 of the Agreement.

Computer Hardware and Software - all of any Borrower's rights (including rights as licensee and lessee) with respect to (i) computer and other electronic data processing hardware, including all integrated computer systems, central processing units, memory units, display terminals, printers, computer elements, card readers, tape drives, hard and soft disk drives, cables, electrical supply hardware, generators, power equalizers, accessories, peripheral devices and other related computer hardware; (ii) all Software and all software programs designed for use on the computers and electronic data processing hardware described in clause (i) above, including all operating system software, utilities and application programs in any form (source code and object code in magnetic tape, disk or hard copy format or any other listings whatsoever); (iii) any firmware associated with any of the foregoing; and (iv) any documentation for hardware, Software and firmware described in clauses (i), (ii) and (iii) above, including flow charts, logic diagrams, manuals, specifications, training materials, charts and pseudo codes.

Consolidated - the consolidation in accordance with GAAP of the accounts or other items as to which such term applies.

Contract Right - any right of any Borrower to payment under a contract for the sale or lease of goods or the rendering of services, which right is at the time not yet earned by performance.

Current Assets - at any date means the amount at which all of the current assets of a Person would be properly classified as current assets shown on a balance sheet at such date in accordance with GAAP.

Default - an event or condition the occurrence of which would, with the lapse of time or the giving of notice, or both, become an Event of Default.

Defaulting Lender – any Lender that (a) fails to make any payment or provide funds to Agent or any Borrower as required hereunder or fails to perform its obligations under any Loan Document, and such failure is not cured within one Business Day, or (b) is the subject of any Insolvency Proceeding.

Default Rate - as defined in subsection 3.1.2 of the Agreement.

Derivative Obligations - every obligation of a Person under any forward contract, futures contract, exchange contract, swap, option or other financing agreement or arrangement (including, without limitation, caps, floors, collars and similar agreement), the value of which is dependent upon interest rates, currency exchange rates, commodities or other indices.

Distribution - in respect of any Person means and includes: (i) the payment of any dividends or other distributions on Securities (except distributions in such Securities) and (ii) the redemption or acquisition of Securities of such Person, as the case may be, unless made contemporaneously from the net proceeds of the sale of Securities.

Domestic Subsidiary – any Subsidiary of Borrower that is organized under the laws of a jurisdiction located in the United States of America.

Dominion Account - a special bank account or accounts of Agent established by Borrowers or any one of them pursuant to subsection 7.2.4 of the Agreement at banks selected by Borrower Representative, but acceptable to Agent in its sole discretion, and over which Agent shall have sole and exclusive access and control for withdrawal purposes.

Eligible Account - an Account arising in the ordinary course of the business of any Borrower from the sale of goods or rendition of services which Agent, in its reasonable credit judgment, deems to be an Eligible Account; provided that Agent shall endeavor to give Borrower Representative prior notice of any new eligibility criteria or any changes to any eligibility criteria set forth herein. Without limiting the generality of the foregoing, no Account shall be an Eligible Account if:

(i) it arises out of a sale made or services rendered by a Borrower to a Subsidiary of a Borrower or an Affiliate of a Borrower or to a Person controlled by an Affiliate of a Borrower; or

(ii) it remains unpaid more than 60 days after the original due date shown on the invoice or 90 days after the original invoice date shown on the invoice (or, for Account Debtors with payment terms in excess of 60 days and which remain unpaid more than 90 days after the original invoice date shown on the invoice, more than 150 days after the original invoice date shown on the invoice with respect to Accounts in an aggregate amount not to exceed \$2,000,000); or

(iii) the total unpaid Accounts of the Account Debtor exceed 20% (or, in the case of each of ** and **, 25%) of the net amount of all Eligible Accounts, but in any case only to the extent of such excess; or

(iv) any covenant, representation or warranty contained in the Agreement with respect to such Account has been breached; or

(v) the Account Debtor is also a creditor or supplier of a Borrower or any Subsidiary of a Borrower, or the Account Debtor has disputed liability with respect to such Account, or the Account Debtor has made any claim with respect to any other Account due from such Account Debtor to a Borrower or any Subsidiary of a Borrower, or the Account otherwise is or may

become subject to right of setoff by the Account Debtor, provided, that any such Account shall be eligible to the extent such amount thereof exceeds such contract, dispute, claim, setoff or similar right; or

(vi) the Account Debtor has commenced a voluntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or made an assignment for the benefit of creditors, or a decree or order for relief has been entered by a court having jurisdiction in the premises in respect of the Account Debtor in an involuntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any other petition or other application for relief under the federal bankruptcy laws, as now constituted or hereafter amended, has been filed against the Account Debtor, or if the Account Debtor has failed, suspended business, ceased to be Solvent, or consented to or suffered a receiver, trustee, liquidator or custodian to be appointed for it or for all or a significant portion of its assets or affairs; or

(vii) it arises from a sale made or services rendered to an Account Debtor outside the United States (other than Accounts covered by a credit insurance policy acceptable to Agent which has been assigned to Agent in an aggregate amount not to exceed the lesser of the insurers' maximum aggregate liability under the policy and \$5,000,000), unless the sale is either (1) to an Account Debtor located in any province of Canada, (2) on letter of credit, guaranty or acceptance terms, in each case acceptable to Agent in its sole judgment or (3) to any of the following Account Debtors: ** or **;

(viii) (1) it arises from a sale to the Account Debtor on a guaranteed sale, sale-or-return, sale-on-approval, consignment, or any other repurchase or return basis; or (2) it is subject to a reserve established by a Borrower for potential returns or refunds, to the extent of such reserve; or

(ix) the Account Debtor is the United States of America or any department, agency or instrumentality thereof, unless the applicable Borrower assigns its right to payment of such Account to Agent, in a manner satisfactory to Agent, in its reasonable credit judgment, so as to comply with the Assignment of Claims Act of 1940 (31 U.S.C. §203 et seq., as amended); or

(x) it is not at all times subject to Agent's duly perfected, first priority security interest or is subject to a Lien that is not a Permitted Lien; or

(xi) the goods giving rise to such Account have not been delivered to (other than Accounts in an aggregate amount not to exceed \$2,000,000 to the extent Agent has received a bill and hold agreement executed and delivered by the Account Debtor thereof in form and substance acceptable to Agent) and accepted by the Account Debtor or the services giving rise to such Account have not been performed by the applicable Borrower and accepted by the Account Debtor or the Account otherwise does not represent a final sale; or

(xii) the Account is evidenced by chattel paper or an instrument of any kind, or has been reduced to judgment; or

(xiii) any Borrower or a Subsidiary of any Borrower has made any agreement with the Account Debtor for any extension, compromise, settlement or modification of the Account or deduction therefrom, except for discounts or allowances which are made in the ordinary course

of business for prompt payment and which discounts or allowances are reflected in the calculation of the face value of each invoice related to such Account; or

(xiv) 25% or more of the Accounts owing from the Account Debtor are not Eligible Accounts under clause (ii) hereof; or

(xv) any Borrower has made an agreement with the Account Debtor to extend the time of payment thereof; or

(xvi) it represents service charges, late fees or similar charges; or

(xvii) Accounts with respect to which the respective Account Debtor is on "Cash on Delivery".

Eligible Inventory - Inventory of any Borrower (other than packaging materials and supplies, tooling, samples and literature) which Agent, in its reasonable credit judgment, deems to be Eligible Inventory; provided that Agent shall endeavor to give Borrower Representative prior notice of any new eligibility criteria or any changes to any eligibility criteria set forth herein. Without limiting the generality of the foregoing, no Inventory shall be Eligible Inventory if:

(i) it is not raw materials, work in process in an aggregate amount not to exceed \$2,000,000 or finished goods which meet the specifications of the purchase order or contract for such Inventory, if any; or

(ii) it is not in good, new and saleable condition; or

(iii) it is slow-moving, obsolete or unmerchantable; or

(iv) it does not meet all standards imposed by any governmental agency or authority in all material respects; or

(v) it does not conform in all respects to any covenants, warranties and representations set forth in the Agreement; or

(vi) it is not at all times subject to Agent's duly perfected, first priority security interest or is subject to a Lien that is not a Permitted Lien; or

(vii) it is not situated at a location in compliance with the Agreement, provided that Inventory situated at a location not owned by such Borrower (other than with respect to Inventory warehoused by UPS SLS and located at 917 Union Pacific, Laredo, Texas) will be Eligible Inventory only if Agent has received a satisfactory landlord's agreement or bailee letter, as applicable, with respect to such location or if Agent has established an applicable Rent and Charges Reserve; or

(viii) it is in transit and does not constitute Qualified In-Transit Inventory.

Environmental Laws - all federal, state and local laws, rules, regulations, ordinances, orders and consent decrees relating to health, safety and environmental matters.

ERISA - the Employee Retirement Income Security Act of 1974, as amended, and any successor statute, and all rules and regulations from time to time promulgated thereunder.

Event of Default - as defined in Section 11.1 of the Agreement.

Existing Lender - Fifth Third Bank.

Existing Lender Accounts - accounts ending 2174, 2182, 2224, 4036, 2216, 2190, 4150, 3913, 2240, 4093, 2208, 3970, 2166 and 4218 and lockboxes ending 2450, 2451, 2452 and 2453 of the Borrowers at Existing Lender.

Fee Letter - as defined in Section 3.3 of the Agreement.

Foreign Subsidiary – a Subsidiary that is a “controlled foreign corporation” under Section 957 of the Code, such that a guaranty by such Subsidiary of the Obligations or a Lien on the assets of such Subsidiary to secure the Obligations would result in material tax liability to Borrowers.

GAAP - generally accepted accounting principles in the United States of America in effect from time to time.

Guarantors - each Person who now or hereafter guarantees payment or performance of the whole or any part of the Obligations; provided that no Borrower shall be considered a Guarantor.

Guaranty Agreements - each guaranty agreement hereafter executed by any Guarantor, in form and substance satisfactory to Agent.

Indebtedness - as applied to a Person means, without duplication:

(i) all items which in accordance with GAAP would be included in determining total liabilities as shown on the liability side of a balance sheet of such Person as at the date as of which Indebtedness is to be determined, including, without limitation, Capitalized Lease Obligations;

(ii) all obligations of other Persons which such Person has guaranteed;

(iii) all reimbursement obligations in connection with letters of credit or letter of credit guaranties issued for the account of such Person;

(iv) Derivative Obligations; and

(v) in the case of Borrowers (without duplication), the Obligations.

Intellectual Property - all past, present and future: trade secrets, know-how and other proprietary information; trademarks, internet domain names, service marks, trade dress, trade names, business names, designs, logos, slogans (and all translations, adaptations, derivations and combinations of the foregoing) indicia and other source and/or business identifiers, and the goodwill of the business relating thereto and all registrations or applications for registrations

which have heretofore been or may hereafter be issued thereon throughout the world; copyrights (including copyrights for computer programs) and copyright registrations or applications for registrations which have heretofore been or may hereafter be issued throughout the world and all tangible property embodying the copyrights, unpatented inventions (whether or not patentable); patent applications and patents; industrial design applications and registered industrial designs; license agreements related to any of the foregoing and income therefrom; books, records, writings, computer tapes or disks, flow diagrams, specification sheets, computer software, source codes, object codes, executable code, data, databases and other physical manifestations, embodiments or incorporations of any of the foregoing; the right to sue for all past, present and future infringements of any of the foregoing; all other intellectual property; and all common law and other rights throughout the world in and to all of the foregoing.

Insolvency Proceeding – any case or proceeding commenced by or against a Person under any state, federal or foreign law for, or any agreement of such Person to, (a) the entry of an order for relief under the Bankruptcy Code, or any other insolvency, debtor relief or debt adjustment law; (b) the appointment of a receiver, trustee, liquidator, administrator, conservator or other custodian for such Person or any part of its Property; or (c) an assignment or trust mortgage for the benefit of creditors.

Interest Payment Date – (a) as to any Base Rate Loan, the first Business Day of each calendar month and (b) as to any LIBOR Loan, the last day of each Interest Period for such LIBOR Loan, and in addition, where the applicable Interest Period exceeds three months, the date every three months after the beginning of such Interest Period. If an Interest Payment Date falls on a date that is not a Business Day, such Interest Payment Date shall be deemed to be the immediately succeeding Business Day.

Interest Period - relative to any LIBOR Loans:

(a) initially, the period beginning on (and including) the date on which such LIBOR Loan is made or continued as, or converted into, a LIBOR Loan pursuant to Section 4.1 and ending on (but excluding) the day which numerically corresponds to such date one, two, three or six months thereafter (or, if such month has no numerically corresponding day, on the last Business Day of such month), in each case as Borrower Representative may select in its notice pursuant to Section 4.1; and

(b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such LIBOR Loan and ending one, two, three or six months thereafter, as selected by the Borrower by irrevocable notice to Agent not less than two Business Days prior to the last day of the then current Interest Period with respect thereto;

provided, however, that

(i) all Interest Periods of the same duration which commence on the same date shall end on the same date;

(ii) Interest Periods for LIBOR Loans in connection with which Borrowers have or may incur Derivative Obligations with Agent shall be of the same duration as the relevant periods set under the applicable agreements relating to such Derivative Obligations;

(iii) if such Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next following Business Day unless such day falls in the next calendar month, in which case such Interest Period shall end on the first preceding Business Day; and

(iv) no Interest Period may end later than the termination of this Agreement.

LC Amount - at any time, the aggregate undrawn available amount of all Letters of Credit and LC Guaranties then outstanding (excluding any such amounts supported with cash collateral pursuant to the last sentence of Section 2.2 hereof).

LC Guaranty - any guaranty pursuant to which Agent or any Affiliate of Agent shall guaranty the payment or performance by Borrowers of their reimbursement obligation under any letter of credit.

LC Obligations - any Obligations that arise from any draw against any Letter of Credit or against any Letter of Credit supported by an LC Guaranty.

Letter of Credit - any standby or documentary letter of credit issued by Agent or any Affiliate of Agent for the account of any Borrower.

LIBOR – relative to any Interest Period for LIBOR Loans, the offered rate for deposits of U.S. Dollars in an amount approximately equal to the amount of the requested LIBOR Loans for a term coextensive with the designated Interest Period which the British Bankers’ Association fixes as its LIBOR rate quoted from LIBOR01 Page as of 11:00 a.m. London time on the day which is two London Banking Days prior to the beginning of such Interest Period.

LIBOR Lending Rate – relative to any LIBOR Loan to be made, continued or maintained as, or converted into, a LIBOR Loan for any Interest Period, a rate per annum determined pursuant to the following formula:

$$\text{LIBOR Lending Rate} = \frac{\text{LIBOR}}{(1.00 - \text{LIBOR Reserve Percentage})}$$

LIBOR Loans – the LIBOR Revolving Loans.

LIBOR Option – the option granted pursuant to Section 4.1 of the Agreement to have the interest on all or any portion of the principal amount of the Revolving Credit Loans based on the LIBOR.

LIBOR Request - a notice in writing (or by telephone confirmed electronically or by telecopy or other facsimile transmission on the same day as the telephone request) from Borrower Representative to Agent requesting that interest on a Revolving Credit Loan be based on the LIBOR Lending Rate, specifying: (i) the first day of the Interest Period (which shall be a Business Day); (ii) the length of the Interest Period; (iii) whether the LIBOR Loan is a new Loan, a conversion of a Base Rate Loan, or a continuation of a LIBOR Loan; and (iv) the dollar amount of the LIBOR Loan, which shall be in an amount not less than \$500,000 or an integral multiple of \$100,000 in excess thereof.

LIBOR Reserve Percentage – relative to any day of any Interest Period for LIBOR Loans, the maximum aggregate (without duplication) of the rates (expressed as a decimal fraction) of reserve requirements (including all basic, emergency, supplemental, marginal and other reserves and taking into account any transitional adjustments or other scheduled changes in reserve requirements) under any regulations of the Board of Governors of the Federal Reserve System (the “Board”) or other governmental authority having jurisdiction with respect thereto as issued from time to time and then applicable to assets or liabilities consisting of “Eurocurrency Liabilities,” as currently defined in Regulation D of the Board, having a term approximately equal or comparable to such Interest Period.

LIBOR Revolving Loan – any Revolving Loan for the periods when the rate of interest applicable to such Revolving Loan is calculated by reference to the LIBOR Lending Rate.

Lien – any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on common law, statute or contract. The term “Lien” shall also include rights of seller under conditional sales contracts or title retention agreements, reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting Property. For the purpose of the Agreement, a Borrower shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

Loan Account - the loan account established on the books of Agent pursuant to Section 4.6 of the Agreement.

Loan Commitment - with respect to any Lender, the amount of such Lender’s Revolving Loan Commitment.

Loan Documents - the Agreement, the Other Agreements and the Security Documents.

Loans - all loans and advances of any kind made by Agent, any Lender, or any Affiliate of Agent or any Lender, pursuant to the Agreement.

London Banking Day - any date on which commercial banks are open for business in London, England.

Majority Lenders - as of any date, Lenders holding 51% of the Revolving Loan Commitments determined on a combined basis and following the termination of the Revolving Loan Commitments, Lenders holding 51% or more of the outstanding Loans, LC Amounts and LC Obligations not yet reimbursed by Borrower or funded with a Revolving Credit Loan; provided, that (i) in each case, if there are 2 or more Lenders with outstanding Loans, LC Amounts, unfunded and unreimbursed LC Obligations or Revolving Loan Commitments, at least 2 Lenders (which are not Affiliates, unless all Lenders are Affiliates) shall be required to constitute Majority Lenders; and (ii) prior to termination of the Revolving Loan Commitments, if any Lender breaches its obligation to fund any requested Revolving Credit Loan, for so long as such breach exists, its voting rights hereunder shall be calculated with reference to its

outstanding Loans, LC Amounts and unfunded and unreimbursed LC Obligations, rather than its Revolving Loan Commitment.

Material Adverse Effect - (i) a material adverse effect on the business, financial condition, operation, performance or properties of Borrowers, (ii) a material adverse effect on the rights and remedies of Agent or Lenders under the Loan Documents, or (iii) the material impairment of the ability of any Borrower or any of its Subsidiaries to perform its obligations hereunder or under any Loan Document.

Merger Agreement – Agreement and Plan of Merger dated as of April 29, 2011 among Parent, PSI Merger Sub, Inc., a Delaware corporation, and Holdings.

Money Borrowed - (i) Indebtedness arising from the lending of money by any Person to any Borrower or any of its Subsidiaries; (ii) Indebtedness, whether or not in any such case arising from the lending by any Person of money to any Borrower or any of its Subsidiaries, (1) which is represented by notes payable or drafts accepted that evidence extensions of credit, (2) which constitutes obligations evidenced by bonds, debentures, notes or similar instruments, or (3) upon which interest charges are customarily paid (other than accounts payable) or that was issued or assumed as full or partial payment for Property; (iii) Indebtedness that constitutes a Capitalized Lease Obligation; (iv) reimbursement obligations with respect to letters of credit or guaranties of letters of credit and (v) Indebtedness of any Borrower or any of its Subsidiaries under any guaranty of obligations that would constitute Indebtedness for Money Borrowed under clauses (i) through (iii) hereof, if owed directly by Borrower or any of its Subsidiaries. Money Borrowed shall not include trade payables or accrued expenses.

Mortgages - the Real Property Mortgage executed by Properties on the Closing Date in favor of Agent, for the benefit of itself and Lenders, by which such Person has granted to Agent, as security for the Obligations, a Lien upon the real Property of such Borrower located at 655 Wheat Lane, Wood Dale, Illinois 60191, together with all mortgages, deeds of trust and comparable documents now or at any time hereafter securing the whole or any part of the Obligations.

Multiemployer Plan - has the meaning set forth in Section 4001(a)(3) of ERISA.

New Mortgages - as defined in Section 6.4 of the Agreement.

NOLV – the net orderly liquidation value of Inventory or Equipment, expressed as a percentage of book value, to be realized at an orderly, negotiated sale held within a reasonable period of time, net of all liquidation expenses, as determined from the most recent appraisal of Borrowers' Inventory or Equipment performed by an appraiser and on terms satisfactory to Agent in its sole discretion.

Notes - the Revolving Notes.

Obligations - all Loans, all LC Obligations, all reimbursement and other obligations with respect to Letters of Credit and all other advances, debts, liabilities, obligations, covenants and duties, together with all interest, fees and other charges thereon, owing, arising, due or payable from any Borrower to Agent, for its own benefit, from any Borrower to Agent for the benefit of

any Lender, from any Borrower to any Lender or from any Borrower to Bank or any other Affiliate of Agent, of any kind or nature, present or future, whether or not evidenced by any note, guaranty or other instrument, whether arising under the Agreement or any of the other Loan Documents or otherwise, whether direct or indirect (including those acquired by assignment), absolute or contingent, primary or secondary, due or to become due, now existing or hereafter arising and however acquired, including without limitation any Product Obligations owing to Agent, any Lender, Bank or any Affiliate of Bank or Agent or any Lender; provided, however, if the applicable provider of such Product Obligations is a Person other than Agent or Bank, Agent shall not be responsible for having knowledge of the amount of any outstanding Product Obligations that constitute Obligations unless such provider of Product Obligations notifies Agent of such amount on or before the date of the applicable determination date.

Organizational I.D. Number - with respect to any Person, the organizational identification number assigned to such Person by the applicable governmental unit or agency of the jurisdiction of organization of such Person.

Other Agreements - any and all agreements, instruments and documents (other than the Agreement and the Security Documents), heretofore, now or hereafter executed by Borrower, any Subsidiary of Borrower or any other third party and delivered to Agent, any Lender or any Affiliate of any Agent or any Lender in respect of the transactions contemplated by the Agreement, but excluding the APO Transaction Documents.

Overadvance - as defined in subsection 2.1.3 of the Agreement.

Patent Security Agreement - any patent collateral assignment agreement pursuant to which a Borrower or a Guarantor assigns to Agent, for the benefit of Lenders, such Borrower's or Guarantor's interests in its patents, as security for the Obligations.

Patriot Act - the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub. L. No. 107-56, 115 Stat. 272 (2001).

Permitted Liens - any Lien of a kind specified in subsection 9.2.5 of the Agreement.

Permitted Purchase Money Indebtedness - Purchase Money Indebtedness of any Borrower incurred after the date hereof which is secured by a Purchase Money Lien and the principal amount of which, when aggregated with the principal amount of all other such Indebtedness and Capitalized Lease Obligations of Borrowers and their Subsidiaries at the time outstanding, does not exceed the Capital Expenditure limitation set forth in subsection 9.2.8. For the purposes of this definition, the principal amount of any Purchase Money Indebtedness consisting of capitalized leases (as opposed to operating leases) shall be computed as a Capitalized Lease Obligation.

Person - an individual, partnership, corporation, limited liability company, joint stock company, land trust, business trust, or unincorporated organization, or a government or agency or political subdivision thereof.

Plan - an employee benefit plan now or hereafter maintained for employees of any Borrower or any of their Subsidiaries that is covered by Title IV of ERISA.

Pledge Agreement – the Pledge Agreement executed by Borrowers or any one of them as applicable on or about the Closing Date in favor of Agent for the benefit of itself and Lenders pursuant to the priorities set forth in the Agreement, as such Pledge Agreement shall be amended from time to time after the Closing Date.

Products shall mean any financial accommodation extended to any Borrower by a Product Provider including, without limitation: (a) credit cards, (b) credit card processing services, (c) debit cards, (d) stored value cards, (e) purchase cards (including, without limitation, so-called “procurement cards” or “P-cards”), (f) cash management and related services, including, without limitation treasury management, depository, return items, overdraft, controlled disbursement, merchant store value cards, e-payables services, electronic funds transfer, interstate depository network, automatic clearing house transfer (including Automated Clearing House processing of electronic funds transfers through the direct Federal Reserve Fedline system) and other cash management arrangements, and (g) Derivative Obligations and other forward contracts, futures contracts, exchange contracts, and swap, option or other financing agreements and arrangements (including without limitation caps, floors, collars and similar agreements), the value of which is dependent upon interest rates, currency exchange rates, commodities or other indices.

Product Documents shall mean those agreements entered into from time to time by any Borrower with a Product Provider in connection with the obtaining of any of any Products.

Product Obligations shall mean (a) all obligations, liabilities, reimbursement obligations, fees, and expenses owing by any Borrower to any Product Provider pursuant to or evidenced by the Product Documents and irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising and (b) all amounts Agent or any Senior Lender is obligated to pay to a Product Provider as a result of Agent or such Senior Lender purchasing participations from, or executing guarantees or indemnities or reimbursement obligations to, a Product Provider with respect to the Products provided by such Product Provider to any Borrower.

Product Provider shall mean Harris N.A., any Lender or any Affiliate of Harris N.A. or any Lender.

Projections – Borrowers’ forecasted Consolidated (i) balance sheets, (ii) profit and loss statements, (iii) cash flow statements, (iv) capitalization statements, and (v) the Availability amount, all prepared on a consistent basis with the historical financial statements of Borrowers and their Subsidiaries, together with appropriate supporting details and a statement of underlying assumptions.

Property - any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

Purchase Money Indebtedness - includes (i) Indebtedness (other than the Obligations) for the payment of all or any part of the purchase price of any fixed assets, (ii) any Indebtedness

(other than the Obligations) incurred at the time of or within 10 days prior to or after the acquisition of any fixed assets for the purpose of financing all or any part of the purchase price thereof, and (iii) any renewals, extensions or refinancings thereof, but not any increases in the principal amounts thereof outstanding at the time.

Purchase Money Lien - a Lien upon fixed assets which secures Purchase Money Indebtedness, but only if such Lien shall at all times be confined solely to the fixed assets the purchase price of which was financed through the incurrence of the Purchase Money Indebtedness secured by such Lien.

Qualified In-Transit Inventory - shall mean in transit Inventory of a Borrower that meets, and so long as it continues to meet, the following requirements:

- (i) such Inventory would otherwise be Eligible Inventory if it were not in transit, and such Inventory is in transit within the United States or Canada;
- (ii) it is subject to a negotiable Document showing a Borrower as consignee, or, if required by Agent, shows Agent as consignee and which Document, if required by Agent, is in the possession of Agent or such other Person as Agent shall approve;
- (iii) it is fully insured in a manner satisfactory to Agent;
- (iv) it has been identified to the applicable sales contract and title has passed to a Borrower;
- (v) it is not sold by a vendor that has a right to reclaim, divert shipment of, repossess, stop delivery, claim any reservation of title or otherwise assert lien rights against the Inventory, or with respect to whom a Borrower is in default of any obligations;
- (vi) it is subject to purchase orders and other sale documentation satisfactory to Agent;
- (vii) it is shipped by a common carrier that is not affiliated with the vendor; and
- (viii) it is being handled by a customs broker, freight-forwarder or other handler that, if required by Agent, has delivered to Agent, in form and substance acceptable to Agent, such handling agreements, Uniform Commercial Code financing statements, warehouse receipts, waivers and other documents as Agent shall require.

Rentals - as defined in subsection 9.2.18 of the Agreement.

Rent and Charges Reserve – the aggregate of (a) all past due rent and other amounts owing by a Borrower to any landlord, warehouseman or processor who possesses Inventory and could assert a Lien on such Inventory; and (b) a reserve equal to three months rent and other charges that could be payable to any such Person pursuant to the applicable lease, warehouse agreement or processor agreement, unless it has executed and delivered to Agent a landlord waiver or bailee or processor letter pursuant to subsection 9.1.5; provided that with respect to any leased or warehouse location at which only Eligible Inventory is stored, the applicable component of the Rent and Charges Reserve shall not exceed the value attributed to such Eligible Inventory in the Borrowing Base.

Reportable Event - any of the events set forth in Section 4043(c) of ERISA.

Reserve Percentage - the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed on member banks of the Federal Reserve System against "Euro-currency Liabilities" as defined in Regulation D.

Reserves - such reserves as established by Agent from time to time, in its reasonable credit judgment, in such amounts, and with respect to such matters, as Agent shall deem necessary or appropriate in its discretion, against the amount of Revolving Credit Loans which Borrowers may otherwise request under subsection 2.1.1(a) or (b), as applicable, including without limitation with respect to (i) price adjustments, damages, unearned discounts, returned products or other matters for which credit memoranda are issued in the ordinary course of any Borrower's business; (ii) potential dilution related to Accounts; (iii) shrinkage, spoilage and obsolescence of any Borrower's Inventory, including, without limitation, Inventory within two months of its expiry date; (iv) slow moving Inventory (determined in accordance with clause (iii) of the definition of Eligible Inventory); (v) other sums chargeable against Borrowers' Loan Accounts as Revolving Credit Loans under any section of this Agreement; (vi) amounts owing by any Borrower to any Person to the extent secured by a Lien on, or trust over, any Property of Borrower; (vii) amounts owing by any Borrower in connection with Product Obligations; (viii) the Rent and Charges Reserves; (ix) unissued credit memoranda which, based on Borrowers' historical performance, are anticipated to be issued against current Accounts; (x) amounts owing to shareholders of Parent of the type described in subsections 9.2.7(v)(b) and 9.2.7(v)(c) hereof, and (xi) such other specific events, conditions or contingencies as to which Agent, in its discretion, determines reserves should be established from time to time hereunder. Notwithstanding the foregoing, Agents shall not establish any reserves in respect of any matters relating to any items of Collateral that have been taken into account in determining Eligible Inventory or Eligible Accounts, as applicable.

Restricted Investment - any investment made in cash or by delivery of Property to any Person, whether by acquisition of stock, Indebtedness or other obligation or Security, or by loan, advance or capital contribution, or otherwise, or in any Property except the following:

(i) investments by a Borrower, to the extent existing on the Closing Date, in one or more Subsidiaries of such Borrower;

(ii) Property to be used in the ordinary course of business;

(iii) Current Assets arising from the sale of goods and services in the ordinary course of business of any Borrower or any of its Subsidiaries;

(iv) investments in direct obligations of the United States of America, or any agency thereof or obligations guaranteed by the United States of America; provided that such obligations mature within one year from the date of acquisition thereof;

(v) investments in certificates of deposit maturing within one year from the date of acquisition and fully insured by the Federal Deposit Insurance Corporation;

(vi) investments in commercial paper given the highest rating by a national credit rating agency and maturing not more than 270 days from the date of creation thereof;

(vii) investments in money market, mutual or similar funds having assets in excess of \$100,000,000 and the investments of which are limited to investment grade securities;

(viii) intercompany loans permitted under subsection 9.2.2(v) of the Agreement;

(ix) investments existing on the date hereof and listed on Exhibit 9.2.12 hereto; and

(x) investments otherwise expressly permitted pursuant to the Agreement.

Revolving Credit Loan - a Loan made by any Lender pursuant to subsection 2.1.1 of the Agreement.

Revolving Credit Maximum Amount - \$35,000,000, as such amount may be reduced from time to time pursuant to the terms of the Agreement.

Revolving Loan Commitment - with respect to any Lender, the amount of such Lender's Revolving Loan Commitment pursuant to subsection 2.1.1 of the Agreement, as set forth below such Lender's name on the signature page hereof or any Assignment and Acceptance Agreement executed by such Lender.

Revolving Loan Percentage - with respect to each Lender, the percentage equal to the quotient of such Lender's Revolving Loan Commitment divided by the aggregate of all Revolving Loan Commitments.

Revolving Notes - the Secured Promissory Notes to be executed by Borrowers on or about the Closing Date in favor of each Lender to evidence the Revolving Credit Loans, which shall be in the form of Exhibit 2.1 to the Agreement, together with any replacement or successor notes therefor.

Security - all shares of stock, partnership interests, membership interests, membership units or other ownership interests in any other Person and all warrants, options or other rights to acquire the same.

Security Documents - the Guaranty Agreements, the Mortgages, the Patent Security Agreement, the Pledge Agreement, the Trademark Security Agreement and all other instruments and agreements now or at any time hereafter securing the whole or any part of the Obligations.

Solvent - as to any Person, that such Person (i) owns Property whose fair saleable value is greater than the amount required to pay all of such Person's Indebtedness (including contingent debts), (ii) is able to pay all of its Indebtedness as such Indebtedness matures and (iii) has capital sufficient to carry on its business and transactions and all business and transactions in which it is about to engage.

Stock Repurchase Agreement - the Stock Repurchase and Debt Satisfaction Agreement dated as of April 29, 2011 among Parent, Ryan A. Neely and Michelle Neely.

Subordinated Debt - Indebtedness of any Borrower or any Subsidiary of any Borrower that is subordinated to the Obligations in a manner satisfactory to Agent and contains terms, including without limitation, payment terms, satisfactory to Agent.

Subsidiary - any Person of which another Person owns, directly or indirectly through one or more intermediaries, more than 50% of the voting stock or other equities at the time of determination.

Swingline Loans - as defined in subsection 2.1.4 of the Agreement.

Term - as defined in Section 5.1 of the Agreement.

Trademark Security Agreement – any trademark collateral assignment pursuant to which any Borrower assigned to Agent, for the benefit of Lenders, such Person's interest in its trademarks as security for the Obligations.

Total Credit Facility - \$35,000,000, as reduced from time to time pursuant to the terms of the Agreement.

Type of Organization - with respect to any Person, the kind or type of entity by which such Person is organized, such as a corporation or limited liability company.

UCC - the Uniform Commercial Code as in effect in the State of Illinois on the date of this Agreement, as it may be amended or otherwise modified.

Unused Line Fee - as defined in Section 3.5 of the Agreement.

Voting Stock - Securities of any class or classes of a corporation, limited partnership or limited liability company or any other entity the holders of which are ordinarily, in the absence of contingencies, entitled to vote with respect to the election of corporate directors (or Persons performing similar functions).

1.2. Other Terms.

All other terms contained in the Agreement shall have, when the context so indicates, the meanings provided for by the UCC to the extent the same are used or defined therein.

1.3. Certain Matters of Construction.

The terms "herein", "hereof" and "hereunder" and other words of similar import refer to the Agreement as a whole and not to any particular section, paragraph or subdivision. Any pronoun used shall be deemed to cover all genders. The section titles, table of contents and list of exhibits appear as a matter of convenience only and shall not affect the interpretation of the Agreement. All references to statutes and related regulations shall include any amendments of same and any successor statutes and regulations. All references to any of the Loan Documents shall include any and all modifications thereto and any and all extensions or renewals thereof. Accounting terms not otherwise specifically defined herein shall be construed in accordance with GAAP consistently applied, and all financial reports, financial analysis, financial statements,

SECTION 2. CREDIT FACILITY

Subject to the terms and conditions of, and in reliance upon the representations and warranties made in, this Agreement and the other Loan Documents, Lenders agree to make a Total Credit Facility of up to \$35,000,000 available upon Borrowers' request therefor, as follows:

2.1. Loans.

2.1.1. Revolving Credit Loans. Each Lender agrees, severally and not jointly, to make Revolving Credit Loans to Borrowers from time to time during the period from the date hereof to but not including the last day of the Term, as requested by Borrower Representative, on its own behalf and on behalf of all other Borrowers in the manner set forth in subsection 4.1.1 hereof, up to a maximum principal amount at any time outstanding equal to the lesser of (i) such Lender's Revolving Loan Commitment minus the product of such Lender's Revolving Loan Percentage and the LC Amount minus the product of such Lender's Revolving Loan Percentage and Reserves, if any and (ii) the product of such Lender's Revolving Loan Percentage and an amount equal to the Borrowing Base at such time minus the LC Amount minus Reserves, if any.

2.1.2. Use of Proceeds. The Revolving Credit Loans shall be used solely for (i) the payment of a portion of the purchase price for the APO Transactions, plus transaction fees and expenses related thereto, (ii) the satisfaction of existing Indebtedness of Borrowers to Existing Lender, (iii) Borrowers' general operating capital needs in a manner consistent with the provisions of this Agreement and all applicable laws, and (iv) other purposes permitted under this Agreement.

2.1.3. Overadvances. Insofar as Borrower Representative, on its own behalf and on behalf of all other Borrowers, may request and Agent or Majority Lenders (as provided below) may be willing in their sole and absolute discretion to make Revolving Credit Loans to Borrowers at a time when the unpaid balance of Revolving Credit Loans plus the sum of the LC Amount plus the amount of LC Obligations that have not been reimbursed by Borrowers or funded with a Revolving Credit Loan, plus Reserves, exceeds, or would exceed with the making of any such Revolving Credit Loan, the Borrowing Base (and such Loan or Loans being herein referred to individually as an "Overadvance" and collectively, as "Overadvances"), Agent shall enter such Overadvances as debits in the Loan Account. All Overadvances shall be repaid on demand, shall be secured by the Collateral and shall bear interest as provided in this Agreement for Revolving Credit Loans generally. Any Overadvance made pursuant to the terms hereof shall be made by all Lenders ratably in accordance with their respective Revolving Loan Percentages. Overadvances in the aggregate amount of \$1,750,000 or less may be made in the sole and absolute discretion of Agent. Overadvances in an aggregate amount of more than \$1,750,000 shall require the consent of the Majority Lenders. The foregoing notwithstanding, in no event, unless otherwise consented to by all Lenders, (w) shall any Overadvances be outstanding for more than sixty (60) consecutive days, (x) after all outstanding Overadvances have been repaid, shall Agent or Lenders make any additional Overadvances unless sixty (60) days or more have expired since the last date on which any Overadvances were outstanding,

(y) shall Overadvances be outstanding on more than ninety (90) days within any one hundred eighty day (180) period or (z) shall Agent make Revolving Credit Loans on behalf of Lenders under this subsection 2.1.2 to the extent such Revolving Credit Loans would cause a Lender's share of the Revolving Credit Loans to exceed such Lender's Revolving Loan Commitment minus such Lender's Revolving Loan Percentage of the LC Amount.

2.1.4. Swingline Loans. In order to reduce the frequency of transfers of funds from Lenders to Agent for making Revolving Credit Loans and for so long as no Default or Event of Default exists, Agent shall be permitted (but not required) to make Revolving Credit Loans to Borrowers upon request by Borrowers (such Revolving Credit Loans to be designated as "Swingline Loans") provided that the aggregate amount of Swingline Loans outstanding at any time will not (i) exceed \$3,500,000; (ii) when added to the principal amount of Agent's other Revolving Credit Loans then outstanding plus Agent's Revolving Loan Percentage of the LC Amount, exceed Agent's Revolving Credit Commitment; or (iii) when added to the principal amount of all other Revolving Credit Loans then outstanding plus the LC Amount, exceed the Borrowing Base minus Reserves. Within the foregoing limits, Borrowers may borrow, repay and reborrow Swingline Loans. All Swingline Loans shall be treated as Revolving Credit Loans for purposes of this Agreement, except that (a) all Swingline Loans shall be Base Rate Revolving Loans and (b) notwithstanding anything herein to the contrary (other than as set forth in the next succeeding sentence), all principal and interest paid with respect to Swingline Loans shall be for the sole account of Agent in its capacity as the lender of Swingline Loans. Notwithstanding the foregoing, not more than 2 Business Days after (1) Lenders receive notice from Agent that a Swingline Loan has been advanced in respect of a drawing under a Letter of Credit or LC Guaranty or (2) in any other circumstance, demand is made by Agent during the continuance of an Event of Default, each Lender shall irrevocably and unconditionally purchase and receive from Agent, without recourse or warranty from Agent, an undivided interest and participation in each Swingline Loan to the extent of such Lender's Revolving Loan Percentage thereof, by paying to Agent, in same day funds, an amount equal to such Lender's Revolving Loan Percentage of such Swingline Loan.

2.1.5. Agent Loans. Upon the occurrence and during the continuance of an Event of Default, Agent, in its sole discretion, may make Revolving Credit Loans on behalf of Lenders, in an aggregate amount not to exceed, when aggregated with the amount of all existing Overadvances, \$1,750,000, if Agent, in its reasonable business judgment, deems that such Revolving Credit Loans are necessary or desirable (i) to protect all or any portion of the Collateral, (ii) to enhance the likelihood, or maximize the amount of, repayment of the Loans and the other Obligations, or (iii) to pay any other amount chargeable to Borrowers pursuant to this Agreement, including without limitation costs, fees and expenses as described in Sections 3.8 and 3.9 (hereinafter, "Agent Loans"); provided, that in no event shall (a) the maximum principal amount of the Revolving Credit Loans exceed the aggregate Revolving Loan Commitments and (b) Majority Lenders may at any time revoke Agent's authorization to make Agent Loans. Any such revocation must be in writing and shall become effective prospectively upon Agent's receipt thereof. Each Lender shall be obligated to advance its Revolving Loan Percentage of each Agent Loan. If Agent Loans are made pursuant to the preceding sentence, then (a) the Borrowing Base shall be deemed increased by the amount of such permitted Agent Loans, but only for so long as Agent allows such Agent Loans to be outstanding, and (b) all Lenders that have committed to make Revolving Credit Loans shall be bound to make, or permit to remain outstanding, such

2.1.6. Revolver Increase Amount.

(a) The Borrower Representative may request in writing that the then effective Revolving Credit Maximum Amount be increased by an amount up to \$10,000,000 (the “Revolver Increase Amount”). Such notice shall set forth the Revolver Increase Amount being requested (which increase shall be in minimum increments of \$1,000,000 and a minimum amount of \$5,000,000). Upon satisfaction of all of the following conditions after the making of such request and the consent of Agent (which consent shall not be unreasonably withheld and without the consent of any other Lender), the Revolving Credit Maximum Amount shall be increased by the Revolver Increase Amount: (A) no Event of Default shall have occurred and be continuing or shall occur as a result of such increase in the Revolving Credit Maximum Amount, in each case as of the time of the making of such request by the Borrower Representative for such increase through and including the date, if any, that such Credit has been so increased, (B) no Material Adverse Effect shall have occurred as of the time of the making of such request by the Borrower Representative for such increase through and including the date, if any, that the Revolving Credit Maximum Amount has been so increased, (C) each Borrower and each Guarantor shall execute and deliver such documents and instruments and take such other actions (including, without limitation, issuing new Revolving Notes) as may be reasonably requested by Agent in connection with such increase, (D) either existing Lenders or other banks, financial institutions or investment funds shall have agreed to provide the Revolver Increase Amount, in each case in accordance with clause (b) below, and (E) the Borrower Representative shall have delivered a certificate, in form and substance satisfactory to Agent, indicating that all of the conditions to such increase set forth in this clause (a) have been satisfied.

(b) Participation in the Revolver Increase Amount shall be offered first to each of the existing Lenders, but no Lender shall have any obligation whatsoever to provide all or any portion of such Revolver Increase Amount. Each of the existing Lenders shall have fifteen (15) Business Days following receipt of a request for the Revolver Increase Amount from the Borrower Representative to notify the Borrower Representative and Agent of such Lender’s commitment to provide a Revolving Loan Commitment or increase its Revolving Loan Commitment, as applicable. In the event that the applicable Borrowers have not received commitments from the existing applicable Lenders in an amount equal to the requested Revolving Increase Amount within such fifteen (15) Business Day period, then the Borrowers may invite other banks, financial institutions and investment funds reasonably acceptable to Agent to be joined as parties to this Agreement as Lenders hereunder with respect to the portion of Revolver Increase Amount not taken within such fifteen (15) Business Day period by existing Lenders, provided, that, such other banks, financial institutions and investment funds shall enter into such joinder agreements to give effect thereto as Agent and the Borrowers may reasonably request.

2.2. Letters of Credit; LC Guaranties.

Agent agrees, and if requested by Borrower Representative, on its own behalf and on behalf of all other Borrowers, to (i) issue its, or cause to be issued by Bank or another Affiliate of Agent, on the date requested by Borrower Representative, on its own behalf and on behalf of all

other Borrowers, Letters of Credit for the account of Borrowers or (ii) execute LC Guaranties by which Agent, Bank, or another Affiliate of Agent, on the date requested by Borrower Representative, on its own behalf and on behalf of all other Borrowers, shall guaranty the payment or performance by Borrowers of their reimbursement obligations with respect to letters of credit; provided that the LC Amount shall not exceed \$5,000,000 at any time. No Letter of Credit or LC Guaranty may have an expiration date after the date which is 30 days prior to the last day of the Term unless the Letter of Credit or LC Guaranty is cash collateralized in accordance with subsection 5.2.2. Notwithstanding anything to the contrary contained herein, Borrowers, Agent and Lenders hereby agree that all LC Obligations and all obligations of Borrowers relating thereto shall be satisfied by the prompt issuance of one or more Revolving Credit Loans that are Base Rate Revolving Loans, which Borrowers hereby acknowledge are requested and Lenders hereby agree to fund. In the event that Revolving Credit Loans are not, for any reason, promptly made to satisfy all then existing LC Obligations, each Lender hereby agrees to pay to Agent, on demand, an amount equal to such LC Obligations multiplied by such Lender's Revolving Loan Percentage, and until so paid, such amount shall be secured by the Collateral and shall bear interest and be payable at the same rate and in the same manner as Base Rate Revolving Loans. Immediately upon the issuance of a Letter of Credit or an LC Guaranty under this Agreement, each Lender shall be deemed to have irrevocably and unconditionally purchased and received from Agent, without recourse or warranty, an undivided interest and participation therein equal to such LC Obligations multiplied by such Lender's Revolving Loan Percentage. At any time a Defaulting Lender exists, Borrowers shall be required to cash collateralize the portion of such Defaulting Lender's Revolving Loan Percentage of each Letter of Credit and LC Guaranty in accordance with subsection 5.2.2.

SECTION 3. INTEREST, FEES AND CHARGES

3.1. Interest.

3.1.1. Rates of Interest. Interest shall accrue on the principal amount of the Base Rate Loans outstanding at the end of each day at a fluctuating rate per annum equal to the Applicable Margin then in effect plus the Base Rate. Said rate of interest shall increase or decrease by an amount equal to any increase or decrease in the Base Rate, effective as of the opening of business on the day that any such change in the Base Rate occurs. If Borrower Representative, on its own behalf and on behalf of all other Borrowers, exercises the LIBOR Option as provided in Section 4.1, interest shall accrue on the principal amount of the LIBOR Loans outstanding at the end of each day at a rate per annum equal to the Applicable Margin then in effect plus the LIBOR Lending Rate applicable to each LIBOR Loans for the corresponding Interest Period.

3.1.2. Default Rate of Interest. At the option of Agent, upon and after the occurrence of an Event of Default, and during the continuation thereof, all Obligations shall bear interest or earn fees at a rate per annum equal to 2.0% plus the interest rate otherwise applicable thereto (the "Default Rate").

3.1.3. Maximum Interest. In no event whatsoever shall the aggregate of all amounts deemed interest hereunder or under the Notes and charged or collected pursuant to the terms of this Agreement or pursuant to the Notes exceed the highest rate permissible under any law which a court of competent jurisdiction shall, in a final determination, deem applicable

hereto (the “Maximum Rate”). If any provisions of this Agreement or the Notes are in contravention of any such law, such provisions shall be deemed amended to conform thereto. If at any time, the amount of interest paid hereunder is limited by the Maximum Rate, and the amount at which interest accrues hereunder is subsequently below the Maximum Rate, the rate at which interest accrues hereunder shall remain at the Maximum Rate, until such time as the aggregate interest paid hereunder equals the amount of interest that would have been paid had the Maximum Rate not applied.

3.2. Computation of Interest and Fees.

Interest, Letter of Credit and LC Guaranty fees and Unused Line Fees hereunder shall be calculated daily and shall be computed on the actual number of days elapsed over a year of 360 days. For the purpose of computing interest hereunder, all items of payment received by Agent shall be deemed applied by Agent on account of the Obligations (subject to final payment of such items) on the one (1) Business Day after receipt by Agent of such items in Agent’s account located in Chicago, Illinois.

3.3. Fee Letter.

Borrowers shall pay to Agent certain fees and other amounts in accordance with the terms of the fee letter between Borrowers and Agent (the “Fee Letter”).

3.4. Letter of Credit and LC Guaranty Fees.

Borrowers shall pay to Agent:

(i) for Letters of Credit and LC Guaranties of letters of credit, for the ratable benefit of Lenders a per annum fee equal to the Applicable Margin then in effect for LIBOR Revolving Loans of the aggregate undrawn available amount of such Letters of Credit and LC Guaranties outstanding from time to time during the term of this Agreement, plus, for the benefit of Bank, all normal and customary charges associated with the issuance, processing and administration thereof, which fees and charges shall be due and payable monthly in arrears on the first Business Day of each month or as advised by Agent or Bank and shall not be subject to rebate or proration upon the termination of this Agreement for any reason; and

(ii) with respect to all Letters of Credit and LC Guaranties, for the account of Agent only, a per annum fronting fee equal to 0.125% of the aggregate face amount of such Letters of Credit and LC Guaranties outstanding from time to time during the term of this Agreement, which fronting fees shall be payable on the issuance of each such Letter of Credit or LC Guaranty and each renewal thereof and shall not be subject to rebate or proration upon the termination of this Agreement for any reason.

3.5. Unused Line Fee.

Borrowers shall pay to Agent, for the ratable benefit of Lenders, a fee (the “Unused Line Fee”) equal to the Applicable Margin per annum multiplied by the average daily amount by which Revolving Credit Maximum Amount exceeds the sum of (i) the outstanding principal

balance of the Revolving Credit Loans plus (ii) the LC Amount. The Unused Line Fee shall be payable monthly in arrears on the first day of each month hereafter.

3.6. [Intentionally Omitted].

3.7. Audit Fees.

Borrowers shall pay to Agent audit fees in accordance with Agent's current schedule of fees in effect from time to time in connection with audits of the books and records and Properties of Borrowers and their Subsidiaries and such other matters as Agent shall deem appropriate in its sole judgment, plus all out-of-pocket expenses incurred by Agent in connection with such audits; provided, that so long as no Event of Default has occurred and is continuing, Borrowers shall not be liable for such audit fees incurred in connection with more than two (2) such audits during any fiscal year, whether such audits are conducted by employees of Agent or by third parties hired by Agent. Such audit fees and out-of-pocket expenses shall be payable five (5) Business Days (on demand if an Event of Default has occurred and is continuing) following the date of issuance by Agent of a request for payment thereof (together with reasonable supporting detail) to Borrowers. Agent may, in its discretion, provide for the payment of such amounts by making appropriate Revolving Credit Loans to Borrowers and charging Borrowers' Loan Account therefor.

3.8. Reimbursement of Expenses.

If, at any time or times regardless of whether or not an Event of Default then exists, (i) Agent incurs reasonable legal or accounting expenses, expenses related to background checks or any other reasonable costs or out-of-pocket expenses in connection with (1) the negotiation and preparation of this Agreement or any of the other Loan Documents, any amendment of or modification of this Agreement or any of the other Loan Documents, or (2) the administration of this Agreement or any of the other Loan Documents and the transactions contemplated hereby and thereby; or (ii) Agent or any Lender incurs legal or accounting expenses, expenses related to background checks or any other costs or out-of-pocket expenses in connection with (1) any litigation, contest, dispute, suit, proceeding or action (whether instituted by Agent, any Lender, any Borrower or any other Person) relating to the Collateral, this Agreement or any of the other Loan Documents or any Borrower's, any of its Subsidiaries' or any Guarantor's affairs; (2) any attempt to enforce any rights of Agent or any Lender against any Borrower or any other Person which may be obligated to Agent or any Lender by virtue of this Agreement or any of the other Loan Documents, including, without limitation, the Account Debtors; or (3) any attempt to inspect, verify, protect, preserve, restore, collect, sell, liquidate or otherwise dispose of or realize upon the Collateral (subject to Section 3.7 hereof); then all such legal and accounting expenses, other costs and out of pocket expenses of Agent or any Lender, as applicable, shall be charged to Borrowers; provided, that Borrowers shall not be responsible for such costs and out-of-pocket expenses to the extent incurred because of the gross negligence or willful misconduct of Agent or any Lender. All amounts chargeable to Borrowers under this Section 3.8 shall be Obligations secured by all of the Collateral, shall be payable on demand to Agent or such Lender, as the case may be, and shall bear interest from the date such demand is made until paid in full at the rate applicable to Base Rate Revolving Loans from time to time. Borrowers shall also reimburse Agent for expenses incurred by Agent in its administration of the Collateral to the extent and in the manner provided in Sections 3.9 and 3.10 hereof.

3.9. Bank Charges.

Borrowers shall pay to Agent, on demand, any and all invoiced or otherwise documented fees, costs or expenses which Agent or any Lender pays to a bank or other similar institution arising out of or in connection with (i) the forwarding to any Borrower or any other Person on behalf of any Borrower, by Agent or any Lender, of proceeds of Loans made to Borrowers pursuant to this Agreement and (ii) the depositing for collection by Agent or any Lender of any check or item of payment received or delivered to Agent or any Lender on account of the Obligations.

3.10. Collateral Protection Expenses; Appraisals.

All out-of-pocket expenses incurred in protecting, storing, warehousing, insuring, handling, maintaining and shipping the Collateral, and any and all excise, property, sales, and use taxes imposed by any state, federal, or local authority on any of the Collateral or in respect of the sale thereof shall be borne and paid by Borrowers. If Borrowers fail to promptly pay any portion thereof when due, Agent may, at its option, but shall not be required to, pay the same and charge Borrowers therefor. Additionally, from time to time, Agent may, at Borrowers' expense, obtain appraisals from appraisers (who may be personnel of Agent), stating the then current fair market value or orderly liquidation value of all or any portion of the real estate or personal property of any Borrower or any of its Subsidiaries, including without limitation the Inventory of any Borrower and its Subsidiaries, using methodology applied consistently over time; provided, that so long as no Event of Default has occurred and is continuing, Borrowers shall not be liable for expenses incurred in connection with more than one 1 such appraisal during any fiscal year.

3.11. Payment of Charges.

All amounts chargeable to Borrowers under this Agreement shall be Obligations secured by all of the Collateral, shall be, unless specifically otherwise provided, payable on demand and shall bear interest from the date demand was made or such amount is due, as applicable, until paid in full at the rate applicable to Base Rate Revolving Loans from time to time.

3.12. No Deductions.

Any and all payments or reimbursements made hereunder shall be made free and clear of and without deduction for any and all taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto; excluding, however, the following: taxes imposed on the income of Agent or any Lender or franchise taxes by the jurisdiction under the laws of which Agent or any Lender is organized or doing business or any political subdivision thereof and taxes imposed on its income by the jurisdiction of Agent's or such Lender's applicable lending office or any political subdivision thereof or franchise taxes (all such taxes, levies, imposts, deductions, charges or withholdings and all liabilities with respect thereto excluding such taxes imposed on net income, herein "Tax Liabilities"). If any Borrower shall be required by law to deduct any such Tax Liabilities from or in respect of any sum payable hereunder to Agent or any Lender, then the sum payable hereunder shall be increased as may be necessary so that, after all required deductions are made, Agent or such Lender receives an amount equal to the sum it would have received had no such deductions been made.

3.13. Defaulting Lender.

Agent may (but shall not be required to), in its discretion, retain payments or other funds received by Agent that are to be provided to a Defaulting Lender hereunder, and may apply such funds to such Lender's defaulted obligations or readvance the funds to Borrowers in accordance with this Agreement.

SECTION 4. LOAN ADMINISTRATION

4.1. Manner of Borrowing Revolving Credit Loans/LIBOR Option.

Borrowings under the credit facility established pursuant to Section 1 hereof shall be as follows:

4.1.1. Loan Requests. A request for a Revolving Credit Loan shall be made, or shall be deemed to be made, in the following manner: (a) Borrower Representative, on its own behalf and on behalf of all other Borrowers, may give Agent notice of its intention to borrow, in which notice Borrower Representative shall specify the amount of the proposed borrowing of a Revolving Credit Loan and the proposed borrowing date, which shall be a Business Day, no later than 12:00 noon (Chicago time) on the proposed borrowing date (or in accordance with subsection 4.1.7, 4.1.8 or 4.1.9, as applicable, in the case of a request for a LIBOR Loan), provided, however, that no Lender shall be required to make a Revolving Credit Loan at any time when a Default or an Event of Default exists; and (b) the becoming due of any amount required to be paid under this Agreement, or the Notes, whether as interest or for any other Obligation, shall be deemed irrevocably to be a request for a Revolving Credit Loan on the due date in the amount required to pay such interest or other Obligation.

4.1.2. Disbursement. Borrowers hereby irrevocably authorize Agent to disburse the proceeds of each Loan requested, or deemed to be requested, pursuant to subsection 4.1.1 as follows: (i) the proceeds of each Revolving Credit Loan requested under subsection 4.1.1 shall be disbursed by Agent in lawful money of the United States of America in immediately available funds, in the case of the initial borrowing, in accordance with the terms of the written disbursement letter from Borrower Representative, on its own behalf and on behalf of all other Borrowers, and in the case of each subsequent borrowing, by wire transfer to such bank account as may be agreed upon by Borrowers and Agent from time to time or elsewhere if pursuant to a written direction from Borrowers; and (ii) the proceeds of each Revolving Credit Loan deemed requested under subsection 4.1.1 shall be disbursed by Agent by way of direct payment of the relevant interest or other Obligation. If at any time any Loan is funded by Agent or Lenders in excess of the amount requested or deemed requested by Borrowers, Borrowers agree to repay the excess to Agent immediately upon the earlier to occur of (a) any Borrower's discovery of the error and (b) notice thereof to Borrowers from Agent or any Lender.

4.1.3. Payment by Lenders. Agent shall give to each Lender prompt written notice by facsimile, telex or cable of the receipt by Agent from Borrower Representative of any request for a Revolving Credit Loan. Each such notice shall specify the requested date and amount of such Revolving Credit Loan, whether such Revolving Credit Loan shall be subject to the LIBOR Option, and the amount of each Lender's advance thereunder (in accordance with its applicable Revolving Loan Percentage). Each Lender shall, not later than 12:00 p.m. (Chicago

time) on such requested date, wire to a bank designated by Agent the amount of that Lender's Revolving Loan Percentage of the requested Revolving Credit Loan. The failure of any Lender to make the Revolving Credit Loans to be made by it shall not release any other Lender of its obligations hereunder to make its Revolving Credit Loan. Neither Agent nor any other Lender shall be responsible for the failure of any other Lender to make the Revolving Credit Loan to be made by such other Lender. The foregoing notwithstanding, Agent, in its sole discretion, may from its own funds make a Revolving Credit Loan on behalf of any Lender. In such event, the Lender on behalf of whom Agent made the Revolving Credit Loan shall reimburse Agent for the amount of such Revolving Credit Loan made on its behalf, on a weekly (or more frequent, as determined by Agent in its sole discretion) basis. On each such settlement date, Agent will pay to each Lender the net amount owing to such Lender in connection with such settlement, including without limitation amounts relating to Loans, fees, interest and other amounts payable hereunder. The entire amount of interest attributable to such Revolving Credit Loan for the period from the date on which such Revolving Credit Loan was made by Agent on such Lender's behalf until Agent is reimbursed by such Lender, shall be paid to Agent for its own account.

4.1.4. Authorization. Borrowers hereby irrevocably authorize Agent, in Agent's sole discretion, to advance to Borrowers, and to charge to Borrowers' Loan Account hereunder as a Revolving Credit Loan (which shall be a Base Rate Revolving Loan), a sum sufficient to pay all interest accrued on the Obligations when due and to pay all fees, costs and expenses and other Obligations at any time owed by any Borrower to Agent or any Lender hereunder.

4.1.5. Letter of Credit and LC Guaranty Requests. A request for a Letter of Credit or LC Guaranty shall be made in the following manner: Borrower Representative, on its own behalf and on behalf of all other Borrowers, may give Agent and Bank a written notice of its request for the issuance of a Letter of Credit or LC Guaranty, not later than 12:00 noon (Chicago, Illinois time), one Business Day before the proposed issuance date thereof, in which notice Borrower Representative shall specify the issuance date and format and wording for the Letter of Credit or LC Guaranty being requested (which shall be satisfactory to Agent and the Person being asked to issue such Letter of Credit or LC Guaranty); provided, that neither Agent nor Bank nor any Affiliate or Agent of Bank shall be required to issue a Letter of Credit or LC Guaranty at a time when a Default or Event of Default exists. Such request shall be accompanied by an executed application and reimbursement agreement in form and substance satisfactory to Agent and the Person being asked to issue the Letter of Credit or LC Guaranty, as well as any required resolutions and other documents.

4.1.6. Method of Making Requests. As an accommodation to Borrowers, unless a Default or an Event of Default is then in existence, (i) Agent shall permit telephonic or electronic requests for Revolving Credit Loans to Agent, (ii) Agent and Bank may, in their discretion, permit electronic transmittal of requests for Letters of Credit and LC Guaranties to them, and (iii) Agent may, in Agent's discretion, permit electronic transmittal of instructions, authorizations, agreements or reports to Agent. Unless Borrower Representative, on its own behalf and on behalf of all other Borrowers specifically directs Agent or Bank in writing not to accept or act upon telephonic or electronic communications from any Borrower, neither Agent nor Bank shall have any liability to Borrowers for any loss or damage suffered by any Borrower as a result of Agent's or Bank's honoring of any requests, execution of any instructions,

authorizations or agreements or reliance on any reports communicated to it telephonically or electronically and purporting to have been sent to Agent or Bank by any Borrower (except to the extent arising out of the gross negligence or willful misconduct of Agent or Bank), and neither Agent nor Bank shall have any duty to verify the origin of any such communication or the authority of the Person sending it. Each telephonic request for a Revolving Credit Loan, Letter of Credit or LC Guaranty accepted by Agent and Bank, if applicable, hereunder shall be promptly followed by a written confirmation of such request from Borrower Representative to Agent and Bank, if applicable.

4.1.7. LIBOR Loan Request. By delivering a borrowing request to Agent on or before 12:00 noon, Chicago time, on a Business Day, Borrower Representative, on its own behalf and on behalf of each other Borrower, may from time to time irrevocably request, on not less than three nor more than five Business Days' notice, that a LIBOR Loan be made in a minimum amount of \$500,000 and integral multiples of \$100,000, with an Interest Period of one, two and three and six months. On the terms and subject to the conditions of this Agreement, each LIBOR Loan shall be made available to Borrowers no later than 12:00 p.m. Chicago time on the first day of the applicable Interest Period by deposit to the account of the applicable Borrower as shall have been specified in its borrowing request. In no event shall Borrowers be permitted to have outstanding at any one time LIBOR Loans with more than eight (8) different Interest Periods.

4.1.8. Continuation and Conversion Elections. By delivering a continuation/ conversion notice to Agent on or before 12:00 noon, Chicago time, on a Business Day, Borrower Representative, on its own behalf and on behalf of each other Borrower, may from time to time irrevocably elect, on not less than three nor more than five Business Days' notice, that all, or any portion in an aggregate minimum amount of \$500,000 and integral multiples of \$100,000, of any LIBOR Loan be converted on the last day of an Interest Period into a LIBOR Loan with a different Interest Period, or continued on the last day of an Interest Period as a LIBOR Loan with a similar Interest Period, provided, however, that no portion of the outstanding principal amount of any LIBOR Loans may be converted to, or continued as, LIBOR Loans when any Default or Event of Default has occurred and is continuing. If any Default or Event of Default has occurred and is continuing (if Agent or Majority Lenders does or do not otherwise elect to exercise any right to accelerate the Loans it is granted hereunder), or in the absence of delivery of a continuation/conversion notice with respect to any LIBOR Loan at least three Business Days before the last day of the then current Interest Period with respect thereto, each maturing LIBOR Loan shall automatically be continued as a Base Rate Loan.

4.1.9. Voluntary Prepayment of LIBOR Loans. LIBOR Loans may be prepaid upon the terms and conditions set forth herein. For LIBOR Loans in connection with which Borrowers have or may incur Derivative Obligations, additional obligations may be associated with prepayment, in accordance with the terms and conditions of the applicable underlying agreements relating to said Derivative Obligations. Borrower Representative, on its own behalf and on behalf of each other Borrower, shall give Agent, no later than 10:00 a.m., Chicago time, at least two (2) Business Days notice of any proposed prepayment of any LIBOR Loan (excluding payments made at the end of an Interest Period with respect to such LIBOR Loan), specifying the proposed date of payment of such LIBOR Loan, and the principal amount to be paid. Each partial prepayment of the principal amount of LIBOR Loans shall be in an

integral multiple of \$500,000 and integral multiples of \$100,000 and accompanied by the payment of all charges outstanding on such LIBOR Loans and of all accrued interest on the principal repaid to the date of payment. The Borrowers hereby agree that upon demand by the Agent (which demand shall be accompanied by a statement setting forth the basis for the amount being claimed), the Borrowers will indemnify the Agent and any Lender against any net loss or expense that the Agent or such Lender may sustain or incur (including any net loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by the Bank to fund or maintain any LIBOR Loan), as reasonably determined by the Agent or such Lender, as a result of (a) any payment, prepayment or conversion of any LIBOR Loan of the Agent or such Lender on a date other than the last day of an Interest Period for such LIBOR Loan or (b) any failure of the Borrowers to borrow any LIBOR Loan on a date specified therefor in a notice of borrowing pursuant to this Agreement.

4.2. Payments.

The Obligations shall be payable as follows or as provided in any of the Loan Documents issued or made by Borrowers (provided that in the event of any conflict, the provisions of this Agreement shall control):

4.2.1. Principal. Principal on account of Revolving Credit Loans shall be payable by Borrowers to Agent for the ratable benefit of Lenders (i) pursuant to subsections 4.3.1 and 7.2.4, to the extent of said proceeds, subject to Borrowers' rights to reborrow such amounts in compliance with subsection 2.1.1 hereof; or (ii) immediately upon the earliest of (a) the occurrence of an Event of Default in consequence of which Agent or Majority Lenders elect to accelerate the maturity and payment of the Obligations, or (b) termination of this Agreement pursuant to Section 4 hereof; provided, however, that, if an Overadvance shall exist at any time, Borrowers shall, on demand, repay the Overadvance. Each payment (including principal prepayment) by Borrowers on account of principal of the Revolving Credit Loans shall be applied first to Base Rate Revolving Loans and then to LIBOR Revolving Loans.

4.2.2. Interest Provisions. Interest on the outstanding principal amount of any Loan shall be payable on each Interest Payment Date.

4.2.3. Costs, Fees and Charges. Costs, fees and charges payable pursuant to this Agreement shall be payable by Borrowers to Agent, as and when provided in Section 2 or Section 3 hereof, as applicable to Agent or a Lender, as applicable, or to any other Person designated by Agent or such Lender in writing.

4.2.4. Other Obligations. The balance of the Obligations requiring the payment of money, if any, shall be payable by Borrowers to Agent for distribution to Lenders, as appropriate, as and when provided in this Agreement, the Other Agreements or the Security Documents, or on demand, whichever is later.

4.2.5. LIBOR Loans. If the application of any payment made in accordance with the provisions of this Section 4.2 at a time when no Event of Default has occurred and is continuing would result in termination of a LIBOR Loan prior to the last day of the Interest Period for such LIBOR Loan, the amount of such prepayment shall not be applied to such LIBOR Loan, but will, at Borrowers' option, be held by Agent in a non-interest-bearing account

at Bank, which account is in the name of Agent and from which account only Agent can make any withdrawal, in each case to be applied as such amount would otherwise have been applied under this Section 4.2 at the earlier to occur of (i) the last day of the relevant Interest Period or (ii) the occurrence of a Default or an Event of Default.

4.3. Mandatory and Optional Prepayments.

4.3.1. Proceeds of Sale, Loss, Destruction or Condemnation of Collateral. Except as provided in subsections 7.4.2 and 9.2.9, if any Borrower or any of its Subsidiaries sells any of the Collateral or if any of the Collateral is lost or destroyed or taken by condemnation, Borrowers shall, unless otherwise agreed by Majority Lenders, pay to Agent for the ratable benefit of Lenders as and when received by any Borrower or such Subsidiary and as a mandatory prepayment of the Loans, as herein provided, a sum equal to the proceeds (including insurance payments but net of costs and taxes incurred in connection with such sale or event, and net of any prepayments of Indebtedness secured by Permitted Liens) received by Borrowers or such Subsidiary from such sale, loss, destruction or condemnation. To the extent that the Collateral sold, lost, destroyed or condemned consists of Equipment, real Property, Accounts or Inventory, or other Property the applicable prepayment shall be applied to repay outstanding principal of Revolving Credit Loans, but shall not permanently reduce the Revolving Loan Commitments. Notwithstanding the foregoing, if the proceeds of insurance (net of costs and taxes incurred) with respect to any loss or destruction of Equipment, Inventory or real Property (i) are less than \$500,000, unless an Event of Default is then in existence, Agent shall remit such proceeds to Borrowers for use in replacing or repairing the damaged Collateral or (ii) are equal to or greater than \$500,000 and Borrowers have requested that Agent agree to permit Borrowers or the applicable Subsidiary to repair or replace the damaged Collateral, such amounts shall be provisionally applied to reduce the outstanding principal balance of the Revolving Credit Loans until the earlier of Agent's decision with respect thereto or the expiration of 90 days from such request. If Agent agrees, in its reasonable judgment, to permit such repair or replacement under such clause (ii), such amount shall, unless an Event of Default is in existence, be remitted to Borrowers for use in replacing or repairing the damaged Collateral; if Agent declines to permit such repair or replacement or does not respond to Borrowers within such 90 day period, such amount shall be applied to the Loans in the manner specified in the second sentence of this subsection 4.3.1 until payment thereof in full, but shall not permanently reduce the Revolving Loan Commitments.

4.3.2. Proceeds from Issuance of Additional Indebtedness or Equity. If any Borrower issues any additional Indebtedness (other than Indebtedness permitted pursuant to subsection 9.2.3) or obtains any additional equity in a manner permitted under this Agreement, Borrowers shall pay to Agent for the ratable benefit of Lenders, when and as received by such Borrower and as a mandatory prepayment of the Obligations, a sum equal to 100% of the net proceeds to such Borrower of the issuance of such Indebtedness or equity. Any such prepayment shall be applied to the Loans in the manner specified in the second sentence of subsection 4.3.1 until payment thereof in full, but shall not permanently reduce the Revolving Loan Commitments.

4.3.3. Optional Reductions of Revolving Loan Commitments. Borrowers may, at their option from time to time but not more than once in any 12-month period upon not less than 3 Business Days' prior written notice to Agent, terminate in whole or permanently

reduce ratably in part, the unused portion of the Revolving Loan Commitments, provided, however, that (i) each such partial reduction shall be in an amount of \$2,000,000 or integral multiples of \$1,000,000 in excess thereof and (ii) the aggregate of all optional reductions to the Revolving Credit Commitments may not exceed \$5,000,000 during any 12-month period or \$10,000,000 during the Term. Except for charges under subsection 4.1.9 applicable to prepayments of LIBOR Revolving Loans, such prepayments shall be without premium or penalty.

4.4. Application of Payments and Collections.

4.4.1. Collections. All items of payment received by Agent by 1:00 p.m., Chicago time, on any Business Day shall be deemed received on that Business Day. All items of payment received after 1:00 p.m., Chicago time, on any Business Day shall, in Agent's discretion, be deemed received on the following Business Day (other than receipt by Agent, at its Chicago office, of cash by wire transfer which shall be deemed to be received on that Business Day). If as the result of collections of Accounts as authorized by subsection 7.2.4 hereof or otherwise, a credit balance exists in the Loan Account, such credit balance shall not accrue interest in favor of Borrowers but shall be disbursed to Borrowers or otherwise at Borrower Representative's direction in the manner set forth in subsection 4.1.2, upon Borrower Representative's request at any time, so long as no Default or Event of Default then exists. Agent may at its option, offset such credit balance against any of the Obligations upon and during the continuance of an Event of Default.

4.4.2. Apportionment, Application and Reversal of Payments. Principal and interest payments shall be apportioned ratably among Lenders (according to the unpaid principal balance of the Loans to which such payments relate held by each Lender). Prior to the occurrence of an Event of Default, all proceeds of Collateral shall be applied by Agent against the outstanding Obligations as otherwise provided in the Agreement. Anything contained herein or in any other Loan Document to the contrary notwithstanding, all payments and collections received in respect of the Obligations and all proceeds of the Collateral received, in each instance, by Agent or any Lender after the occurrence and during the continuance of an Event of Default and the resultant declaration that all Obligations are immediately due and payable shall be remitted to Agent and distributed as follows:

(i) first, to the payment of any outstanding costs and expenses incurred by Agent in monitoring, verifying, protecting, preserving or enforcing the Liens on the Collateral, and in protecting, preserving or enforcing rights under this Agreement or any of the other Loan Documents, and payable by Borrowers under this Agreement, including, without limitation, under Sections 3.7 and 13.2 hereof (such funds to be retained by Agent for its own account unless it has previously been reimbursed for such costs and expenses by Lenders, in which event such amounts shall be remitted to Lenders to reimburse them for payments theretofore made to Agent);

(ii) second, to the payment of any outstanding interest or fees due under the Loan Documents to be allocated pro rata in accordance with the aggregate unpaid amounts owing to each holder thereof;

(iii) third, to the payment of the principal balance of the Swingline Loans and Agent Loans;

(iv) fourth, to the payment of principal on the Revolving Credit Loans, unpaid reimbursement obligations in respect of Letters of Credit and LC Guaranties, together with amounts to be held by Agent as collateral security for any outstanding Letters of Credit and LC Guaranties pursuant to subsection 11.3.5 hereof, amounts owing with respect to Derivative Obligations, the aggregate amount paid to, or held as collateral security for, Lenders (and their Affiliates, as applicable in the case of Derivative Obligations) to be allocated pro rata in accordance with the aggregate unpaid amounts owing to each holder thereof;

(v) fifth, to the payment of all other unpaid Obligations (including, without limitation, Product Obligations, other than Derivative Obligations) and all other indebtedness, obligations, and liabilities of Borrowers and any other Guarantor secured by the Security Documents to be allocated pro rata in accordance with the aggregate unpaid amounts owing to each holder thereof; and

(vi) finally, to Borrowers or otherwise as required by law or court order.

Except as otherwise specifically provided for herein, Borrowers hereby irrevocably waive the right to direct the application of payments and collections at any time received by Agent or any Lender from or on behalf of Borrowers or any Guarantor, and Borrowers hereby irrevocably agree that Agent shall have the continuing exclusive right to apply and reapply any and all such payments and collections received at any time by Agent or any Lender against the Obligations in the manner described above. In the event that the amount of any Derivative Obligation is not fixed and determined at the time proceeds of Collateral are received which are to be allocated thereto, the proceeds of Collateral so allocated shall be held by Agent as collateral security (in a non-interest bearing account) until such Derivative Obligation is fixed and determined and then the same shall (if and when, and to the extent that, payment of such liability is required by the terms of the relevant contractual arrangements) be applied to such liability.

4.5. All Loans to Constitute One Obligation.

The Loans and LC Guarantees shall constitute one general Obligation of Borrowers and shall be secured by Agent's Lien upon all of the Collateral.

4.6. Loan Account.

Agent shall enter all Loans as debits to a loan account (the "Loan Account") and shall also record in the Loan Account all payments made by Borrowers on any Obligations and all proceeds of Collateral which are finally paid to Agent, and may record therein, in accordance with customary accounting practice, other debits and credits, including interest and all charges and expenses properly chargeable to Borrowers.

4.7. Statements of Account.

Agent will account to Borrower Representative monthly with a statement of Loans, charges and payments made pursuant to this Agreement during the immediately preceding month, and such account rendered by Agent shall be deemed final, binding and conclusive upon Borrowers absent demonstrable error unless Agent is notified by Borrowers in writing to the contrary within 30 days of the date each accounting is received by Borrowers. Such notice shall be deemed an objection only to those items specifically objected to therein.

4.8. Increased Costs.

If on or after the date hereof the adoption of any applicable law, rule or regulation or guideline (whether or not having the force of law), or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by Agent or any Lender with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

(a) shall subject Agent or any Lender to any tax, duty or other charge with respect to its LIBOR Loans or its obligation to make LIBOR Loans, or shall change the basis of taxation of payments to Agent or any Lender of the principal of or interest on its LIBOR Loans or any other amounts due under this agreement in respect of its LIBOR Loans or its obligation to make LIBOR Loans (except for the introduction of, or change in the rate of, tax on the overall net income of Agent or any Lender or franchise taxes, imposed by the jurisdiction (or any political subdivision or taxing authority thereof) under the laws of which Agent or any Lender is organized or in which Agent's or such Lender's principal executive office is located); or

(b) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System of the United States) against assets of, deposits with or for the account of, or credit extended by, Agent or any Lender or shall impose on Agent or any Lender or on the London interbank market any other condition affecting its LIBOR Loans or its obligation to make LIBOR Loans;

and the result of any of the foregoing is to increase the cost to Agent or any Lender of making or maintaining any LIBOR Loan, or to reduce the amount of any sum received or receivable by Agent or any Lender under this Agreement with respect thereto, by an amount deemed by Agent or any Lender to be material, then, within 15 days after demand by Agent or such Lender, which shall contain a reasonably detailed calculation of such increased costs or reductions, Borrowers shall pay to Agent, for its own account or the account of the applicable Lender, such additional amount or amounts as will compensate Agent or such Lender for such increased cost or reduction; provided that the Borrowers shall not be required to compensate Agent or any Lender pursuant to this Section for any increased costs or reductions incurred more than 180 days prior to the date that Agent or such Lender, as the case may be, notifies the Borrowers of the applicable change giving rise to such increased costs or reductions and of Agent's or such Lender's intention to claim compensation therefor; provided further that, if the applicable change

giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof.

4.9. Basis for Determining Interest Rate Inadequate.

In the event that Agent or any Lender shall have determined that:

- (i) reasonable means do not exist for ascertaining the LIBOR for any Interest Period; or
- (ii) dollar deposits in the relevant amount and for the relevant maturity are not available in the London interbank market with respect to a proposed LIBOR Loan, or a proposed conversion of a Base Rate Loan into a LIBOR Loan; then

Agent or such Lender shall give Borrowers prompt written, telephonic or electronic notice of the determination of such effect. If such notice is given, (i) any such requested LIBOR Loan shall be made as a Base Rate Loan, unless Borrower Representative, on its own behalf and on behalf of all other Borrowers, shall notify Agent no later than 10:00 a.m. (Chicago, Illinois time) three (3) Business Days' prior to the date of such proposed borrowing that the request for such borrowing shall be canceled or made as an unaffected type of LIBOR Loan, and (ii) any Base Rate Loan which was to have been converted to an affected type of LIBOR Loan shall be continued as or converted into a Base Rate Loan, or, if Borrowers shall notify Agent, no later than 10:00 a.m. (Chicago, Illinois time) three (3) Business Days prior to the proposed conversion, shall be maintained as an unaffected type of LIBOR Loan.

4.10. Sharing of Payments, Etc.

If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of setoff, or otherwise) on account of any Loan made by it in excess of its ratable share of payments on account of Loans made by all Lenders, such Lender shall forthwith purchase from each other Lender such participation in such Loan as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each other Lender; provided, that, if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lenders the purchase price to the extent of such recovery, together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. Borrowers agree that any Lender so purchasing a participation from another Lender pursuant to this Section 4.10 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of setoff) with respect to such participation as fully as if such Lender were the direct creditor of Borrowers in the amount of such participation. Notwithstanding anything to the contrary contained herein, all purchases and repayments to be made under this Section 4.10 shall be made through Agent.

SECTION 5. TERM AND TERMINATION

5.1. Term of Agreement.

Subject to the right of Lenders to cease making Loans to Borrowers during the continuance of any Default or Event of Default, this Agreement shall be in effect for a period of three years from the date hereof, through and including April 29, 2014 (the "Term"), unless terminated as provided in Section 5.2 hereof.

5.2. Termination.

5.2.1. Termination by Lenders. Agent may, and at the direction of Majority Lenders shall, terminate this Agreement without notice upon or after the occurrence and during the continuance of an Event of Default.

5.2.2. Termination by Borrowers. Upon at least 10 Business Days' prior written notice to Agent and Lenders, Borrowers may, at their option, terminate this Agreement; provided, however, that no such termination shall be effective until Borrowers have paid or collateralized to Agent's satisfaction all of the Obligations in immediately available funds, all Letters of Credit and LC Guaranties have expired, terminated or have been cash collateralized to Agent's satisfaction in an amount equal to 105% of the aggregate undrawn face amounts of such Letters of Credit and LC Guaranties (without duplication) and Borrowers have complied with subsection 4.2.5. Any notice of termination given by Borrowers shall be irrevocable unless all Lenders otherwise agree in writing and no Lender shall have any obligation to make any Loans or issue or procure any Letters of Credit or LC Guaranties on or after the termination date stated in such notice. Borrowers may elect to terminate this Agreement in its entirety only. No section of this Agreement or type of Loan available hereunder may be terminated singly.

5.2.3. Effect of Termination. All of the Obligations shall be immediately due and payable upon the termination date stated in any notice of termination of this Agreement. All undertakings, agreements, covenants, warranties and representations of Borrowers contained in the Loan Documents shall survive any such termination and Agent shall retain its Liens in the Collateral and Agent and each Lender shall retain all of its rights and remedies under the Loan Documents notwithstanding such termination until all Obligations have been discharged or paid, in full, in immediately available funds, including, without limitation, all Obligations under subsection 4.2.5 resulting from such termination. Notwithstanding the foregoing or the payment in full of the Obligations, Agent shall not be required to terminate its Liens in the Collateral unless, with respect to any loss or damage Agent may incur as a result of dishonored checks or other items of payment received by Agent from any Borrower or any Account Debtor and applied to the Obligations, Agent shall either (i) have received a written agreement satisfactory to Agent, executed by any Borrower and by any Person whose loans or other advances to Borrowers are used in whole or in part to satisfy the Obligations, indemnifying Agent and each Lender from any such loss or damage or (ii) have retained cash Collateral or other Collateral for such period of time as Agent, in its reasonable credit judgment, may deem necessary to protect Agent and each Lender from any such loss or damage.

SECTION 6. SECURITY INTERESTS

6.1. Security Interest in Collateral.

To secure the prompt payment and performance to Agent and each Lender of the Obligations, each Borrower hereby grants to Agent for the benefit of itself and each Lender a continuing Lien upon all of such Borrower's assets, including all of the following Property and interests in Property of such Borrower, whether now owned or existing or hereafter created, acquired or arising and wheresoever located:

- (i) Accounts;
- (ii) Certificated Securities;
- (iii) Chattel Paper;
- (iv) Computer Hardware and Software and all rights with respect thereto, including any and all licenses, options, warranties, service contracts, program services, test rights, maintenance rights, support rights, improvement rights, renewal rights and indemnifications, and any substitutions, replacements, additions or model conversions of any of the foregoing;
- (v) Contract Rights;
- (vi) Deposit Accounts;
- (vii) Documents;
- (viii) Equipment;
- (ix) Financial Assets;
- (x) Fixtures;
- (xi) General Intangibles, including Payment Intangibles and Software;
- (xii) Goods (including all of its Equipment, Fixtures and Inventory), and all accessions, additions, attachments, improvements, substitutions and replacements thereto and therefor;
- (xiii) Instruments;
- (xiv) Intellectual Property;
- (xv) Inventory;
- (xvi) Investment Property;
- (xvii) money (of every jurisdiction whatsoever);

- (xviii) Letter of Credit Rights;
- (xix) Payment Intangibles;
- (xx) Security Entitlements;
- (xxi) Software;
- (xxii) Supporting Obligations;
- (xxiii) Uncertificated Securities; and
- (xxiv) to the extent not included in the foregoing, all other personal property of any kind or description;

together with all books, records, writings, databases, information and other property relating to, used or useful in connection with, or evidencing, embodying, incorporating or referring to any of the foregoing, and all Proceeds, products, offspring, rents, issues, profits and returns of and from any of the foregoing; provided that, to the extent that the provisions of any lease or license of Computer Hardware and Software or Intellectual Property expressly prohibit (which prohibition is enforceable under applicable law) any assignment thereof, and the grant of a security interest therein, Agent will not enforce its security interest in such Borrower's rights under such lease or license (other than in respect of the Proceeds thereof) for so long as such prohibition continues, it being understood that upon request of Agent, such Borrower will in good faith use reasonable efforts to obtain consent for the creation of a security interest in favor of Agent (and to Agent's enforcement of such security interest) in Agent's rights under such lease or license.

6.2. Other Collateral.

6.2.1. Commercial Tort Claims. Borrowers shall promptly notify Agent in writing upon any Borrower incurring or otherwise obtaining a Commercial Tort Claim after the Closing Date against any third party and, upon request of Agent, promptly enter into an amendment to this Agreement and do such other acts or things deemed appropriate by Agent to give Agent a security interest in any such Commercial Tort Claim. Borrowers represent and warrant that as of the date of this Agreement, to their knowledge, no Borrower possesses any Commercial Tort Claims.

6.2.2. Other Collateral. Borrowers shall promptly notify Agent in writing upon acquiring or otherwise obtaining any Collateral after the date hereof consisting of Deposit Accounts, Investment Property, Letter of Credit Rights or Electronic Chattel Paper and, upon the request of Agent, promptly execute such other documents, and do such other acts or things deemed appropriate by Agent to deliver to Agent control with respect to such Collateral; promptly notify Agent in writing upon acquiring or otherwise obtaining any Collateral after the date hereof consisting of Documents or Instruments and, upon the request of Agent, will promptly execute such other documents, and do such other acts or things deemed appropriate by Agent to deliver to Agent possession of such Documents which are negotiable and Instruments, and, with respect to nonnegotiable Documents, to have such nonnegotiable Documents issued in the name of Agent; and with respect to Collateral in the possession of a third party, other than

Certificated Securities and Goods covered by a Document, obtain an acknowledgment from the third party that it is holding the Collateral for the benefit of Agent.

6.2.3. Motor Vehicles. Borrowers shall not pledge, encumber or grant a security interest in any motor vehicles now and hereafter owned by such Borrower (other than pursuant to Permitted Purchase Money Indebtedness). Upon request of Agent following the occurrence and during the continuance of an Event of Default, with respect to all motor vehicles owned by any Borrower or Guarantor, Borrowers shall, and shall cause each Guarantor to, deliver to Agent, (i) a schedule setting forth all motor vehicles owned by Borrowers and Guarantors, by model, model year and vehicle identification number, and (ii) a certificate of title for all such motor vehicles and shall cause those title certificates to be filed (with the Agent's Lien noted thereon) in the appropriate state motor vehicle filing office.

6.3. Lien Perfection; Further Assurances.

Borrowers shall execute such UCC-1 financing statements as are required by the UCC and such other instruments, assignments or documents as are necessary to perfect Agent's Lien upon any of the Collateral and shall take such other action as may be required to perfect or to continue the perfection of Agent's Lien upon the Collateral. Unless prohibited by applicable law, each Borrower hereby authorizes Agent to execute and file any such financing statement, including, without limitation, financing statements that indicate the Collateral (i) as all assets of such Borrower or words of similar effect, or (ii) as being of an equal or lesser scope, or with greater or lesser detail, than as set forth in Section 6.1, on such Borrower's behalf. Each Borrower also hereby ratifies its authorization for Agent to have filed in any jurisdiction any like financing statements or amendments thereto if filed prior to the date hereof. At Agent's request, each Borrower shall also promptly execute or cause to be executed and shall deliver to Agent any and all documents, instruments and agreements deemed necessary by Agent, to give effect to or carry out the terms or intent of the Loan Documents.

6.4. Lien on Realty.

The due and punctual payment and performance of the Obligations shall also be secured by the Lien created by the Mortgages upon all real Property of Borrowers described therein. If any Borrower or any Guarantor shall acquire at any time or times hereafter any fee simple interest in other real Property (other than leasehold interests in sales offices or warehouses), such Borrower agrees promptly to execute and deliver or cause such Guarantor to execute and deliver to Agent, for its benefit and the benefit of Lenders, as additional security and Collateral for the Obligations, deeds of trust, security deeds, mortgages or other collateral assignments reasonably satisfactory in form and substance to Agent and its counsel (herein collectively referred to as "New Mortgages") covering such real Property. The Mortgages and each New Mortgage shall be duly recorded (at Borrowers' expense) in each office where such recording is required to constitute a valid Lien on the real Property covered thereby. In respect to any Mortgage or any New Mortgage, Borrowers shall deliver to Agent, at Borrowers' expense, mortgagee title insurance policies issued by a title insurance company reasonably satisfactory to Agent, which policies shall be in form and substance reasonably satisfactory to Agent and shall insure a valid Lien in favor of Agent for the benefit of itself and each Lender on the Property covered thereby, subject only to Permitted Liens and those other exceptions reasonably acceptable to Agent and its counsel. Borrowers shall also deliver to Agent such other usual and customary documents,

including, without limitation, ALTA Surveys of the real Property described in the Mortgages or any New Mortgage, as Agent and its counsel may reasonably request relating to the real Property subject to the Mortgages or the New Mortgages.

SECTION 7. COLLATERAL ADMINISTRATION

7.1. General.

7.1.1. Location of Collateral. All Collateral, other than Inventory in transit and motor vehicles, will at all times be kept by Borrowers and their Subsidiaries at one or more of the business locations set forth in Exhibit 7.1.1 hereto, as updated by Borrowers providing prior written notice to Agent of any new location.

7.1.2. Insurance of Collateral. Borrowers shall maintain and pay for insurance upon all Collateral wherever located and with respect to the business of Borrowers and each of their Subsidiaries, covering casualty, hazard, public liability, workers' compensation, business interruption and such other risks in such amounts and with such insurance companies as are reasonably satisfactory to Agent. Agent acknowledges that the insurance maintained by Borrowers on the Closing Date is satisfactory to it. Borrowers shall deliver certified copies of such policies to Agent as promptly as practicable, with satisfactory lender's loss payable endorsements, naming Agent as a loss payee, assignee or additional insured, as appropriate, as its interest may appear, and showing only such other loss payees, assignees and additional insureds as are satisfactory to Agent in its reasonable discretion. Each policy of insurance or endorsement shall contain a clause requiring the insurer to give not less than 10 days' prior written notice to Agent in the event of cancellation of the policy for nonpayment of premium and not less than 30 days' prior written notice to Agent in the event of cancellation of the policy for any other reason whatsoever and a clause specifying that the interest of Agent shall not be impaired or invalidated by any act or neglect of any Borrower, any of its Subsidiaries or the owner of the Property or by the occupation of the premises for purposes more hazardous than are permitted by said policy. Borrowers agree to deliver to Agent, promptly as rendered, true copies of all reports made in any reporting forms to insurance companies. All proceeds of business interruption insurance (if any) of Borrowers and their Subsidiaries shall be remitted to Agent for application to the outstanding balance of the Revolving Credit Loans in the manner set forth herein.

Unless Borrowers provide Agent with evidence of the insurance coverage required by this Agreement, Agent may purchase insurance at Borrowers' expense to protect Agent's interests in the Properties of Borrowers and their Subsidiaries. This insurance may, but need not, protect the interests of Borrowers and their Subsidiaries. The coverage that Agent purchases may not pay any claim that any Borrower or any Subsidiary makes or any claim that is made against any Borrower or any such Subsidiary in connection with said Property. Borrowers may later cancel any insurance purchased by Agent, but only after providing Agent with evidence that Borrowers and their Subsidiaries have obtained insurance as required by this Agreement. If Agent purchases insurance, Borrowers will be responsible for the costs of that insurance, including interest and any other third party charges Agent may incur in connection with the placement of insurance, until the effective date of the cancellation or expiration of the insurance. The costs of the insurance may be added to the Obligations. The costs of the insurance may be more than the cost of insurance that Borrowers and their Subsidiaries may be able to obtain on their own.

7.1.3. Protection of Collateral. Neither Agent nor any Lender shall be liable or responsible in any way for the safekeeping of any of the Collateral or for any loss or damage thereto (except for reasonable care in the custody thereof while any Collateral is in Agent's or any Lender's actual possession) or for any diminution in the value thereof, or for any act or default of any warehouseman, carrier, forwarding agency or other person whomsoever, but the same shall be at Borrowers' sole risk.

7.2. Administration of Accounts

7.2.1. Records, Schedules and Assignments of Accounts. Borrowers shall keep records that are accurate and complete, in all material respects, of their and their Subsidiaries' Accounts and all payments and collections thereon and shall submit to Agent on such periodic basis as Agent shall request, in its reasonable credit judgment, a sales and collections report for the preceding period, in form acceptable to Agent. Concurrently with the delivery of each Borrowing Base Certificate described in subsection 9.1.4, or more frequently as requested by Agent in its reasonable credit judgment or during the existence of an Event of Default, from and after the date hereof, Borrowers shall deliver to Agent a detailed aged trial balance of all of their Accounts, specifying the names, face values, dates of invoices and due dates for each Account Debtor obligated on an Account so listed in a form consistent with reports currently prepared by Borrowers with respect to such information ("Schedule of Accounts"), and upon Agent's written request therefor, copies of proof of delivery and the original copy of all documents, including, without limitation, repayment histories and present status reports relating to the Accounts so scheduled and such other matters and information relating to the status of then existing Accounts as Agent shall request, in its reasonable credit judgment. If requested by Agent in writing, upon the occurrence and during the continuation of an Event of Default, Borrowers shall execute and deliver to Agent formal written assignments of all of its Accounts weekly or daily, which shall include all Accounts that have been created since the date of the last assignment, together with copies of invoices or invoice registers related thereto.

7.2.2. Discounts; Allowances; Disputes. If any Borrower grants any discounts, allowances or credits that are not shown on the face of the invoice for the Account involved, Borrowers shall report such discounts, allowances or credits, as the case may be, to Agent as part of the next required Schedule of Accounts.

7.2.3. Account Verification. Any of Agent's officers, employees or agents shall have the right, during any audit of the type described in Section 3.7, in the name of Agent, any designee of Agent or any Borrower, to verify the validity, amount or any other matter relating to any Accounts by mail. Borrowers shall cooperate fully with Agent in an effort to facilitate and promptly conclude any such verification process.

7.2.4. Maintenance of Dominion Account. Borrowers shall maintain a Dominion Account or Accounts pursuant to lockbox and blocked account arrangements acceptable to Agent with Bank; provided that for a period of 90 days from the Closing Date (or such longer time period as Agent may agree to in its sole discretion), such Borrowers shall be permitted to maintain the Existing Lender Accounts. Within 90 days of the Closing Date (or such longer time period as Agent may agree to in its sole discretion), the Existing Lender Accounts shall be closed. Borrowers shall issue to Bank (or Existing Lender, with respect to the

Existing Lender Accounts) an irrevocable letter of instruction directing Bank to deposit all payments or other remittances received in the lockbox and blocked accounts to the Dominion Account for application on account of the Obligations as provided in subsection 4.2.1. All funds deposited in any Dominion Account shall immediately become the property of Agent, for the ratable benefit of Lenders, and Borrowers shall obtain the agreement by such banks in favor of Agent to waive any recoupment, setoff rights, and any security interest in, or against, the funds so deposited.

7.2.5. Collection of Accounts; Proceeds of Collateral. Each Borrower agrees that all invoices rendered and other requests made by any Borrower for payment in respect of Accounts shall contain a written statement directing payment in respect of such Accounts to be paid to a lockbox established pursuant to subsection 7.2.4. To expedite collection, each Borrower shall endeavor in the first instance to make collection of its Accounts for Agent. All remittances received by any Borrower on account of Accounts, together with the proceeds of any other Collateral, shall be held as Agent's property, for its benefit and the benefit of Lenders, by such Borrower as trustee of an express trust for Agent's benefit and such Borrower shall immediately deposit same in kind in the Dominion Account. Agent retains the right at all times after the occurrence and during the continuance of a Default or an Event of Default to notify Account Debtors that Borrowers' Accounts have been assigned to Agent and to collect Borrowers' Accounts directly in its own name, or in the name of Agent's agent, and to charge the collection costs and expenses, including attorneys' fees, to Borrowers.

7.2.6. Taxes. If an Account includes a charge for any tax payable to any governmental taxing authority, Agent is authorized, in its sole discretion, to pay the amount thereof to the proper taxing authority for the account of Borrowers and to charge Borrowers therefor, except for taxes that (i) are being actively contested in good faith and by appropriate proceedings and with respect to which Borrowers maintain reasonable reserves on its books therefor and (ii) would not reasonably be expected to result in any Lien other than a Permitted Lien. In no event shall Agent or any Lender be liable for any taxes to any governmental taxing authority that may be due by any Borrower.

7.3. Administration of Inventory.

Borrowers shall keep records of their and their Subsidiaries' Inventory, which records shall be complete and accurate in all material respects. Borrowers shall furnish to Agent Inventory reports concurrently with the delivery of each Borrowing Base Certificate described in subsection 9.1.4 or more frequently as requested by Agent in its reasonable credit judgment, which reports will be in such other format and detail as Agent shall request and shall include a current list of all locations of Borrowers' Inventory. Borrowers shall conduct a physical inventory, cycle count, or other similar inspection approved by the auditors of the Borrower no less frequently than annually and shall provide to Agent a report based on each such physical inventory, cycle count or similar inspection promptly thereafter, together with such supporting information as Agent shall reasonably request.

7.4. Administration of Equipment.

7.4.1. Records and Schedules of Equipment. Borrowers shall keep records of their and their Subsidiaries' Equipment which shall be complete and accurate in all material

respects itemizing and describing the kind, type, quality, quantity and book value of its Equipment and all dispositions made in accordance with subsection 7.4.2 hereof, and Borrowers shall, and shall cause each of their Subsidiaries to, furnish Agent with a current schedule containing the foregoing information on at least an annual basis and more often if requested by Agent in its reasonable credit judgment. Promptly after the request therefor by Agent, Borrowers shall deliver to Agent any and all evidence of ownership, if any, of any of their Equipment.

7.4.2. Dispositions of Equipment. Borrowers shall not, and shall not permit any of their Subsidiaries to, sell, lease or otherwise dispose of or transfer any of their respective Equipment or other fixed assets or any part thereof without the prior written consent of Agent; provided, however, that the foregoing restriction shall not apply, for so long as no Default or Event of Default exists and is continuing, to (i) dispositions of Equipment and other fixed assets which, in the aggregate during any consecutive twelve-month period, have a fair market value or a book value, whichever is more, of \$500,000 or less, provided that all proceeds thereof are remitted to Agent for application to the Loans as provided in subsection 4.3.1, or (ii) replacements of Equipment or other fixed assets that are substantially worn, damaged or obsolete with Equipment or other fixed assets of like kind, function and value which are useful in the business of any Borrower or one of its Subsidiaries, provided that the replacement Equipment or other fixed assets shall be acquired within 60 days after any disposition of the Equipment or other fixed assets that are to be replaced and the replacement Equipment or other fixed assets shall be free and clear of Liens other than Permitted Liens that are not Purchase Money Liens.

7.5. Payment of Charges.

All amounts chargeable to Borrowers under Section 7 hereof shall be Obligations secured by all of the Collateral, shall be payable on demand and shall bear interest from the date such advance was made until paid in full at the rate applicable to Base Rate Revolving Loans from time to time.

SECTION 8. REPRESENTATIONS AND WARRANTIES

8.1. General Representations and Warranties.

To induce Agent and each Lender to enter into this Agreement and to make advances hereunder, Borrowers warrant, represent and covenant to Agent and each Lender, on a joint and several basis, that:

8.1.1. Qualification. Each Borrower and each of its Subsidiaries is a corporation, limited partnership or limited liability company duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization. Each Borrower and each of its Subsidiaries is duly qualified and is authorized to do business and is in good standing as a foreign limited liability company, limited partnership or corporation, as applicable, in each state or jurisdiction listed on Exhibit 8.1.1 hereto and in all other states and jurisdictions in which the failure of any Borrower or any of its Subsidiaries to be so qualified could reasonably be expected to have a Material Adverse Effect.

8.1.2. Power and Authority. Each Borrower and each of its Subsidiaries is duly authorized and empowered to enter into, execute, deliver and perform this Agreement and

each of the other Loan Documents to which it is a party. The execution, delivery and performance of this Agreement and each of the other Loan Documents have been duly authorized by all necessary corporate or other relevant action and do not and will not: (i) require any consent or approval of the shareholders, partners or members, as the case may be, of any Borrower or any of the shareholders, partners or members, as the case may be, of any Subsidiary of any Borrower, except for those obtained in full force and effect; (ii) contravene any Borrower's or any of its Subsidiaries' charter, articles or certificate of incorporation, partnership agreement, articles or certificate of formation, by-laws, limited liability agreement, operating agreement or other organizational documents (as the case may be); (iii) violate, or cause any Borrower or any of its Subsidiaries to be in default under, any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award in effect having applicability to such Borrower or any of its Subsidiaries, the violation of which could reasonably be expected to have a Material Adverse Effect; (iv) result in a breach of or constitute a default under any indenture or loan or credit agreement or any other agreement, lease or instrument to which any Borrower or any of its Subsidiaries is a party or by which it or its Properties may be bound or affected, the breach of or default under which could reasonably be expected to have a Material Adverse Effect; or (v) result in, or require, the creation or imposition of any Lien (other than Permitted Liens) upon or with respect to any of the Properties now owned or hereafter acquired by any Borrower or any of its Subsidiaries.

8.1.3. Legally Enforceable Agreement. This Agreement is, and each of the other Loan Documents when delivered under this Agreement will be, a legal, valid and binding obligation of each Borrower and each of its Subsidiaries party thereto, enforceable against it in accordance with its respective terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

8.1.4. Capital Structure. Exhibit 8.1.4 hereto states, as of the date hereof, (i) the correct name of each of the Subsidiaries of each Borrower, its jurisdiction of incorporation or organization and the percentage of its Voting Stock owned by the applicable Borrower, (ii) the name of each Borrower's and each of its Subsidiaries' corporate or joint venture relationships and the nature of the relationship, (iii) the number, nature and holder of all outstanding Securities of each Borrower and the holder of Securities of each Subsidiary of each Borrower and (iv) the number of authorized, issued and treasury Securities of each Borrower. Each Borrower has good title to all of the Securities it purports to own of each of such Subsidiaries, free and clear in each case of any Lien other than Permitted Liens. All such Securities have been duly issued and are fully paid and non-assessable. As of the date hereof, except as set forth on Exhibit 8.1.4, there are no outstanding options to purchase, or any rights or warrants to subscribe for, or any commitments or agreements to issue or sell any Securities or obligations convertible into, or any powers of attorney relating to any Securities of any Borrower or any of its Subsidiaries. Except as set forth on Exhibit 8.1.4, as of the date hereof, there are no outstanding agreements or instruments binding upon any of any Borrower's or any of its Subsidiaries' partners, members or shareholders, as the case may be, relating to the ownership of its Securities.

8.1.5. Names; Organization. Within the five (5) years prior to the Closing Date, neither any Borrower nor any of its Subsidiaries has been known as or has used any legal, fictitious or trade names except those listed on Exhibit 8.1.5 hereto. Within the five (5) years prior to the Closing Date, except as set forth on Exhibit 8.1.5, neither any Borrower nor any of its

Subsidiaries has been the surviving entity of a merger or consolidation or has acquired all or substantially all of the assets of any Person. Each of each Borrower's and each of its Subsidiaries' state(s) of incorporation or organization, Type of Organization and Organizational I.D. Number is set forth on Exhibit 8.1.5. The exact legal name of each Borrower and each of its Subsidiaries is set forth on Exhibit 8.1.5.

8.1.6. Business Locations; Agent for Process. All of each Borrower's and each of its Subsidiaries' chief executive office, location of books and records and other places of business are as listed on Exhibit 7.1.1 hereto, as updated from time to time by Borrowers in accordance with the provisions of subsection 7.1.1. During the preceding one-year period, neither any Borrower nor any of its Subsidiaries has had an office, place of business or agent for service of process, other than as listed on Exhibit 7.1.1. All tangible Collateral is and will at all times be kept by Borrowers and their Subsidiaries in accordance with subsection 7.1.1. Except as shown on Exhibit 7.1.1, as of the date hereof, no Inventory is stored with a bailee, distributor, warehouseman or similar party, nor is any Inventory consigned to any Person.

8.1.7. Title to Properties; Priority of Liens. Each Borrower and each of its Subsidiaries has good, indefeasible and marketable title to and fee simple ownership of, or valid and subsisting leasehold interests in, all of its real Property, and good title to all of the Collateral and all of its other Property, in each case, free and clear of all Liens except Permitted Liens. Each Borrower and each of its Subsidiaries has paid or discharged all lawful claims which, if unpaid, might become a Lien against any of such Borrower's or such Subsidiary's Properties that is not a Permitted Lien. The Liens granted to Agent under Section 6 hereof are first priority Liens, subject only to Permitted Liens.

8.1.8. Accounts. Agent may rely, in determining which Accounts are Eligible Accounts, on all statements and representations made by Borrowers with respect to any Account or Accounts. With respect to each of Borrowers' Accounts, whether or not such Account is an Eligible Account, unless otherwise disclosed to Agent in writing:

(i) It is genuine and in all respects what it purports to be, and it is not evidenced by a judgment;

(ii) It arises out of a completed, bona fide sale and delivery of goods or rendition of services by a Borrower, in the ordinary course of its business and in accordance with the terms and conditions of all purchase orders, contracts or other documents relating thereto and forming a part of the contract between a Borrower and the Account Debtor, provided that immaterial deviations from such terms and conditions shall be permitted so long as the Account Debtor has accepted the goods or services related thereto and has not disputed such deviations;

(iii) It is for a liquidated amount maturing as stated in the duplicate invoice covering such sale or rendition of services, a copy of which has been furnished or is available to Agent;

(iv) To Borrowers' knowledge, there are no facts, events or occurrences which in any way impair the validity or enforceability of any Accounts or tend to reduce

the amount payable thereunder from the face amount of the invoice and statements delivered or made available to Agent with respect thereto;

(v) To Borrowers' knowledge, the Account Debtor thereunder (1) had the capacity to contract at the time any contract or other document giving rise to the Account was executed and (2) such Account Debtor is Solvent; and

(vi) To Borrowers' knowledge, there are no proceedings or actions which are threatened or pending against the Account Debtor thereunder which might result in any material adverse change in such Account Debtor's financial condition or the collectibility of such Account.

8.1.9. Equipment. The Equipment of each Borrower and its Subsidiaries is in good operating condition and repair, and all necessary replacements of and repairs thereto shall be made so that the operating efficiency thereof shall be maintained and preserved, reasonable wear and tear excepted. Neither any Borrower nor any of its Subsidiaries will permit any Equipment to become affixed to any real Property leased to any Borrower or any of its Subsidiaries so that an interest arises therein under the real estate laws of the applicable jurisdiction unless the landlord of such real Property has executed a landlord waiver or leasehold mortgage in favor of and in form reasonably acceptable to Agent, and Borrowers will not permit any of the Equipment of any Borrower or any of its Subsidiaries to become an accession to any personal Property other than Equipment that is subject to first priority (except for Permitted Liens) Liens in favor of Agent.

8.1.10. Financial Statements; Fiscal Year. The Consolidated balance sheets of Holdings and its Subsidiaries (including the accounts of all Subsidiaries of Holdings and its Subsidiaries for the respective periods during which a Subsidiary relationship existed) as of December 31, 2009, and the related statements of income, changes in shareholder's equity, and changes in financial position for the periods ended on such dates, have been prepared in accordance with GAAP and present fairly in all material respects the financial positions of Holdings and such Persons, taken as a whole, at such dates and the results of Holdings' and such Persons' operations, taken as a whole, for such periods. As of the date hereof, since December 31, 2009, there has been no material adverse change in the financial position of Holdings and such other Persons, taken as a whole, as reflected in the Consolidated balance sheet as of such date. As of the date hereof, the fiscal year of Borrowers and each of their Subsidiaries ends on December 31 of each year.

8.1.11. Full Disclosure. The financial statements referred to in subsection 8.1.10 hereof do not, nor does this Agreement or any other written statement of Borrowers to Agent or any Lender, contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein or herein not materially misleading. There is no fact which Borrowers have failed to disclose to Agent or any Lender in writing which could reasonably be expected to have a Material Adverse Effect.

8.1.12. Solvent Financial Condition. Each Borrower and each of its Subsidiaries is now and, after giving effect to the initial Loans to be made and the initial Letters of Credit and LC Guaranties to be issued hereunder and all related transactions including the consummation of the APO Transactions, will be, Solvent.

8.1.13. Surety Obligations. Except as set forth on Exhibit 8.1.13, as of the date hereof, neither any Borrower nor any of its Subsidiaries is obligated as surety or indemnitor under any surety or similar bond or other contract or has issued or entered into any agreement to assure payment, performance or completion of performance of any undertaking or obligation of any Person.

8.1.14. Taxes. The federal tax identification number of Parent and each Subsidiary of Parent is shown on Exhibit 8.1.14 hereto. Each Borrower and each of its Subsidiaries has filed all federal, state and local tax returns and other reports relating to taxes it is required by law to file, and has paid, or made provision for the payment of, all taxes, assessments, fees, levies and other governmental charges upon it, its income and Properties as and when such taxes, assessments, fees, levies and charges are due and payable, unless and to the extent any thereof are being actively contested in good faith and by appropriate proceedings, and each Borrower and each of its Subsidiaries maintains reasonable reserves on its books therefor. The provision for taxes on the books of each Borrower and its Subsidiaries is adequate for all years not closed by applicable statutes, and for the current fiscal year.

8.1.15. Brokers. Except as shown on Exhibit 8.1.15 hereto, there are no claims for brokerage commissions, finder's fees or investment banking fees in connection with the transactions contemplated by this Agreement, including, without limitation, the APO Transactions.

8.1.16. Patents, Trademarks, Copyrights and Licenses. Each Borrower and each of its Subsidiaries owns, possesses or licenses or has the right to use all the patents, trademarks, service marks, trade names, copyrights, licenses and other Intellectual Property necessary for the present and planned future conduct of its business without any known conflict with the rights of others, except for such conflicts as could not reasonably be expected to have a Material Adverse Effect. All such federally registered patents, trademarks and copyrights, and material licenses, are listed on Exhibit 8.1.16 hereto. No claim has been asserted to any Borrower or any Subsidiary of any Borrower which is currently pending that their use of their Intellectual Property or the conduct of their business does or may infringe upon the Intellectual Property rights of any third party. To the knowledge of Borrowers and except as set forth on Exhibit 8.1.16 hereto, as of the date hereof, no Person is engaging in any activity that infringes in any material respect upon any Borrower's or any of its Subsidiaries' material Intellectual Property. The consummation and performance of the transactions and actions contemplated by this Agreement and the other Loan Documents, including, without limitation, the exercise by Agent of any of its rights or remedies under Section 11, will not result in the termination or impairment of any of such Borrower's or any of its Subsidiaries' ownership or rights relating to its Intellectual Property, except for such Intellectual Property rights the loss or impairment of which could not reasonably be expected to have a Material Adverse Effect. Except as listed on Exhibit 8.1.16 and except as could not reasonably be expected to have a Material Adverse Effect, (i) neither any Borrower nor any of its Subsidiaries is in breach of, or default under, any term of any license or sublicense with respect to any of its Intellectual Property and (ii) to the knowledge of Borrowers, no other party to such license or sublicense is in breach thereof or default thereunder, and such license is valid and enforceable.

8.1.17. Governmental Consents. Each Borrower and each of its Subsidiaries has, and is in good standing with respect to, all governmental consents, approvals, licenses,

authorizations, permits, certificates, inspections and franchises necessary to continue to conduct its business as heretofore or proposed to be conducted by it and to own or lease and operate its Properties as now owned or leased by it, except where the failure to possess or so maintain such rights could not reasonably be expected to have a Material Adverse Effect.

8.1.18. Compliance with Laws. Each Borrower and each of its Subsidiaries has duly complied, and its Properties, business operations and leaseholds are in compliance with, the provisions of all federal, state and local laws, rules and regulations applicable to such Borrower or such Subsidiary, as applicable, its Properties or the conduct of its business, except for such non-compliance as could not reasonably be expected to have a Material Adverse Effect, and there have been no citations, notices or orders of non-compliance issued to any Borrower or any of its Subsidiaries under any such law, rule or regulation, except where such noncompliance could not reasonably be expected to have a Material Adverse Effect. Each Borrower and each of its Subsidiaries has established and maintains an adequate monitoring system to insure that it remains in compliance in all material respects with all federal, state and local rules, laws and regulations applicable to it. No Inventory has been produced in violation of the Fair Labor Standards Act (29 U.S.C. §201 et seq.), as amended.

8.1.19. Restrictions. Neither any Borrower nor any of its Subsidiaries is a party or subject to any contract or agreement which restricts its right or ability to incur Indebtedness, other than as set forth on Exhibit 8.1.19 hereto, none of which prohibits the execution of or compliance with this Agreement or the other Loan Documents by any Borrower or any of its Subsidiaries, as applicable.

8.1.20. Litigation. Except as set forth on Exhibit 8.1.20 hereto, there are no actions, suits, proceedings or investigations pending, or to the knowledge of Borrowers, threatened, against or affecting any Borrower or any of its Subsidiaries, or the business, operations, Properties, prospects, profits or condition of any Borrower or any of its Subsidiaries which, singly or in the aggregate, could reasonably be expected to have a Material Adverse Effect. Neither any Borrower nor any of its Subsidiaries is in default with respect to any order, writ, injunction, judgment, decree or rule of any court, governmental authority or arbitration board or tribunal, which, singly or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

8.1.21. No Defaults. No event has occurred and no condition exists which would, upon or after the execution and delivery of this Agreement or any Borrower's performance hereunder, constitute a Default or an Event of Default. Neither any Borrower nor any of its Subsidiaries is in default in (and no event has occurred and no condition exists which constitutes, or which the passage of time or the giving of notice or both would constitute, a default in) the payment of any Indebtedness to any Person for Money Borrowed in excess of \$750,000.

8.1.22. Leases. Exhibit 8.1.22 hereto is a complete listing of all capitalized and operating personal property leases of Borrowers and their Subsidiaries and all real property leases of Borrowers and their Subsidiaries. Each Borrower and each of its Subsidiaries is in full compliance with all of the terms of each of its respective capitalized and operating leases, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect.

8.1.23. Pension Plans. Except as disclosed on Exhibit 8.1.23 hereto, neither any Borrower nor any of its Subsidiaries has any Plan. Each Borrower and each of its Subsidiaries is in compliance with the requirements of ERISA and the regulations promulgated thereunder with respect to each Plan, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect. No fact or situation that could reasonably be expected to result in a material adverse change in the financial condition of Borrowers and their Subsidiaries exists in connection with any Plan. Neither any Borrower nor any of their Subsidiaries has any withdrawal liability in connection with a Multiemployer Plan.

8.1.24. Trade Relations. There exists no actual or, to Borrowers' knowledge, threatened termination, cancellation or limitation of, or any modification or change in, the business relationship between any Borrower or any of its Subsidiaries and any customer or any group of customers whose purchases individually or in the aggregate are material to the business of Borrowers and their Subsidiaries, or with any material supplier, except in each case, where the same could not reasonably be expected to have a Material Adverse Effect, and there exists no present condition or state of facts or circumstances which would prevent any Borrower or any of its Subsidiaries from conducting such business after the consummation of the transactions contemplated by this Agreement in substantially the same manner in which it has heretofore been conducted.

8.1.25. Labor Relations. Except as described on Exhibit 8.1.25 hereto, as of the date hereof, neither any Borrower nor any of its Subsidiaries is a party to any collective bargaining agreement. There are no material grievances, disputes or controversies with any union or any other organization of any Borrower's or any of its Subsidiaries' employees, or threats of strikes, work stoppages or any asserted pending demands for collective bargaining by any union or organization, except those that could not reasonably be expected to have a Material Adverse Effect.

8.1.26. APO Transactions. The APO Transactions have been consummated pursuant to the terms of the APO Transaction Documents and in compliance with all applicable laws.

8.1.27. Related Businesses. Borrowers are engaged in the businesses of producing and distributing low emission diesel gasoline and alternative fuel engines as of the Closing Date, as well as in certain other businesses. These operations require financing on a basis such that the credit supplied can be made available from time to time to Borrowers, as required for the continued successful operation of Borrowers taken as a whole. Borrowers have requested the Lenders to make credit available hereunder primarily for the purposes of Section 2.1.3 and generally for the purposes of financing the operations of Borrowers. Each Borrower and each Subsidiary of each Borrower expects to derive benefit (and the Board of Directors of each Borrower and each Subsidiary of each Borrower has determined that such Borrower or Subsidiary may reasonably be expected to derive benefit), directly or indirectly, from a portion of the credit extended by Lenders hereunder, both in its separate capacity and as a member of the group of companies, since the successful operation and condition of each Borrower and each Subsidiary of each Borrower is dependent on the continued successful performance of the functions of the group as a whole. Each Borrower acknowledges that, but for the agreement of each of the other Borrowers, Agent and Lenders would not have made available the credit facilities established hereby on the terms set forth herein.

8.2. Continuous Nature of Representations and Warranties.

Each representation and warranty contained in this Agreement and the other Loan Documents shall be continuous in nature and shall remain accurate, complete and not misleading at all times during the term of this Agreement, except for changes in the nature of any Borrower's or one of any Borrower's Subsidiary's business or operations that would render the information in any exhibit attached hereto or to any other Loan Document either inaccurate, incomplete or misleading, so long as Majority Lenders have consented to such changes, such changes are expressly permitted by this Agreement or such changes do not have or evidence a Material Adverse Effect. Without limiting the generality of the foregoing, each Loan request made or deemed made pursuant to subsection 4.1.1 hereof shall constitute Borrowers' reaffirmation, as of the date of each such loan request, of each representation, warranty or other statement made or furnished to Agent or any Lender by or on behalf of any Borrower, any Subsidiary of any Borrower, or any Guarantor in this Agreement, any of the other Loan Documents, or any instrument, certificate or financial statement furnished in compliance with or in reference thereto.

8.3. Survival of Representations and Warranties.

All representations and warranties of Borrowers contained in this Agreement or any of the other Loan Documents shall survive the execution, delivery and acceptance thereof by Agent and each Lender and the parties thereto and the closing of the transactions described therein or related thereto.

SECTION 9. COVENANTS AND CONTINUING AGREEMENTS

9.1. Affirmative Covenants.

During the Term, and thereafter for so long as there are any Obligations outstanding, Borrowers covenant that, unless otherwise consented to by Majority Lenders, in writing, they shall:

9.1.1. Visits and Inspections; Lender Meeting. Permit (i) representatives of Agent, and during the continuation of any Default or Event of Default any Lender, from time to time, as often as may be reasonably requested, but only during normal business hours, to visit and inspect the Properties of each Borrower and each of its Subsidiaries, inspect, audit and make extracts from its books and records, and discuss with its officers, its employees and its independent accountants, each Borrower's and each of its Subsidiaries' business, assets, liabilities, financial condition, business prospects and results of operations and (ii) appraisers engaged pursuant to Section 3.10 (whether or not personnel of Agent), from time to time, as often as may be reasonably requested, but only during normal business hours, to visit and inspect the Properties of each Borrower and each of its Subsidiaries, for the purpose of completing appraisals pursuant to Section 3.10. Agent, if no Default or Event of Default then exists, shall give Borrowers reasonable prior notice of any such inspection or audit. Without limiting the foregoing, Borrowers will participate and will cause their key management personnel to participate in a meeting with Agent and Lenders periodically during each year (except that during the continuation of an Event of Default such meetings may be held more frequently as requested by Agent or Majority Lenders), which meeting(s) shall be held at such times and such places as may be reasonably requested by Agent.

9.1.2. Notices. Promptly notify Agent and Lenders in writing, after a Borrower's obtaining knowledge thereof, of any of the following that affects any Borrower or any Guarantor: (a) the threat or commencement of any proceeding or investigation, whether or not covered by insurance, if an adverse determination could have a Material Adverse Effect; (b) any pending or threatened labor dispute, strike or walkout, or the expiration of any material labor contract that could have a Material Adverse Effect; (c) any default under or termination of an agreement or a contract that could have a Material Adverse Effect; (d) the existence of any Default or Event of Default; (e) any judgment in an amount exceeding \$500,000; (f) any violation or asserted violation of any applicable law, if an adverse resolution could have a Material Adverse Effect; (g) the occurrence of a Reportable Event; (h) the discharge of or any withdrawal or resignation of Borrowers' independent accountants; (i) any change in any Borrower's chief executive officer, chief operating officer or chief financial officer; or (j) any event or the existence of any fact which renders any representation or warranty in this Agreement or any of the other Loan Documents inaccurate, incomplete or misleading in any material respect as of the date made or remade. In addition, Borrowers agree to provide Agent with prompt written notice of any change in the information disclosed in any Exhibit hereto, in each case after giving effect to the materiality limits and Material Adverse Effect qualifications contained therein.

9.1.3. Financial Statements. Keep, and cause each of their Subsidiaries to keep, adequate records and books of account with respect to its business activities in which proper entries are made in accordance with customary accounting practices reflecting all its financial transactions; and cause to be prepared and furnished to Agent and each Lender, the following, all to be prepared in accordance with GAAP applied on a consistent basis, unless Borrowers' certified public accountants concur in any change therein and such change is disclosed to Agent and is consistent with GAAP:

(i) not later than 120 days after the close of each fiscal year of Parent, unqualified (except for a qualification for a change in accounting principles with which the accountant concurs) audited financial statements of Parent and its Subsidiaries as of the end of such year, on a Consolidated basis, certified by a firm of independent certified public accountants of recognized standing selected by Parent but acceptable to Agent and, within a reasonable time thereafter a copy of any management letter issued in connection therewith;

(ii) not later than 30 days after the end of each month hereafter, including the last month of Parent's fiscal year, unaudited interim financial statements of Parent and its Subsidiaries as of the end of such month and of the portion of the fiscal year then elapsed, on a Consolidated basis, certified by the principal financial officer of Parent as prepared in accordance with GAAP and fairly presenting in all material respects the financial position and results of operations of Parent and its Subsidiaries for such month and period subject only to changes from audit and year-end adjustments and except that such statements need not contain notes;

(iii) together with each delivery of financial statements pursuant to clauses (i) and (ii) (solely for the months ending March 31, June 30, September 30 and December 31, and commencing on June 30, 2011) of this subsection 9.1.3, a management discussion and analysis setting forth in comparative form the corresponding figures for

the corresponding periods of the previous fiscal year. The information above shall be presented in reasonable detail and shall be certified by the principal financial officer of Parent to the effect that such information fairly presents in all material respects the results of operation and financial condition of Parent and its Subsidiaries as at the dates and for the periods indicated;

(iv) promptly after the sending or filing thereof, as the case may be, copies of any proxy statements, financial statements or reports which Parent has made available to its Securities holders and copies of any regular, periodic and special reports or registration statements which Parent or any of its Subsidiaries files with the Securities and Exchange Commission or any governmental authority which may be substituted therefor or any national securities exchange;

(v) upon request of Agent, copies of any annual report to be filed with ERISA in connection with each Plan; and

(vi) such other data and information (financial and otherwise) as Agent or any Lender, from time to time, may reasonably request, bearing upon or related to the Collateral or Borrowers' or any of their Subsidiaries' financial condition or results of operations.

Concurrently with the delivery of the financial statements described in paragraph (i) and (ii) of this subsection 8.1.3, Borrowers shall cause to be prepared and furnished to Agent a Compliance Certificate in the form of Exhibit 9.1.3 hereto executed by the principal financial officer of Parent (a "Compliance Certificate").

9.1.4. Borrowing Base Certificates. On or before the 3rd day of each week from and after the date hereof, Borrowers shall deliver to Agent, in form acceptable to Agent, a Borrowing Base Certificate as of the last day of the immediately preceding week, with such supporting materials as Agent shall reasonably request. If Borrowers deem it advisable, or Agent shall request, Borrowers shall execute and deliver to Agent Borrowing Base Certificates more frequently than weekly. On or before the 20th day of each calendar month from and after the date hereof, Borrowers shall deliver to Agent, in the form reasonably acceptable to Agent, (i) reconciliations of Borrowers' Accounts as shown on the month-end Borrowing Base Certificate for the immediately preceding month to Borrowers' accounts receivable agings, to Borrowers' general ledger and to Borrowers' most recent financial statements and (ii) reconciliations of Borrowers' Inventory as shown on Borrowers' perpetual inventory, to Borrowers' general ledger and to Borrowers' financial statements, all with supporting materials as Agent shall reasonably request.

9.1.5. Landlord, Processor and Storage Agreements. Provide Agent with copies of all agreements between any Borrower or any of its Subsidiaries and any landlord, warehouseman, processor, distributor or consignee which owns or is the lessee of any premises at which any Collateral may, from time to time, be kept. With respect to any lease (other than leases for sales offices), warehousing agreement or any processing agreement in any case entered into after the Closing Date, Borrowers shall use commercially reasonable efforts to provide Agent with landlord waivers, bailee letters or processor letters with respect to such premises. In the event Borrowers do not provide Agent with any such landlord waiver, bailee letter or

processor letter with respect to any leased or warehouse location, Borrowers acknowledge that, in Agent's credit judgment, Inventory at such location shall not be Eligible Inventory or Agent may establish a Rent and Charges Reserve for such location. Such landlord waivers, bailee letters or processor letters shall be in a form supplied by Agent to Borrowers with such reasonable revisions as are customarily accepted by Agent or by similar financial institutions in similar financial transactions.

9.1.6. Guarantor Financial Statements. Deliver or cause to be delivered to Agent financial statements, if any, for each Guarantor (to the extent not consolidated with the financial statements delivered to Agent under subsection 9.1.3) in form and substance satisfactory to Agent at such intervals and covering such time periods as Agent may request.

9.1.7. Projections. No later than 30 days after to the end of each fiscal year of Parent, deliver to Agent Projections of Parent and each of its Subsidiaries for the forthcoming fiscal year, quarter by quarter.

9.1.8. Subsidiaries. Cause each Domestic Subsidiary of each Borrower, whether now or hereafter in existence, promptly upon Agent's request therefor, to execute and deliver to Agent at Agent's option (x) a joinder agreement in form and substance reasonably acceptable to Agent whereby such Domestic Subsidiary would become an additional Borrower hereunder or (y) a Guaranty Agreement and a security agreement pursuant to which such Domestic Subsidiary guaranties the payment of all Obligations and grants to Agent a first priority Lien (subject only to Permitted Liens) on all of its Properties of the types described in Section 6.1. Additionally, with respect to each Domestic Subsidiary and first tier Foreign Subsidiary, the applicable Borrower shall execute and deliver to Agent a pledge agreement pursuant to which such Borrower grants to Agent a first priority Lien (subject only to Permitted Liens) with respect to all (66% with respect to first tier Foreign Subsidiary) of the issued and outstanding Securities of each Subsidiary.

9.1.9. Deposit and Brokerage Accounts.

(a) For each deposit account or brokerage account (other than petty cash accounts with balances less than \$10,000 individually or \$25,000 in the aggregate) that any Borrower at any time opens or maintains, Borrowers shall, at Agent's request and option, pursuant to an agreement in form and substance reasonably satisfactory to Agent, cause the depository bank or securities intermediary, as applicable, to agree to comply at any time with instructions from Agent to such depository bank or securities intermediary, as applicable, directing the disposition of funds from time to time credited to such deposit or brokerage account, without further consent of Borrowers.

(b) Each Borrower shall, and shall cause each Domestic Subsidiary to, maintain all of its lockbox accounts, blocked accounts, disbursement accounts and other operating accounts (other than petty cash disbursement accounts and payroll accounts) with Bank; provided that for a period of 90 days from the Closing Date (or such longer time period as Agent may agree to in its sole discretion), such Borrowers shall be permitted to maintain the Existing Lender Accounts.

9.2. Negative Covenants.

During the Term, and thereafter for so long as there are any Obligations outstanding, Borrowers covenant that, unless otherwise consented to by Majority Lenders, in writing, they shall not:

9.2.1. Mergers ; Consolidations ; Acquisitions ; Structural Changes. Merge or consolidate, or permit any Subsidiary of any Borrower to merge or consolidate, with any Person; change its or any of its Subsidiaries' state of incorporation or organization, Type of Organization or Organizational I.D. Number, without giving Agent at least 30 days prior written notice thereof; change its or any of its Subsidiaries' legal name, without giving Agent at least 30 days prior written notice thereof; nor acquire, nor permit any of its Subsidiaries to acquire, all or any substantial part of the Properties of any Person, except for:

(i) mergers of any Subsidiary of a Borrower into another Borrower or another wholly-owned Subsidiary of a Borrower; and

(ii) acquisitions of assets consisting of fixed assets or real property that constitute Capital Expenditures permitted under subsection 9.2.8.

9.2.2. Loans. Make, or permit any Subsidiary of any Borrower to make, any loans or other advances of money to any Person, other than (i) for salary, travel advances, advances against commissions and other similar advances to employees in the ordinary course of business, (ii) extensions of trade credit in the ordinary course of business, (iii) deposits with financial institutions permitted under this Agreement, and (iv) prepaid expenses and (v) loans made by any Borrower to any other Borrower.

9.2.3. Total Indebtedness. Create, incur, assume, or suffer to exist, or permit any Subsidiary of any Borrower to create, incur or suffer to exist, any Indebtedness, except:

(i) Obligations owing to Agent or any Lender under this Agreement or any of the other Loan Documents;

(ii) Indebtedness, including without limitation Subordinated Debt, existing on the date of this Agreement and listed on Exhibit 9.2.3;

(iii) Permitted Purchase Money Indebtedness;

(iv) contingent liabilities arising out of endorsements of checks and other negotiable instruments for deposit or collection in the ordinary course of business;

(v) Guaranties of any Indebtedness permitted hereunder;

(vi) Indebtedness in respect of intercompany loans permitted under subsection 9.2.2(v);

(vii) obligations to pay Rentals permitted by subsection 9.2.18;

(viii) to the extent not included above, trade payables, accruals and accounts payable in the ordinary course of business (in each case to the extent not overdue) not for Money Borrowed;

(ix) Subordinated Debt which does not exceed at any time, in the aggregate, the sum of \$5,000,000; and

(x) Indebtedness not included in paragraphs (i) through (viii) above which does not exceed at any time, in the aggregate, the sum of \$500,000.

9.2.4. Affiliate Transactions. Enter into, or be a party to, or permit any Subsidiary of any Borrower to enter into or be a party to, any transaction with any Affiliate of Borrower or any holder of any Securities of any Borrower or any Subsidiary of any Borrower, including without limitation any management, consulting or similar fees, except (i) in the ordinary course of and pursuant to the reasonable requirements of such Borrower's or such Subsidiary's business and upon fair and reasonable terms which are fully disclosed to Agent and are no less favorable to such Borrower or such Subsidiary than would be obtained in a comparable arm's-length transaction with a Person not an Affiliate or Security holder of any Borrower, and (ii) as otherwise permitted under this Agreement.

9.2.5. Limitation on Liens. Create or suffer to exist, or permit any Subsidiary of any Borrower to create or suffer to exist, any Lien upon any of its Property, income or profits, whether now owned or hereafter acquired, except:

(i) Liens at any time granted in favor of Agent for the benefit of Lenders;

(ii) Liens for taxes, assessments or governmental charges (excluding any Lien imposed pursuant to any of the provisions of ERISA) not yet due, or being contested in the manner described in subsection 8.1.14 hereto, but only if in Agent's judgment such Lien would not reasonably be expected to adversely effect Agent's rights or the priority of Agent's Lien on any Collateral;

(iii) Liens arising in the ordinary course of the business of any Borrower or any of its Subsidiaries by operation of law or regulation, but only if payment in respect of any such Lien is not at the time required and such Liens do not, in the aggregate, materially detract from the value of the Property of such Borrower or any of its Subsidiaries or materially impair the use thereof in the operation of the business of such Borrower or any of its Subsidiaries;

(iv) Purchase Money Liens securing Permitted Purchase Money Indebtedness;

(v) such other Liens as appear on Exhibit 9.2.5 hereto;

(vi) Liens incurred or deposits made in the ordinary course of business in connection with (1) worker's compensation, social security, unemployment insurance and other like laws or (2) sales contracts, leases, statutory obligations, work-in-progress

advances and other similar obligations not incurred in connection with the borrowing of money or the payment of the deferred purchase price of property;

(vii) reservations, covenants, zoning and other land use regulations, title exceptions or encumbrances granted in the ordinary course of business, affecting real Property owned or leased by a Borrower or one of its Subsidiaries; provided that such exceptions do not in the aggregate materially interfere with the use of such Property in the ordinary course of any Borrower's or such Subsidiary's business;

(viii) judgment Liens that do not give rise to an Event of Default under subsection 11.1.15;

(ix) Liens securing Subordinated Debt permitted under subsection 9.2.3(ix); and

(x) such other Liens as Majority Lenders may hereafter approve in writing.

9.2.6. Payments and Amendments of Certain Debt.

(i) make or permit any Subsidiary of any Borrower to make any payment of any part or all of any Subordinated Debt or take any other action or omit to take any other action in respect of any Subordinated Debt, except in accordance with the subordination agreement relative thereto or the subordination provisions thereof; or

(ii) amend or modify any agreement, instrument or document evidencing or relating to any Subordinated Debt.

9.2.7. Distributions. Declare or make, or permit any Subsidiary of any Borrower to declare or make, any Distributions, except for:

(i) Distributions by any Subsidiary of a Borrower to a Borrower;

(ii) Distributions paid solely in Securities of a Borrower or any of its Subsidiaries;

(iii) Distributions by a Borrower in amounts necessary to permit such Borrower to repurchase Securities of a Borrower from employees of any Borrower or any of its Subsidiaries upon the termination of their employment, so long as no Default or Event of Default exists at the time of or would be caused by the making of such Distributions and the aggregate cash amount of such Distributions, measured at the time when made, does not exceed \$50,000 in any fiscal year of Borrowers;

(iv) Distributions by Borrowers in an amount sufficient to permit Parent to pay Consolidated tax liabilities of Parent, Borrowers and Borrowers' Subsidiaries relating to the business of Borrowers and Borrowers' Subsidiaries, so long as Parent applies the amount of such Distributions for such purpose; and

(v) Distributions by Borrowers (other than Parent) to Parent, and Distributions by Parent to the extent necessary to pay (a) administrative costs and expenses related to the business of Borrowers and their Subsidiaries, (b) registration delay payments (in the event Parent does not timely file its resale registration statement with the Securities and Exchange Commission or such registration statement has been declared ineffective) made pursuant to the Registration Rights Agreement, dated as of April 29, 2011, among Parent and each of the purchasers party thereto, as such agreement is in effect on the Closing Date, and (c) dividends to its preferred stockholders (in the event any of its preferred shares do not timely convert to common shares) made pursuant to the Certificate of Designations of Series A Preferred Stock of Parent, as such agreement is in effect on the Closing Date, so long as, in each case, Parent applies the amount of such Distributions for such purpose.

9.2.8. Capital Expenditures. Make Capital Expenditures (including, without limitation, by way of capitalized leases) which, in the aggregate, as to Borrowers and all of their Subsidiaries, exceed \$4,000,000 during any fiscal year of Borrowers.

9.2.9. Disposition of Assets. Sell, lease or otherwise dispose of any of, or permit any Subsidiary of any Borrower to sell, lease or otherwise dispose of any of, its Properties, including any disposition of Property as part of a sale-and-leaseback transaction, to or in favor of any Person, except for:

- (i) sales of Inventory in the ordinary course of business;
- (ii) transfers, sales or leases of Property to a Borrower (other than Parent or Holdings) by a Borrower or a Subsidiary of a Borrower;
- (iii) dispositions of Property that is substantially worn, damaged, uneconomic or obsolete (subject to subsection 7.4.2 hereof);
- (iv) dispositions of investments described in paragraphs (iv), (v), (vi) and (vii) of the definition of the term "Restricted Investments";
- (v) the sale of the real Property commonly known as 655 Wheat Lane, Wood Dale, Illinois 60191 (subject to subsection 4.3.1 hereof), which sale is for cash and not to an Affiliate of the Borrower; and
- (vi) other dispositions expressly authorized by this Agreement.

9.2.10. Securities of Subsidiaries. Permit any of their Subsidiaries to issue any additional Securities except to a Borrower and except for director's qualifying Securities.

9.2.11. Guaranteed Sales, Etc. Make, or permit any Subsidiary of any Borrower to make, a sale to any customer on a guaranteed sale, sale and return, sale on approval, repurchase or return or consignment basis.

9.2.12. Restricted Investment. Make or have, or permit any Subsidiary of any Borrower to make or have, any Restricted Investment.

9.2.13. Subsidiaries and Joint Ventures. Create, acquire or otherwise suffer to exist, or permit any Subsidiary of any Borrower to create, acquire or otherwise suffer to exist, any Subsidiary or joint venture arrangement not in existence as of the date hereof, other than an investment by Holdings in an aggregate amount invested not to exceed \$500,000 in cash and \$500,000 in equipment and other assets at any time in a joint venture arrangement with Renewegy LLC so long as (i) immediately prior to, and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing or would result therefrom, (ii) no future capital calls or other contingent obligations are assumed by Holdings or any other Borrower in connection therewith, and (iii) such joint venture arrangement shall be in a line of business of the type engaged in by the Borrowers as of the Closing Date.

9.2.14. Tax Consolidation. File or consent to the filing of any consolidated income tax return with any Person other than Parent, another Borrower and Borrowers' Subsidiaries.

9.2.15. Organizational Documents. Agree to, or suffer to occur, any amendment, supplement or addition to its or any of their Subsidiaries' charter, articles or certificate of incorporation, certificate of formation, limited partnership agreement, bylaws, limited liability agreement, operating agreement or other organizational documents (as the case may be), that would reasonably be expected to have a Material Adverse Effect.

9.2.16. Fiscal Year End. Change, or permit any Subsidiary of any Borrower to change, its fiscal year end.

9.2.17. Negative Pledges. Enter into any agreement (other than in any documents governing any Subordinated Debt) limiting the ability of Borrower or any of its Subsidiaries to voluntarily create Liens upon any of its Property.

9.2.18. Leases. Become, or permit any of their Subsidiaries to become, a lessee under any operating lease (other than a lease under which a Borrower or any of its Subsidiaries is lessor) of Property if the aggregate Rentals payable during any current or future period of twelve (12) consecutive months under the lease in question and all other leases under which Borrowers or any of their Subsidiaries is then lessee would exceed \$5,000,000. The term "Rentals" means, as of the date of determination, all payments which the lessee is required to make by the terms of any lease.

9.2.19. APO Transaction Documents. Agree to, or suffer to occur, any amendment, supplement or addition to, or any other modification of, any APO Transaction Document.

9.2.20. Executive Compensation. Permit the total compensation of Gary Winemaster, Kenneth Winemaster and Thomas Somodi (including without limitation salary, bonuses and all other forms of compensation other than noncash benefits) in any fiscal year to exceed 110% of such compensation for the past fiscal year. Notwithstanding the foregoing, the Borrowers may pay (i) annual aggregate compensation to each of Gary Winemaster, Kenneth Winemaster and Thomas Somodi in an amount not to exceed compensation paid to similarly situated officers in similarly situated companies and (ii) annual aggregate compensation to Thomas Somodi in an amount consistent with or substantially similar to the annual aggregate

compensation provided for in that certain Employment Agreement, dated as of April 16, 2005, between Thomas Somodi and Holdings, as amended through and including the Closing Date.

9.3. Specific Financial Covenants.

During the Term, and thereafter for so long as there are any Obligations outstanding, Borrowers covenant that, unless otherwise consented to by Majority Lenders, in writing, they shall comply with all of the financial covenants set forth in Exhibit 9.3 hereto. If GAAP changes from the basis used in preparing the audited financial statements delivered to Agent by Borrowers on or before the Closing Date, Borrowers will provide Agent with certificates demonstrating compliance with such financial covenants and will include, at the election of Borrowers or upon the request of Agent, calculations setting forth the adjustments necessary to demonstrate how Borrowers are also in compliance with such financial covenants based upon GAAP as in effect on the Closing Date.

SECTION 10. CONDITIONS PRECEDENT

10.1. Initial Loans.

Notwithstanding any other provision of this Agreement or any of the other Loan Documents, and without affecting in any manner the rights of Agent or any Lender under the other sections of this Agreement, no Lender shall be required to make the Loans, nor shall Agent be required to issue or procure any Letter of Credit or LC Guaranty to be made or issued on the Closing Date unless and until each of the following conditions has been and continues to be satisfied or waived by Majority Lenders:

10.1.1. Documentation. Agent shall have received, in form and substance satisfactory to Agent and its counsel, a duly executed copy of this Agreement and the other Loan Documents, together with such additional documents, instruments, opinions and certificates as Agent and its counsel shall require in connection therewith from time to time, all in form and substance satisfactory to Agent and its counsel.

10.1.2. No Default. No Default or Event of Default shall exist.

10.1.3. Other Conditions. Each of the conditions precedent set forth in the Loan Documents shall have been satisfied.

10.1.4. Availability. Agent shall have determined that immediately after Lenders have made the initial Loans and after Agent has issued or procured the initial Letters of Credit and LC Guaranties contemplated hereby, and Borrowers have paid (or, if accrued, treated as paid) all closing costs incurred in connection with the transactions contemplated hereby (including without limitation the APO Transactions), and has reserved an amount sufficient to pay all trade payables aged in excess of historical practice, Availability shall not be less than 20% of the aggregate Borrowing Base.

10.1.5. No Litigation. No action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any court, governmental agency or legislative body to enjoin, restrain or prohibit, or to obtain damages in respect of, or

which is related to or arises out of, this Agreement or the consummation of the transactions contemplated hereby.

10.1.6. APO Transactions. The APO Transactions shall have been consummated in accordance with the terms of the APO Transaction Documents and in compliance with all applicable laws.

10.1.7. Material Adverse Effect. As of the Closing Date, since December 31, 2009, there has not been any material adverse change in its business, assets, financial condition or income and no event or condition exists which would be reasonably likely to result in any Material Adverse Effect.

10.1.8. Existing Lender. Agent shall have received a payoff letter from the Existing Lender, which payoff letter shall be in form and substance reasonably acceptable to Agent.

10.1.9. Patriot Act. The Lenders shall have received all documentation and other information required by bank regulatory authorities under applicable “know your customer and Anti-Money Laundering rules and regulations, including without limitation the USA Patriot Act.

10.1.10. Fixed Charge Coverage Ratio. The Agent shall have received a Compliance Certificate evidencing that the Fixed Charge Coverage Ratio for the twelve month period ending on the last day of the fiscal month most recently ended, as determined on a pro forma basis, after giving effect to the initial Loans being made hereunder and the initial Letters of Credit being issued hereunder, is not less than 1.10 to 1.0.

10.1.11. Shareholder Agreements. Any shareholder agreements of Parent and its Subsidiaries shall be satisfactory to Agent and the Lenders.

10.1.12. Private Placement. Parent shall have received cash proceeds (net of related discounts, fees and expenses) of not less than \$10,000,000 pursuant to a private placement of its equity on terms and conditions satisfactory to Agent.

10.1.13. Capital Structure. The capital and organizational structure of Parent and its Subsidiaries shall be satisfactory to Agent and the Lenders, after giving effect to the APO Transactions;

10.2. Conditions Precedent to All Loans and Credit Accommodations.

No Lender shall be required to make any Loan, nor shall Agent be required to issue or procure, any Letter of Credit or LC Guaranty unless and until the following conditions are satisfied:

10.2.1. No Default or Event of Default. No Default or Event of Default shall exist at the time of, or result from, such funding, issuance or grant; and

10.2.2. Representations and Warranties. The representations and warranties of each Borrower and its Subsidiaries in the Loan Documents shall be true and correct in all

material respects on the date of, and upon giving effect to, such funding, issuance or grant (except for representations and warranties that expressly relate to an earlier date or for such changes as provided in Section 8.2).

SECTION 11. EVENTS OF DEFAULT; RIGHTS AND REMEDIES ON DEFAULT

11.1. Events of Default.

The occurrence of one or more of the following events shall constitute an “Event of Default”:

11.1.1. Payment of Obligations. Borrowers shall fail to pay any of the Obligations hereunder or under any Note on the due date thereof (whether due at stated maturity, on demand, upon acceleration or otherwise).

11.1.2. Misrepresentations. Any representation, warranty or other statement made or furnished to Agent or any Lender by or on behalf of any Borrower, any Subsidiary of any Borrower or any Guarantor in this Agreement, any of the other Loan Documents or any instrument, certificate or financial statement furnished in compliance with or in reference thereto proves to have been false or misleading in any material respect when made, furnished or reaffirmed pursuant to Section 8.2 hereof.

11.1.3. Breach of Specific Covenants. Any Borrower shall fail or neglect to perform, keep or observe any covenant contained in Section or subsection 6.2 (Other Collateral), 6.3 (Lien Perfection; Further Assurances), 6.4 (Lien on Realty), 7.1.1 (Location of Collateral), 7.1.2 (Insurance of Collateral), 7.2.4 (Maintenance of Dominion Account), 7.2.5 (Collection of Accounts; Proceeds of Collateral), 9.1.1 (Visits and Inspections; Lender Meeting), 9.1.2 (Notices), 9.1.4 (Borrowing Base Certificates), 9.1.9 (Deposit and Brokerage Accounts), 9.2 (Negative Covenants) or 9.3 (Specific Financial Covenants) hereof on the date that Borrowers are required to perform, keep or observe such covenant or shall fail or neglect to perform, keep or observe any covenant contained in Section 9.1.3 (Financial Statements) or 9.1.7 (Projections) hereof within 5 days following the date on which Borrowers are required to perform, keep or observe such covenant.

11.1.4. Breach of Other Covenants. Borrowers shall fail or neglect to perform, keep or observe any covenant contained in this Agreement (other than a covenant which is dealt with specifically elsewhere in Section 11.1 hereof) and the breach of such other covenant is not cured to Agent’s satisfaction within 15 days after the sooner to occur of any Borrower’s receipt of notice of such breach from Agent or the date on which such failure or neglect first becomes known to any officer of any Borrower.

11.1.5. Default Under Security Documents, Other Agreements or APO Transaction Documents. Any event of default shall occur under, or any Borrower, any of its Subsidiaries or any other Guarantor shall default in the performance or observance of any term, covenant, condition or agreement contained in, any of the Security Documents, the Other Agreements or the APO Transaction Documents and such default shall continue beyond any applicable grace period.

11.1.6. Other Defaults. There shall occur any default or event of default on the part of any Borrower, any Subsidiary of any Borrower or any other Guarantor under any agreement, document or instrument to which such Borrower, such Subsidiary of such Borrower or such Guarantor is a party or by which such Borrower, such Subsidiary of such Borrower or such Guarantor or any of its Property is bound, evidencing or relating to (a) any Indebtedness (other than the Obligations) with an outstanding principal balance in excess of \$750,000, if the payment or maturity of such Indebtedness is or could be accelerated in consequence of such event of default or demand for payment of such Indebtedness is made or could be made in accordance with the terms thereof or (b) any Subordinated Debt.

11.1.7. Uninsured Losses. Any material loss, theft, damage or destruction of any portion of the Collateral having a fair market value of \$1,000,000, in the aggregate, if not fully covered (subject to such deductibles and self-insurance retentions as Agent shall have permitted) by insurance.

11.1.8. Insolvency and Related Proceedings. Any Borrower, any Subsidiary of Borrower or any other Guarantor shall cease to be Solvent or shall suffer the appointment of a receiver, trustee, custodian or similar fiduciary, or shall make an assignment for the benefit of creditors, or any petition for an order for relief shall be filed by or against any Borrower, any Subsidiary of any Borrower or any other Guarantor under U.S. federal bankruptcy laws (if against any Borrower, any Subsidiary of any Borrower or any other Guarantor the continuation of such proceeding for more than 30 days), or any Borrower, any Subsidiary of any Borrower or any other Guarantor shall make any offer of settlement, extension or composition to their respective unsecured creditors generally.

11.1.9. Business Disruption; Condemnation. There shall occur a cessation of a substantial part of the business of any Borrower, any Subsidiary of any Borrower or any other Guarantor for a period which materially adversely affects such Borrower's, such Subsidiary's or such Guarantor's capacity to continue its business on a profitable basis; or any Borrower, any Subsidiary of any Borrower or any other Guarantor shall suffer the loss or revocation of any material governmental license or permit now held or hereafter acquired by any Borrower, any Subsidiary of any Borrower or any other Guarantor which is necessary to the continued or lawful operation of its business; or any Borrower, any Subsidiary of any Borrower or any other Guarantor shall be enjoined, restrained or in any way prevented by court, governmental or administrative order from conducting all or any material part of its business affairs; or any material lease or agreement pursuant to which any Borrower, any Subsidiary of any Borrower or any other Guarantor leases, uses or occupies any Property shall be canceled or terminated prior to the expiration of its stated term, except any such lease or agreement the cancellation or termination of which could not reasonably be expected to have a Material Adverse Effect; or any material portion of the Collateral shall be taken through condemnation or the value of such Property shall be impaired through condemnation.

11.1.10. Change of Ownership. (a) Gary Winemaster and Kenneth Winemaster, collectively, shall cease to own and control, beneficially and of record in excess of 51% of the issued and outstanding Voting Stock of Parent, (b) Parent shall cease to own and control, beneficially and of record (directly or indirectly), 100% of the issued and outstanding Securities and Voting Stock of Holdings and each of its other Subsidiaries or (c) Holdings shall

cease to own and control, beneficially and of record, 100% of the issued and outstanding Securities and Voting Stock of each of its Subsidiaries.

11.1.11. ERISA. A Reportable Event shall occur which, in Agent's determination, constitutes grounds for the termination by the Pension Benefit Guaranty Corporation of any Plan or for the appointment by the appropriate United States district court of a trustee for any Plan, or any Plan shall be terminated or any such trustee shall be requested or appointed, or if any Borrower, any Subsidiary of any Borrower or any other Guarantor is in "default" (as defined in Section 4219(c)(5) of ERISA) with respect to payments to a Multiemployer Plan resulting from such Borrower's, such Subsidiary's or such Guarantor's complete or partial withdrawal from such Plan and any such event could reasonably be expected to have a Material Adverse Effect.

11.1.12. Challenge to Agreement. Any Borrower, any Subsidiary of Borrower or any other Guarantor, or any Affiliate of any of them, shall challenge or contest in any action, suit or proceeding the validity or enforceability of this Agreement or any of the other Loan Documents, the legality or enforceability of any of the Obligations or the perfection or priority of any Lien granted to Agent.

11.1.13. Repudiation of or Default Under Guaranty Agreement. Any Guarantor shall revoke or attempt to revoke the Guaranty Agreement signed by such Guarantor, shall repudiate such Guarantor's liability thereunder or shall be in default under the terms thereof.

11.1.14. Criminal Forfeiture. Any Borrower, any Subsidiary of Borrower or any other Guarantor shall be criminally indicted or convicted under any law that could lead to a forfeiture of any Property of any Borrower, any Subsidiary of Borrower or any other Guarantor.

11.1.15. Judgments. Any money judgment, writ of attachment or similar processes (collectively, "Judgments") are issued or rendered against any Borrower, any Subsidiary of any Borrower or any other Guarantor, or any of their respective Property (i) in the case of money judgments, in an amount of \$1,000,000 or more for any single judgment, attachment or process or \$2,000,000 or more for all such judgments, attachments or processes in the aggregate, in each case in excess of any applicable insurance with respect to which the insurer has admitted liability, and (ii) in the case of non-monetary Judgments, such Judgment or Judgments (in the aggregate) could reasonably be expected to have a Material Adverse Effect, in each case which Judgment is not stayed, bonded over, released or discharged within 60 days.

11.2. Acceleration of the Obligations.

Upon or at any time after the occurrence and during the continuance of an Event of Default, (i) the Revolving Loan Commitments shall, at the option of Agent or Majority Lenders, be terminated and/or (ii) Agent or Majority Lenders may declare all or any portion of the Obligations at once due and payable without presentment, demand protest or further notice by Agent or any Lender, and Borrowers shall forthwith pay to Agent the full amount of such Obligations, provided that, upon the occurrence of an Event of Default specified in subsection 11.1.8 hereof, the Revolving Loan Commitments shall automatically be terminated and all of the Obligations shall become automatically due and payable, in each case without declaration, notice or demand by Agent or any Lender.

11.3. Other Remedies.

Upon the occurrence and during the continuance of an Event of Default, Agent shall have and may exercise from time to time the following other rights and remedies:

11.3.1. All of the rights and remedies of a secured party under the UCC or under other applicable law, and all other legal and equitable rights to which Agent or Lenders may be entitled, all of which rights and remedies shall be cumulative and shall be in addition to any other rights or remedies contained in this Agreement or any of the other Loan Documents, and none of which shall be exclusive.

11.3.2. The right to take immediate possession of the Collateral, and to (i) require each Borrower and each of its Subsidiaries to assemble the Collateral, at Borrowers' expense, and make it available to Agent at a place designated by Agent which is reasonably convenient to both parties, and (ii) enter any premises where any of the Collateral shall be located and to keep and store the Collateral on said premises until sold (and if said premises be the Property of any Borrower or any Subsidiary of any Borrower, Borrowers agree not to charge, or permit any of its Subsidiaries to charge, Agent for storage thereof).

11.3.3. The right to sell or otherwise dispose of all or any Collateral in its then condition, or after any further manufacturing or processing thereof, at public or private sale or sales, with such notice as may be required by law, in lots or in bulk, for cash or on credit, all as Agent, in its sole discretion, may deem advisable. Agent may, at Agent's option, disclaim any and all warranties regarding the Collateral in connection with any such sale. Borrowers agree that 10 days' written notice to Borrowers or any of their Subsidiaries of any public or private sale or other disposition of Collateral shall be reasonable notice thereof, and such sale shall be at such locations as Agent may designate in said notice. Agent shall have the right to conduct such sales on any Borrower's or any of its Subsidiaries' premises, without charge therefor, and such sales may be adjourned from time to time in accordance with applicable law. Agent shall have the right to sell, lease or otherwise dispose of the Collateral, or any part thereof, for cash, credit or any combination thereof, and Agent, on behalf of Lenders, may purchase all or any part of the Collateral at public or, if permitted by law, private sale and, in lieu of actual payment of such purchase price, may set off the amount of such price against the Obligations. The proceeds realized from the sale of any Collateral may be applied, after allowing 2 Business Days for collection, first, to the costs, expenses and attorneys' fees incurred by Agent in collecting the Obligations, in enforcing the rights of Agent and Lenders under the Loan Documents and in collecting, retaking, completing, protecting, removing, storing, advertising for sale, selling and delivering any Collateral, second, to the interest due upon any of the Obligations; and third, to the principal of the Obligations. If any deficiency shall arise, each Borrower and each Guarantor shall remain jointly and severally liable to Agent and Lenders therefor.

11.3.4. Agent is hereby granted a license or other right to use, without charge, each Borrower's and each of its Subsidiaries' labels, patents, copyrights, licenses, rights of use of any name, trade secrets, trade names, trademarks and advertising matter, or any Property of a similar nature, as it pertains to the Collateral, in completing, advertising for sale and selling any Collateral and each Borrower's and each of its Subsidiaries' rights under all licenses and all franchise agreements shall inure to Agent's benefit.

11.3.5. Agent may, at its option, require Borrowers to deposit with Agent funds equal to 105% of the LC Amount and, if Borrowers fail to promptly make such deposit, Agent may advance such amount as a Revolving Credit Loan (whether or not an Overadvance is created thereby). Each such Revolving Credit Loan shall be secured by all of the Collateral and shall constitute a Base Rate Revolving Loan. Any such deposit or advance shall be held by Agent as a reserve to fund future payments on such LC Guaranties and future drawings against such Letters of Credit. At such time as all LC Guaranties have been paid or terminated and all Letters of Credit have been drawn upon or expired, any amounts remaining in such reserve shall be applied against any outstanding Obligations, or, if all Obligations have been indefeasibly paid in full, returned to Borrowers.

11.4. Setoff and Sharing of Payments.

In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, during the continuance of any Event of Default, each Lender is hereby authorized by Borrowers at any time or from time to time, with prior written consent of Agent and with reasonably prompt subsequent notice to Borrowers (any prior or contemporaneous notice to Borrowers being hereby expressly waived) to setoff and to appropriate and to apply any and all (i) balances held by such Lender at any of its offices for the account of any Borrower or any of its Subsidiaries (regardless of whether such balances are then due to a Borrower or its Subsidiaries), and (ii) other property at any time held or owing by such Lender to or for the credit or for the account of any Borrower or any of its Subsidiaries, against and on account of any of the Obligations. Any Lender exercising a right to setoff shall, to the extent the amount of any such setoff exceeds its Revolving Loan Percentage of the amount set off, purchase for cash (and the other Lenders shall sell) interests in each such other Lender's pro rata share of the Obligations as would be necessary to cause such Lender to share such excess with each other Lender in accordance with their respective Revolving Loan Percentages. Each Borrower agrees, to the fullest extent permitted by law, that any Lender may exercise its right to set off with respect to amounts in excess of its pro rata share of the Obligations and upon doing so shall deliver such excess to Agent for the benefit of all Lenders in accordance with the Revolving Loan Percentages.

11.5. Remedies Cumulative; No Waiver.

All covenants, conditions, provisions, warranties, guaranties, indemnities, and other undertakings of Borrowers contained in this Agreement and the other Loan Documents, or in any document referred to herein or contained in any agreement supplementary hereto or in any schedule or in any Guaranty Agreement given to Agent or any Lender or contained in any other agreement between any Lender and Borrowers or between Agent and Borrowers heretofore, concurrently, or hereafter entered into, shall be deemed cumulative to and not in derogation or substitution of any of the terms, covenants, conditions, or agreements of Borrowers herein contained. The failure or delay of Agent or any Lender to require strict performance by Borrowers of any provision of this Agreement or to exercise or enforce any rights, Liens, powers, or remedies hereunder or under any of the aforesaid agreements or other documents or security or Collateral shall not operate as a waiver of such performance, Liens, rights, powers and remedies, but all such requirements, Liens, rights, powers, and remedies shall continue in full force and effect until all Loans and other Obligations owing or to become owing from Borrowers to Agent and each Lender have been fully satisfied. None of the undertakings,

agreements, warranties, covenants and representations of Borrowers contained in this Agreement or any of the other Loan Documents and no Default or Event of Default by Borrowers under this Agreement or any other Loan Documents shall be deemed to have been suspended or waived by Lenders, unless such suspension or waiver is by an instrument in writing specifying such suspension or waiver and is signed by a duly authorized representative of Agent and directed to Borrowers.

SECTION 12. AGENT

12.1. Authorization and Action.

Each Lender hereby appoints and authorizes Agent to take such action on its behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. Each Lender hereby acknowledges that Agent shall not have by reason of this Agreement assumed a fiduciary relationship in respect of any Lender. In performing its functions and duties under this Agreement, Agent shall act solely as agent of Lenders and shall not assume, or be deemed to have assumed, any obligation toward, or relationship of agency or trust with or for, Borrowers. As to any matters not expressly provided for by this Agreement and the other Loan Documents (including without limitation enforcement and collection of the Notes), Agent may, but shall not be required to, exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Lenders, whenever such instruction shall be requested by Agent or required hereunder, or a greater or lesser number of Lenders if so required hereunder, and such instructions shall be binding upon all Lenders; provided, that Agent shall be fully justified in failing or refusing to take any action which exposes Agent to any liability or which is contrary to this Agreement, the other Loan Documents or applicable law, unless Agent is indemnified to its satisfaction by the other Lenders against any and all liability and expense which it may incur by reason of taking or continuing to take any such action. If Agent seeks the consent or approval of the Majority Lenders (or a greater or lesser number of Lenders as required in this Agreement), with respect to any action hereunder, Agent shall send notice thereof to each Lender and shall notify each Lender at any time that the Majority Lenders (or such greater or lesser number of Lenders) have instructed Agent to act or refrain from acting pursuant hereto.

12.2. Agent's Reliance, Etc.

Neither Agent, any Affiliate of Agent, nor any of their respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement or the other Loan Documents, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, Agent: (i) may treat each Lender party hereto as the holder of Obligations until Agent receives written notice of the assignment or transfer of such lender's portion of the Obligations signed by such Lender and in form reasonably satisfactory to Agent; (ii) may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranties or representations to any Lender and shall not be responsible to any Lender for any recitals, statements, warranties or

representations made in or in connection with this Agreement or any other Loan Documents; (iv) shall not have any duty beyond Agent's customary practices in respect of loans in which Agent is the only lender; to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or the other Loan Documents on the part of Borrowers, to inspect the property (including the books and records) of Borrowers, to monitor the financial condition of Borrowers or to ascertain the existence or possible existence or continuation of any Default or Event of Default; (v) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto; (vi) shall not be liable to any Lender for any action taken, or inaction, by Agent upon the instructions of Majority Lenders pursuant to Section 12.1 hereof or refraining to take any action pending such instructions; (vii) shall not be liable for any apportionment or distributions of payments made by it in good faith pursuant to Section 4 hereof; (viii) shall incur no liability under or in respect of this Agreement or the other Loan Documents by acting upon any notice, consent, certificate, message or other instrument or writing (which may be by telephone, facsimile, telegram, cable or telex) believed in good faith by it to be genuine and signed or sent by the proper party or parties; and (ix) may assume that no Event of Default has occurred and is continuing, unless Agent has actual knowledge of the Event of Default, has received notice from Borrowers or Borrowers' independent certified public accountants stating the nature of the Event of Default, or has received notice from a Lender stating the nature of the Event of Default and that such Lender considers the Event of Default to have occurred and to be continuing. In the event any apportionment or distribution described in clause (vii) above is determined to have been made in error, the sole recourse of any Person to whom payment was due but not made shall be to recover from the recipients of such payments any payment in excess of the amount to which they are determined to have been entitled.

12.3. Harris and Affiliates.

With respect to its commitment hereunder to make Loans, Harris shall have the same rights and powers under this Agreement and the other Loan Documents as any other Lender and may exercise the same as though it were not Agent; and the terms "Lender," "Lenders" or "Majority Lenders" shall, unless otherwise expressly indicated, include Harris in its individual capacity as a Lender. Harris and its Affiliates may lend money to, and generally engage in any kind of business with, Borrowers, and any Person who may do business with or own Securities of any Borrower, all as if Harris were not Agent and without any duty to account therefor to any other Lender.

12.4. Lender Credit Decision.

Each Lender acknowledges that it has, independently and without reliance upon Agent or any other Lender and based on the financial statements referred to herein and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement. Agent shall not have any duty or responsibility, either initially or on an ongoing basis, to provide any Lender with any credit or other similar information regarding Borrowers.

12.5. Indemnification.

Lenders agree to indemnify Agent (to the extent not reimbursed by Borrowers), in accordance with their respective Aggregate Percentages, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against Agent in any way relating to or arising out of this Agreement or any other Loan Document or any action taken or omitted by Agent under this Agreement; provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse Agent promptly upon demand for its ratable share, as set forth above, of any out-of-pocket expenses (including attorneys' fees) incurred by Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiation, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement and each other Loan Document, to the extent that Agent is not reimbursed for such expenses by Borrowers. The obligations of Lenders under this Section 12.5 shall survive the payment in full of all Obligations and the termination of this Agreement. If after payment and distribution of any amount by Agent to Lenders, any Lender or any other Person, including Borrowers, any creditor of any Borrower, a liquidator, administrator or trustee in bankruptcy, recovers from Agent any amount found to have been wrongfully paid to Agent or disbursed by Agent to Lenders, then Lenders, in accordance with their respective Aggregate Percentages, shall reimburse Agent for all such amounts.

12.6. Rights and Remedies to Be Exercised by Agent Only.

Each Lender agrees that, except as set forth in Section 11.4, no Lender shall have any right individually (i) to realize upon the security created by this Agreement or any other Loan Document, (ii) to enforce any provision of this Agreement or any other Loan Document, or (iii) to make demand under this Agreement or any other Loan Document.

12.7. Agency Provisions Relating to Collateral.

Each Lender authorizes and ratifies Agent's entry into this Agreement and the Security Documents for the benefit of Lenders. Each Lender agrees that any action taken by Agent with respect to the Collateral in accordance with the provisions of this Agreement or the Security Documents, and the exercise by Agent of the powers set forth herein or therein, together with such other powers as are reasonably incidental thereto, shall be authorized and binding upon all Lenders. Agent is hereby authorized on behalf of all Lenders, without the necessity of any notice to or further consent from any Lender to take any action with respect to any Collateral or the Loan Documents which may be necessary to perfect and maintain perfected Agent's Liens upon the Collateral, for its benefit and the ratable benefit of Lenders. Lenders hereby irrevocably authorize Agent, at its option and in its discretion, to release any Lien granted to or held by Agent upon any Collateral (i) upon termination of the Agreement and payment and satisfaction of all Obligations; or (ii) constituting property being sold or disposed of if Borrowers certify to Agent that the sale or disposition is made in compliance with subsection 9.2.9 hereof (and Agent may rely conclusively on any such certificate, without further inquiry); or (iii) constituting property in which no Borrower owned any interest at the time the Lien was granted or at any

time thereafter; or (iv) in connection with any foreclosure sale or other disposition of Collateral after the occurrence and during the continuation of an Event of Default; or (v) if approved, authorized or ratified in writing by Agent at the direction of all Lenders. Upon request by Agent at any time, Lenders will confirm in writing Agent's authority to release particular types or items of Collateral pursuant hereto. Agent shall have no obligation whatsoever to any Lender or to any other Person to assure that the Collateral exists or is owned by any Borrower or is cared for, protected or insured or has been encumbered or that the Liens granted to Agent herein or pursuant to the Security Documents have been properly or sufficiently or lawfully created, perfected, protected or enforced or are entitled to any particular priority, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of its rights, authorities and powers granted or available to Agent in this Section 12.7 or in any of the Loan Documents, it being understood and agreed that in respect of the Collateral, or any act, omission or event related thereto, Agent may act in any manner it may deem appropriate, in its sole discretion, but consistent with the provisions of this Agreement, including given Agent's own interest in the Collateral as a Lender and that Agent shall have no duty or liability whatsoever to any Lender.

12.8. Agent's Right to Purchase Commitments.

Agent shall have the right, but shall not be obligated, at any time upon written notice to any Lender and with the consent of such Lender, which may be granted or withheld in such Lender's sole discretion, to purchase for Agent's own account all of such Lender's interests in this Agreement, the other Loan Documents and the Obligations, for the face amount of the outstanding Obligations owed to such Lender, including without limitation all accrued and unpaid interest and fees.

12.9. Right of Sale; Assignment; Participations.

So long as Harris, both before and after giving effect thereto, is the Majority Lender, Borrowers hereby consent to any Lender's participation, sale, assignment, transfer or other disposition, at any time or times hereafter, of this Agreement and any of the other Loan Documents, or of any portion hereof or thereof, including, without limitation, such Lender's rights, title, interests, remedies, powers and duties hereunder or thereunder subject to the terms and conditions set forth below:

12.9.1. Sales; Assignments. Each Lender hereby agrees that, with respect to any sale or assignment (i) no such sale or assignment shall be for an amount of less than \$5,000,000, (ii) each such sale or assignment shall be made on terms and conditions which are customary in the industry at the time of the transaction, (iii) Agent and, in the absence of a Default or Event of Default, Borrowers, must consent, such consent not to be unreasonably withheld, to each such assignment to a Person that is not an original signatory to this Agreement, (iv) the assigning Lender shall pay to Agent a processing and recordation fee of \$3,500 and any out-of-pocket attorneys' fees and expenses incurred by Agent in connection with any such sale or assignment and (v) Agent, the assigning Lender and the assignee Lender shall each have executed and delivered an Assignment and Acceptance Agreement. After such sale or assignment has been consummated (x) the assignee Lender thereupon shall become a "Lender" for all purposes of this Agreement and (y) the assigning Lender shall have no further liability for funding the portion of Revolving Loan Commitments assumed by such other Lender.

12.9.2. Participations. Any Lender may grant participations in its extensions of credit hereunder to any other Lender or other lending institution (a "Participant"), provided that (i) no such participation shall be for an amount of less than \$5,000,000, (ii) no Participant shall thereby acquire any direct rights under this Agreement, (iii) no Participant shall be granted any right to consent to any amendment, except to the extent any of the same pertain to (1) reducing the aggregate principal amount of, or interest rate on, or fees applicable to, any Loan or (2) extending the final stated maturity of any Loan or the stated maturity of any portion of any payment of principal of, or interest or fees applicable to, any of the Loans; provided that the rights described in this subclause (2) shall not be deemed to include the right to consent to any amendment with respect to or which has the effect of requiring any mandatory prepayment of any portion of any Loan or any amendment or waiver of any Default or Event of Default, (iv) no sale of a participation in extensions of credit shall in any manner relieve the originating Lender of its obligations hereunder, (v) the originating Lender shall remain solely responsible for the performance of such obligations, (vi) Borrowers and Agent shall continue to deal solely and directly with the originating Lender in connection with the originating Lender's rights and obligations under this Agreement and the other Loan Documents, (vii) in no event shall any financial institution purchasing the participation grant a participation in its participation interest in the Loans without the prior written consent of Agent, and, in the absence of a Default or an Event of Default, Borrowers, which consents shall not unreasonably be withheld and (viii) all amounts payable by Borrowers hereunder shall be determined as if the originating Lender had not sold any such participation.

12.9.3. Certain Agreements of Borrowers. Borrowers agree that (i) they will use commercially reasonable efforts to assist and cooperate with each Lender in any manner reasonably requested by such Lender to effect the sale of participation in or assignments of any of the Loan Documents or any portion thereof or interest therein, including, without limitation, assisting in the preparation of appropriate disclosure documents and making members of management available at reasonable times to meet with and answer questions of potential assignees and Participants; and (ii) subject to the provisions of Section 13.14 hereof, such Lender may disclose credit information regarding Borrowers to any potential Participant or assignee.

12.9.4. Non U.S. Resident Transferees. If, pursuant to this Section 12.9, any interest in this Agreement or any Loans is transferred to any transferee which is organized under the laws of any jurisdiction other than the United States or any state thereof, the transferor Lender shall cause such transferee (other than any Participant), and may cause any Participant, concurrently with and as a condition precedent to the effectiveness of such transfer, to (i) represent to the transferor Lender (for the benefit of the transferor Lender, Agent, and Borrowers) that under applicable law and treaties no taxes will be required to be withheld by Agent, any Borrower or the transferor Lender with respect to any payments to be made to such transferee in respect of the interest so transferred, (ii) furnish to the transferor Lender, Agent and Borrowers either United States Internal Revenue Service Form W-8BEN or United States Internal Revenue Service Form W-8ECI (wherein such transferee claims entitlement to complete exemption from United States federal withholding tax on all interest payments hereunder), and (iii) agree (for the benefit of the transferor Lender, Agent and Borrowers) to provide the transferor Lender, Agent and Borrowers a new Form W-8BEN or Form W-8ECI upon the obsolescence of any previously delivered form and comparable statements in accordance with applicable United States laws and regulations and amendments duly executed and completed by

such transferee, and to comply from time to time with all applicable United States laws and regulations with regard to such withholding tax exemption. Each Lender that is not a United States person within the meaning of Code Section 7701(a)(30) (a “Non-U.S. Participant”) (other than any such Lender which is taxed as a corporation for U.S. federal income tax purposes) shall provide two properly completed and duly executed copies of IRS Form W-9 (or any successor or other applicable form) to Agent certifying that such Lender is exempt from United States backup withholding tax. To the extent that a form provided pursuant to this Section is rendered obsolete or inaccurate in any material respects as a result of a change in circumstances with respect to the status of a Lender, such Lender shall, to the extent permitted by applicable law, deliver to Agent revised forms necessary to confirm or establish the entitlement to such Lender’s or Agent’s exemption from United States backup withholding tax.

12.10. Amendment.

No amendment or waiver of any provision of this Agreement or any other Loan Document (including without limitation any Note), nor consent to any departure by Borrowers therefrom, shall in any event be effective unless the same shall be in writing and signed by the Majority Lenders and Borrowers, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, that no amendment, waiver or consent shall be effective, unless (i) in writing and signed by each Lender, to do any of the following: (1) increase or decrease the aggregate Loan Commitments or any Lender’s Revolving Loan Commitment; (2) reduce the principal of, or interest on, any amount payable hereunder or under any Note, other than those payable only to Harris in its capacity as Agent, which may be reduced by Harris unilaterally; (3) increase or decrease any interest rate payable hereunder; (4) postpone any date fixed for any payment of principal of, or interest on, any amounts payable hereunder or under any Note, other than those payable only to Harris in its capacity as Agent, which may be postponed by Harris unilaterally; (5) increase any advance percentage contained in the definition of the term Borrowing Base; (6) reduce the number of Lenders that shall be required for Lenders or any of them to take any action hereunder; (7) release or discharge any Person liable for the performance of any obligations of any Borrower hereunder or under any of the Loan Documents; (8) amend any provision of this Agreement that requires the consent of all Lenders or consent to or waive any breach thereof; (9) amend the definition of the term Majority Lenders; (10) amend this Section 12.10; or (11) release any substantial portion of the Collateral, unless otherwise permitted pursuant to Section 12.7 hereof; or (ii) in writing and signed by Agent in addition to the Lenders required above to affect the rights or duties of Agent under this Agreement, any Note or any other Loan Document. If a fee is to be paid by Borrowers in connection with any waiver or amendment hereunder, the agreement evidencing such amendment or waiver may, at the discretion of Agent (but shall not be required to), provide that only Lenders executing such agreement by a specified date may share in such fee (and in such case, such fee shall be divided among the applicable Lenders on a pro rata basis without including the interests of any Lenders who have not timely executed such agreement).

12.11. Resignation of Agent; Appointment of Successor.

Agent may resign as Agent by giving not less than thirty (30) days’ prior written notice to Lenders and Borrowers. If Agent shall resign under this Agreement, then, (i) subject to the consent of Borrowers (which consent shall not be unreasonably withheld and which consent shall

not be required during any period in which a Default or an Event of Default exists), Majority Lenders shall appoint from among Lenders a successor agent for Lenders or (ii) if a successor agent shall not be so appointed and approved within the thirty (30) day period following Agent's notice to Lenders and Borrowers of its resignation, then Agent shall appoint a successor agent who shall serve as Agent until such time as Majority Lenders appoint a successor agent, subject to Borrowers' consent as set forth above. Upon its appointment, such successor agent shall succeed to the rights, powers and duties of Agent and the term "Agent" shall mean such successor effective upon its appointment, and the former Agent's rights, powers and duties as Agent shall be terminated without any other or further act or deed on the part of such former Agent or any of the parties to this Agreement. After the resignation of any Agent hereunder, the provisions of this Section 11 shall inure to the benefit of such former Agent and such former Agent shall not by reason of such resignation be deemed to be released from liability for any actions taken or not taken by it while it was an Agent under this Agreement.

12.12. Audit, Appraisal and Examination Reports; Disclaimer by Lenders.

By signing this Agreement, each Lender:

(a) is deemed to have requested that Agent furnish such Lender, promptly after it becomes available, a copy of each audit, appraisal or examination report (each a "Report" and collectively, "Reports") prepared by or on behalf of Agent;

(b) expressly agrees and acknowledges that Agent (i) does not make any representation or warranty as to the accuracy of any Report and (ii) shall not be liable for any information contained in any Report;

(c) expressly agrees and acknowledges that the Reports are not comprehensive audits, appraisals or examinations, that Agent or other party performing any audit or examination will inspect only specific information regarding Borrowers and will rely significantly upon Borrowers' books and records as well as on representations of Borrowers' personnel;

(d) agrees to keep all Reports confidential and strictly for its internal use, and not to distribute except to its participants, or use any Report in any other manner, in accordance with the provisions of Section 13.14; and

(e) without limiting the generality of any other indemnification provision contained in this Agreement, agrees: (i) to hold Agent and any such other Lender preparing a Report harmless from any action the indemnifying Lender may take or conclusion the indemnifying Lender may reach or draw from any Report in connection with any loans or other credit accommodations that the indemnifying Lender has made or may make to Borrowers, or the indemnifying Lender's participation in, or the indemnifying Lender's purchase of, a loan or loans of Borrowers; and (ii) to pay and protect, and indemnify, defend and hold Agent and any such other Lender preparing a Report harmless from and against, the claims, actions, proceedings, damages, costs, expenses and other amounts (including attorneys' fees and expenses) incurred by Agent and any such other Lender preparing a Report as the direct or indirect result of any third parties who might obtain all or part of any Report through the indemnifying Lender.

SECTION 13. MISCELLANEOUS

13.1. Power of Attorney.

Each Borrower hereby irrevocably designates, makes, constitutes and appoints Agent (and all Persons designated by Agent) as such Borrower's true and lawful attorney (and agent-in-fact), solely with respect to the matters set forth in this Section 12.1, and Agent, or Agent's agent, may, without notice to any Borrower and in any Borrower's or Agent's name, but at the cost and expense of Borrowers:

13.1.1. At such time or times as Agent or said agent, in its sole discretion, may determine, endorse any Borrower's name on any checks, notes, acceptances, drafts, money orders or any other evidence of payment or proceeds of the Collateral which come into the possession of Agent or under Agent's control.

13.1.2. At such time or times upon or after the occurrence and during the continuance of an Event of Default (provided that the occurrence of an Event of Default shall not be required with respect to clauses (iv), (vi), (viii) and (ix) below), as Agent or its agent in its sole discretion may determine: (i) demand payment of the Accounts from the Account Debtors, enforce payment of the Accounts by legal proceedings or otherwise, and generally exercise all of any Borrower's rights and remedies with respect to the collection of the Accounts; (ii) settle, adjust, compromise, discharge or release any of the Accounts or other Collateral or any legal proceedings brought to collect any of the Accounts or other Collateral; (iii) sell or assign any of the Accounts and other Collateral upon such terms, for such amounts and at such time or times as Agent deems advisable, and at Agent's option, with all warranties regarding the Collateral disclaimed; (iv) take control, in any manner, of any item of payment or proceeds relating to any Collateral; (v) prepare, file and sign any Borrower's name to a proof of claim in bankruptcy or similar document against any Account Debtor or to any notice of lien, assignment or satisfaction of lien or similar document in connection with any of the Collateral; (vi) receive, open and dispose of all mail addressed to any Borrower and notify postal authorities to change the address for delivery thereof to such address as Agent may designate; (vii) endorse the name of any Borrower upon any of the items of payment or proceeds relating to any Collateral and deposit the same to the account of Agent on account of the Obligations; (viii) endorse the name of any Borrower upon any chattel paper, document, instrument, invoice, freight bill, bill of lading or similar document or agreement relating to the Accounts, Inventory and any other Collateral; (ix) use any Borrower's stationery and sign the name of any Borrower to verifications of the Accounts and notices thereof to Account Debtors; (x) use the information recorded on or contained in any data processing equipment and Computer Hardware and Software relating to the Accounts, Inventory, Equipment and any other Collateral; (xi) make and adjust claims under policies of insurance; and (xii) do all other acts and things necessary, in Agent's determination, to fulfill any Borrower's obligations under this Agreement.

The power of attorney granted hereby shall constitute a power coupled with an interest and shall be irrevocable.

13.2. Indemnity.

Each Borrower hereby agrees to indemnify Agent and each Lender (and each of their Affiliates) and hold Agent and each Lender (and each of their Affiliates) harmless from and against any liability, loss, damage, suit, action or proceeding ever suffered or incurred by any such Person (including reasonable attorneys' fees and legal expenses) as the result of such Borrower's failure to observe, perform or discharge such Borrower's duties hereunder. In addition, each Borrower shall defend Agent and each Lender (and each of their Affiliates) against and save it harmless from all claims of any Person with respect to the Collateral (except those resulting from the gross negligence or intentional misconduct of Agent, any Lender or any Affiliate of Agent or any Lender, as applicable). Without limiting the generality of the foregoing, these indemnities shall extend to any claims asserted against Agent or any Lender (and each of their Affiliates) by any Person under any Environmental Laws by reason of any Borrower's or any other Person's failure to comply with laws applicable to solid or hazardous waste materials or other toxic substances. Notwithstanding any contrary provision in this Agreement, the obligation of Borrowers under this Section 13.2 shall survive the payment in full of the Obligations and the termination of this Agreement.

13.3. Sale of Interest.

No Borrower may sell, assign or transfer any interest in this Agreement, any of the other Loan Documents, or any of the Obligations, or any portion thereof, including, without limitation, such Borrower's rights, title, interests, remedies, powers and duties hereunder or thereunder.

13.4. Severability.

Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

13.5. Successors and Assigns.

This Agreement, the Other Agreements and the Security Documents shall be binding upon and inure to the benefit of the successors and assigns of each Borrower, Agent and each Lender permitted under Section 12.9 hereof.

13.6. Cumulative Effect; Conflict of Terms.

The provisions of the Other Agreements and the Security Documents are hereby made cumulative with the provisions of this Agreement. Except as otherwise provided in any of the other Loan Documents by specific reference to the applicable provision of this Agreement, if any provision contained in this Agreement is in direct conflict with, or inconsistent with, any provision in any of the other Loan Documents, the provision contained in this Agreement shall govern and control.

13.7. Execution in Counterparts.

This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument.

13.8. Notice.

Except as otherwise provided herein, all notices, requests and demands to or upon a party hereto, to be effective, shall be in writing, and shall be sent by certified or registered mail, return receipt requested, by personal delivery against receipt, by overnight courier or by facsimile and, unless otherwise expressly provided herein, shall be deemed to have been validly served, given, delivered or received immediately when delivered against receipt, three (3) Business Days after deposit in the mail, postage prepaid, one (1) Business Day after deposit with an overnight courier or, in the case of facsimile notice, when sent with respect to machine confirmed, addressed as follows:

- (A) If to Agent: Harris N.A.
111 West Monroe
Chicago, Illinois 60603
Attention: Jason Hoefler
Facsimile No.: (312) 765-1641
- With a copy to: Goldberg Kohn Ltd.
55 East Monroe Street
Suite 3300
Chicago, Illinois 60603
Attention: Jessica L. DeBruin
Facsimile No.: (312) 863-7857
- (B) If to Borrowers: c/o Power Solutions International, Inc.
655 Wheat Lane
Wood Dale, Illinois 60191
Attention: Mr. Gary Winemaster
Facsimile No.: (630) 350-0103
- With a copy to: Reinhart Boerner Van Deuren s.c.
1000 North Water Street
Suite 1700
Milwaukee, Wisconsin 53202
Attention: David B. Schulz
Facsimile No.: (414) 298-8097

- (C) If to any Lender, at its address indicated on the signature pages hereof or in an Assignment and Acceptance Agreement,

or to such other address as each party may designate for itself by notice given in accordance with this Section 13.8; provided, however, that any notice, request or demand to or upon Agent or a Lender pursuant to subsection 4.1.1 or 5.2.2 hereof shall not be effective until received by Agent or such Lender.

13.9. Consent.

Whenever Agent's, Majority Lenders' or all Lenders' consent is required to be obtained under this Agreement, any of the Other Agreements or any of the Security Documents as a condition to any action, inaction, condition or event, except as otherwise specifically provided herein, Agent, Majority Lenders or all Lenders, as applicable, shall be authorized to give or withhold such consent in its or their sole and absolute discretion and to condition its or their consent upon the giving of additional Collateral security for the Obligations, the payment of money or any other matter.

13.10. Credit Inquiries.

Borrowers hereby authorize and permit Agent to respond to usual and customary credit inquiries from third parties concerning any Borrower or any of its Subsidiaries.

13.11. Time of Essence.

Time is of the essence of this Agreement, the Other Agreements and the Security Documents.

13.12. Entire Agreement.

This Agreement and the other Loan Documents, together with all other instruments, agreements and certificates executed by the parties in connection therewith or with reference thereto, embody the entire understanding and agreement between the parties hereto and thereto with respect to the subject matter hereof and thereof and supersede all prior agreements, understandings and inducements, whether express or implied, oral or written.

13.13. Interpretation.

No provision of this Agreement or any of the other Loan Documents shall be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party having or being deemed to have structured or dictated such provision.

13.14. Confidentiality.

Agent and each Lender shall hold all nonpublic information obtained pursuant to the requirements of this Agreement in accordance with Agent's and such Lender's customary procedures for handling confidential information of this nature and in accordance with safe and sound banking practices and in any event may make disclosure reasonably required by a prospective participant or assignee in connection with the contemplated participation or assignment or as required or requested by any governmental authority or representative thereof

or pursuant to legal process and shall require any such participant or assignee to agree to comply with this Section 13.14.

13.15. GOVERNING LAW; CONSENT TO FORUM.

THIS AGREEMENT HAS BEEN NEGOTIATED, EXECUTED AND DELIVERED IN AND SHALL BE DEEMED TO HAVE BEEN MADE IN CHICAGO, ILLINOIS. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS; PROVIDED, HOWEVER, THAT IF ANY OF THE COLLATERAL SHALL BE LOCATED IN ANY JURISDICTION OTHER THAN ILLINOIS, THE LAWS OF SUCH JURISDICTION SHALL GOVERN THE METHOD, MANNER AND PROCEDURE FOR FORECLOSURE OF AGENT'S LIEN UPON SUCH COLLATERAL AND THE ENFORCEMENT OF AGENT'S OTHER REMEDIES IN RESPECT OF SUCH COLLATERAL TO THE EXTENT THAT THE LAWS OF SUCH JURISDICTION ARE DIFFERENT FROM OR INCONSISTENT WITH THE LAWS OF ILLINOIS. AS PART OF THE CONSIDERATION FOR NEW VALUE RECEIVED, AND REGARDLESS OF ANY PRESENT OR FUTURE DOMICILE OR PRINCIPAL PLACE OF BUSINESS OF ANY BORROWER, AGENT OR ANY LENDER, EACH BORROWER HEREBY CONSENTS AND AGREES THAT THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS, OR, AT AGENT'S OPTION, THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION, SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN BORROWERS ON THE ONE HAND AND AGENT OR ANY LENDER ON THE OTHER HAND PERTAINING TO THIS AGREEMENT OR TO ANY MATTER ARISING OUT OF OR RELATED TO THIS AGREEMENT. EACH BORROWER EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND EACH BORROWER HEREBY WAIVES ANY OBJECTION WHICH ANY BORROWER MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH BORROWER HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINT AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO BORROWERS AT THE ADDRESS SET FORTH IN THIS AGREEMENT AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF BORROWERS' ACTUAL RECEIPT THEREOF OR 3 DAYS AFTER DEPOSIT IN THE U.S. MAILS, PROPER POSTAGE PREPAID. NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO AFFECT THE RIGHT OF AGENT OR ANY LENDER TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW, OR TO PRECLUDE THE ENFORCEMENT BY AGENT OR ANY LENDER OF ANY JUDGMENT OR ORDER OBTAINED IN SUCH FORUM OR THE TAKING OF ANY ACTION UNDER THIS AGREEMENT TO ENFORCE SAME IN ANY OTHER APPROPRIATE FORUM OR JURISDICTION.

13.16. WAIVERS BY BORROWERS.

EACH BORROWER WAIVES (i) THE RIGHT TO TRIAL BY JURY (WHICH AGENT AND EACH LENDER HEREBY ALSO WAIVES) IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM OF ANY KIND ARISING OUT OF OR RELATED TO ANY OF THE LOAN DOCUMENTS, THE OBLIGATIONS OR THE COLLATERAL; (ii) PRESENTMENT, DEMAND AND PROTEST AND NOTICE OF PRESENTMENT, PROTEST, DEFAULT, NON PAYMENT, MATURITY, RELEASE, COMPROMISE, SETTLEMENT, EXTENSION OR RENEWAL OF ANY OR ALL COMMERCIAL PAPER, ACCOUNTS, CONTRACT RIGHTS, DOCUMENTS, INSTRUMENTS , CHATTEL PAPER AND GUARANTIES AT ANY TIME HELD BY AGENT OR ANY LENDER ON WHICH BORROWERS MAY IN ANY WAY BE LIABLE AND HEREBY RATIFIES AND CONFIRMS WHATEVER AGENT OR ANY LENDER MAY DO IN THIS REGARD; (iii) NOTICE PRIOR TO AGENT'S TAKING POSSESSION OR CONTROL OF THE COLLATERAL OR ANY BOND OR SECURITY WHICH MIGHT BE REQUIRED BY ANY COURT PRIOR TO ALLOWING AGENT TO EXERCISE ANY OF AGENT'S REMEDIES; (iv) THE BENEFIT OF ALL VALUATION, APPRAISEMENT AND EXEMPTION LAWS; (v) NOTICE OF ACCEPTANCE HEREOF; AND (vi) EXCEPT AS PROHIBITED BY LAW, ANY RIGHT TO CLAIM OR RECOVER ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES (WHICH AGENT AND EACH LENDER HEREBY ALSO WAIVES). EACH BORROWER ACKNOWLEDGES THAT THE FOREGOING WAIVERS ARE A MATERIAL INDUCEMENT TO AGENT'S AND EACH LENDER'S ENTERING INTO THIS AGREEMENT AND THAT AGENT AND EACH LENDER IS RELYING UPON THE FOREGOING WAIVERS IN ITS FUTURE DEALINGS WITH BORROWERS. EACH BORROWER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THE FOREGOING WAIVERS WITH ITS LEGAL COUNSEL AND HAS KNOWINGLY AND VOLUNTARILY WAIVED ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

13.17. Advertisement.

Borrowers hereby authorize Agent to publish the name of any Borrower and the amount of the credit facility provided hereunder in any "tombstone" or comparable advertisement which Agent elects to publish.

13.18. Reimbursement.

The undertaking by Borrowers to repay the Obligations and each representation, warranty or covenant of each Borrower are and shall be joint and several. To the extent that any Borrower shall be required to pay a portion of the Obligations which shall exceed the amount of loans, advances or other extensions of credit received by such Borrower and all interest, costs, fees and expenses attributable to such loans, advances or other extensions of credit, then such Borrower shall be reimbursed by the other Borrowers for the amount of such excess. This Section 13.18 is intended only to define the relative rights of Borrowers, and nothing set forth in this Section 13.18 is intended or shall impair the obligations of each Borrower, jointly and severally, to pay to Agent and Lenders the Obligations as and when the same shall become due and payable in

accordance with the terms hereof. Notwithstanding anything to the contrary set forth in this Section 13.18 or any other provisions of this Agreement, it is the intent of the parties hereto that the liability incurred by each Borrower in respect of the Obligations of the other Borrowers (and any Lien granted by each Borrower to secure such Obligations), not constitute a fraudulent conveyance or fraudulent transfer under the provisions of any applicable law of any state or other governmental unit ("Fraudulent Conveyance"). Consequently, each Borrower, Agent and each Lender hereby agree that if a court of competent jurisdiction determines that the incurrence of liability by any Borrower in respect of the Obligations of any other Borrower (or any Liens granted by such Borrower to secure such Obligations) would, but for the application of this sentence, constitute a Fraudulent Conveyance, such liability (and such Liens) shall be valid and enforceable only to the maximum extent that would not cause the same to constitute a Fraudulent Conveyance, and this Agreement and the other Loan Documents shall automatically be deemed to have been amended accordingly, nunc pro tunc.

13.19. Patriot Act Notice.

Agent and Lenders hereby notify Borrowers that pursuant to the requirements of the Patriot Act, Agent and Lenders are required to obtain, verify and record information that identifies each Borrower, including its legal name, address, tax ID number and other information that will allow Agent and Lenders to identify it in accordance with the Patriot Act. Agent and Lenders will also require information regarding each personal guarantor, if any, and may require information regarding any Borrower's management and owners, such as legal name, address, social security number and date of birth.

(Signature Page Follows)

IN WITNESS WHEREOF, this Agreement has been duly executed on the day and year specified at the beginning of this Agreement.

POWER SOLUTIONS INTERNATIONAL, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

THE W GROUP, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

POWER SOLUTIONS, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

POWER GREAT LAKES, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

AUTO MANUFACTURING, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

TORQUE POWER SOURCE PARTS, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

POWER PROPERTIES, L.L.C.

By: The W Group, Inc., Sole Managing Member

By: /s/ Gary Winemaster

Name: Gary Winemaster

Title: President and Chief Executive Officer

POWER PRODUCTION, INC.

By: /s/ Gary Winemaster

Name: Gary Winemaster

Title: President and Chief Executive Officer

POWER GLOBAL SOLUTIONS, INC.

By: /s/ Gary Winemaster

Name: Gary Winemaster

Title: President and Chief Executive Officer

PSI INTERNATIONAL, LLC

By: /s/ Gary Winemaster

Name: Gary Winemaster

Title: Manager

XISYNC LLC

By: The W Group, Inc., Sole Managing Member

By: /s/ Gary Winemaster

Name: Gary Winemaster

Title: President and Chief Executive Officer

HARRIS N.A.,

as Agent and as a Lender

By: /s/ William Kennedy

Name: William Kennedy

Title: Vice President

LIST OF EXHIBITS AND SCHEDULES

Exhibit 2.1	Form of Revolving Note
Exhibit 7.1.1	Business Locations
Exhibit 8.1.1	Jurisdictions in which any Borrower and its Subsidiaries are Authorized to do Business
Exhibit 8.1.4	Capital Structure
Exhibit 8.1.5	Names; Organization
Exhibit 8.1.13	Surety Obligations
Exhibit 8.1.14	Tax Identification Numbers of Subsidiaries
Exhibit 8.1.15	Brokers' Fees
Exhibit 8.1.16	Patents, Trademarks, Copyrights and Licenses
Exhibit 8.1.19	Contracts Restricting Right to Incur Debts
Exhibit 8.1.20	Litigation
Exhibit 8.1.22	Capitalized and Operating Leases
Exhibit 8.1.23	Pension Plans
Exhibit 8.1.25	Labor Relations
Exhibit 9.1.3	Form of Compliance Certificate
Exhibit 9.1.4	Form of Borrowing Base Certificate
Exhibit 9.2.3	Existing Indebtedness
Exhibit 9.2.5	Permitted Liens
Exhibit 9.2.12	Permitted Investments
Exhibit 9.3	Financial Covenants

List of Exhibits and Schedules

EXHIBIT 2.1

FORM OF REVOLVING NOTE

\$ _____

_____, 20____
Chicago, Illinois

FOR VALUE RECEIVED, the undersigned (hereinafter "Borrowers"), hereby, jointly and severally, PROMISE TO PAY to the order of _____, a _____ corporation ("Lender"), or its registered assigns, at the principal office of Harris N.A., as agent for such Lender, or at such other place in the United States of America as the holder of this Note may designate from time to time in writing, in lawful money of the United States of America and in immediately available funds, the principal amount of _____ (\$_____), or such lesser principal amount as may be outstanding pursuant to the Loan Agreement (as hereinafter defined) with respect to the Revolving Credit Loan, together with interest on the unpaid principal amount of this Note outstanding from time to time.

This Note is one of the Revolving Credit Notes referred to in, and issued pursuant to, that certain Loan and Security Agreement dated as of April 29, 2011, by and among Borrowers, the lender signatories thereto (including Lender) and Harris N.A., as agent for such Lenders (Harris N.A. in such capacity "Agent") (hereinafter amended from time to time, the "Loan Agreement"), and is entitled to the benefit and security of the Loan Agreement. All of the terms, covenants and conditions of the Loan Agreement and the Security Documents are hereby made a part of this Note and are deemed incorporated herein in full. All capitalized terms herein, unless otherwise specifically defined in this Note, shall have the meanings ascribed to them in the Loan Agreement.

The principal amount of the indebtedness evidenced hereby shall be payable in the amounts and on the dates specified in the Loan Agreement and, if not sooner paid in full, on April 29, 2014, unless the term hereof is extended in accordance with the Loan Agreement. Interest thereon shall be paid until such principal amount is paid in full at such interest rates and at such times as are specified in the Loan Agreement.

Upon and after the occurrence, and during the continuation, of an Event of Default, this Note shall or may, as provided in the Loan Agreement, become or be declared immediately due and payable.

The right to receive principal of, and stated interest on, this Note may only be transferred in accordance with the provisions of the Loan Agreement.

Demand, presentment, protest and notice of nonpayment and protest are hereby waived by Borrowers.

This Note shall be interpreted, governed by, and construed in accordance with, the internal laws of the State of Illinois.

BORROWERS:

POWER SOLUTIONS INTERNATIONAL, INC.

By: _____
Name: _____
Title: _____

THE W GROUP, INC.

By: _____
Name: _____
Title: _____

POWER SOLUTIONS, INC.

By: _____
Name: _____
Title: _____

POWER GREAT LAKES, INC.

By: _____
Name: _____
Title: _____

AUTO MANUFACTURING, INC.

By: _____
Name: _____
Title: _____

TORQUE POWER SOURCE PARTS, INC.

By: _____
Name: _____
Title: _____

POWER PROPERTIES, L.L.C.

By: _____
Name: _____
Title: _____

POWER PRODUCTION, INC.

By: _____
Name: _____
Title: _____

POWER GLOBAL SOLUTIONS, INC.

By: _____
Name: _____
Title: _____

PSI INTERNATIONAL, LLC

By: _____
Name: _____
Title: _____

XISYNC LLC

By: _____
Name: _____
Title: _____

EXHIBIT 7.1.1

BUSINESS LOCATIONS

1. Each Borrower currently has the following business locations, and no others:

Chief Executive Office: 655 Wheat Lane (owned by Properties)
Wood Dale, Du Page County, Illinois 60191

Other Locations: 170-176 Mittel Drive (leased by Great Lakes)
Wood Dale, Du Page County, Illinois 60191
1455 Michael Drive (leased by Great Lakes)
Wood Dale, Du Page County, Illinois 60191
780 Arthur Avenue (leased by Great Lakes)
Elk Grove Village, Cook County, Illinois 60007

2. Each Borrower maintains its books and records relating to Accounts and General Intangibles at:

655 Wheat Lane (owned by Properties)
Wood Dale, Du Page County, Illinois 60191

3. Each Borrower has had no office, place of business or agent for process located in any county other than as set forth above, except:

950 Arthur Avenue (formerly leased by Great Lakes)
Elk Grove Village, Cook County, Illinois 60007
(not a current location)

4. Each Subsidiary currently has the following business locations, and no others:

Chief Executive Office: Not Applicable.

Other Locations: Not Applicable.

5. Each Subsidiary maintains its books and records relating to Accounts and General Intangibles at:

Not Applicable.

6. Each Subsidiary has had no office, place of business or agent for process located in any county other than as set forth above, except:

Not Applicable.

7. The following bailees, warehouseman, similar parties and consignees hold Inventory of any Borrower or any one of its Subsidiaries:

Exhibit 7.1.1

Name and Address of Party	Nature of Relationship	Amount of Inventory ¹	Owner of Inventory
**	Warehouse	\$ 822,900.00	Power Solutions
**	Warehouse	\$ 1,319,289.42	Power Great Lakes
**	Processor	\$ 45,449.18	Power Solutions
**	Processor	\$ 1,032,201.01	Power Solutions
**	Processor	\$ 0.00	Power Great Lakes
**	Processor	\$ 10,514.62	Power Solutions
**	Processor	\$ 53,397.86	Power Solutions
**	Processor	\$ 2,191.12	Power Production
**	Processor	\$ 3,674.81	Power Production
**	Consignment	\$ 61,195.51	Power Solutions
**	Consignment	\$ 7,832.71	Power Solutions
**	Consignment	\$ 15,398.54	Power Solutions
**	Consignment	\$ 7,222.58	Power Solutions
**	Consignment	\$ 20,497.26	Power Global Solutions

¹ Values as of March 31, 2011.

Name and Address of Party	Nature of Relationship	Amount of Inventory ¹	Owner of Inventory
**	Consignment	\$ 2,794.38	Power Solutions
**	Consignment	\$ 3,616.04	Power Solutions
**	Consignment	\$ 862.58	Power Solutions
**	Consignment	\$ 2,972.77	Power Solutions
**	Consignment	\$11,317.26	Power Solutions
**	Consignment	\$ 3,223.44	Power Solutions
**	Consignment	\$ 3,535.17	Power Solutions
**	Consignment	\$ 862.58	Power Solutions
**	Consignment	\$15,448.94	Power Solutions
**	Consignment	\$ 5,501.45	Power Solutions
**	Consignment	\$12,216.00	Power Solutions
**	Consignment	\$ 7,612.18	Power Solutions

EXHIBIT 8.1.1

JURISDICTIONS IN WHICH ANY BORROWER
AND ITS SUBSIDIARIES
ARE AUTHORIZED TO DO BUSINESS

Name of Entity	Jurisdiction
Parent	Nevada
Holdings	Delaware and Illinois
Power Solutions	Illinois
Great Lakes	Illinois
Auto Manufacturing	Illinois
Torque	Illinois
Properties	Illinois
Production	Illinois
Global	Illinois
PSI	Illinois
XISYNC	Illinois

EXHIBIT 8.1.4

CAPITAL STRUCTURE

- The classes and the number of authorized and issued Securities of Parent and the record owner of such Securities on the Closing Date are as follows:
See attached.
- The classes and the number of authorized and issued Securities of each Borrower (other than Parent) and the record owner of such Securities are as follows:

Borrower	Class of Securities	Number of Securities Issued and Outstanding	Record Owners	Number of Securities Authorized but Unissued
Holdings	common stock	1,000	Parent	1,000
Power Solutions	common stock	5,000	Holdings	4,000
Great Lakes	common stock	50,000	Holdings	49,000
Auto Manufacturing	common stock	10,000	Holdings	9,000
Torque	common stock	10,000	Holdings	9,000
Properties	membership interests	Not Applicable	Holdings	0%
Production	common stock	10,000	Holdings	9,000
Global	common stock	10,000	Holdings	9,000
PSI	membership interests	Not Applicable	Holdings	0%
XISYNC	membership interests	Not Applicable	Holdings	0%

- The number, nature and holder of all other outstanding Securities of Parent and each Subsidiary of Parent are as follows:

(a) Power Solutions International, Inc. Private Placement Warrants issued to the private placement investors, to purchase, in the aggregate, 24,000,000 shares of common stock \$0.001 par value (Private Placement Warrant).

(b) Power Solutions International, Inc. Common Stock Warrant issued to Roth Capital Partners LLC to purchase 1,680,000 shares of common stock \$0.001 par value (Placement Agent Warrant).
- The correct name and jurisdiction of incorporation or organization of Parent and each Subsidiary of Parent and the percentage of its issued and outstanding Voting Stock owned (directly or indirectly) by Parent are as follows:

Name	Jurisdiction of Incorporation/Organization	Percentage of Voting Stock Owned by Borrower
Parent	Nevada	Not Applicable
Holdings	Delaware	100% - owned by Parent
Power Solutions	Illinois	100% owned by Holdings

Exhibit 8.1.4

Name	Jurisdiction of Incorporation/Organization	Percentage of Voting Stock Owned by Borrower
Great Lakes	Illinois	100% owned by Holdings
Auto Manufacturing	Illinois	100% owned by Holdings
Torque	Illinois	100% owned by Holdings
Properties	Illinois	100% owned by Holdings
Production	Illinois	100% owned by Holdings
Global	Illinois	100% owned by Holdings
PSI	Illinois	100% owned by Holdings
XISYNC	Illinois	100% owned by Holdings

5. The name of each of Parent’s and each Subsidiary of Parent corporate or joint venture Affiliates and the nature of the affiliation are as follows:

(a) Holdings owns certain units of Vconverter Production, LLC, a Michigan limited liability company (“Vconverter”), the number of which is approximately 0.01% of the units of Vconverter as of the Closing Date and which may increase from time to time pursuant to that certain Investment Agreement dated as of January 1, 2010 by and among Holdings, Vconverter Corporation, a Michigan corporation and Vconverter.

(b) Joint venture of Holdings with Renewegy LLC as contemplated by Section 9.2.13.

6. The agreements or instruments binding upon the partners, members or shareholders of Parent or any of its Subsidiaries and relating to the ownership of its Securities, are as follows:

(a) Lock-Up Agreement entered into by the former stockholders of Holdings, which provides that any shares of, or securities convertible into, common stock of the Parent that are owned by such stockholders may not, without the consent of Roth Capital Partners, LLC, be sold or otherwise transferred for a period of 180 days following the closing of the APO Transactions.

(b) Articles of Incorporation of Power Solutions International, Inc. and the Certificate of Designation of Series A Convertible Preferred Stock of Power Solutions International, Inc.

(c) Registration Rights Agreement is made and entered into as of April 29, 2011 by and among Parent, and the “Investors” party thereto.

(d) Registration Rights Agreement is made and entered into as of April 29, 2011 by and among Parent, Gary Winemaster, Kenneth Winemaster and Thomas Somodi.

(e) Voting Agreements, dated as of April 29, 2011, by and between Parent and Gary Winemaster, Kenneth Winemaster and Thomas Somodi.

(f) Power Solutions International, Inc. Private Placement Warrants issued to the private placement investors, to purchase, in the aggregate, 24,000,000 shares of common stock \$0.001 par value (Private Placement Warrant).

(g) Power Solutions International, Inc. Common Stock Warrant issued to Roth Capital Partners LLC to purchase 1,680,000 shares of common stock \$0.001 par value (Placement Agent Warrant).

(h) The Purchase Agreement dated as of April 29, 2011 by and among Parent and the Investors set forth on the signature pages affixed thereto.

(i) Stock Purchase Agreement dated as of April 28, 2011 by and between Gary Winemaster and Thomas Somodi.

Power Solutions International, Inc. - Pro Forma Fully-Diluted Capitalization Table, Post-Reverse Split (1)

<u>Shareholder</u>	<u>Series A Convertible Preferred Stock (Pre-Split)</u>	<u>Preferred Conversion Shares (Post-Split) (2)</u>	<u>Investor Warrant Shares (Post-Split) (3)</u>	<u>Placement Agent Warrant Shares (Post-Split) (4)</u>	<u>Common Stock (Post-Split)</u>	<u>Total Shares (Post-Split)</u>
Gary Winemaster	52,778.49712	4,398,208	0	0	171,875	4,570,083
Kenneth Winemaster	33,586.31575	2,798,860	0	0	109,375	2,908,235
Thomas Somodi	9,596.09002	799,674	0	0	31,250	830,924
Shareholders of Format, Inc.	0	0	0	0	24,091	24,091
Existing Investors	18,000	1,500,000	750,000	0	0	2,250,000
Placement Agent	0	0	0	105,000	0	105,000
Total	113,960.90289	9,496,742	750,000	105,000	336,591	10,688,333

- (1) Reflects capitalization of Parent, after giving effect to the merger and the private placement on a fully-diluted basis (assuming for purposes hereof that the reverse split is consummated concurrently with the closing). This proforma capitalization table does not give effect to (A) the transactions contemplated by the Purchase and Sale Agreement, entered into in connection with the APO Transaction by and between Gary Winemaster and Thomas Somodi pursuant to which Gary Winemaster has agreed to purchase certain shares of Parent from Thomas Somodi as set forth therein, or (B) the gifts of an aggregate amount of approximately 295,008 shares of Series A Convertible Preferred Stock (which amount constitutes less than 1.0% of the Series A Convertible Preferred Stock) by Gary Winemaster and Kenneth Winemaster to Kenneth Landini.
- (2) The shares of Series A Convertible Preferred Stock will automatically convert into shares of Common Stock upon the occurrence of the reverse split, at a post-reverse split conversion price of \$12.00 per share, subject to adjustment.
- (3) Represents shares of Common Stock issuable upon exercise of the warrants, at a post-reverse split exercise price of \$13.00 per share, subject to adjustment.
- (4) Represents shares of Common Stock issuable upon exercise of the placement agent warrant at a post-reverse split exercise price of \$13.20 per share, subject to adjustment.

EXHIBIT 8.1.5

NAMES; ORGANIZATION

1. Parent’s correct name, as registered with the Secretary of State of the State of Nevada, is:
Power Solutions International, Inc.
2. In the conduct of its business, Parent has used the following names:
Parent’s former legal name: Format, Inc.,
Other names used in the conduct of Parent’s business:
Format, Format Document Services, Inc.
3. Each Subsidiary of Parent’s correct name, as registered with the Secretary of State of the State of its incorporation or formation, is:
Holdings – The W Group, Inc.
Power Solutions – Power Solutions, Inc.
Great Lakes – Power Great Lakes, Inc.
Auto Manufacturing – Auto Manufacturing, Inc.
Torque – Torque Power Source Parts, Inc.
Properties – Power Properties, L.L.C.
Production – Power Production, Inc.
Global – Global Power Solutions, Inc.
PSI – PSI International, Inc.
XISYNC – XISync LLC
4. In the conduct of its business, each Subsidiary has used the following names:
Great Lakes – PGL, Inc., PGL
Power Solutions – PSI, ENGINECLICK,
Production – PPI
Global – NG Engines, PGS, SUPPLYGEN, SUPPLYGEN.COM, VPR (VALUE PERFORMANCE RELIABILITY), POWERVPR.COM, NGE
NATURAL GAS ENGINE
Torque – TORQUE POWER SOURCE
Parent – Format, Inc., Format, Format Document Services, Inc.
XISYNC—Mastertrak

Exhibit 8.1.5

Domain Names:

PowerGreatLakes.com
PowerGreatLakes.net
PowerGreatLakes.org
Psiengines.com
Ngengine.com
Ngengine.net
Ngengine.org
MasterTrak.com
MasterTrakSeries.com
MasterTrakFleet.com
MasterTrakFleet.net
MasterTrakFleet.org
EngineClick.com
EngineCling.net
AutoClutch.com
IGreenEngine.com
IONHybrid.com
IONHybrid.org
IONHybrid.net
IPerkinsParts.com
IPerkinsParts.net
LpEngine.com
LpEngine.net
PowerGlobalSolution.com
PowerGlobalSolutions.net
PowerGlobalSolution.org
PowersInt.com
PowerVPR.com
SelectGM.com

5. Parent's Organizational I.D. Number is:

–

6. Each Subsidiary of Parent's Organizational I.D. Number is:

Holdings – #####
Power Solutions – ##### –### –#
Great Lakes – ##### –### –#
Auto Manufacturing – ##### –### –#
Torque – ##### –### –#
Properties – ##### –### –#
Production – ##### –### –#
Global – ##### –### –#
PSI – ##### –### –#
XISYNC – ##### –#

-
7. Parent's type of Organization is:
Corporation
8. Each Subsidiary of Parent's type of Organization is:
Holdings – Corporation
Power Solutions – Corporation
Great Lakes – Corporation
Auto Manufacturing – Corporation
Torque – Corporation
Properties – Limited Liability Company
Production – Corporation
Global – Corporation
PSI – Limited Liability Company
XISYNC – Limited Liability Company
9. Parent has not been the surviving entity of a merger or consolidation nor has it acquired substantially all the assets of any person, except as follows:
The APO Transactions.
10. No Subsidiary of Parent has been the surviving entity of a merger or consolidation nor has it acquired substantially all the assets of any person.
None.

EXHIBIT 8.1.13

SURETY OBLIGATIONS

None.

Exhibit 8.1.13

EXHIBIT 8.1.14

TAX IDENTIFICATION NUMBERS OF SUBSIDIARIES OF PARENT

<u>Borrower</u>	<u>Number</u>
Parent	## #####
Holdings	## #####
Power Solutions	## #####
Great Lakes	## #####
Auto Manufacturing	## #####
Torque	## #####
Properties	## #####
Production	## #####
Global	## #####
PSI	## #####
XISYNC	## #####

Exhibit 8.1.14

EXHIBIT 8.1.15

BROKERS' FEES

1. In connection with the APO Transactions, Parent will pay Invision Capital, in its capacity as financial consultant to Holdings, a consulting fee of \$30,000 and a transaction fee of \$800,000, and reimburse Invision Capital for certain out-of-pocket expenses.

2. In connection with the APO Transactions, Parent will (a) pay Roth Capital Partners, LLC ("Roth") a placement fee equal to 7% of the gross proceeds from the APO Transaction offering and reimburse Roth for certain out-of-pocket expenses, and (b) issue a warrant to Roth for the purchase of an amount equal to 7% of the aggregate shares of common stock issuable upon conversion of certain preferred shares offered in the APO Transactions offering.

Exhibit 8.1.15

EXHIBIT 8.1.16

PATENTS, TRADEMARKS, COPYRIGHTS AND LICENSES

1. Parent’s and its Subsidiaries’ patents:

Patent	Owner	Status in Patent Office	Federal Registration Number	Registration Date
None.				

2. Parent’s and its Subsidiaries’ trademarks:

Trademark	Owner	Status in Patent Office	Federal Registration Number	Registration Date
MASTERTRAK	XISYNC	Active	2854543	June 15, 2004

3. Parent’s and its Subsidiaries’ copyrights:

Copyright	Owner	Status in Patent Office	Federal Registration Number	Registration Date
None.				

Exhibit 8.1.16

EXHIBIT 8.1.19

CONTRACTS RESTRICTING RIGHT TO INCUR DEBT

Contracts that restrict the right of Parent or any of its Subsidiaries to incur Indebtedness:

Agreements, documents and instruments evidencing the Subordinated Debt, as contemplated by Section 9.2.17. As of the Closing Date, no Borrower has any Subordinated Debt.

Exhibit 8.1.19

EXHIBIT 8.1.20

LITIGATION

1. Actions, suits, proceedings and investigations pending against Parent or any Subsidiary:

<u>Title of Action</u>	<u>Nature of Action</u>	<u>Complaining Parties</u>	<u>Jurisdiction or Tribunal</u>
None.			

2. The only threatened actions, suits, proceedings or investigations of which Parent or any Subsidiary is aware are as follows:

None.

Exhibit 8.1.20

EXHIBIT 8.1.22

CAPITALIZED AND OPERATING LEASES

Parent and its Subsidiaries have the following real property leases:

<u>Lessee</u>	<u>Lessor</u>	<u>Term of Lease</u>	<u>Property Covered</u>
Great Lakes	Gateway Jefferson, Inc.	March 24, 2004 – April 30, 2012	170-176 Mittel Drive, Wood Dale, Illinois
Great Lakes	AMB Partners II Local, L.P.	September 1, 2006 – April 30, 2012	1455 Michael Drive, Wood Dale, Illinois
Great Lakes	Dickal 770 L.L.C.	February 1, 2011 – April 30, 2012	780 Arthur Avenue, Elk Grove Village, Illinois

Parent and its Subsidiaries have the following capitalized and operating leases:

	<u>Unit Number</u>	<u>Model</u>	<u>Serial</u>	<u>Begin</u>	<u>End</u>	
AS/R Systems - Carousel				8/15/2009	8/15/2010	
ISBS (New in 2010) - Copiers				7/1/2010	6/30/2013	
Vehicles (From audit workpapers)						
	2010	Buick	Enclave	5GALVCFD7AJ191022	3/23/2010	3/23/2013
	2009	Cadillac	CTS		6/12/2009	6/12/2014
	2009	Cadillac	DTS	1G6KD57Y79U112549	9/20/2008	9/20/2011
	2008	Buick	Enclave	5GAEV23798J164575	10/30/07	10/29/11
Pitney Bowes Postage Machines						
Schedule 003		1M00	4235881	7/30/2006	1/31/2013	
Schedule 004		K700	3237051	10/30/2007	1/30/2012	
Associated Integrated Supply Solutions						
Cat LP Sit Down Counterbalance	C89027	FGC45KSWB	AT87A01979	7/1/2006	7/3/2011	
Doosan LP Sit-Down Counterbalance	U88698	GC25P-5	MW-00347	4/10/2008	4/10/2011	
Raymond Deep Reach Truck	U90789	740 DR32TT	740-08-AB11058	6/4/2008	6/4/2011	
Raymond Deep Reach Truck	U90790	740 DR32TT	740-08-AB11055	6/4/2008	6/4/2011	
Raymond Deep Reach Truck	U90791	740 DR32TT	740-08-AB11052	6/4/2008	6/4/2011	
Cat LP Sit Down Counterbalance	U88699	GC25P-5	MW00412	4/10/2008	4/10/2011	
Toyota LP Sit Down Counterbalance	C112619	8FGCU25	30679	12/6/2010	12/6/2013	
Raymond Swing Reach Truck	35484	SA-CSR30T	SA-06-05454	2/19/2010	2/19/2012	
Raymond Swing Reach Truck	35485	SA-CSR30T	SA-06-05455	2/19/2010	2/19/2012	
Raymond Deep Reach Truck	32675	740 DR32TT	740-05-AA03019	8/5/2008	4/9/2011	
Raymond Orderpicker	35490	560-OPC30TT	560-07-A03461	2/19/2010	2/19/2012	
Raymond Orderpicker - Wire	U88085	560-OPC30TT-4	560-08-A06518	4/9/2008	4/9/2011	
Raymond Orderpicker - Wire	U88086	560-OPC30TT-4	560-08-A06519	4/9/2008	4/9/2011	
Raymond Orderpicker - Wire	U88084	560-OPC30TT-4	560-08-A06517	4/9/2008	4/9/2011	
Raymond Orderpicker - Wire	C112405	560-OPC30TT	560-10-A10528	12/30/2010	12/29/2013	
Doosan LP Sit-Down Counterbalance	U88697	GC25P-5	MW-00346	4/9/2008	4/9/2011	
Doosan LP Sit-Down Counterbalance	U88695	GC25P-5	MW-00334	4/9/2008	4/9/2011	
Doosan LP Sit-Down Counterbalance	U88696	GC25P-5	MW-00335	4/9/2008	4/9/2011	
Raymond Deep Reach Truck	U90792	740 DR32TT	740-08-AB11061	6/4/2008	6/4/2011	
Doosan LP Sit-Down Counterbalance	U88700	GC25P-5	MW-00413	4/10/2008	4/10/2011	

EXHIBIT 8.1.23

PENSION PLANS

Parent and its Subsidiaries have the following Plans:

<u>Party</u>		Type of Plan
Parent	None.	
Subsidiaries	None.	

EXHIBIT 8.1.25

COLLECTIVE BARGAINING AGREEMENTS; LABOR CONTROVERSIES

1. Parent and its Subsidiaries are parties to the following collective bargaining agreements:

Type of Agreement	Parties	Term of Agreement
None.		

2. Material grievances, disputes of controversies with employees of Parent or any of its Subsidiaries are as follows:

Parties Involved	Nature of Grievance, Dispute or Controversy
None.	

3. Threatened strikes, work stoppages and asserted pending demands for collective bargaining with respect to Parent or any of its Subsidiaries are as follows:

Parties Involved	Nature of Matter
None.	

EXHIBIT 9.1.3

COMPLIANCE CERTIFICATE

POWER SOLUTIONS INTERNATIONAL, INC.

_____, ____

Harris N.A.
111 West Monroe Street
Chicago, Illinois 60603

The undersigned, the chief financial officer of Power Solutions International Inc. (“Borrower Representative”), gives this certificate to Harris N.A., in its capacity as Agent (“Agent”) in accordance with the requirements of subsection 8.1.3 of that certain Loan and Security Agreement dated April 29, 2011 among Borrower Representative, Power Solutions, Inc., Power Great Lakes, Inc., Auto Manufacturing, Inc., Torque Power Source Parts, Inc., Power Properties, L.L.C., Power Production, Inc., Power Global Solutions, Inc., PSI International, LLC, and XISYNC LLC, and Agent and the Lenders party thereto (“Loan Agreement”). Capitalized terms used in this Certificate, unless otherwise defined herein, shall have the meanings ascribed to them in the Loan Agreement.

1. Based upon my review of the balance sheets and statements of income of Borrower Representative and its Subsidiaries for the _____ period ending _____, __, copies of which are attached hereto, I hereby certify that:

(i) Capital Expenditures during the period (for the month ending _____) and for the fiscal year to date total \$_____ and \$_____, respectively.

(ii) Rentals during the period (for the month ending _____) and for the fiscal year to date total \$_____ and \$_____, respectively.

(ii) Fixed Charge Coverage Ratio during the period (month ending _____) equals _____: _____.

2. No Default exists on the date hereof, other than: _____ (if none, so state); and

3. No Event of Default exists on the date hereof, other than _____ (if none, so state).

Very truly yours,

Chief Financial Officer

Exhibit 9.1.3

FORM OF BORROWING BASE CERTIFICATE

Report # 2 Client Code_____ (Bank Use Only)

through

	A	B	C	D	E
As of (Date)	Previous Balance	Sales	Collections	Adjustments	Present Balance
1. Receivables					

<u>As of (Date)</u>	<u>Previous Balance</u>	<u>Purchases</u>	<u>Cost of Sales</u>	<u>Adjustments</u>	<u>Present Balance</u>
2. Inventory					

	Receivables	Inventory	Total
Beginning Balance	100	100	200
Net Sales	100		100
Cost of Sales		(100)	(100)
Net Income	100		100
Ending Balance	200	0	200

4. Ineligible - Regular (Subtract)

6. Advance Rate

8. Line Limits

10. Reserves (L/C, Others) Subtract

11. Total Availability (Line 9 - Line 10)

	<u>Loan</u>	<u>Total</u>
--	-------------	--------------

13. Less: Collections(1C)

14. Add. Advance Requested _____

16. Availability not Borrowed (Line 11 - Line 15)

18. Less: Monthly Amortization

20. Total Loans Outstanding (Line 15 + Line 19)

Pursuant to, and in accordance with, the terms and provisions of that certain Loan and Security Agreement between HARRIS N.A., as Agent, the Lenders Party there to, and "Power Solutions International, Inc. ("Borrower Representative") and the subsidiaries of Borrower Representative Party there to as Borrowers ("Borrowers"), Borrower is executing and delivering to Agent this Borrowing Base Certificate accompanied by supporting Data. Borrower Representative, on behalf of Borrowers, warrantys and represents to Agent and Lenders that this Borrowing Base Certificate is true, correct and based on information contained in the Borrowers' own financial accounting records. Borrower Representative, on behalf of Borrowers, by the execution of this Borrowing Base Certificate, hereby ratifies, confirms and affirms all of the terms, conditions, and provisions of the Agreement and further certifies on this day of , 2011, that the Borrowers are in compliance with said Agreement.

Power Solutions International, Inc.

(Borrower Representative)

(Authorized Signature)

(Title)

EXHIBIT 9.2.3**EXISTING INDEBTEDNESS**

<u>Borrower</u>	<u>Lender</u>	<u>Amount</u>	<u>Maturity</u>
Power Great Lakes	Ally	\$43,728	February 6, 2015
Power Great Lakes	Ally	\$47,461	February 7, 2014

Exhibit 9.2.3

EXHIBIT 9.2.5

PERMITTED LIENS

Secured Party	Nature of Lien	Property Covered
Ziegler, Inc.	Consignment	All new, used and rebuilt Caterpillar (Yellow) industrial diesel engines, parts and ancillary components, including without limitation, clutches and pump drives and any other inventory delivered by Ziegler Inc. on consignment to debtor, including all non-cash and cash proceeds of the foregoing. All new, used and rebuilt Perkins (Blue) industrial diesel engines, parts and ancillary components, including without limitation, clutches and pumps drives and any other inventory delivered by Ziegler Inc. on consignment to debtor, including all non-cash and cash proceeds of the foregoing.
Raymond Leasing Corporation	Lease or Purchase Money Lien	0358665 Serial#: 840-07-75348 Desc: Walkie Manuf: Raymond Machine: 24V Model: 8400FRE60L Year: 2007 0358666 Serial#: 3256CS Desc: Battery Manuf: Deka Machine: 24V Model: 12-85-13 Year: 2009e 0358667 Serial#: YL43814 Desc: Charger Manuf: Deka Machine: 24VM 0358668 Serial#: FREIGHT Desc: Freight Manuf: Freight Model: Freight Year: 2009Y 0358679 Serial#: S0200158166 Desc: Scissor Lift Manuf: JLG Model: JLG 3246EF Year: 20090 Raymond OPC30TT 09557 Raymond DSS350 1996 01311 Raymond 1812513 030003718 Watering System Watering System Watering System Cart & Stand Cart & Stand 05101002/AA85158 Raymond OPC30TT 11516 Douglas 1813513 030034281, 030034282, 030034283, 030036251, 040039988
Associated Material Handling	Lease or Purchase Money Lien	1 Toyota 8FGCU25 Counterbalance Truck SN 30679
Ally	Purchase Money Lien	2010 Buick Enclave and 2011 Cadillac CTX

Any precautionary lien filed in connection with the operating and capital leases listed on Exhibit 8.1.22.

Exhibit 9.2.5

EXHIBIT 9.2.12

PERMITTED INVESTMENTS

1. Holdings owns certain units of Vconverter, the number of which is approximately 0.01% of the units of Vconverter as of the Closing Date and which may increase from time to time pursuant to that certain Investment Agreement dated as of January 1, 2010 by and among Holdings, Vconverter Corporation, a Michigan corporation and Vconverter.

2. If entered into after the Closing Date, a joint venture with Renewegy LLC as contemplated by Section 9.2.13 and subject to the limitations and conditions set forth therein.

Exhibit 9.2.12

FINANCIAL COVENANTS

DEFINITIONS

Consolidated Net Income (Loss) – with respect to any fiscal period, the net income (or loss) of Parent determined in accordance with GAAP on a Consolidated basis; provided, however, Consolidated Net Income shall not include: (a) the income (or loss) of any Person (other than a Subsidiary of a Borrower) in which Borrowers or any of their wholly-owned Subsidiaries has an ownership interest unless received in a cash distribution or requiring the payment of cash; (b) the income (or loss) of any Person accrued prior to the date it became a Subsidiary of a Borrower or is merged into or consolidated with such Borrower; (c) all amounts included in determining net income (or loss) in respect of the write-up of assets on or after the Closing Date, including the subsequent amortization or expensing of the written-up portion of the assets; (d) extraordinary gains as defined under GAAP; and (e) gains from asset dispositions (other than sales of inventory).

EBITDA – with respect to any period, the sum of Consolidated Net Income (Loss) before Interest Expense, income taxes, depreciation and amortization for such period (but excluding any extraordinary gains for such period), plus, to the extent deducted in determining Consolidated Net Income, one time fees and expenses relating to the APO Transaction, in an aggregate amount not to exceed \$5,000,000, plus, to the extent deducted in determining Consolidated Net Income, one time fees and expenses relating to the transactions contemplated by the Credit Agreement and the payoff of the Existing Lender in an aggregate amount not to exceed \$1,000,000, plus, to the extent deducted in determining Consolidated Net Income, non-cash expenses relating to any common stock warrants issued by Parent to any investor in connection with the APO Transaction, plus, to the extent deducted in determining Consolidated Net Income, one-time relocation expenses incurred in connection with new facility locations, in an amount not to exceed \$1,000,000, plus, to the extent deducted in determining Consolidated Net Income, fees and expenses related to audits, inspections and appraisals incurred by the Borrowers pursuant to the Credit Agreement, all as determined for Parent and its Subsidiaries on a Consolidated basis and in accordance with GAAP.

Fixed Charge Coverage Ratio – with respect to any period, the ratio of (i) EBITDA for such period minus non-financed Capital Expenditures during such period (other than Capital Expenditures in an aggregate amount not to exceed the amount that is the gross proceeds of equity of Parent issued on the Closing Date, net of (a) the amounts used to satisfy the term loan obligations owing to the Existing Lender, including all fees and expenses paid in cash in connection therewith, and (b) fees and expenses paid in cash relating to the issuance of such equity (including any discounts thereon), the APO Transaction, and the transactions contemplated by the Credit Agreement), to (ii) Fixed Charges for such period, all as determined for Parent and its Subsidiaries on a Consolidated basis and in accordance with GAAP.

Fixed Charges – with respect to any period, the sum of: (i) scheduled principal payments required to be made during such period in respect to Indebtedness for Money Borrowed, (excluding repayments of Revolving Credit Loans, but including the principal portion of Capitalized Lease Obligations), exclusive of scheduled principal payments made on the term loans to the Existing Lender and exclusive of the prepayment of the obligations owed to the

Existing Lender, plus (ii) Interest Expense for such period, exclusive of Interest Expense paid on the term loans to the Existing Lender plus (iii) income tax payments (net of income tax refunds) included in the determination of net earnings (or loss) for such period; provided that the amount of this clause (iii) shall in no case be less than \$0, plus (iv) all Distributions by Parent made in cash within such period, excluding Distributions made by any Borrower of the type described in subsections 9.2.7(v)(b) and 9.2.7(v)(c) of the Credit Agreement, all as determined for Parent and its Subsidiaries on a Consolidated basis and in accordance with GAAP.

Interest Expense – with respect to any period, cash interest expense paid or accrued for such period, including without limitation the interest portion of Capitalized Lease Obligations, plus the Letter of Credit and LC Guaranty fees owing for such period, plus the Unused Line Fee, all as determined for Borrowers and their Subsidiaries on a Consolidated basis and in accordance with GAAP.

COVENANTS

Fixed Charge Coverage Ratio. Borrowers shall not permit the Fixed Charge Coverage Ratio for each twelve month period ending on the last day of each calendar month, commencing with the month ending April 30, 2011, to be less than 1.10 to 1.0.

REVOLVING NOTE

\$35,000,000

April 29, 2011
Chicago, Illinois

FOR VALUE RECEIVED, the undersigned (hereinafter “Borrowers”), hereby, jointly and severally, PROMISE TO PAY to the order Harris N.A. (“Lender”), or its registered assigns, at the principal office of Harris N.A., as agent for such Lender, or at such other place in the United States of America as the holder of this Note may designate from time to time in writing, in lawful money of the United States of America and in immediately available funds, the principal amount of Thirty Five Million Dollars (\$35,000,000), or such lesser principal amount as may be outstanding pursuant to the Loan Agreement (as hereinafter defined) with respect to the Revolving Credit Loan, together with interest on the unpaid principal amount of this Note outstanding from time to time.

This Note is one of the Revolving Credit Notes referred to in, and issued pursuant to, that certain Loan and Security Agreement dated as of April 29, 2011, by and among Borrowers, the lender signatories thereto (including Lender) and Harris N.A., as agent for such Lenders (Harris N.A. in such capacity “Agent”) (hereinafter amended from time to time, the “Loan Agreement”), and is entitled to the benefit and security of the Loan Agreement. All of the terms, covenants and conditions of the Loan Agreement and the Security Documents are hereby made a part of this Note and are deemed incorporated herein in full. All capitalized terms herein, unless otherwise specifically defined in this Note, shall have the meanings ascribed to them in the Loan Agreement.

The principal amount of the indebtedness evidenced hereby shall be payable in the amounts and on the dates specified in the Loan Agreement and, if not sooner paid in full, on April 29, 2014, unless the term hereof is extended in accordance with the Loan Agreement. Interest thereon shall be paid until such principal amount is paid in full at such interest rates and at such times as are specified in the Loan Agreement.

Upon and after the occurrence, and during the continuation, of an Event of Default, this Note shall or may, as provided in the Loan Agreement, become or be declared immediately due and payable.

The right to receive principal of, and stated interest on, this Note may only be transferred in accordance with the provisions of the Loan Agreement.

Demand, presentment, protest and notice of nonpayment and protest are hereby waived by Borrowers.

This Note shall be interpreted, governed by, and construed in accordance with, the internal laws of the State of Illinois.

BORROWERS:

POWER SOLUTIONS INTERNATIONAL, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

THE W GROUP, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

POWER SOLUTIONS, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

POWER GREAT LAKES, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

AUTO MANUFACTURING, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

TORQUE POWER SOURCE PARTS, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

POWER PROPERTIES, L.L.C.

By: The W Group, Inc., Sole Managing Member

By: /s/ Gary Winemaster

Name: Gary Winemaster

Title: President and Chief Executive Officer

POWER PRODUCTION, INC.

By: /s/ Gary Winemaster

Name: Gary Winemaster

Title: President and Chief Executive Officer

POWER GLOBAL SOLUTIONS, INC.

By: /s/ Gary Winemaster

Name: Gary Winemaster

Title: President and Chief Executive Officer

PSI INTERNATIONAL, LLC

By: /s/ Gary Winemaster

Name: Gary Winemaster

Title: Manager

XISYNC LLC

By: The W Group, Inc., Sole Managing Member

By: /s/ Gary Winemaster

Name: Gary Winemaster

Title: President and Chief Executive Officer

Revolving Note

PLEDGE AGREEMENT

THIS PLEDGE AGREEMENT (as amended or otherwise modified from time to time, this “Agreement”) is made and entered into as of April 29, 2011 among POWER SOLUTIONS INTERNATIONAL, INC., a Nevada corporation, (“Parent”), and THE W GROUP, INC., a Delaware corporation (“Holdings”; Parent and Holdings each a “Pledgor” and collectively “Pledgors”), and HARRIS N.A. (“Harris”), with its mailing address at 111 West Monroe Street, Chicago, Illinois 60603, acting as administrative agent hereunder for the Secured Creditors hereinafter identified and defined (Harris acting as such agent and any successor or successors to Harris acting in such capacity being hereinafter referred to as the “Agent”). When capitalized and used herein, terms defined in the Loan and Security Agreement (as defined below) and not otherwise defined herein shall have the meanings ascribed to them in such Loan and Security Agreement.

WITNESSETH:

WHEREAS, Pledgors, Power Solutions, Inc., an Illinois corporation, (“Power Solutions”), Power Great Lakes, Inc., an Illinois corporation (“Great Lakes”), Auto Manufacturing, Inc., an Illinois corporation (“Auto Manufacturing”), Torque Power Source Parts, Inc., an Illinois corporation, (“Torque”), Power Properties, L.L.C., an Illinois limited liability company (“Properties”), Power Production, Inc., an Illinois corporation, (“Production”), Power Global Solutions, Inc., an Illinois corporation (“Global”), PSI International, LLC, an Illinois limited liability company (“PSI”) and XISYNC LLC, an Illinois limited liability company (“XISYNC” and together with Parent, Holdings, Power Solutions, Great Lakes, Auto Manufacturing, Torque, Properties, Production, Global and PSI, each a “Borrower” and collectively “Borrowers”), as Borrowers, Harris, individually and as Agent, and Lenders (as defined below) are parties to a Loan and Security Agreement dated as of the date hereof (such Loan and Security Agreement, as the same has been and may from time to time hereafter be amended or modified, including amendments and restatements thereof in its entirety, being hereinafter referred to as the “Loan and Security Agreement”), pursuant to which Harris and other banks and financial institutions from time to time party to the Loan and Security Agreement (Harris, in its individual capacity, and such other banks and financial institutions being hereinafter referred to collectively as the “Lenders” and individually as a “Lender” have agreed, subject to certain terms and conditions, to extend credit and make certain other financial accommodations available to the Borrowers (the Agent, the Lenders, and any other holders of the Obligations, being hereinafter referred to collectively as the “Secured Creditors” and individually as a “Secured Creditor”);

WHEREAS, each Pledgor owns all or some of the issued and outstanding capital stock of each Person set forth on Schedule I attached hereto, opposite such Pledgor’s name (each, an “Issuer”); and

WHEREAS, as a condition to the extension of any credit to the Borrowers and the maintenance by the Borrowers of any outstanding debt under the Loan and Security

Agreement, the Agent and the Lenders have required, among other things, that each Pledgor shall have made the pledge and hypothecation contemplated by this Agreement.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt of which is hereby acknowledged, each Pledgor hereby agrees with the Agent as follows:

1. Pledge. Each Pledgor hereby pledges and hypothecates to the Agent for the benefit of the Secured Creditors and grants to the Agent for the benefit of the Secured Creditors a security interest in:

(a) the Securities of each Issuer identified on Schedule I hereto owned by such Pledgor and any other Securities now owned or hereafter acquired by any Pledgor (the “Pledged Shares”) and any and all certificates representing the Pledged Shares, and all stock dividends, cash dividends, cash, instruments, chattel paper and other rights, property or proceeds and products from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Shares;

(b) all additional Securities of any Issuer or any other Person at any time acquired by such Pledgor in any manner, and the certificates representing such additional shares (and any such additional shares shall constitute part of the Pledged Shares under this Agreement), and all stock dividends, cash dividends, cash, instruments, chattel paper and other rights, property or proceeds and products from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such shares; and

(c) all proceeds of any of the foregoing (the assets described in this Section 1 are collectively referred to as the “Pledged Collateral”).

Notwithstanding the foregoing, the Pledgors shall not be required to pledge or grant a security in, and the term “Pledged Collateral” shall not include more than 66% of the issued and outstanding Voting Stock of any first tier Foreign Subsidiary.

2. Security for Obligations. This Agreement and all of the Pledged Collateral secure the prompt payment and performance when due of any and all indebtedness, obligations and liabilities of the Borrowers to the Secured Creditors under or in connection with or evidenced by the Loan and Security Agreement or any other Loan Document, including, without limitation, all obligations evidenced by the Notes of the Borrowers heretofore or hereafter issued under the Loan and Security Agreement, all obligations of the Pledgors to reimburse the Secured Creditors for the amount of all drawings on all Letters of Credit issued pursuant to the Loan and Security Agreement and all other Obligations (including Product Obligations), in each case whether now existing or hereafter arising (and whether arising before or after the filing of a petition in bankruptcy and including all interest accrued after the petition date), due or to become due, direct or indirect, absolute or contingent, and howsoever evidenced, held or acquired and (b) any and all expenses and charges, legal or otherwise, suffered or incurred by the Secured Creditors, and any of them

individually, in collecting or enforcing any of the indebtedness, obligations and liabilities described in the preceding clauses (a) and (b), or in realizing on or protecting or preserving any security therefor, including, without limitation, the lien and security interest granted hereby (all of the indebtedness, obligations, liabilities, expenses and charges described above being hereinafter referred to as the “Secured Obligations”).

3. Delivery of Pledged Collateral. All certificates or instruments representing or evidencing any of the Pledged Collateral shall be delivered to and held by or on behalf of the Agent pursuant hereto and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed undated instruments of transfer or assignment in blank, all in form and substance satisfactory to the Agent. The Agent shall have the right, at any time in its reasonable discretion and with concurrent notice to the Pledgors following the occurrence of an Event of Default, to transfer to or to register in the name of the Agent or any of its nominees any or all of the Pledged Collateral in order to exercise its rights and remedies hereunder. In addition, the Agent shall have the right to exchange certificates or instruments representing or evidencing any Pledged Collateral for certificates or instruments of smaller or larger denominations.

4. Representations and Warranties. In order to induce the Agent to enter into this Agreement and to induce the Secured Creditors to extend credit, each Pledgor represents and warrants that the following statements are true, correct and complete in all material respects as follows:

(a) Schedule I hereto completely and accurately sets forth the number of shares of, and options or other rights to purchase or receive, the issued and outstanding stock of each Issuer held by such Pledgor as of the date hereof. The Pledged Shares held by such Pledgor constitute the percentage of the issued and outstanding shares of stock of the applicable Issuer set forth on Schedule I. All Pledged Shares owned by such Pledgor are owned legally and beneficially by such Pledgor and have been duly authorized and validly issued and are fully paid and nonassessable. Except as set forth on Schedule I, there are no outstanding warrants, options, subscriptions or other contractual arrangements for the purchase of any other shares of stock or any securities convertible into shares of stock of any Issuer, and there are no preemptive rights with respect to the shares of stock of any Issuer.

(b) In the case of the Issuers that are corporations, the delivery of the certificates representing the Pledged Shares held by such Pledgor to the Agent pursuant to this Agreement is effective to create a valid and perfected first priority security interest in the Pledged Collateral consisting of the Securities of such Issuers which exists on the date hereof, free of any adverse claim, securing the payment of the Secured Obligations. In the case of the Issuers that are limited liability companies, the execution and delivery of the Loan and Security Agreement and this Agreement and the filing of a UCC financing statement by Agent against Parent with the Secretary of State of Delaware describing the collateral under such financing statement as all of the existing and hereafter acquired personal property of the Parent is effective to create a valid and perfected first priority security interest in the Pledged

Collateral consisting of the Securities of such Issuers, securing the payment of the Secured Obligations.

(c) No consent of any other party (including, without limitation, any creditor of such Pledgor) and no consent, authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required either (i) for the pledge by such Pledgor of the Pledged Collateral pursuant to this Agreement or for the execution, delivery or performance of this Agreement by such Pledgor or (ii) for the exercise by the Agent of the voting or other rights provided for in this Agreement or the remedies in respect of any of the Pledged Collateral pledged by such Pledgor pursuant to this Agreement (except as may be required in connection with such disposition by laws affecting the offering and sale of securities generally).

(d) None of the Pledged Shares held by any Pledgor constitutes margin stock, as defined in Regulation U of the Board of Governors of the Federal Reserve System.

(e) This Agreement is the legal, valid and binding obligation of such Pledgor, enforceable against such Pledgor in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy laws and laws affecting creditors' rights generally.

(f) All information heretofore, herein or hereafter supplied to the Agent or any Secured Creditor by or on behalf of such Pledgor with respect to the any of the Pledged Collateral is and will be accurate and complete in all material respects.

5. Further Assurances.

(a) Each Pledgor will, from time to time, at such Pledgor's expense, promptly execute and deliver all further instruments and documents and take all further action that the Agent may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby, to enable the Agent to exercise and enforce the rights and remedies of the Agent, for the benefit of the Secured Creditors, hereunder with respect to any Pledged Collateral or to carry out the provisions and purposes hereof. Without limiting the generality of the foregoing, each Pledgor will: (i) file any reasonably necessary or desirable UCC financing statements, and such other instruments or notices, as may be reasonably necessary or desirable or as Agent may reasonably request, in order to perfect and preserve the security interests granted or purported to be granted hereby under the laws of any applicable jurisdiction and will cooperate with the Agent, at such Pledgor's expense, in obtaining all necessary approvals and making all necessary filings under federal, state, local or foreign law in connection with such liens or any sale or transfer of the Pledged Collateral, it being understood, however, that such Pledgor shall have no obligation to register to any of the Pledged Collateral under any federal or state securities laws; (ii) upon the Agent's reasonable request, appear in and defend any action or proceeding that may affect such Pledgor's title to or the Agent's security interest in the Pledged Collateral for the benefit of the Secured Creditors; (iii) promptly after the purchase or other acquisition thereof, deliver to the Agent all Pledged Shares hereunder; and (iv) cause the organizational documents of the

Issuers to be amended or modified as may be reasonably requested by Agent to accomplish the purposes of this Agreement.

(b) Each Pledgor will, promptly upon request, provide to the Agent all information and evidence it may reasonably request concerning the Pledged Collateral to enable the Agent to enforce the provisions of this Agreement.

(c) Each Pledgor will, promptly upon the purchase or acquisition of any additional Securities of any Issuer or any other Person, deliver to the Agent, for the benefit of the Secured Creditors, any certificate evidencing such Securities as required by Section 3 above, together with a proxy substantially in the form attached hereto as Exhibit A, and a pledge amendment, duly executed by such Pledgor, in substantially the form of Exhibit B hereto (a "Pledge Amendment"), in respect of the additional Securities which are to be pledged pursuant to this Agreement. Each Pledgor hereby authorizes the Agent to attach each Pledge Amendment to this Agreement and agrees that all Securities listed on any Pledge Amendment delivered to the Agent shall for all purposes hereunder be considered Pledged Collateral.

(d) No Pledgor shall take any action to cause any limited liability company interest, membership interest or partnership interest comprising the Pledged Collateral to be or become a "security" within the meaning of, or to be governed by Article 8 of the UCC as in effect under the laws of any state having jurisdiction and shall not cause or permit any Issuer to "opt in" or to take any other action seeking to establish any membership interest or partnership interest of the Pledged Collateral as a "security" or to become certificated.

6. Voting Rights; Dividends; Etc.

(a) So long as no Event of Default shall have occurred and is continuing and the Agent shall not have delivered to the Pledgors notice of its election to exercise the rights set forth in subsection (b) below:

(i) Each Pledgor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement; provided, however, that no Pledgor shall exercise or refrain from exercising any such right if such action or inaction would have an adverse effect on the security interest granted hereunder on the Pledged Collateral.

(ii) (A) Any cash dividends and other cash distributions paid or payable with respect to any of the Pledged Collateral shall be paid to Pledgor, and (B) any and all instruments, chattel paper and other rights, property or proceeds and products (other than cash or checks) received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Collateral, shall be, and shall be forthwith, delivered to the Agent to hold as Pledged Collateral, for the benefit of the

Secured Creditors, and shall, if received by a Pledgor, be received in trust for the benefit of the Secured Creditors, be segregated from the other property or funds of such Pledgor, and be forthwith delivered to the Agent as Pledged Collateral in the same form as so received (with any necessary endorsement).

(iii) The Agent shall execute and deliver (or cause to be executed and delivered) to each Pledgor all such proxies and other instruments as such Pledgor may reasonably request for the purpose of enabling such Pledgor to exercise the voting and other rights which such Pledgor is entitled to exercise pursuant to paragraph (i) above, and to receive the dividends which such Pledgor is authorized to receive and retain pursuant to paragraph (ii) above.

(b) Upon the occurrence and during the continuance of an Event of Default:

(i) All rights of each Pledgor to receive and retain any cash dividends and distributions, and to exercise the voting and other consensual rights which such Pledgor would otherwise be entitled to exercise, shall cease to be effective upon notice by the Agent to such Pledgor of its intent to exercise its rights hereunder, and upon delivery of such notice become vested in the Agent, for the benefit of the Secured Creditors, who shall thereupon have the sole right to exercise such voting and other consensual rights and the sole right to receive and hold as Pledged Collateral such dividends (and apply them to payment of the Secured Obligations). In order to effect such transfer of rights, the Agent shall have the right, upon such notice, to date and present to each Issuer the irrevocable proxy executed by each Pledgor substantially in the form attached hereto as Exhibit A (a "Proxy").

(ii) All dividends which are received by any Pledgor contrary to the provisions of this subsection 6(b) shall be received in trust for the benefit of the Secured Creditors, shall be segregated from other funds of such Pledgor and shall be forthwith paid over to the Agent as Pledged Collateral, for the benefit of the Secured Creditors, in the same form as so received (with any necessary endorsement).

7. Transfers and Other Liens; Additional Shares.

(a) Each Pledgor agrees that it will not (i) encumber, sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any of the Pledged Collateral, except for Permitted Liens or (ii) enter into any other contractual obligations which could reasonably be expected to restrict or inhibit the Agent's rights or ability to sell or otherwise dispose of the Pledged Collateral or any part thereof after the occurrence and during the continuance of an Event of Default.

(b) Each Pledgor agrees that it will (i) not cause any Issuer to issue any stock or other securities (including any warrants, options, subscriptions or other contractual arrangements for the purchase of stock or securities convertible into stock) in addition to or in substitution for the Pledged Shares unless such additional or substituted shares are issued solely to such Pledgor and are pledged to the Agent, for the benefit of the Secured Creditors,

concurrent with such issuance and as provided herein, and (ii) deliver hereunder, immediately upon its acquisition (directly or indirectly) thereof, any and all writings evidencing any additional Pledged Collateral. Each Pledgor hereby authorizes the Agent to modify this Agreement by unilaterally amending Schedule I to include such Securities or to execute a Pledge Amendment in the form of Exhibit B with respect to such Securities if so requested by Agent.

8. Agent Appointed Attorney-in-Fact. Each Pledgor hereby irrevocably appoints the Agent as such Pledgor's attorney-in-fact effective upon the occurrence and during the continuance of an Event of Default, with full authority in the place and stead of such Pledgor and in the name of such Pledgor, the Agent or otherwise, from time to time in the Agent's discretion to take any action (including completion and presentation of any proxy) and to execute any instrument that the Agent may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, to (i) receive, indorse and collect all instruments made payable to such Pledgor representing any dividend or other distribution in respect of the Pledged Collateral or any part thereof; (ii) exercise the voting and other consensual rights pertaining to the Pledged Collateral; and (iii) subject to and in accordance with the provisions of Section 11 hereof, sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Pledged Collateral as fully and completely as though the Agent was the absolute owner thereof for all purposes, and to do, at the Agent's option and such Pledgor's expense, at any time or from time to time, all acts and things that the Agent deems necessary to protect, preserve or realize upon the Pledged Collateral. Each Pledgor hereby ratifies and approves all acts of the Agent made or taken pursuant to this Section 8. Except as specifically set forth in Section 10 hereof, neither the Agent nor any person designated by the Agent shall be liable for any acts or omissions or for any error of judgment or mistake of fact or law other than those resulting from the Agent's or such designated person's gross negligence or willful misconduct. This power of attorney, being coupled with an interest, shall be irrevocable until all Secured Obligations shall have been paid in full and the Loan Documents shall have been terminated.

9. Agent May Perform. If any Pledgor fails to perform any agreement contained herein, the Agent may itself perform, or cause performance of, such agreement, and the expenses of the Agent incurred in connection therewith shall be payable by such Pledgor pursuant to Section 14 hereof, and be a part of the Secured Obligations.

10. Limitation on Duty of the Agent with Respect to the Pledged Collateral. The powers conferred on the Agent hereunder are solely to protect its interest and the interest of the Secured Creditors in all of the Pledged Collateral and shall not impose any duty on it to exercise any such powers. Except for the reasonably safe custody of any Pledged Collateral in its possession and the accounting for monies actually received by it hereunder, the Agent shall have no duty with respect to any Pledged Collateral. The Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Pledged Collateral in its possession if such Pledged Collateral is accorded treatment that is substantially equivalent to that which the Agent accords its own property, it being expressly agreed that the Agent shall

have no responsibility for (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Pledged Collateral, whether or not the Agent has or is deemed to have knowledge of such matters, or (ii) taking any necessary steps to preserve rights against any parties with respect to any Pledged Collateral, but the Agent may do so and all expenses incurred in connection therewith shall be payable by and for the sole account of the Pledgors.

11. Remedies upon Event of Default. If any Event of Default shall have occurred and is continuing:

(a) The Agent may exercise in respect of any of the Pledged Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party under the Uniform Commercial Code (the "UCC") in effect in the State of Illinois at that time, whether or not the UCC applies to the affected Pledged Collateral, and the Agent may also, without notice except as specified below, sell all of the Pledged Collateral pledged by the Pledgors or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or at any of the Agent's offices or elsewhere, for cash, on credit, or for future delivery, at such price or prices and upon such other terms as the Agent deems commercially reasonable. Each Pledgor acknowledges and agrees that such a private sale may result in prices and other terms which may be less favorable to the seller than if such sale were a public sale. Each Pledgor agrees that, to the extent notice of sale shall be required by law, at least ten (10) days' notice to such Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. At any sale of any of the Pledged Collateral, if permitted by law, the Agent may bid (which bid may be, in whole or in part, in the form of cancellation of indebtedness) for the purchase of such Pledged Collateral or any portion thereof. The Agent shall not be obligated to make any sale of Pledged Collateral regardless of notice of sale having been given. The Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. The Agent shall be under no obligation to delay a sale of any of the Pledged Collateral for the period of time necessary to permit the issuing corporation of such securities to register such securities for public sale under the Securities Act of 1933, as from time to time amended (the "Securities Act"), or under applicable state securities laws, even if the issuing corporation would agree to do so. To the extent permitted by law, each Pledgor hereby specifically waives all rights of redemption, stay or appraisal which such Pledgor has or may have under any law now existing or hereafter enacted.

(b) All cash proceeds received by the Agent in respect of any sale of, collection from, or other realization upon all or any part of the Pledged Collateral may, in the discretion of the Agent, be held by the Agent as collateral for, and/or then or at any time thereafter applied (after payment of any amounts payable to the Agent or any other Secured Creditor pursuant to Section 14 hereof) in whole or in part by the Agent against all or any part of the Secured Obligations in such order as the Agent shall elect. Any surplus of such cash or cash proceeds held by the Agent and remaining after payment in full of all the Secured Obligations shall be

paid over to the Pledgors or to whomsoever may be lawfully entitled to receive such surplus or as a court of competent jurisdiction may direct; provided, that, in the event that all of the conditions to the termination of this Agreement pursuant to Section 15 hereof shall not have been fulfilled, such balance shall be held and applied from time to time as provided in this subsection 11(b) until all such conditions shall have been fulfilled.

(c) Each Pledgor recognizes that the Agent may be unable to effect a public sale of all or part of the Pledged Collateral and may be compelled to resort to one or more private sales to a restricted group of purchasers who will be obligated to agree, among other things, to acquire such Pledged Collateral for their own account, for investment and not with a view to the distribution or resale thereof. Each Pledgor acknowledges that any such private sales may be at prices and on terms less favorable to the seller than if sold at public sales and agrees that such private sales shall be deemed to have been made in a commercially reasonable manner, and that the Agent has no obligation to delay sale of any such Pledged Collateral for the period of time necessary to permit the issuer of such Pledged Collateral to register such Pledged Collateral for public sale under the Securities Act.

12. Remedies Cumulative. No failure on the part of the Agent to exercise, and no delay in exercising and no course of dealing with respect to, any power, privilege or right under the Loan Documents or this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise by the Agent of any power, privilege or right under the Loan Documents or this Agreement preclude any other or further exercise thereof or the exercise of any other such power, privilege or right. The powers, privileges and rights in this Agreement and the Loan Documents are cumulative and are not exclusive of any other remedies provided by law.

13. Application of Proceeds. Upon the occurrence and during the continuance of an Event of Default, the proceeds of any sale of, or other realization upon, all or any part of any Pledged Collateral shall be applied in accordance with Section 4.4 of the Loan and Security Agreement.

14. Expenses. The Pledgors shall promptly pay to the Agent all reasonable out-of-pocket costs and expenses of the Agent and, during the existence of an Event of Default, the costs and expenses of the Secured Creditors in connection with protecting or perfecting the Agent's security interest, for the benefit of the Secured Creditors, in all of the Pledged Collateral or in connection with any matters contemplated by or arising out of this Agreement or any of the other Loan Documents.

15. Termination of Security Interests; Release of Collateral. Upon payment and performance in full of all Secured Obligations and termination of the Loan and Security Agreement, the security interests granted in this Agreement shall terminate and all rights to the Pledged Collateral shall revert to the Pledgors. Upon such termination of the security interests or release of any Pledged Collateral, the Agent will, at the expense of the Pledgors, and subject to Section 20 herein, execute and deliver to the Pledgors such documents as the Pledgors shall reasonably request to evidence the termination of the security interests or the

release of such Pledged Collateral which has not yet theretofore been sold or otherwise applied or released, and shall return to the applicable Pledgor all stock certificates, stock powers and proxies relating to or evidencing such Pledged Collateral. Such release shall be without recourse or warranty to the Agent, except as to the absence of any prior assignments by the Agent of its interest in the Pledged Collateral.

16. Amendments, Waivers and Consents. No amendment, modification, termination or waiver of any provision of this Agreement, or consent to any departure by any Pledgor therefrom, shall in any event be effective without the written concurrence of the Agent and the Pledgors.

Notices. Except as otherwise specified herein, all notices hereunder shall be given in the manner and to the addresses set forth in the Loan Agreement. Each such notice, request or other communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopier number specified in this Section and a confirmation of such telecopy has been received by the sender, (ii) if given by mail, 3 Business Days after such communication is deposited in the mail, certified or registered with return receipt requested, addressed as aforesaid or (iii) if given by any other means, when delivered at the addresses specified in this Section.

17. Continuing Security Interest; Successors and Assigns. This Agreement shall create a continuing security interest in all of the Pledged Collateral and shall (i) remain in full force and effect until payment and performance in full of the Secured Obligations and termination of the Loan and Security Agreement and the other Loan Documents and termination of the Lenders' commitments to extend the loans and other financial accommodations referred to therein, (ii) be binding upon each Pledgor, such Pledgor's successors and assigns, and (iii) inure, together with the rights and remedies of the Agent hereunder, to the benefit of the Agent for itself and the Secured Creditors and their successors and permitted assigns. Without limiting the generality of the foregoing clause (iii), Agent or any Lender may assign or otherwise transfer the Notes and Obligations held by it to any other Person as and to the extent permitted in the Loan and Security Agreement, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to Agent or any Lender herein or otherwise. No Pledgor may assign or transfer any of its interests or obligations hereunder without the prior consent of the Agent.

18. Waiver.

(a) In addition to any other waivers herein, each Pledgor waives to the greatest extent it may lawfully do so, and agrees that it shall not at any time insist upon, plead or in any manner whatever claim or take the benefit or advantage of, any appraisal, valuation, stay, extension, marshalling of assets, redemption or similar law, or exemption, whether now or at any time hereafter in force, which may delay, prevent or otherwise affect the performance by such Pledgor of its obligations under, or the enforcement by the Agent of, this Agreement. Except as otherwise provided in this Agreement and the other Loan Documents, each Pledgor hereby waives diligence, presentment and demand (whether for nonpayment or protest or of

acceptance, maturity, extension of time, change in nature or form of the Secured Obligations, acceptance of further security, release of further security, composition or agreement arrived at as to the amount of, or the terms of, the Secured Obligations, notice of adverse change in any Issuer's or any other Person's financial condition or any other fact which might materially increase the risk to such Pledgor) with respect to any of the Secured Obligations or all other demands whatsoever and waives the benefit of all provisions of law which are or might be in conflict with the terms of this Agreement.

(b) If the Agent or any other Secured Creditor may, under applicable law, proceed to realize its benefits under any of the Loan Documents giving such party a lien upon any Collateral, whether owned by any Issuer or by any other Person, either by judicial foreclosure or by non-judicial sale or enforcement, the Agent or any other Secured Creditor may, at its sole option, determine which of its remedies or rights it may pursue without affecting any of the rights and remedies of the Agent or any other Secured Creditor under this Agreement.

19. Reinstatement. This Agreement shall continue to be effective, or be reinstated, as the case may be, if at any time any amount received by the Agent or any other Secured Creditor in respect of the Secured Obligations is rescinded or must otherwise be restored or returned by the Agent or any other Secured Creditor upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of any Pledgor or any Issuer or upon the appointment of any intervenor or conservator of, or trustee or similar official for, any Pledgor or any Issuer or any substantial part of its assets, or otherwise, all as though such payments had not been made.

20. Severability. The provisions of this Agreement are severable, and if any clause or provision shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

21. Interpretation. Time is of the essence of each provision of this Agreement of which time is an element. All capitalized terms not defined herein or in the Loan and Security Agreement shall have the meanings set forth in the UCC, except where the context otherwise requires.

22. Survival of Provisions. All agreements, representations and warranties made herein shall survive the execution and delivery of this Agreement, the Loan and Security Agreement and the other Loan Documents, the making of the Loans thereunder and the execution and delivery of the Notes. Notwithstanding anything in this Agreement or implied by law to the contrary, the agreements, representations and warranties of the Pledgors set forth herein shall terminate only upon payment in full of the Secured Obligations and the Notes, the termination of all commitments to make Loans under the Loan and

Security Agreement, and the termination of this Agreement and the Loan and Security Agreement.

23. Statute of Limitations. Each Pledgor hereby waives the right to plead any statute of limitations as a defense to any indebtedness or obligation hereunder or secured hereby to the full extent permitted by law.

24. Headings Descriptive. The headings in this Agreement are for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

25. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall together constitute one and the same agreement.

26. GOVERNING LAW. THIS AGREEMENT IS GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF ILLINOIS, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

[Signature Page Follows]

IN WITNESS WHEREOF, Pledgor has caused this Agreement to be duly executed and delivered as of the day and year first above written.

POWER SOLUTIONS INTERNATIONAL, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

THE W GROUP, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

Accepted this 29th day of April, 2011:

HARRIS N.A., as Administrative Agent

By /s/ William Kennedy
Name William Kennedy
Title Vice President

Signature Page to Pledge Agreement

Acknowledgement of Issuers

Dated: April 29, 2011

Each of the undersigned Issuers (as defined in the foregoing Pledge Agreement executed by Power Solutions International, Inc. and The W Group, Inc. in favor of Harris N.A. as Agent; capitalized terms used herein having the meanings assigned in such Pledge Agreement) hereby acknowledges that it has received an executed copy of the Pledge Agreement, agrees to record in its records the pledge of the equity interests of such Issuer as provided in the Pledge Agreement and waives any right to at any time hereafter be provided with a copy of the foregoing Pledge Agreement in connection with any exercise by Agent (or its agent or nominee) of voting or other consensual rights in respect of the Pledged Collateral or any registration of any of the Pledged Collateral in the name of Agent (or its agent or nominee).

POWER SOLUTIONS, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

POWER GREAT LAKES, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

AUTO MANUFACTURING, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

TORQUE POWER SOURCE PARTS, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

[signatures continue on next page]

POWER PROPERTIES, L.L.C.

By: The W Group, Sole Managing Member

By: /s/ Gary Winemaster

Name: Gary Winemaster

Title: President and Chief Executive Officer

POWER PRODUCTION, INC.

By: /s/ Gary Winemaster

Name: Gary Winemaster

Title: President and Chief Executive Officer

POWER GLOBAL SOLUTIONS, INC.

By: /s/ Gary Winemaster

Name: Gary Winemaster

Title: President and Chief Executive Officer

PSI INTERNATIONAL, LLC

By: /s/ Gary Winemaster

Name: Gary Winemaster

Title: Manager

XISYNC LLC

By: The W Group, Inc., Sole Managing Member

By: /s/ Gary Winemaster

Name: Gary Winemaster

Title: President and Chief Executive Officer

SCHEDULE I
TO PLEDGE AGREEMENT

<u>Pledgor</u>	<u>Stock Issuer</u>	<u>Class of Stock</u>	<u>Stock Certificate No(s).</u>	<u>Par Value</u>	<u>Number of Shares</u>
Power Solutions International, Inc.	The W Group, Inc.	Common	\$.0001	6	1,000
The W Group, Inc.	Power Great Lakes, Inc.	Common	\$ 1.00	15	1,000
The W Group, Inc.	Power Solutions, Inc.	Common	N/A	15	1,000
The W Group, Inc.	Auto Manufacturing, Inc.	Common	\$ 1.00	12	1,000
The W Group, Inc.	Power Production, Inc.	Common	N/A	001	1,000
The W Group, Inc.	Torque Power Source Parts, Inc.	Common	\$ 0.00	3	1,000
The W Group, Inc.	Power Global Solutions, Inc.	Common	N/A	001	1,000
The W Group, Inc.	PSI International, LLC	N/A	N/A	N/A	N/A
The W Group, Inc.	XISYNC LLC	N/A	N/A	N/A	N/A
The W Group, Inc.	Power Properties, L.L.C.	N/A	N/A	N/A	N/A

EXHIBIT A

Irrevocable Proxy.

The undersigned hereby appoints HARRIS N.A., as administrative agent for the benefit of the Secured Creditors (the “Agent”), as Proxy pursuant to the terms of that certain Pledge Agreement dated _____, 2011 among Power Solutions International, Inc., a Nevada corporation, The W Group, Inc., a Delaware corporation, and the Agent, with full power of substitution, and hereby authorizes the Agent to represent and vote all of the **[shares of the capital stock of] [limited liability company interests]** [_____] held of record by the undersigned on the date of exercise hereof or at any meeting or at any other time chosen by the Agent in its sole discretion.

[POWER SOLUTIONS INTERNATIONAL, INC.

Date: _____

By _____
Name _____
Title _____]

[THE W GROUP, INC.

Date: _____

By _____
Name _____
Title _____]

EXHIBIT B

Pledge Amendment

This Pledge Amendment, dated _____, 20__ is delivered pursuant to Section 5(c) of the Pledge Agreement referred to below. The undersigned hereby agrees that this Pledge Amendment may be attached to the Pledge Agreement, dated as of _____, 2011, by and among Power Solutions International, Inc., a Nevada corporation, The W Group, Inc., a Delaware corporation, and Harris N.A. as administrative agent for the benefit of the Secured Creditors (the “Pledge Agreement”; capitalized terms defined therein being used herein as therein defined) and that the shares listed on this Pledge Amendment shall be deemed to be part of the Pledged Collateral and shall secure all Secured Obligations.

POWER SOLUTIONS INTERNATIONAL, INC.

Date: _____

By _____
Name _____
Title _____

THE W GROUP, INC.

Date: _____

By _____
Name _____
Title _____

Issuer

<u>Class of Stock</u>	<u>Stock Certificate Numbers</u>	<u>Par Value</u>	<u>Number of Shares</u>	<u>Percentage</u>
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This instrument prepared by and after
recording return to:

Michael B. Manuel, Esq.
GOLDBERG KOHN LTD.
55 East Monroe Street
Suite 3300
Chicago, Illinois 60603
(312) 201-4000

(SPACE ABOVE IS RESERVED FOR RECORDER’S USE)

REAL PROPERTY MORTGAGE
(DuPage County, Illinois)

THIS REAL PROPERTY MORTGAGE (“**Mortgage**”), made as of April 29, 2011, is made and executed by POWER PROPERTIES, L.L.C., an Illinois limited liability company (“**PPL**” or “**Mortgagor**”), having its principal offices at 655 Wheat Lane, Wood Dale, Illinois 60191, in favor of HARRIS N.A., a national banking association (in its individual capacity, “**Harris**”), having an office at 111 West Monroe, Chicago, Illinois 60603, as agent (Harris, in its capacity as agent, being hereinafter referred to as “**Agent**”) for Lenders (as “**Lenders**” is defined in the Loan Agreement referred to below).

RECITALS

I. Pursuant to the terms of a certain Loan and Security Agreement dated of even date herewith (said Loan and Security Agreement, together with all amendments, supplements, modifications and replacements thereof, being hereinafter referred to as the “**Loan Agreement**”) by and among Harris as a Lender and as Agent for all Lenders, Lenders, Mortgagor and certain affiliates of Mortgagor identified in the Loan Agreement individually as a “**Borrower**” and collectively as “**Borrowers**”, Lenders have agreed to make revolving loans to Borrowers and extend other financial accommodations to Borrowers in an aggregate principal amount not to exceed \$35,000,000 (collectively, the “**Loans**”), which Loans may be evidenced, in whole or in part, by one or more notes in an aggregate principal amount not to exceed \$35,000,000 (said notes, together with all amendments, supplements, modifications and full or partial replacements thereof, being hereinafter referred to as the “**Notes**”). The final maturity date of the Loans is April 29, 2014. The terms and provisions of the Notes and the Loan Agreement are hereby incorporated by reference in this Mortgage.

The rate or rates of interest applicable to the Loans is established pursuant to the Loan Agreement and may vary from time to time.

II. Among other things, this Mortgage is given to secure a revolving credit facility and secures not only present indebtedness but also future advances, whether such future advances are obligatory or are to be made at the option of Agent or Lenders, or otherwise. The amount of indebtedness secured hereby may increase or decrease from time to time, however the principal amount of such indebtedness shall not at any time exceed the amount of \$35,000,000 plus interest thereon, and other costs, amounts and disbursements as provided herein and in the other Loan Instruments (hereinafter defined).

GRANTING CLAUSES

To secure the payment of the indebtedness under the Loan Agreement (including without limitation all “**Obligations**” under and as defined in the Loan Agreement), whether or not evidenced by the Notes, and the payment of all amounts due under and the performance and observance of all covenants and conditions contained in this Mortgage, the Notes, the Loan Agreement and any other Loan Document (as defined in the Loan Agreement) and any and all renewals, extensions, amendments and replacements of this Mortgage, the Notes, the Loan Agreement and any other Loan Document (collectively, the “**Loan Instruments**”), provided that all indebtedness and liabilities secured hereby (“**Borrowers’ Liabilities**”) shall in no event exceed \$100,000,000, not including accrued interest, recoverable costs and expenses and protective advances, Mortgagor does hereby convey, mortgage, warrant, assign, transfer, pledge and deliver to Agent, its successors and assigns, and grant to Agent a security interest in the following described property subject to the terms and conditions herein:

(A) The land legally described in attached **Exhibit A** (“**Land**”);

(B) All the buildings, structures, improvements and fixtures of every kind or nature now or hereafter situated on the Land and all machinery, appliances, equipment, furniture and all other personal property of every kind or nature which constitute fixtures with respect to the Land, together with all extensions, additions, improvements, substitutions and replacements of the foregoing (“**Improvements**”);

(C) All easements, tenements, rights-of-way, vaults, gores of land, streets, ways, alleys, passages, sewer rights, water courses, water rights and powers and appurtenances in any way belonging, relating or appertaining to any of the Land or Improvements, or which hereafter shall in any way belong, relate or be appurtenant thereto, whether now owned or hereafter acquired (“**Appurtenances**”);

(D)(i) All judgments, insurance proceeds, awards of damages and settlements which may result from any damage to all or any portion of the Land, Improvements or Appurtenances or any part thereof or to any rights appurtenant thereto;

(ii) All compensation, awards, damages, claims, rights of action and proceeds of or on account of (a) any damage or taking, pursuant to the power of eminent domain, of the Land, Improvements or Appurtenances or any part thereof, (b) damage to all or any portion of the Land, Improvements or Appurtenances by reason of the taking, pursuant to the power of eminent domain, of all or any portion of the Land, Improvements, Appurtenances or of other property, or (c) the alteration of the grade of any street or highway on or about the Land, Improvements, Appurtenances or any part thereof; and, except as otherwise provided herein, Agent is hereby authorized to collect and receive said awards and proceeds and to give proper receipts and acquittances therefor and, except as otherwise provided herein, to apply the same toward the payment of the indebtedness and other sums secured hereby; and

(iii) All proceeds, products, replacements, additions, substitutions, renewals and accessions of and to the Land, Improvements or Appurtenances;

(E) All rents, issues, profits, income and other benefits now or hereafter arising from or in respect of the Land, Improvements or Appurtenances (the “**Rents**”); it being intended that this Granting Clause shall constitute an absolute and present assignment of the Rents, subject, however, to the conditional permission given to Mortgagor to collect and use the Rents as provided in this Mortgage;

(F) Any and all leases, licenses and other occupancy agreements now or hereafter affecting the Land, Improvements or Appurtenances, together with all security therefor and guaranties thereof and all monies payable thereunder, and all books and records owned by Mortgagor which contain evidence of payments made under the leases and all security given therefor (collectively, the “**Leases**”), subject, however, to the conditional permission given in this Mortgage to Mortgagor to collect the Rents arising under the Leases as provided in this Mortgage;

(G) Any and all after-acquired right, title or interest of Mortgagor in and to any of the property described in the preceding Granting Clauses; and

(H) The proceeds from the sale, transfer, pledge or other disposition of any or all of the property described in the preceding Granting Clauses;

All of the mortgaged property described in the Granting Clauses is hereinafter referred to as the “**Mortgaged Property.**”

ARTICLE ONE COVENANTS OF MORTGAGOR

Mortgagor covenants and agrees with Agent as follows:

1.1. **Performance under Loan Agreement, Notes, Mortgage and Other Loan Instruments.** Mortgagor shall perform, observe and comply with or cause to be performed, observed and complied with in a complete and timely manner (subject to any applicable cure periods set forth in the Loan Agreement) all provisions hereof, of the Loan

Agreement and of the Notes, every other Loan Instrument and every instrument evidencing or securing Borrowers' Liabilities.

1.2. General Covenants and Representations. Mortgagor covenants, represents and warrants that as of the date hereof and at all times thereafter during the term hereof: (a) Mortgagor is seized of an indefeasible estate in fee simple in that portion of the Mortgaged Property which is real property, and has good and absolute title to it and the balance of the Mortgaged Property free and clear of all liens, security interests, charges and encumbrances whatsoever, except for Permitted Liens (as defined in the Loan Agreement) and (b) Mortgagor will maintain and preserve the lien of this Mortgage as a first and paramount lien on the Mortgaged Property, subject only to the Permitted Liens, until Borrowers' Liabilities have been paid in full and all obligations of Agent and Lenders under the Loan Agreement have been terminated.

1.3. Compliance with Laws and Other Restrictions. Mortgagor covenants and represents that the Land and the Improvements and the use thereof presently comply with, and, except as provided in the Loan Agreement, will continue to comply with, all applicable restrictive covenants, zoning and subdivision ordinances and building codes, licenses, health and environmental laws and regulations and all other applicable laws, ordinances, rules and regulations except for such non-compliance that would not reasonably be extended to have a Material Adverse Effect (as defined in the Loan Agreement).

1.4. Taxes and Other Charges. Mortgagor shall pay promptly when due all taxes, assessments, rates, dues, charges, fees, levies, fines, impositions, liabilities, obligations, liens and encumbrances of every kind and nature whatsoever now or hereafter imposed, levied or assessed upon or against the Mortgaged Property or any part thereof, or upon or against this Mortgage or Borrowers' Liabilities; provided, however, that Mortgagor may in good faith contest the validity, applicability or amount of any tax, assessment or other charge, in accordance with the terms of the Loan Agreement.

1.5. Mechanic's and Other Liens. Except as otherwise may be provided by the Loan Agreement, Mortgagor shall not permit or suffer any mechanic's, laborer's, materialman's, statutory or other lien or encumbrance (other than any lien for taxes and assessments not yet due) to be created upon or against the Mortgaged Property; provided, however, that Mortgagor may in good faith, by appropriate proceedings, contest the validity, applicability or amount of any asserted lien, in accordance with the terms of the Loan Agreement.

1.6. Insurance and Condemnation.

1.6.1. Insurance Policies. Mortgagor shall, at its sole expense, obtain for, deliver to, assign to and maintain for the benefit of Agent, until Borrowers' Liabilities are paid in full, such policies of insurance as are required by the Loan Agreement.

1.6.2. Adjustment of Loss; Application of Proceeds. Except as otherwise may be provided by the Loan Agreement, Agent is hereby authorized and

empowered, at its option, to adjust or compromise any loss under any insurance policies covering the Mortgaged Property and to collect and receive the proceeds from any such policy or policies. The entire amount of such proceeds, awards or compensation shall be applied as provided in the Loan Agreement.

1.6.3. Condemnation Awards. Except as otherwise may be provided by the Loan Agreement, Agent shall be entitled to all compensation, awards, damages, claims, rights of action and proceeds of, or on account of, (i) any damage or taking, pursuant to the power of eminent domain, of the Mortgaged Property or any part thereof, (ii) damage to the Mortgaged Property by reason of the taking, pursuant to the power of eminent domain, of other property, or (iii) the alteration of the grade of any street or highway on or about the Mortgaged Property. Agent is hereby authorized, at its option, to commence, appear in and prosecute in its own or Mortgagor's name any action or proceeding relating to any such compensation, awards, damages, claims, rights of action and proceeds and to settle or compromise any claim in connection therewith. Mortgagor hereby irrevocably appoints Agent as its attorney-in-fact for the purposes set forth in the preceding sentence.

1.6.4. Obligation to Repair. If all or any part of the Mortgaged Property shall be damaged or destroyed by fire or other casualty or shall be damaged or taken through the exercise of the power of eminent domain or other cause described in Section 1.6.3, Mortgagor shall promptly and with all due diligence restore and repair the Mortgaged Property to the extent that the proceeds, award or other compensation, or proceeds of the Loans, are made available to Mortgagor.

1.7. Agent May Pay; Default Rate. Upon Mortgagor's failure to pay any amount required to be paid by Mortgagor under any provision of this Mortgage, Agent may pay the same. Mortgagor shall pay to Agent on demand the amount so paid by Agent together with interest at the Default Rate under the Loan Agreement after and the amount so paid by Agent, together with interest, shall be added to Borrowers' Liabilities.

1.8. Care of the Mortgaged Property. Mortgagor shall preserve and maintain the Mortgaged Property in the condition required by the Loan Agreement.

1.9. Transfer or Encumbrance of the Mortgaged Property. Except as permitted by the Loan Agreement, Mortgagor shall not permit or suffer to occur any sale, assignment, conveyance, transfer, mortgage, lease or encumbrance of the Mortgaged Property, any part thereof, or any interest therein, without the prior written consent of Agent having been obtained.

1.10. Further Assurances. At any time and from time to time, upon Agent's request, Mortgagor shall make, execute and deliver, or cause to be made, executed and delivered, to Agent, and where appropriate shall cause to be recorded, registered or filed, and from time to time thereafter to be re-recorded, re-registered and refiled at such time and in such offices and places as shall be deemed desirable by Agent, any and all such further mortgages, security agreements, financing statements, instruments of further assurance,

certificates and other documents as Agent may consider reasonably necessary in order to effectuate or perfect, or to continue and preserve the obligations under, this Mortgage.

1.11. **Assignment of Rents.** The assignment of rents, income and other benefits contained in Section (E) of the Granting Clauses of this Mortgage shall be fully operative without any further action on the part of either party, and, specifically, Agent shall be entitled, at its option, upon the occurrence of an Event of Default hereunder, to all rents, income and other benefits from the Mortgaged Property, whether or not Agent takes possession of such property. Such assignment and grant shall continue in effect until Borrowers' Liabilities are paid in full and all obligations of Agent and Lenders under the Loan Agreement have been terminated, the execution of this Mortgage constituting and evidencing the irrevocable consent of Mortgagor to the entry upon and taking possession of the Mortgaged Property by Agent pursuant to such grant, whether or not foreclosure proceedings have been instituted. Notwithstanding the foregoing, so long as no Event of Default has occurred, Mortgagor shall have the right and authority to continue to collect the rents, income and other benefits from the Mortgaged Property as they become due and payable but not more than thirty (30) days prior to the due date thereof.

1.12. **After-Acquired Property.** To the extent permitted by, and subject to, applicable law, the lien of this Mortgage shall automatically attach, without further act, to all property hereafter acquired by Mortgagor located in or on, or attached to, or used or intended to be used in connection with, or with the operation of, the Mortgaged Property or any part thereof.

1.13. **Leases Affecting Mortgaged Property.** Mortgagor shall comply with and perform in a complete and timely manner all of its obligations as landlord under all leases affecting the Mortgaged Property or any part thereof. The assignment contained in Sections (E) and (F) of the Granting Clauses shall not be deemed to impose upon Agent any of the obligations or duties of the landlord or Mortgagor provided in any lease.

1.14. **Execution of Leases.** Except as permitted by the Loan Agreement Mortgagor shall not permit any leases to be made of the Mortgaged Property, or to be modified, terminated, extended or renewed, without the prior written consent of Agent.

ARTICLE TWO DEFAULTS

1.15. **Event of Default.** The term "**Event of Default**," wherever used in this Mortgage, shall mean any one or more of the following events:

(a) Mortgagor shall fail to keep, perform, or observe any covenant, condition or agreement on the part of Mortgagor in this Mortgage, and such failure is not cured to Agent's satisfaction within 10 days after the sooner to occur of any Borrower's receipt of notice of such breach from Agent or the date on which such failure or neglect first becomes known to any officer of any Borrower.

(b) The occurrence of an “Event of Default” under and as defined in the Loan Agreement or any of the other Loan Instruments.

ARTICLE THREE REMEDIES

1.16. Acceleration of Maturity. If an Event of Default shall have occurred and is continuing, Agent may declare Borrowers’ Liabilities to be immediately due and payable, and upon such declaration Borrowers’ Liabilities shall immediately become and be due and payable without further demand or notice. The foregoing shall not be in limitation of any provision contained in any other Loan Instrument, including without limitation any such provision pursuant to which Borrowers’ Liabilities become immediately due and payable without action or election by Agent.

1.17. Agent’s Power of Enforcement. If an Event of Default shall have occurred and is continuing, Agent may, either with or without entry or taking possession as provided in this Mortgage or otherwise, and without regard to whether or not Borrowers’ Liabilities shall have been accelerated, and without prejudice to the right of Agent thereafter to bring an action of foreclosure or any other action for any default existing at the time such earlier action was commenced or arising thereafter, proceed by any appropriate action or proceeding:

- (a) to enforce full payment and satisfaction of Borrowers’ Liabilities or the performance of any term hereof or any of the other Loan Instruments;
- (b) to foreclose this Mortgage and to have sold, as an entirety or in separate lots or parcels, the Mortgaged Property; and
- (c) to pursue any other remedy available to Agent. Agent may take action either by such proceedings or by the exercise of its powers with respect to entry or taking possession, or both, as Agent may determine.

1.18. Agent’s Right to Enter and Take Possession, Operate and Apply Income.

(a) If an Event of Default shall have occurred and is continuing, (i) Mortgagor, upon demand of Agent, shall forthwith surrender to Agent the actual possession of the Mortgaged Property, and to the extent permitted by law, Agent itself, or by such officers or agents as it may appoint, is hereby expressly authorized to enter and take possession of all or any portion of the Mortgaged Property and may exclude Mortgagor and its agents and employees wholly therefrom.

(b) If Mortgagor shall for any reason fail to surrender or deliver the Mortgaged Property or any part thereof after Agent’s demand, Agent may obtain a judgment or decree conferring on Agent the right to immediate possession or requiring Mortgagor to deliver immediate possession of all or part of the Mortgaged Property to Agent, to the entry of which judgment or decree Mortgagor hereby specifically consents. Mortgagor shall pay to Agent, upon demand, all costs and expenses of obtaining such

judgment or decree and reasonable compensation to Agent, its attorneys and agents, and all such costs, expenses and compensation shall, until paid, be secured by the lien of this Mortgage.

(c) Upon every such entering upon or taking of possession, Agent, to the extent permitted by law, may hold, store, use, operate, manage and control the Mortgaged Property and conduct the business thereof.

(d) In addition to the foregoing, Agent shall have the right, in accordance with Sections 5/15-1701 and 5/15-1702 of the Illinois Mortgage Foreclosure Law, 735 ILCS 5/15-1101 et seq., Illinois Revised Statutes (as such law may be amended, restated or replaced (the "Act")), to be placed in possession of the Premises or at its request to have a receiver appointed, and such receiver, or Agent, if and when placed in possession, shall have, in addition to any other powers provided in this Mortgage, all powers, immunities, and duties as provided for in Sections 5/15-1701 and 5/15-1702 of the Act.

1.19. Receiver – Mortgagee in Possession. If an Event of Default shall have occurred and is continuing, Agent, to the extent permitted by law and without regard to the value of the Mortgaged Property or the adequacy of the security for the indebtedness and other sums secured hereby, shall be entitled as a matter of right and without any additional showing or proof, at Agent's election, to either the appointment by the court of a receiver (without the necessity of Agent posting a bond) to enter upon and take possession of the Mortgaged Property and to collect all rents, income and other benefits thereof and apply the same as the court may direct or to be placed by the court into possession of the Mortgaged Property as mortgagee in possession with the same power herein granted to a receiver and with all other rights and privileges of a mortgagee in possession under law. The right to enter and take possession of and to manage and operate the Mortgaged Property, and to collect all rents, income and other benefits thereof, whether by a receiver or otherwise, shall be cumulative to any other right or remedy hereunder or afforded by law and may be exercised concurrently therewith or independently thereof. Agent shall be liable to account only for such rents, income and other benefits actually received by Agent. Notwithstanding the appointment of any receiver or other custodian, Agent shall be entitled as pledgee to the possession and control of any cash, deposits or instruments at the time held by, or payable or deliverable under the terms of this Mortgage to Agent. Any such receiver shall have all of the rights and powers described in Section 15-1704 of the Act.

1.20. Leases. Agent is authorized to foreclose this Mortgage subject to the rights, if any, of any or all tenants of the Mortgaged Property, even if the rights of any such tenants are or would be subordinate to the lien of this Mortgage. Agent may elect to foreclose the rights of some subordinate tenants while foreclosing subject to the rights of other subordinate tenants.

1.21. Purchase by Agent. Upon any foreclosure sale, Agent may bid for and purchase all or any portion of the Mortgaged Property and, upon compliance with the terms of

the sale, may hold, retain and possess and dispose of such property in its own absolute right without further accountability.

1.22. Application of Foreclosure Sale Proceeds. The proceeds of any foreclosure sale of the Mortgaged Property or any part thereof received by Agent shall be applied by Agent and Lenders to the indebtedness secured hereby in such order and manner as prescribed by the Loan Agreement.

1.23. Application of Indebtedness Toward Purchase Price. Upon any foreclosure sale, Agent may apply any or all of the indebtedness and other sums due to Lenders under the Notes, this Mortgage or any other Loan Instrument to the price paid by Agent at the foreclosure sale.

1.24. Waiver of Appraisal, Valuation, Stay, Extension and Redemption Laws. Mortgagor hereby waives any and all rights of redemption. Mortgagor further agrees, to the full extent permitted by law, that in case of an Event of Default, neither Mortgagor nor anyone claiming through or under it will set up, claim or seek to take advantage of any reinstatement, appraisal, valuation, stay or extension laws now or hereafter in force, or take any other action which would prevent or hinder the enforcement or foreclosure of this Mortgage or the absolute sale of the Mortgaged Property or the final and absolute putting into possession thereof, immediately after such sale, of the purchaser thereat. Mortgagor, for itself and all who may at any time claim through or under it, hereby waives, to the full extent that it may lawfully so do, the benefit of all such laws, and any and all right to have the assets comprising the Mortgaged Property marshalled upon any foreclosure of the lien hereof and agrees that Agent or any court having jurisdiction to foreclose such lien may sell the Mortgaged Property in part or as an entirety. Mortgagor acknowledges that the transaction of which this Mortgage is a part is a transaction which includes neither agricultural real estate, as defined in Section 15-1201 of the Act, nor residential real estate, as defined in Section 15-1219 of the Act, and to the full extent permitted by law, hereby voluntarily and knowingly waives its rights to reinstatement and redemption as allowed under Section 15-1601 of the Act.

1.25. Mortgagor to Pay Borrowers' Liabilities in Event of Default; Application of Monies by Agent.

(a) Upon an Event of Default, Agent shall be entitled to sue for and to recover judgment against Mortgagor for Borrowers' Liabilities due and unpaid together with costs and expenses, including, without limitation, the reasonable compensation, expenses and disbursements of Agent's agents, attorneys and other representatives, either before, after or during the pendency of any proceedings for the enforcement of this Mortgage; and the right of Agent to recover such judgment shall not be affected by any taking of possession or foreclosure sale hereunder, or by the exercise of any other right, power or remedy for the enforcement of the terms of this Mortgage, or the foreclosure of the lien hereof.

(b) In case of a foreclosure sale of all or any part of the Mortgaged Property and of the application of the proceeds of sale to the payment of Borrowers' Liabilities,

Agent shall be entitled to enforce all other rights and remedies under the Loan Instruments.

(c) Mortgagor hereby agrees, to the extent permitted by law, that no recovery of any judgment by Agent under any of the Loan Instruments, and no attachment or levy of execution upon any of the Mortgaged Property or any other property of Mortgagor, shall (except as otherwise provided by law) in any way affect the lien of this Mortgage upon the Mortgaged Property or any part thereof or any lien, rights, powers or remedies of Agent hereunder, but such lien, rights, powers and remedies shall continue unimpaired as before until Borrowers' Liabilities are paid in full.

(d) Without limiting the generality of the foregoing, all expenses incurred by Agent to the extent reimbursable under Sections 15-1510 and 15-1512 of the Act, whether incurred before or after any decree or judgment of foreclosure, and whether enumerated in this Mortgage, shall be added to the indebtedness secured by this Mortgage or by the judgment of foreclosure.

1.26. **Protective Advances.**

(a) All advances, disbursements and expenditures made by Agent before and during a foreclosure, and before and after judgment of foreclosure, and at any time prior to sale, and, where applicable, after sale, and during the pendency of any related proceedings, for the following purposes, in addition to those otherwise authorized by this Mortgage or by the Act (collectively, "**Protective Advances**"), shall have the benefit of all applicable provisions of the Act, including those provisions of the Act herein below referred to:

(i) all advances by Agent in accordance with the terms of this Mortgage to: (A) preserve or maintain, repair, restore or rebuild the improvements upon the mortgaged real estate; (B) preserve the lien of this Mortgage or the priority thereof; or (C) enforce this Mortgage, as referred to in Subsection (b)(5) of Section 5/15-1302 of the Act;

(ii) payments by Agent of: (A) installments of principal, interest or other obligations in accordance with the terms of any senior mortgage or other prior lien or encumbrance; (B) installments of real estate taxes and assessments, general and special and all other taxes and assessments of any kind or nature whatsoever which are assessed or imposed upon the Mortgaged Property or any part thereof; (C) other obligations authorized by this Mortgage; or (D) with court approval, any other amounts in connection with other liens, encumbrances or interests reasonably necessary to preserve the status of title, as referred to in Section 5/15-1505 of the Act;

(iii) advances by Agent in settlement or compromise of any claims asserted by claimants under any senior mortgages or any other prior liens;

(iv) attorneys' fees and other costs incurred: (A) in connection with the foreclosure of this Mortgage as referred to in Sections 1504 (d)(2) and 5/15-1510 of the Act; (B) in connection with any action, suit or proceeding brought by or against Agent for the enforcement of the Mortgage or arising from the interest of Agent hereunder; or (C) in the preparation for the commencement or defense of any such foreclosure or other action related to the Mortgage or the mortgaged real estate;

(v) Agent's fees and costs, including attorneys' fees, arising between the entry of judgment of foreclosure and the confirmation hearing as referred to in Subsection (b)(1) of Section 5/15-1508 of the Act;

(vi) expenses deductible from proceeds of sale as referred to in subsections (a) and (b) of Section 5/15-1512 of the Act;

(vii) expenses incurred and expenditures made by Agent for any one or more of the following: (A) premiums for casualty and liability insurance paid by Agent whether or not Agent or a receiver is in possession, if reasonably required, in reasonable amounts, and all renewals thereof, without regard to the limitation to maintaining of existing insurance in effect at the time any receiver or the Agent takes possession of the Premises imposed by Subsection (c)(1) of Section 5/15-1704 of the Act; (B) repair or restoration of damage or destruction in excess of available insurance proceeds or condemnation awards; and (C) payments required or deemed by Agent to be for the benefit of the Mortgaged Property or required to be made by the owner of the mortgaged real estate under any grant or declaration of easement, easement agreement, agreement with any adjoining land owners or instruments creating covenants or restrictions for the benefit of or affecting the Mortgaged Property.

(b) All Protective Advances shall be so much additional amounts or obligations secured by the Mortgage, and shall become immediately due and payable without notice and with interest thereon from the date of the advance until paid at the Default Rate.

(c) This Mortgage shall be a lien for all Protective Advances as to subsequent purchasers and judgment creditors from the time this Mortgage is recorded pursuant to Subsection (b)(5) of Section 5/15-1302 of the Act.

(d) All Protective Advances shall, except to the extent, if any, that any of the same is clearly contrary to or inconsistent with the provisions of the Act, apply to and be included in the:

(i) determination of the amount of obligations secured by this Mortgage at any time;

(ii) amount found due and owing to Agent in the judgment of foreclosure and any subsequent supplemental judgments, orders, adjudications or findings by the court of any additional amount becoming due after such entry of judgment, it being agreed that in any foreclosure judgment, the court may reserve jurisdiction for such purpose;

(iii) if the right of redemption has not been waived by Mortgagor, computation of amount required to redeem, pursuant to Subsections (d)(1) and (2) of Section 5/15-1603 of the Act;

(iv) determination of amount deductible from sale proceeds pursuant to Section 5/15-1512 of the Act;

(v) application of income in the hands of any receiver or mortgagee in possession; and

(vi) computation of any deficiency judgment pursuant to Subsections (b)(2) and (e) of Section 5/15-1508 and Section 5/15-1511 of the Act.

1.27. **Business Loan.** Grantor acknowledges and agrees that (a) the proceeds of the Indebtedness will be used in conformance with subparagraph (1) of Section 4 of "An Act in relation to the rate of interest and other charges in connection with sales on credit and the lending of money," approved May 24, 1879, as amended (815 ILCS 205/4 (1)(l); and (b) the Loans constitute business loans which come within the purview of said Section 4 (815 ILCS 205/4 et seq.).

1.28. **Remedies Cumulative.** No right, power or remedy conferred upon or reserved to Agent or Lenders by the Notes, the Loan Agreement, this Mortgage or any other Loan Instrument or any instrument evidencing or securing Borrowers' Liabilities is exclusive of any other right, power or remedy, but each and every such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder or under the Notes, the Loan Agreement or any other Loan Instrument or any instrument evidencing or securing Borrowers' Liabilities, or now or hereafter existing at law, in equity or by statute.

ARTICLE FOUR
MISCELLANEOUS PROVISIONS

1.29. **Heirs, Successors and Assigns Included in Parties.** Whenever Mortgagor, Agent or Lenders are named or referred to herein, heirs and successors and assigns of such person or entity shall be included, and all covenants and agreements contained in this Mortgage shall bind the successors and assigns of Mortgagor, including any subsequent owner of all or any part of the Mortgaged Property and inure to the benefit of the successors and assigns of Agent and Lenders.

1.30. **Notices.** All notices, requests, reports, demands or other instruments required or contemplated to be given or furnished under this Mortgage to Mortgagor or Agent shall be directed to Mortgagor or Agent, as the case may be, in the manner and at the addresses for notice set forth in the Loan Agreement.

1.31. **Headings.** The headings of the articles, sections, paragraphs and subdivisions of this Mortgage are for convenience only, are not to be considered a part hereof, and shall not limit, expand or otherwise affect any of the terms hereof.

1.32. **Invalid Provisions.** In the event that any of the covenants, agreements, terms or provisions contained in this Mortgage shall be invalid, illegal or unenforceable in any respect, the validity of the remaining covenants, agreements, terms or provisions contained herein (or the application of the covenant, agreement, term held to be invalid, illegal or unenforceable, to persons or circumstances other than those in respect of which it is invalid, illegal or unenforceable) shall be in no way affected, prejudiced or disturbed thereby.

1.33. **Changes.** Neither this Mortgage nor any term hereof may be released, changed, waived, discharged or terminated orally, or by any action or inaction, but only by an instrument in writing signed by the party against which enforcement of the release, change, waiver, discharge or termination is sought.

1.34. **Governing Law.** The validity and interpretation of this Mortgage shall be governed by and in accordance with the internal laws of the State of Illinois without regard to conflicts of law principles.

1.35. **Limitation of Interest.** The provisions of the Loan Agreement regarding the payment of lawful interest are hereby incorporated herein by reference.

1.36. **Future Advances.** This Mortgage is given to secure not only existing indebtedness, but also future advances (whether such advances are obligatory or are to be made at the option of Agent or Lenders, or otherwise) made by Agent or Lenders under the Notes or the Loan Agreement, to the same extent as if such future advances were made on the date of the execution of this Mortgage. The total amount of indebtedness that may be so secured may decrease or increase from time to time, but the principal amount of all indebtedness secured hereby shall, in no event, exceed \$100,000,000 exclusive of interest

thereon, and other costs, amounts and disbursements as provided herein and in the other Loan Instruments.

1.37. **Last Dollar.** The lien of this Mortgage shall remain in effect until the last dollar of Borrowers' Liabilities is paid in full and all obligations of Agent and Lenders under the Loan Agreement have been terminated.

1.38. **Release.** Upon full payment and satisfaction of Borrowers' Liabilities and the termination of all obligations of Agent and Lenders under the Loan Agreement, Agent shall issue to Mortgagor an appropriate release or satisfaction in recordable form.

1.39. **Time of the Essence.** Time is of the essence with respect to this Mortgage and all the provisions hereof.

1.40. **Loan Agreement.** The Loans are governed by terms and provisions set forth in the Loan Agreement and in the event of any conflict between the terms of this Mortgage and the terms of the Loan Agreement, the terms of the Loan Agreement shall control.

1.41. **Replacement of Notes.** Any one or more of the financial institutions which are or become a party to the Loan Agreement as Lenders may from time to time be replaced and, accordingly, one or more of the Notes may from time to time be replaced, provided that the terms of the Notes following such replacement shall remain the same. As the indebtedness secured by this Mortgage shall remain the same, such replacement of the Notes shall not be construed as a novation and shall not affect, diminish or abrogate Mortgagor's liability under this Mortgage or the priority of this Mortgage.

THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK;
SIGNATURE PAGE FOLLOWS.

IN WITNESS WHEREOF, Mortgagor has caused this Real Property Mortgage to be executed by its duly authorized officer as of the day and year first above written.

POWER PROPERTIES, L.L.C., an Illinois limited liability company

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

ACKNOWLEDGMENT

STATE OF Wisconsin)
) SS
COUNTY OF Milwaukee)

I, David B. Schulz, a Notary Public in and for and residing in said County and State, DO HEREBY CERTIFY THAT Gary Winemaster, the President and Chief Executive Officer of The W Group, Inc., the Sole Managing Member of POWER PROPERTIES, L.L.C., an Illinois limited liability company, personally known to me to be the same persons whose name is subscribed to the foregoing instrument appeared before me this day in person and acknowledged that x he signed and delivered said instrument as his own free and voluntary act and as the free and voluntary act of said limited liability company for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 8th day of April, 2011.

/s/ David B. Schulz

Notary Public

My Commission ~~Expires~~ is permanent:

EXHIBIT A

Legal Description

LOT 225-1 IN FOREST CREEK UNIT 2B, BEING A RESUBDIVISION OF LOTS 225, 226, 227 AND THE NORTH 10 FEET OF LOT 228 IN FOREST CREEK UNIT 2, IN SECTION 9, TOWNSHIP 40 NORTH, RANGE 11, EAST OF THE THIRD PRINCIPAL MERIDIAN, ACCORDING TO THE PLAT OF UNIT 2B RECORDED APRIL 29, 1983 AS DOCUMENT R83-25062 IN DUPAGE COUNTY, ILLINOIS.

Street Address: 655 Wheat Lane, Wood Dale

PIN: 03-09-204-015

TRADEMARK SECURITY AGREEMENT

THIS TRADEMARK SECURITY AGREEMENT (as amended or otherwise modified from time to time, the “Agreement”) is made as of this 29th day of April, 2011 by XISync LLC, an Illinois limited liability company (“Grantor”), in favor of HARRIS N.A., an Illinois banking corporation, in its capacity as Agent for the Lenders party to the Loan and Security Agreement (defined below) (“Grantee”).

W I T N E S S E T H

WHEREAS, Grantor, certain Affiliates of Grantor, Grantee and Lenders are entering into that certain Loan and Security Agreement of even date herewith (as amended or otherwise modified from time to time, the “Loan and Security Agreement”), pursuant to which Grantee and Lenders will make loans and other financial accommodations to or for the benefit of Grantor and certain of its Affiliates; and

WHEREAS, pursuant to the terms of that certain Loan and Security Agreement, Grantor has granted to Grantee a security interest in substantially all of the assets of Grantor, including, without limitation, all right, title and interest of Grantor in, to and under all now owned and hereafter acquired or arising trademark applications and trademarks, trade names and trademark licenses (other than “intent to use” applications until a verified statement of use or an amendment to alleged use is filed with respect to such applications) (collectively, “Trademarks”) to secure the payment of all amounts owing by Grantor and the other Borrowers to Grantee and Lenders under the Loan and Security Agreement.

NOW, THEREFORE, in consideration of the premises set forth herein and for other good and valuable consideration, receipt and sufficiency of which are hereby acknowledged, Grantor agrees as follows:

1. Incorporation of Loan and Security Agreement. The Loan and Security Agreement and the terms and provisions thereof are hereby incorporated herein in their entirety by this reference thereto. All terms capitalized but not otherwise defined herein shall have the same meanings herein as in the Loan and Security Agreement.

2. Grant and Reaffirmation of Grant of Security Interests. To secure the complete and timely payment and satisfaction of the Obligations, Grantor hereby grants to Grantee, and hereby reaffirms its prior grant pursuant to the Loan and Security Agreement of, a continuing security interest in Grantor’s entire right, title and interest in and to the following (all of the following items or types of property being herein collectively referred to as the “Trademark Collateral”), whether now owned or existing or hereafter created or acquired:

(i) each Trademark listed on Schedule 1 annexed hereto, together with any renewals thereof, and all of the goodwill of the business connected with the use of, and symbolized by, each Trademark; and

(ii) all products and proceeds of the forgoing, including without limitation, any claim by Grantor against third parties for past, present or future (a) infringement or dilution of any Trademark, or (b) injury to the goodwill associated with any Trademark.

3. Warranties and Representations. Grantor warrants and represents to Grantee that:

(i) Grantor is the sole and exclusive owner of the entire right, title and interest in and to each Trademark purported to be owned by it as set forth on Schedule 1 hereto, free and clear of any liens, charges and encumbrances, including without limitation licenses and covenants by Grantor not to sue third persons, except for Permitted Liens;

(ii) Grantor has no notice of any suits or actions commenced or threatened with reference to any Trademark; and

(iii) Grantor has the unqualified right to execute and deliver this Agreement and perform its terms.

4. Restrictions on Future Agreements. Grantor agrees that until the Obligations shall have been satisfied in full and the Loan and Security Agreement have been terminated, Grantor shall not, without the prior written consent of Grantee, sell or assign its interest in, or grant any license under, any Trademark or enter into any other agreement with respect to any Trademark, except for Permitted Liens, and Grantor further agrees that it shall not take any action or permit any action to be taken by others subject to its control, including licensees, or fail to take any action which would affect the validity or enforcement of the rights transferred to Grantee under this Agreement.

5. Product Quality. Grantor agrees (i) to maintain the quality of any and all products in connection with which the Trademarks are used, and (ii) to provide Grantee, upon Grantee's request from time to time, with a certificate of an officer of Grantor certifying Grantors' compliance with the foregoing.

6. New Trademarks. If, before the Obligations shall have been satisfied in full or before the Loan and Security Agreement has been terminated, Grantor shall (i) become aware of any existing Trademarks of which Grantor has not previously informed Grantee, (ii) adopt any new Trademarks of which Grantor has not previously informed Grantee or (iii) file any "intent to use" application or statement of use or amendment to allege use with respect to any Trademark that is not in existence on the date hereof, the provisions of this Agreement shall automatically apply thereto and Grantor shall give to Grantee prompt written notice thereof. Grantor hereby authorizes Grantee to unilaterally modify this Agreement following the date hereof without further consent of or notice to Grantor by amending Schedule 1 to include any such Trademarks.

7. Litigation. If, before the Obligations shall have been satisfied in full or before the Credit Agreement and the Security Agreement have been terminated, Grantor shall become aware of any suits or actions commenced or threatened with reference to any Trademark, Grantor shall, if required by the Loan Agreement, give to Grantee prompt written notice thereof.

8. Duties of Grantors. Grantor shall, to the extent deemed reasonably necessary for the conduct of its business, (i) file and prosecute diligently any trademark applications pending as of the date hereof or hereafter, (ii) preserve and maintain all rights in the Trademarks, as reasonably deemed appropriate by Grantor and (iii) ensure that the Trademarks are and remain enforceable.

9. Grantee's Right to Sue. After an Event of Default, Grantee shall have the right, but shall in no way be obligated, to bring suit in its own name to enforce the Trademarks and, if Grantee shall commence any such suit, Grantor shall, at the request of Grantee, do any and all lawful acts and execute any and all proper documents required by Grantee in aid of such enforcement and Grantor shall promptly, upon demand, reimburse and indemnify Grantee for all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred by Grantee in the exercise of its rights under this Section 9.

10. Cumulative Remedies; Power of Attorney. Grantee hereby acknowledges and affirms that the rights and remedies with respect to the Trademarks, whether established hereby or by the Loan and Security Agreement, or by any other agreements or by law shall be cumulative and may be exercised singularly or concurrently. Grantor hereby authorizes Grantee upon the occurrence of an Event of Default, to make, constitute and appoint any officer or agent of Grantee as Grantee may select, in its sole discretion, as Grantor's true and lawful attorney-in-fact, with power to (i) endorse Grantor's name on all applications, documents, papers and instruments necessary or desirable for Grantee in the use of the Trademarks, (ii) take any other actions with respect to the Trademarks as Grantee deems to be in the best interest of Grantee, (iii) grant or issue any exclusive or non-exclusive license under the Trademarks to anyone, or (iv) assign, pledge, convey or otherwise transfer title in or dispose of the Trademarks to anyone. Grantor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney shall be irrevocable until the Obligations shall have been paid in full and the Loan and Security Agreement have been terminated. Grantor hereby further acknowledges and agrees that the use by Grantee of the Trademarks shall be worldwide, except as limited by their terms, and without any liability for royalties or related charges from Grantee to Grantor.

[Signature Page Follows]

IN WITNESS WHEREOF, Grantor has duly executed this Trademark Security Agreement as of the date first written above.

XISYNC LLC,
an Illinois limited liability company

By: The W Group, Inc., Sole Managing Member

By	<u>/s/ Gary Winemaster</u>
Name	<u>Gary Winemaster</u>
Title	<u>President and Chief Executive Officer</u>

ACCEPTED AND ACKNOWLEDGED BY:

HARRIS N.A.,
as Agent

By	<u>/s/ William Kennedy</u>
Name	William Kennedy
Title	Vice President

Signature Page to Trademark Security Agreement (XISync)

SCHEDULE 1

TRADEMARKS

<u>Trademark</u>	<u>Serial No.</u>	<u>U.S. Registration No.</u>	<u>Registration Date</u>
MASTERTRACK	76412938	2854543	June 15, 2004

April 29, 2011

Power Solutions International, Inc.
The W Group, Inc.
Power Solutions, Inc.
Power Great Lakes, Inc.
Auto Manufacturing, Inc.
Torque Power Source Parts, Inc.
Power Properties, L.L.C.
Power Production, Inc.
Power Global Solutions, Inc.
PSI International, LLC
XISync LLC
655 Wheat Lane
Wood Dale, Illinois 60601

Ladies and Gentlemen:

Reference is made to that certain Loan and Security Agreement of even date herewith (the “Loan Agreement”) among Power Solutions International, Inc., a Nevada corporation, The W Group, Inc., a Delaware corporation, Power Solutions, Inc., an Illinois corporation, Power Great Lakes, Inc., an Illinois corporation, Auto Manufacturing, Inc., an Illinois corporation, Torque Power Source Parts, Inc., an Illinois corporation, Power Properties, L.L.C., an Illinois limited liability company, Power Production, Inc., an Illinois corporation, Power Global Solutions, Inc., an Illinois corporation, PSI International, LLC, an Illinois limited liability company, and XISync LLC, an Illinois limited liability company (each, a “Borrower” and collectively, the “Borrowers”), HARRIS N.A. (“Harris”), (Harris acting as such agent and any successor or successors to Harris acting in such capacity being hereinafter referred to as the “Agent”) and the lenders party thereto (“Lenders”). All capitalized terms used in this letter and not otherwise defined herein shall have the same meanings herein as in the Loan Agreement.

As an accommodation to the Borrowers, Agent and the Lenders have agreed to execute the Loan Agreement and to make Loans thereunder notwithstanding that certain conditions to closing have not been satisfied. In consideration of such accommodation, Borrowers and Agent hereby agree as follows:

1. Borrowers agree to use commercially reasonable efforts to obtain bill and hold agreements that Agent is permitted to rely on in form and substance reasonably satisfactory to Agent (each, a “Bill and Hold Agreement”) from the date hereof through the date that is thirty (30) days following the date hereof (such period, the “Post-Closing Period”) from the following Account Debtors of Borrowers: Kohler Co., Cummins Power Generation, MTU Onsite Energy Corporation and Bandit Industries (each a “Bill and Hold Account Debtor” and collectively, the “Bill and Hold Account Debtors”). The failure of Borrowers to use

commercially reasonable efforts to obtain such Bill and Hold Letters shall constitute an Event of Default; provided, however, that the failure to obtain a Bill and Hold Letter from any Bill and Hold Account Debtor shall not itself constitute an Event of Default. Borrowers, Agent and Lenders hereby agree that, solely during the Post-Closing Period, up to \$2,000,000 of Accounts in the aggregate from the Bill and Hold Account Debtors shall be deemed to constitute Accounts included in the parenthetical set forth in clause (xi) of the definition of Eligible Accounts (such that such Accounts may constitute Eligible Accounts so long as they do not otherwise fail to constitute Eligible Accounts pursuant to the definition thereof) whether or not a bill and hold agreement has been obtained from the applicable Bill and Hold Account Debtor. Upon the expiration of the Post-Closing Period, any such Accounts that were determined to be Eligible Accounts based on the operation of this Section 1 with respect to which the applicable Bill and Hold Account Debtor has not delivered a Bill and Hold Agreement shall cease to be Eligible Accounts.

2. Borrowers agree to use commercially reasonable efforts to obtain satisfactory landlord's agreements or bailee letters, as applicable, in form and substance reasonably satisfactory to Agent (each a "Collateral Access Agreement") during the Post-Closing Period with respect to (i) the following leased locations of the Borrowers: 176 Mittel Drive, Wood Dale, Illinois, 1455 Michael Drive, Wood Dale, Illinois, and 950 Arthur Ave., Elk Grove Village, Illinois, and (ii) the following bailee or warehouseman locations of the Borrowers: D&S Distribution, Vconverter Corporation, Intertek USA, Inc., Chick Packaging Midwest, American CNC Machine Co., Lloyd's Machine Shop Inc. and E Controls, Inc. (each location described in clauses (i) and (ii) of this Section 2, a "Collateral Access Location"). The failure of Borrowers to use commercially reasonable efforts to obtain such Collateral Access Agreements shall constitute an Event of Default; provided, however, that the failure to obtain any such Collateral Access Agreement shall not itself constitute an Event of Default. Borrowers, Agent and Lenders hereby agree that, solely during the Post-Closing Period, Inventory located at a Collateral Access Location may constitute Eligible Inventory if it satisfies the other requirements of the definition of Eligible Inventory notwithstanding that a Collateral Access Agreement has not been obtained with respect to such Collateral Access Location as contemplated by clause (vii) of the definition of Eligible Inventory and notwithstanding that Agent has not established an applicable Rent and Charges Reserve with respect to such Collateral Access Location. Upon the expiration of the Post-Closing Period, any such Inventory that was determined to be Eligible Inventory based on the operation of this Section 2 that is located at a Collateral Access Location with respect to which a Collateral Access Agreement has not been delivered to Agent prior to the expiration of the Post-Closing Period shall be excluded from Eligible Inventory unless Agent has established an applicable Rent and Charges Reserve with respect to such Collateral Access Location.
3. Borrowers agree to deliver, within forty-five (45) days of the date hereof (or such later date, if any, consented to by Agent in its sole discretion), to Agent, for the benefit of Agent and Lenders, a final, certified, originally signed and sealed survey (the "Survey") for the parcel of owned real property commonly known as 655 Wheat Lane, Wood Dale, Illinois 60191 (the "Property"), in a form that is reasonably satisfactory to Agent. Additionally, within fifteen (15) days of receipt of such Survey (or such later date, if any, consented to by Agent in its sole discretion), Borrowers shall cause a title company satisfactory to Agent to issue a

Title Policy in favor of Agent, for the benefit of Agent and Lenders, which Title Policy shall (x) not contain any exceptions that do not affect the Property covered by such Title Policy, (y) contain any endorsements to the Title Policy as reasonably requested by Agent and as otherwise permitted by Illinois law, and (z) otherwise be in form reasonably satisfactory to Agent. As used herein, "Title Policy" shall mean a "2006 ALTA Lenders Policy of Title Insurance" reasonably acceptable to Agent, insuring that the lien of the Mortgage is a valid first lien on the Property covered by such Title Policy, subject only to exceptions to title approved by Agent, including any reinsurance and endorsements required by Agent (including, to the extent applicable, without limitation Revolving Credit/Future Advance; Zoning (ALTA 3.1 with parking); Survey; Tax Parcel; Variable Rate; Access; Last Dollar; First Loss; Contiguity; and Comprehensive, to the extent said endorsements are available under Illinois law). The failure of Borrowers to satisfy any requirement in this Section 3 on or prior to the required date set forth in this Section 3 for the satisfaction of such requirement shall constitute an Event of Default.

[signature pages follow]

Please acknowledge your agreement to be bound by the foregoing by signing this letter and delivering it to Agent.

HARRIS N.A., as Agent and as the sole existing Lender

By: /s/ William Kennedy
Name: William Kennedy
Title: Vice President

Signature Page to Post Closing Letter

ACKNOWLEDGED AND AGREED TO
this 29th day of April, 2011

POWER SOLUTIONS INTERNATIONAL, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

THE W GROUP, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

POWER SOLUTIONS, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

POWER GREAT LAKES, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

AUTO MANUFACTURING, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

TORQUE POWER SOURCE PARTS, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

POWER PROPERTIES, L.L.C.

By: The W Group, Inc., Sole Managing Member

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

POWER PRODUCTION, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

POWER GLOBAL SOLUTIONS, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

PSI INTERNATIONAL, LLC

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: Manager

XISYNC LLC

By: The W Group, Inc., Sole Managing Member

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

HARRIS N.A.
111 West Monroe Street
Chicago, Illinois 60603

April 29, 2011

Power Solutions International, Inc.
The W Group, Inc.
Power Solutions, Inc.
Power Great Lakes, Inc.
Auto Manufacturing, Inc.
Torque Power Source Parts, Inc.
Power Properties, L.L.C.
Power Production, Inc.
Power Global Solutions, Inc.
PSI International, LLC
XISync LLC

Ladies and Gentlemen:

Reference is hereby made to that certain Loan and Security Agreement of even date herewith (the “Loan and Security Agreement”; capitalized terms used herein without definition shall have the meaning ascribed to such terms in the Loan and Security Agreement) among Power Solutions International, Inc., The W Group, Inc., Power Solutions, Inc., Power Great Lakes, Inc., Auto Manufacturing, Inc., Torque Power Source Parts, Inc., Power Properties, L.L.C., Power Production, Inc., Power Global Solutions, Inc., PSI International, LLC, XISync LLC (collectively, the “Borrowers”), Harris N.A. (“Harris”), as a lender and as Agent (“Agent”), and the other lenders from time to time party thereto, and various other agreements providing for the making of Loans and advances and other financial accommodations to or for the benefit of Borrowers.

Each Borrower hereby agrees to pay to Agent, on a joint and several basis, in addition to, and not in lieu of, all other fees charged to Borrowers under the Loan Documents (i) on the Closing Date, a non-refundable closing fee, for Agent’s own account, equal to \$175,000, which fee shall be fully earned and payable on the Closing Date, and (ii) on the Closing Date and on each year anniversary of the Closing Date until the end of the Term (as defined in the Loan and Security Agreement), in advance, a non-refundable collateral monitoring fee, for Agent’s own account, in consideration of Agent’s service as “Agent” under the Loan and Security Agreement, each in an amount equal to \$15,000. Each installment of the collateral monitoring fee shall be fully earned and payable when due.

Power Solutions International, Inc. et al.

April 29, 2011

Page 2

This letter is the fee letter referred to in Section 3.3 of the Loan and Security Agreement. Please indicate your agreement and acceptance of the terms of this letter by signing below where indicated.

[Signature Page Follows]

Very truly yours,

HARRIS N.A., as Administrative Agent

By /s/ William Kennedy
Name: William Kennedy
Title: Vice President

Agreed to and Accepted
this 29th day of April, 2011

POWER SOLUTIONS INTERNATIONAL, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

THE W GROUP, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

POWER SOLUTIONS, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

POWER GREAT LAKES, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

AUTO MANUFACTURING, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

TORQUE POWER SOURCE PARTS, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

POWER PROPERTIES, L.L.C.

By: The W Group, Inc., Sole Managing Member

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

POWER PRODUCTION, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

POWER GLOBAL SOLUTIONS, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

PSI INTERNATIONAL, LLC

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: Manager

XISYNC LLC

By: The W Group, Inc., Sole Managing Member

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

Signature Page to Fee Letter

**ASSIGNMENT OF BUSINESS INTERRUPTION INSURANCE
POLICY AS COLLATERAL SECURITY**

(This form does not change the beneficiary of the policy)

Policy No.: 35872644
(herein called "Policy")

Insured: Power Solutions International, Inc.
and each of its subsidiaries

issued or assumed by

Federal Insurance Company
(herein called "Insurer")

For value received, all right, title and interest of the undersigned in this policy is hereby assigned to:

HARRIS N.A., as Agent,
with an address at
111 West Monroe
Chicago, Illinois 60603

(being referred to herein, together with their executors, administrators, successors or assigns, as an "Assignee") with the right to exercise any and all rights and privileges thereunder, subject to all the terms and conditions of the Policy and to all superior liens, if any, which the Insurer may have against the Policy. Each of the undersigned agrees and Assignee by the acceptance of this assignment agrees to the conditions and provisions hereof.

(i) It is agreed that, without detracting from the generality of the foregoing, the following rights are included in this assignment:

- (1) The sole right to collect from the Insurer the net proceeds of the Policy; and
- (2) The sole right to exercise all rights permitted by the terms of the Policy or allowed by the Issuer, and to receive all benefits and advantages derived therefrom.

(ii) This assignment is made and the Policy is to be held as collateral security for any and all liabilities of any of the undersigned to Assignee, either now existing or that may hereafter arise between any of the undersigned and Assignee (all of which liabilities secured or to become secured are herein called "Liabilities").

(iii) Assignee covenants and agrees with the undersigned that any balance of sums received hereunder from the Insurer remaining after payment of the then existing Liabilities shall be paid by the Assignee to the persons entitled thereto under the terms of the Policy had this assignment not been executed.

(iv) The Insurer is hereby authorized to recognize Assignee's claim to rights hereunder without investigating the reasons for any action taken by Assignee, or the validity or the amount of the Liabilities or the existence of any default therein, or the application to be made

by Assignee of any amounts to be paid to Assignee. The sole signature of Assignee shall be sufficient for the exercise of any rights under the Policy assigned hereby and the sole receipt of Assignee for any sums received shall be a full discharge and release therefor to the Insurer with respect to such payments.

(v) Assignee shall be under no obligation to pay any premium, or any other charges on the Policy, but any such amounts so paid by Assignee from its own funds shall become a part of the Liabilities hereby secured and shall be due immediately.

(vi) The exercise of any right or privilege given herein to Assignee shall be at the option of Assignee, but Assignee may exercise any such right or privilege without notice to, or assent by, or affecting the liability of, or releasing any interest hereby assigned to any of the undersigned.

(vii) Assignee may take or release other security, may release any party primarily or secondarily liable for any of the Liabilities, may grant extensions, renewals or indulgences with respect to the Liabilities, or may apply to the Liabilities proceeds of the Policy hereby assigned or any amount received on account of the Policy by the exercise of any right permitted under this assignment, without resorting or regard to other security.

(viii) This assignment shall apply to and be effective under any policy issued in exchange for the Policy or as a renewal or conversion thereof.

The validity of this assignment is hereby guaranteed by the undersigned.

Signed on April 29, 2011

POWER SOLUTIONS INTERNATIONAL, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

THE W GROUP, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

POWER SOLUTIONS, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

POWER GREAT LAKES, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

AUTO MANUFACTURING, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

Signature Page to Collateral Assignment of Business Interruption Insurance Policy

TORQUE POWER SOURCE PARTS, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

POWER PROPERTIES, L.L.C.

By: The W Group, Inc., Sole Managing Member

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

POWER PRODUCTION, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

POWER GLOBAL SOLUTIONS, INC.

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

PSI INTERNATIONAL, LLC

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: Manager

XISYNC LLC

By: The W Group, Inc., Sole Managing Member

By: /s/ Gary Winemaster
Name: Gary Winemaster
Title: President and Chief Executive Officer

Signature Page to Collateral Assignment of Business Interruption Insurance Policy

CONFIDENTIAL TREATMENT – REDACTED COPY

**** CERTAIN INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST UNDER 17 C.F.R. SECTIONS 24b-2, 200.80(B)(4) AND 230.406.**

SUPPLY AGREEMENT

BY AND BETWEEN

DOOSAN INFRACORE CO., LTD

AND

PSI INTERNATIONAL, LLC

SUPPLY AGREEMENT

Ref No: DI-PSI-121107

This Agreement (the “**Agreement**”) was made and entered into this 11th day of December, 2007 (the “**Effective Date**”) by and between DOOSAN Infracore Co., Ltd. having its principal place of business at 7-11, Hwasu-dong, Dong-gu, Incheon, Korea (“**SUPPLIER**”) and PSI INTERNATIONAL, LLC, an Illinois limited liability company (“**PSI**”), having its principal place of business at 655 Wheat Lane, Wood Dale, Illinois 60191, United States (PSI and its affiliates shall collectively be referred to herein as “**BUYER**”).

ARTICLE 1 DEFINITIONS

For the purpose of this Agreement, unless otherwise specifically stated, the following terms shall have the meanings as defined in this Article 1:

- (1) “**Products**” shall mean all the products only for Stationary Natural Gas application as defined in the Exhibit A.1 attached hereto including service parts and accessories therefore and subsequent and/or derivative models, which are manufactured and/or sold by SUPPLIER.
- (2) “**End Products**” shall mean all the products which are manufactured and/or sold by BUYER using “**Products**”.
- (3) “**Territory**” shall be as defined in the Exhibit A.2 attached hereto.
- (4) “**Dealer**” shall mean any concerned party in Territory appointed and entrusted by BUYER in relation to sales and service of End Products.

ARTICLE 2 GRANT OF BUYER

Other than **, having its primary place of business in **, SUPPLIER appoints BUYER and BUYER accepts appointment as an exclusive buyer and distributor of Products within Territory. This exclusive rights granted to BUYER hereunder shall be limited only to the development, manufacture, production, marketing, sales and service of End Products within the Territory and shall not extend to any other businesses of SUPPLIER.

2.1 Other than products of General Motors, during the term of this Agreement, BUYER shall not, without the prior written consent of SUPPLIER, be concerned or interested, in the manufacture, production, importation, sale or advertisement of any goods in Territory which have the same displacement and are designed to perform same function as Products unless SUPPLIER is in breach of any term of this Agreement and/or fails to timely supply to BUYER with Products ordered hereunder in accordance with the terms hereof. If this provision or this Agreement is in or becomes into conflict with any other agreement to which BUYER and/or SUPPLIER or any of its affiliates is a party, the parties agree to negotiate in good faith modifications to this provision and this Agreement so as to eliminate such conflict.

2.2 SUPPLIER shall not appoint any other party for the promotion or sale of the Products in the Territory.

2.3 SUPPLIER shall not sell the Products directly in the Territory.

2.4 SUPPLIER shall not sell any Products to persons which either party hereto has reason to believe will distribute, directly or indirectly, such Products in the Territory.

2.5 SUPPLIER shall forward and refer to BUYER any and all inquiries and correspondence in connection with the Products to be used or sold in the Territory.

2.6 Buyer shall also have a right of first refusal to expand BUYERS' exclusive rights in the Territory to include any new products manufactured by SUPPLIER that are similar in capacity, specification and performance to the Products with the same application. BUYER shall have a period of sixty (60) days to decide whether to exercise such right of first refusal and, if such right of first refusal is exercised the parties shall work together in good faith to amend this Agreement accordingly.

2.7 During the term of this Agreement, SUPPLIER shall not discontinue any Products that have been certified by BUYER (or are in process of being certified) without the prior written consent of BUYER. For all Products that are not certified (or not in process of being certified), SUPPLIER shall give BUYER at least 90 days' prior written notice of SUPPLIER'S intent to discontinue any such Product and BUYER shall have the right to purchase the quantity of such Product that the BUYER deems necessary to fulfill all of its future needs.

2.8 SUPPLIER shall be entitled in its sole discretion to change or modify the design and/or manufacture of any of the Products at any time provided that SUPPLIER shall provide BUYER sixty (60) days' prior written notice of any such change or modification but Buyer reserves the right to refuse any changing effect on certification or emission level of End Products, and in such case SUPPLIER shall continue manufacturing the Products.

ARTICLE 3 DUTIES OF BUYER

3.1 BUYER shall at all times during the continuance of this Agreement:

(a) Observe all applicable laws in the Territory in relation to the import of Products and the production, sales and service of End Products.

(b) Pay all expenses incurred by itself in connection with the import of Products and the sale of End Products in Territory and in fulfilling its obligations hereunder.

(c) Use any of SUPPLIER'S trademarks, logos, signs or other marks on its letter-headed paper, visiting cards, displays, advertising material, business documents, invoices, credit notes or any other written matter only as directed by SUPPLIER.

(d) Keep full and proper accounts and records showing clearly all transactions of BUYER in respect of Products

3.2 BUYER shall be responsible for sales, marketing, service training, distribution of service parts and warranty administration with respect to End Products sold in the Territory by BUYER.

3.3 In order to preserve and enhance the name and the reputation of SUPPLIER, BUYER shall discuss in advance with SUPPLIER all the matters relating to its advertising and marketing activities which involves the use of SUPPLIER's trademarks and/or logos. Strictly subject to this, BUYER is hereby granted a royalty-free license and right to copy, distribute, and use any of SUPPLIER's trademarks, service marks, or copyrighted materials on or in connection with the Products and/or the End Products and their distribution throughout the term of the Agreement. BUYER may, at its sole discretion, have the Products and/or End Products carry other trademarks or service marks ("**Other Marks**") whether owned by BUYER or licensed through third parties. Any license to, title to, or ownership of any Other Marks or other intellectual property rights created, used or owned by BUYER in connection with the Products and/or End Products shall not be transferred to SUPPLIER under this Agreement or otherwise, and all rights and/or goodwill associated with such Other Marks or intellectual property rights in connection with End Product shall not inure to the benefit of SUPPLIER.

3.4 Within 14 days after the end of each of BUYER's fiscal quarters, BUYER shall submit a written quarterly report to SUPPLIER concerning sales of the End Products in the Territory for such quarter.

3.5 BUYER shall use the Products only for development, sales, maintenance and/or service of End Products and shall not sell the Products itself to any third parties with and/or outside of territory.

3.6 BUYER shall not use the Products for mobile application such as automobile.

3.7 BUYER shall not use trademarks, logos, signs or other marks owned by SUPPLIER for End Products.

ARTICLE 4 ORDER AND DELIVERY

4.1 The order from BUYER to SUPPLIER for the purchase of any of products ("**Order**") shall be given by BUYER in writing from time to time. All purchase orders submitted by BUYER to SUPPLIER shall be acknowledged by SUPPLIER by returning a Proforma Invoice matching the Purchase Order via fax or email to BUYER within seven (7) working days after receipt and upon delivery of such Proforma Invoice shall become binding upon SUPPLIER. No Order shall be binding upon SUPPLIER unless and until it has been accepted and confirmed in writing by delivery of a Proforma Invoice by SUPPLIER. SUPPLIER may refuse to accept any Order only if BUYER is in violation of Paragraph 4.5 below and SUPPLIER shall not be liable to BUYER in respect of any such refusal. If SUPPLIER. refuses to accept any Order placed by BUYER hereunder, BUYER shall then be permitted to purchase the Products covered by such Order from any third party. Except as otherwise provided herein, no firm Order shall be cancelled or adjusted by either party without the written consent of the other party.

4.2 In the event of any conflict between this Agreement and any provision, term or condition set forth on any purchase order, acknowledgment, invoice or other document or communication or any provision, term or condition set forth on any purchase order, acknowledgment, invoice or other document or communication attempts to add, amend, modify or replace the terms and conditions of this Agreement with any different or additional terms or conditions, the provisions of this Agreement shall prevail.

4.3 Upon receipt of a purchase order from BUYER, SUPPLIER shall notify BUYER of the delivery date for the Products. If the delivery date notified by SUPPLIER is not acceptable or delivery of the Products to the common carrier is delayed [15] days or more past such date, BUYER may cancel the order for such Products by written notice to SUPPLIER and SUPPLIER and BUYER shall not be liable to the other party in respect of any such cancel. SUPPLIER shall maintain sufficient manufacturing capabilities for supplying the Products to BUYER and shall supply BUYER with those Products described in any purchase order which BUYER may issue from time to time.

4.4 SUPPLIER shall make its best endeavors to fulfill firm Orders for the supply of Products with all reasonable dispatch but SUPPLIER shall not be liable in any way for any loss of trade or profit suffered by BUYER in the event of delivery of Products being restricted, frustrated or delayed as a result of strike, riot, lockout, dispute, act or restraint of Government, export or import embargoes or restrictions, any force majeure or other cause outside the reasonable control of SUPPLIER and SUPPLIER may allocate supplies of Products as between buyers on such basis as it considers to be fair and reasonable in the event of there being shortages of supply or restrictions on delivery by reason of any of the matters referred to in this clause. SUPPLIER shall promptly notify BUYER in writing of the occurrence of any of the matters referred to in this clause, and upon receipt of such notice, BUYER shall have the option, in its sole discretion, to cancel any Order(s) affected thereby.

4.5 Forecasts. Prior to the first day of each month, BUYER shall furnish a written 90 day forecast for the Products which BUYER anticipates a need for in the period for which the forecast applies. BUYER will not be liable for any changes or inaccuracies in such forecast, which is to be used for planning purposes only.

ARTICLE 5 PRICE AND PAYMENT TO SUPPLIER

5.1 Except where otherwise agreed upon in writing by SUPPLIER and BUYER, the price payable for any Products shall be as stated on the attached Exhibit A.5. Such prices shall be firm through December 31, 2010. Such prices shall be on the basis of FOB shipping point pursuant to INCOTERMS 2000 of the International Chamber of Commerce. Prices are specified in U.S. dollars.

5.2 All payments for Products by BUYER to SUPPLIER shall be made by Telegraphic Transfer in Advance. According to EX/IM insurance limitation of SUPPLIER side, payment terms may change to net 60 days from the date the Products are shipped. In case of net 60 days payment terms, SUPPLIER shall promptly invoice BUYER for the price of the Products

at the time of shipment and BUYER shall pay all conforming invoices in full within 60 days after the date the Products are shipped. All payments hereunder shall be made in \$US dollars.

5.3 All payments due from SUPPLIER to BUYER for any reason are to be made to the BUYER within 60 days via Telegraphic Transfer unless other arrangements are made in advance and accepted in writing by the BUYER.

ARTICLE 6 PACKING, SHIPPING, CLAIMS FOR SHORTAGES, DELAYS OR DAMAGES

6.1 Packaging, Shipping and Delivery. SUPPLIER is responsible for all containers, preparation, labeling, packaging, country-of-origin marking, loading and handling (“**Shipment Preparation**”). All Shipment Preparation shall be in such a manner as to reasonably ensure transportation without damage, and be in accordance with specifications provided by BUYER and applicable law and standards for international shipments by sea. Shipping instructions for the Products shall be provided by BUYER and shall designate a carrier, destination, which may be a BUYER factory or warehouse, third-party warehouse facility, contracted dealer or distributor, or any combination of the above. All shipments shall be FOB pursuant to INCOTERMS 2000 of the International Chamber of Commerce. Bills of Lading, packing lists and other shipping documents specified by BUYER shall be forwarded to BUYER or BUYER’s freight forwarder as instructed by BUYER. SUPPLIER, at SUPPLIER’s expense, shall obtain all export licenses and export customs clearances for the Products necessary to ship the Products from Korea within the timeframes set forth in this Agreement.

6.2 Inspection, Acceptance, Claims and Risk of Loss. BUYER may, at its option and cost, inspect and test the Products at SUPPLIER’s manufacturing facility during normal business hours and/or at the point of first destination. All Products shall be received subject to BUYER’s inspection at BUYER’s designated North American facility. Responsibility for Products remains with SUPPLIER only so long as SUPPLIER shall have risk of loss under the delivery terms specified in Order; any claims for loss or damages occurring thereafter shall be made by BUYER direct to the carrier of the Products; provided, however, that the foregoing shall not diminish or invalidate SUPPLIER’S obligations under Section 6.1, and SUPPLIER shall package and ship Products in such manner as to reasonably insure transportation without damage. SUPPLIER shall reasonably cooperate with BUYER in presenting claims for shipping damage or other losses in transit. If BUYER shall have reason to believe it has any other claim against SUPPLIER for shortages or non-conforming Products, BUYER shall present such claim to SUPPLIER, as the case may be, in writing, with full details as to the basis and amount thereof, within thirty days after BUYER knows, or has reason to know, of the basis for such claim and SUPPLIER shall promptly work with BUYER to resolve the issue.

ARTICLE 7 ORGANIZATION AND FACILITY FOR SALES AND SERVICE

BUYER shall maintain a staff of salesmen and customer relations organization adequate for promotion and sales of the Products and shall employ a sufficient number of competent mechanics, electricians and electronic technicians adequate to meet the service requirements of the owners and/or the end users of the End Products in Territory and shall maintain facilities

adequate to perform all required sales and services of the Products and/or End Products, in each case consistent with BUYER's past practices. This requirement may be satisfied by the BUYER establishing qualified dealers in the territory.

ARTICLE 8 MARKETING AND ADVERTISEMENT

8.1 BUYER shall use its commercially reasonable efforts to promote sales of the Products throughout Territory.

8.2 BUYER shall demonstrate and exhibit End Products at trade shows or trade fairs in Territory as BUYER determines in its sole discretion and BUYER shall maintain the Products and/or End Products and the demonstration areas in good condition and keep open during normal trade show hours for promotion and display of End Products.

8.3 SUPPLIER will make available technical and marketing support materials which SUPPLIER may consider to be necessary without charge or at such reasonable charges as SUPPLIER determines.

ARTICLE 9 WARRANTY

The warranty responsibility of SUPPLIER as manufacturer and supplier of Products and the warranty service which SUPPLIER is required to perform hereunder shall be in accordance with "THE WARRANTY" as attached hereto as EXHIBIT B.

ARTICLE 10 INTELLECTUAL PROPERTY RIGHTS

10.1 BUYER hereby acknowledges that all patents, trademarks and other Intellectual property rights previously owned or subsequently developed by SUPPLIER that are used in or in connection with the Products ("**SUPPLIER Intellectual Property Rights**") are and shall remain the sole property of SUPPLIER and BUYER shall not dispute or contest SUPPLIER's rights or title thereto and shall (at SUPPLIER's expense) take any step as SUPPLIER may reasonably request in order to preserve, renew or maintain the same on behalf of SUPPLIER. BUYER shall not have the right to use any Supplier Intellectual Property Rights except as permitted hereunder.

10.2 SUPPLIER hereby acknowledges that all patents, trademarks, certifications and other intellectual property rights previously owned or subsequently developed by BUYER that are used in, in connection with or are related to the End Products ("**BUYER Intellectual Property Rights**") are and shall remain the sole property of BUYER and SUPPLIER shall not dispute or contest BUYER's rights or title thereto and shall (at BUYER's expense) take any step as BUYER may reasonably request in order to preserve, renew or maintain the same on behalf of BUYER. SUPPLIER shall not have the right to use any Buyer Intellectual Property Rights.

10.3 In any catalogues, price list or similar publication created by BUYER in which reference is made to any registered Supplier Intellectual Property Rights relating thereto, there shall be included in legible type a statement informing the reader in regards to the proprietorship

of such registered Supplier Intellectual Property Rights as reasonably requested in writing by SUPPLIER.

10.4 In the event that BUYER discovers that any of the Supplier Intellectual Property Rights are being infringed by any third party, BUYER shall forthwith inform SUPPLIER of such infringement and shall assist SUPPLIER in taking any such steps as may be necessary to protect SUPPLIER's trade marks or rights at SUPPLIER's expense. In the event that SUPPLIER discovers that any of the Buyer Intellectual Property Rights are being infringed by any third party, SUPPLIER shall forthwith inform BUYER of such infringement and shall assist BUYER in taking any such steps as may be necessary to protect the Buyer Intellectual Property Rights at BUYER's expense.

10.5 BUYER undertakes and agrees to indemnify SUPPLIER and hold it harmless against any loss, cost, claim, damage, action or proceeding suffered by SUPPLIER as a result of any actual or alleged infringement of any third party's intellectual property rights where such infringement occurs by reason of any addition, alterations or adaptations made to the Products by BUYER (without the prior written authorization of SUPPLIER) after delivery.

10.6 SUPPLIER undertakes and agrees to indemnify BUYER and hold it harmless from and against any loss, cost, claim, damage, action or proceeding suffered by BUYER as a result of any actual or alleged infringement of any third party's intellectual property rights where such infringement occurs by reason of or arises out of or relates to any feature or design and manufacture of the Products of SUPPLIER.

ARTICLE 11 NO AGENCY

11.1 This Agreement does not constitute the appointment of either party as the agent or legal representative of the other for any purpose whatsoever.

11.2 BUYER shall not incur any liability on behalf of SUPPLIER or in any way pledge or purport to pledge SUPPLIER's credit or accept any order or make any contract binding upon SUPPLIER without prior written consent of SUPPLIER. SUPPLIER shall not incur any liability on behalf of BUYER or in any way pledge or purport to pledge BUYER's credit or accept any order or make any contract binding upon BUYER without prior written consent of BUYER.

ARTICLE 12 TERM

12.1 This Agreement shall become effective on the Effective Date and shall remain effective for ** years (the "**Initial Term**"), unless terminated earlier pursuant to Article 13.2 hereof. After the Initial Term, this Agreement shall automatically renew for additional ** terms unless and until either party gives the other party written notice at least 6 months prior to the end of the current term or a new written agreement is executed by both parties.

ARTICLE 13
TERMINATION

13.1 This Agreement may be terminated by either party upon written notice to the other party upon any of the following events:

(a) If the other party becomes insolvent or passes a resolution to go into voluntary liquidation or makes any assignment or arrangement for the benefit of its creditors or makes any composition with its creditors or suffers any winding up order to be made against it or suffers any distress or execution to be levied against any of its assets or if a receiver of all or part of its undertaking assets is appointed by any creditor or if any administrator is appointed or any administration order is made.

(b) If the other party provides intentionally false reports, statements, invoices, claims for reimbursements or any other intentionally false information or reports.

(c) If the other party commits any breach of the terms or conditions of this Agreement and such party fails to remedy such breach within sixty (60) days of being requested so to do by written notice from the non-breaching party describing in reasonable detail the breach under this Agreement to be cured.

13.2 If this Agreement is terminated for any reason whatsoever, the provisions of Articles 9, 10, 13, 14, 15, 17, 18, 19, 20, 21 and 22 hereof shall survive after expiration or termination of this Agreement. Expiration or termination of this Agreement for any reason shall not affect any liabilities or obligations of either party which have accrued at the date of expiration or termination or which by their nature survive expiration or termination.

13.3 BUYER understands and agrees that failure to fulfill Performance Objectives as defined in Exhibit A.4, such failure was not caused by the SUPPLIER refusing to accept Purchase Orders or failing to perform its responsibilities as defined herein, during the Initial Term shall constitute the material breach of this Agreement. Therefore, in case of such failure, SUPPLIER shall have the right to terminate this Agreement and BUYER shall have the right to continue purchasing Products on non-exclusive basis either directly from SUPPLIER or through the authorized SUPPLIER's representative under the new prices and terms offered by SUPPLIER until the end of Initial Term.

ARTICLE 14
FORCE MAJEURE

In case the performance of this Agreement and all Orders accepted by SUPPLIER in writing hereunder are subject to (whether these affect SUPPLIER, its suppliers, any forwarding or other agent of SUPPLIER) strikes, labor disputes, lockouts, accidents, fires, delays in manufacture, transportation, or carriage or delivery of materials, floods, severe weather or other acts of God, embargoes, governmental actions, or the other circumstances beyond the reasonable control of SUPPLIER whether or not similar to the circumstances above mentioned, SUPPLIER shall not be liable for any loss or damage or any delay or failure to perform any of its obligations hereunder including, without limitation, the manufacture and / or delivery of the Products, under this Agreement or under any binding contract of the supply thereof wherever such loss, damage,

delay or failure to perform is the result of such circumstances. SUPPLIER must promptly notify BUYER of a Force Majeure event in writing.

ARTICLE 15 NOTICE

Any notice, request, consent, offer or demand or required or permitted under this Agreement must be in writing and sent by a registered airmail, facsimile or e-mail to the address in the Exhibit A.3. Notices sent by letter shall be effective fifteen business days after sending, and notices sent by facsimile or e-mail shall be effective one business day after sending, unless otherwise agreed by the parties.

ARTICLE 16 WAIVER

The failure by either party to enforce any of the terms of this Agreement shall not constitute a waiver of that party's right hereafter to enforce that or any other term of this Agreement.

ARTICLE 17 RIGHT OF THE PARTIES TO THIS AGREEMENT

This Agreement and all terms and conditions hereof shall be personal to the parties and shall be binding upon any successor in title to the parties and neither party may assign, charge, sub-contract or otherwise deal with any right or obligation under this Agreement without the prior written consent of the other party.

ARTICLE 18 GOVERNING LAW

18.1 This Agreement shall be governed by and construed in all respects in accordance with the law of the United Kingdom.

18.2 The parties will attempt to resolve all disputes relating to this Agreement by negotiating in good faith. All disputes, controversies, or differences which may arise between the parties, out of or in relation to or in connection with this Agreement, or for the breach thereof, shall be finally settled by arbitration before a single arbitrator in London, United Kingdom in accordance with the Commercial Arbitration Rules of the International Chamber of Commerce, except as modified by this Agreement. The award rendered by the arbitrator(s) shall be final and binding upon both parties concerned and the parties consent to entry of a judgment upon such award in any court having jurisdiction thereof. The language of arbitration will be English. Notwithstanding the foregoing, each party acknowledges that the breach of any nondisclosure, confidentiality or similar obligation to the other party will result in irreparable injury to the nonbreaching party and agrees that the nonbreaching party will be entitled to preliminary and permanent injunctive relief, without the necessity of proving actual damages, which rights will be cumulative and in addition to any other rights or remedies to which the parties may be entitled.

ARTICLE 19
LIMITATION OF REMEDIES

Neither party shall be responsible for incidental, consequential or punitive damages except as expressly provided for in this Agreement. The remedies set forth in this Agreement are the sole and exclusive remedies for the other party's breach of this Agreement.

ARTICLE 20
CONFIDENTIALITY

20.1 Each party acknowledges that all Confidential Information disclosed to it (the "**Receiving Party**") by the other party (the "**Disclosing Party**") pursuant to this Agreement shall at all times, both during and after any expiration or termination of this Agreement, remain the sole and exclusive property of the Disclosing Party, and the Receiving Party shall not acquire any proprietary or other interest therein. "**Confidential Information**" means knowledge and information, not generally known in the industry, which provides the Disclosing Party with a competitive advantage relating to its products, methods, processes, formulations, technology, sales methods, customer lists, customer usage and requirements and other confidential business information and trade secrets. Confidential Information includes, but is not limited to, the nature of the parties' relationship and the terms of this Agreement, mailing lists, sales results, photographic images, drawings, specifications, proposals, marketing and sales plans, financial and cost information, pricing information and policies, computer programs, customer information and lists, strategic plans, methods, processes and techniques, personnel information and other similar confidential and proprietary information.

20.2 Except as necessary to its performance under this Agreement, the Receiving Party shall not, directly or indirectly, disclose or permit anyone to disclose any Confidential Information disclosed by the Disclosing Party, and shall carefully guard and keep secret all such Confidential Information. The Receiving Party shall make use of such Confidential Information only during the term of this Agreement and solely for the purpose of carrying out the intent of this Agreement. Upon any expiration or termination of this Agreement for any reason, the Receiving Party shall surrender to the Disclosing Party all documents embodying the Disclosing Party's Confidential Information, including, but not limited to, plans, specifications, literature, samples, documents and all copies thereof.

20.3 The Receiving Party shall not be liable for disclosure to others of information disclosed to the Receiving Party by the Disclosing Party if the information: [a] can be demonstrated by documentary evidence to have been in the Receiving Party's possession or available to the Receiving Party prior to the receipt of same from the Disclosing Party; [b] was received from a third party having no obligation to the Disclosing Party to hold the same in confidence; [c] can be demonstrated to have been generally known or generally available to the public prior to the date of the disclosure; [d] becomes generally known or generally available to the public through no act or failure to act on the part of the Receiving Party; or [e] is required to be disclosed under compulsion of any applicable law.

ARTICLE 21
ENTIRE AGREEMENT AND MODIFICATION

21.1 This Agreement constitutes the entire agreement between the parties hereto in relation to the subject matter hereof and shall be in substitution for all prior understanding agreements or arrangements (if any) between the parties in relation to such subject matter and each of the parties hereby acknowledges and agrees that save for any term expressly stated herein no reliance has been placed upon any other warranty or representation or any description given or made by either of the parties prior to the entry into this Agreement.

21.2 No modification, variation or amendment of any term of this Agreement or any document shall be effective unless it is in writing and has been signed by or behalf of both SUPPLIER and BUYER.

21.3 The various provisions of this Agreement are severable and if any provision is held to be invalid or unenforceable by any court of competent jurisdiction then such invalidity or unenforceability shall not affect the remaining provisions of this Agreement.

ARTICLE 22
HEADING

This headings of the clauses contained in this Agreement are included for convenience and shall not be used in construing this Agreement.

ARTICLE 23
COUNTERPARTS AND CONTROLLING LANGUAGE

This Agreement may be executed in separate counterparts each of which, when signed, shall be assumed to be an original and each of such counterparts shall constitute the same agreement. This Agreement may be translated into other languages and in the event of conflict between this document in the English language and any version thereof in a different language, the English language version of this Agreement shall prevail.

IN WITNESS WHEREOF the undersigned parties have executed this Agreement as of the Effective Date.

DOOSAN INFRACORE CO., LTD.

PSI INTERNATIONAL LLC

/s/ Choi Won-Joon

/s/ Gary Winemaster

TITLE: Managing Partner

TITLE: President

NAME: Won-Joon, Choi

NAME: Gary Winemaster

EXHIBIT A

A.1 PRODUCTS

LONG BLOCK only for Stationary Natural Gas Application from 8.1L to 21.9L Displacement

<u>Model</u>	<u>No. of Cyl</u>	<u>Disp (l)</u>	<u>BorexStroke (mm)</u>
GE08TI Long block	L 6	8.1	111 x 139
GE12TI Long Block	L 6	11.1	123 x 155
GV158TI Long Block	V8	14.6	128 x 142
GV180TI Long Block	V10	18.3	128 x 142
GV222TI Long Block	V12	21.9	128 x 142

Long Block is not the complete engine. Performance and emissions level are not guaranteed by SUPPLIER.

A.2 BUYER'S SALES AND SERVICE TERRITORY

The United States of America, Canada and Mexico

A.3 NOTICE

To: SUPPLIER, DOOSAN INFRACORE Co., Ltd. (Attn : W.T. Kim)
DOOSAN TOWER 23TH FL. 18-12, Euljiro-6Ga, Jung-Gu, Seoul, Korea 100-730
Tel) +82-2-3398-8524 Fax) +82-2-3398-8509 email) woongtae.kim@doosan.com

To: BUYER, PSI INTERNATIONAL, LLC, (Attn : Gary Winemaster)
655 Wheat Lane, Wood Dale, Illinois 60191, United States
Tel) 630-350-9400 Fax) 630-350-9900 email) gwinemaster@powergreatlakes.com

A.4 PERFORMANCE OBJECTIVES

<u>YEAR</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Quantity (Units)	**	**	**	**

If, at the end of each year during the Initial Term of this Agreement, SUPPLIER reasonably determines that BUYER has failed to meet the Performance Objectives for the previous year period, SUPPLIER may provide BUYER with a written notice of such fact, and a reasonable opportunity of not less than ninety (90) days to meet such Performance Objectives. BUYER may contest the notice or SUPPLIER's conclusions, by written response within thirty (30) days.

If BUYER does not reasonably cure a failure to meet Performance Objectives after the cure period set forth above, then SUPPLIER may terminate exclusivity under this Agreement but will continue to sell Products to BUYER in accordance with [Article 13.3](#).

A.5 PRICE

(USD, FOB KOREAN PORT)				
Model	PRICE IN 2007	PRICE IN 2008	PRICE IN 2009	PRICE IN 2010
GE08TI Long block	**	**	**	**
GE12TI Long Block	**	**	**	**
GV158TI Long Block	**	**	**	**
GV180TI Long Block	**	**	**	**
GV222TI Long Block	**	**	**	**

This pricing must be adjusted for the revised scope of supply before it can be approved.

SUPPLIER accept special deduction of USD **/unit for promotion and US08 developing cost up to ** units and/or 2008 whichever comes first.

In case the exchange rate between US dollar and Korean Won changes more than by 3% from the date hereof, the price above shall be adjusted in consideration of such changes through the agreements between both parties.

In case the payment term changed in accordance with [Article 5.2](#), SUPPLIER shall have the right to adjust the price based on the expenses and risk.

Warranty Policy

SUPPLIER's liability under this warranty shall be IN LIEU OF ALL OTHER LIABILITIES OF SUPPLIER for defect in material or workmanship of Products or ANY OTHER WARRANTIES, EXPRESS OR IMPLIED, statutory or at common law WHICH DISTRIBUTOR HEREBY WAIVES. In no event shall SUPPLIER be liable for consequential or indirect damages regarding Products or End-Products.

Indemnification

Notwithstanding any other provisions in this Agreement, BUYER shall indemnify SUPPLIER and its subsidiaries and hold them harmless against and from any and all claims, damages, costs and expenses with respect to any loss of or damage to property, and any injury to or death of any person, arising out of or attributable to any use, application into other machines/systems or sale of the Products.

3rd Party's Right

SUPPLIER shall in no event warrant the any use, application into other machines/ systems or sale of Products is free from infringement of any 3rd party's right. BUYER shall indemnify SUPPLIER and its subsidiaries and hold them harmless against from any and all claims or actions against SUPPLIER or BUYER for infringement of any 3rd party's right in connection with BUYER's use, application into other machines/ systems of the Products.

1. Special warranty for Long Blocks

A. Definition of applications

- i. Standby Power: Operation Hours: 500Hrs/Year maximum, No Overload is permitted, Maximum power is permitted for a maximum of 1 hour in a 12 hours and totally 25 hours in a year. Average Load will be a maximum of 70% of Standby power rating.
- ii. Prime Power: Unlimited Hours, 10% Overload is permitted for a maximum of 1 hour in a 12 hour period, not to exceed 12 hours in a year. Average load will be a maximum of 70% of Prime power rating.
- iii. Continuous Power: Unlimited hours, 100% Load.

B. Warranty period for applications

- i. Coverage is for the lesser of 1 year or 500 operating hours for standby power and or 2,000 operating hours for prime and continuous power from the date

-
- of delivery of the product to the first end user of the Long Block whichever comes first.
- C. What is covered
- i. SUPPLIER warrants durability defects only for Cylinder heads assembly.
 - ii. SUPPLIER warrants Products to be free from defects in material and workmanship.
 - iii. SUPPLIER warrants that Products are correctly machined and assembled.
- D. What is not covered
- i. Any defect on other parts not supplied by SUPPLIER.
 - ii. Any consequential and/or indirect damage.
 - iii. Any defect and/or functional difficulty due to improper application as described in Section 1. A in this Exhibit B.
 - iv. Any defect and / or functional difficulty due to improper handling or unsatisfactory repair and maintenance.
 - v. Any defect and / or functional difficulty due to the parts replacement with non-genuine SUPPLIER's service parts or non-equivalent in quality and design to genuine SUPPLIER's service parts.
 - vi. Any defect and / or functional difficulty due to repair adjustment, service, or parts replacement by any personnel who are not authorized by SUPPLIER's or BUYER's trained employees.
 - vii. Any durability defects except cylinder head assembly.
 - viii. SUPPLIER will not pay for labor, transportation, accommodation and/or any consequential cost.
 - ix. Any defect and / or functional difficulty due to parts which SUPPLIER does not supply.
- E. Scope of Warranty
- i. SUPPLIER provide new parts or pay the BUYER 120% of the part's price.
- F. Others
- i. SUPPLIER reserves the right to access Mastertrak and/or ECU data installed on End Product. BUYER should provide them as SUPPLIER's request.

ii. Standby and/or Prime Power rating and any other conditions effect on the durability of Cylinder Head should be maintained within the limit set by SUPPLIER.

Effective December 27th, 2007, the parties to the agreement agree to replace paragraph 2.1 in the original agreement in its entirety with the following:

“Other than products of General Motors, during the term of this agreement, BUYER shall not, without prior written consent of SUPPLIER, be concerned or interested, in the manufacture, production, importation, sale or advertisement of any goods in Territory which, have the same displacement and are designed to perform same function as Products unless SUPPLIER is in breach of any term of this Agreement and/or fails to timely supply to BUYER with Products ordered hereunder in accordance with the terms hereof. If this provision or this Agreement is in or becomes into conflict with any other preexisting agreement to which BUYER and/or SUPPLIER or any of its affiliates is a party, the parties agree to negotiate in good faith modifications to this provision and this Agreement so as to eliminate such conflict.”

By: /s/ Gary Winemaster
Gary Winemaster
President
Power Solutions International, LLC

By: /s/ Woong Tae Kim
Woong Tae Kim
General Manager
Engine & Material BG.
Doosan Infracore Co., Ltd.

ADDENDUM

This Addendum (“**Addendum**”) is made and entered into this 30th day of September, 2008 by and between DOOSAN Infracore Co., Ltd. having its principal place of business at 7-11, Hwasu-dong, Dong-gu, Incheon, Korea (“**SUPPLIER**”) and PSI INTERNATIONAL, LLC, an Illinois limited liability company (“**PSI**”), having its principal place of business at 656 Wheat Lane, Wood Dale, Illinois 60191, United States (PSI and its affiliates shall collectively be referred to herein as “**BUYER**”).

WITNESSETH:

WHEREAS, the parties entered into a certain Agreement dated December 11, 2007 (the **Agreement**);

WHEREAS, Section A(4) Performance Objectives in Exhibit A in the Agreement, BUYER agreed to fulfill the Performance Objectives as listed below.

<u>YEAR</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Quantity (Units)	**	**	**	**

However BUYER could not fulfill the Performance Objectives in 2008 due to delay of projects related to SUPPLIER’s engine which caused by the delay of development of the emissions certified engines.

WHEREAS, BUYER and SUPPLIER have agreed to resolve the matter, without admission of liability by either party.

NOW, THEREFORE, BUYER and SUPPLIER agree to modify the provision in the Agreement as follows:

1. Performance Objectives:

Both parties agreed to modify the Performance Objectives as below.

<u>YEAR</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Quantity (Units)	** *	**	**	**

* 2008 quantity is contingent upon the result of the order for GE08 x ** units. Otherwise, 2008 will only be ** units.

If, at the end of each year during the Initial Term of this Agreement, SUPPLIER reasonably determines that BUYER has failed to meet the Performance Objectives for the previous year period, SUPPLIER may provide BUYER with a written notice of such fact, and a reasonable opportunity of not less than ninety (90) days to meet such Performance Objectives. BUYER may contest the notice or SUPPLIER’s conclusions, by written response within thirty (30) days. If BUYER does not reasonably cure a failure to meet Performance Objectives after the cure period

set forth above, then SUPPLIER may terminate exclusivity under this Agreement but will continue to sell Products to BUYER in accordance with Article 13.3.

2. Price:

BUYER could not receive the special deduction due to low sales performance. SUPPLIER agrees to provide the special deduction of USD **/unit for promotion and US08 developing cost under the condition below.

(1) SUPPLIER agrees to provide the special deduction of USD **/unit up to 1st half of 2009.

(2) IF BUYER’s engine order exceeds ** units in the 1st half of 2009, SUPPLIER will continue to provide the special deduction of USD **/unit up to remaining ** units and/or 2009 whichever comes first.

3. Payment Term

All payments for Products by BUYER to SUPPLIER shall be made by Telegraphic Transfer 60 days after B/L Date. However if BUYER’s order amount and/or unpaid amount exceeds USD 400,000, EX/IM insurance limitation of SUPPLIER side, then the Payment Term will be immediately changed to Telegraphic Transfer in Advance.

/s/ Gary Winemaster

By:
Title:
Power Solutions International, LLC

/s/ Kilsoo Kim

By: Kilsoo Kim
Title: General Manager
Engine & Material BG.
Doosan Infracore Co., Ltd.

ADDENDUM B

This Addendum (“**Addendum**”) is made and entered into this 18th day of November, 2009 by and between DOOSAN Infracore Co., Ltd. Having its principal place of business at 7-11 Hwasu-dong, Dong-gu, Incheon, Korea (“**SUPPLIER**”) and PSI International, LLC, an Illinois limited liability company (“**PSI**”) having its principal place of business at 655 Wheat Lane, Wood Dale, IL 60191, United States (PSI and its affiliates shall collectively be referred to herein as “**BUYER**”).

WITNESSETH:

WHEREAS, the parties entered into a certain Agreement dated December 11, 2007 (the “**Agreement**”) and agreed Addendum dated September 30, 2008 (the “**Addendum**”).

WHEREAS, Article 2. GRANT OF BUYER in the Agreement, both parties agreed that the SUPPLIER appoints BUYER as an exclusive buyer and distributor of Products within Territory under the conditions that they fulfill the target volumes,

WHEREAS, Provision 1. Performance Objective in the Addendum, BUYER agreed to fulfill the Performance Objectives as listed below:

<u>YEAR</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Quantity (units)	**	**	**	**

WHEREAS, the BUYER has purchased ** engines from January to October, of 2009 and there is a possibility that BUYER may not fulfill the performance objective in 2009.

However, SUPPLIER acknowledges and agrees the situation that BUYER’s target volume may not be fulfilled due to the global economic crisis which has gravely affected the manufacturing and industrial economy in the US.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, despite the BUYER’s performance in 2009, the SUPPLIER agrees and confirms that BUYER’s exclusivity rights shall remain valid and enforceable through ** even though the Performance Objectives in Provision 1 of the Addendum may not be met from 2009 - **.

By: /s/ Ken Winemaster

Ken Winemaster
Senior Vice President
Power Solutions International, LLC

By: /s/ Kilsoo Kim

Kilsoo Kim
General Manager
Engine & Material BG
Doosan Infracore Co., Ltd.

ADDENDUM

This Addendum (“**Addendum**”) Is made and entered into this 31 day of December, 2009 by and between DOOSAN Infracore Co., Ltd. having its principal place of business at 7-11, Hwasu-dong, Dong-gu, Incheon, Korea (“**SUPPLIER**”) and PSI INTERNATIONAL, LLC, an Illinois limited liability company (“**PSI**”), having its principal place of business at 665 Wheat Lane, Wood Dale, Illinois 60191, United States (PSI and its affiliates shall collectively be referred to herein as “**BUYER**”).

WITNESSETH:

WHEREAS, the parties entered into a certain Agreement dated December 11, 2007 (the “**Agreement**”) and agreed Addendum dated September 30, 2008 (the “**Addendum**”).

WHEREAS, Article 2. GRANT OF BUYER in the Agreement, both parties agreed that the SUPPLIER appoints BUYER as an exclusive buyer and distributor of Products within Territory under the condition to fulfill the target volume.

WHEREAS, Provision 1. Performance Objective in the Addendum, BUYER agreed to fulfill the Performance Objective as listed below.

<u>YEAR</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Quantity (Units)	**	**	**	**

WHEREAS, the BUYER has purchased ** engines from January to October of 2009 and there is a possibility that BUYER could not fulfill the performance object in 2009.

However, SUPPLIER acknowledges and agrees the situation that BUYER’s target volume may not be fulfilled due to the global economic crisis which has gravely affected the manufacturing and industrial economy in US.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, despite the BUYER’s performance in 2009, the SUPPLIER agrees and confirms that BUYER’s exclusivity rights shall remain valid and enforceable through ** without volume commitment. The Supplier also agree to extend the development discount for the next ** units purchased in 2010.

By: /s/ Ken Winemaster

Ken Winemaster
Senior Vice President
Power Solutions International, LLC

By: /s/ Kilsoo Kim

Kilsoo Kim
General Manager
Engine & Material BG.
Doosan Infracore Co., Ltd.

CONFIDENTIAL TREATMENT – REDACTED COPY

**** CERTAIN INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT REQUEST UNDER 17 C.F.R. SECTIONS 24b-2, 200.80(B)(4) AND 230.406.**

DISTRIBUTION AGREEMENT FOR PERKINS PRODUCTS

BY AND BETWEEN

PERKINS ENGINES INC.

AND

POWER GREAT LAKES, INC.

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The headings in this Agreement are for convenience only.

Words signifying the singular shall include the plural and vice Versa where the context so admits.

1. Scope and Purpose.

1.1. Perkins and the Distributor share the common vision of:

- (a) establishing their relationship in the Territory as the best in their industry for customer support and power solutions; and
- (b) strengthening the Distributor and Its added value; and
- (c) achieving through their relationship substantial and sustained market penetration so that each Party can achieve increased financial success.

1.2. The scope and purpose of. this Agreement is therefore to establish the basis for the Parties' distribution relationship which, will enable them to achieve their stated vision.

2. Appointment and Duration.

2.1. Subject to the terms hereof Perkins hereby appoints the Distributor as its exclusive distributor for the Products in the Territory.

2.2. The stated exclusivity is subject to the following conditions:

2.2.1 Notwithstanding the limitation on the range of Engines to which this Agreement relates, the Distributor shall be obliged to provide support, both directly and through Its dealer network, in terms of warranty, servicing, technical support, Parts support, and receiving and handling aftermarket Parts orders from customers in the Territory for any diesel or spark ignited engine product Manufactured by or on behalf of Perkins and its affiliated companies.

2.2.2 The Parties will jointly review in good faith on an ongoing basis all existing Perkins customers and key potential customers and will categorise the Territory's customer base into three basic categories of . Direct Customers, Joint Customers and Other Customers. Currently identified Direct Customers in the Territory are listed in Schedule 3. After consultation with Distributor, Perkins may update Schedule 3 in its sole discretion and will deliver written notice to Distributor of such update.

“**Direct Customers**” are identified as major Internationally based groupings with manufacturing locations both inside and outside the Territory that require detailed product tailoring and ratings development activities plus world-wide management and coordination of their total account by the engine manufacturer. For the avoidance of doubt, any entity within the Territory which is part of a multi-national group whose main purchasing office for the Products is outside the Territory will be deemed to

be a Direct Customer unless otherwise specifically agreed, In addition any entities manufacturing solely in North America may be classified by Perkins as Direct Customers where they are identified as strategic accounts.

“**Joint Customers**” are identified as significant Territory based entities that also have overseas manufacturing locations, but whose commercial requirements necessitate direct account management via Perkins and the Distributor.

“**Other Customers**” are identified as all other customers managed by the Distributor.

The Parties will use their commercial best efforts to achieve timely and mutually acceptable solutions in the above process. However if after the Parties exercise of their good faith, commercial best efforts particular categories cannot be agreed, Perkins shall retain the option to make the decision in order to preserve the specific customers business

2.2.3 Regarding each of the categories in Article 2.2.2 the following principles shall apply:

(a) For Direct Customers Perkins shall be solely responsible for handling all aspects of account management and shall be entitled to supply its products direct to them without any obligation to compensate the Distributor by way of commission or otherwise. It is recognized that in specific cases the provisions of Article 4.1.11 shall apply.

(b) For Joint Customers Perkins and the Distributor shall work together to develop the strategic and operational approach to such customers and all Products to be supplied to such entities shall be routed via the Distributor unless otherwise agreed.

(c) For Other Customers Perkins shall supply all required Products to the Distributor who shall be responsible for managing all such accounts in strict compliance with the terms hereof.

2.2.4 Perkins shall retain exclusive rights to sell any of its Products in the Territory for both military applications for armored vehicles and marine related applications.

2.2.5 Where Perkins establishes engine and parts distribution relationships ‘with third parties within the Territory under which Perkins agrees to supply Perkins designed products branded and imaged in the third party’s style, then Perkins will:

(a) ensure that as between the Distributor and the third party’s distributors, the Distributor will not be disadvantaged in terms of pricing, product supply, and specification for those products. In particular the Distributor will receive no less favorable prices for those products than the third party’s distributors; and

(b) Perkins will not be obligated to make available to the Distributor specifications for products developed specifically with the third party's assistance and financial contribution.

2.2.6 Where Perkins sells Products to any entity outside the Territory and those Products are subsequently sold into or used in the Territory, Perkins shall not be responsible for any resulting loss of business suffered by the Distributor or its Dealers.

2.2.7 Perkins shall be free to manufacture and sell and/or to license the manufacture and sale In any form including assembly and test of any of its Products inside the Territory. Perkins shall not be responsible for any resulting loss of business suffered by the Distributor or its Dealers. Perkins shall use its commercial best efforts to give the Distributor at least six (6) months notice prior to actual start of volume production activities and will agree in good faith the terms of access for the Distributor to such products.

2.3. The appointment of the Distributor shall be from the Effective Date until ** subject to the specific rights of termination contained herein. Perkins shall have the option to extend the appointment for a further period of between ** and ** by written notice to be served no earlier than twelve (12) months prior to the end of the initial term and no later than six (6) months prior to end of the initial term.

2.4. In consideration of its appointment as the Perkins exclusive distributor in the Territory, the Distributor agrees that it shall purchase from Perkins or an affiliate thereof all of its requirements for Products whether for sale to its Dealers, customers within the Territory or for its use in Distributor's manufactured or packaged finished goods. Subject to the above and to Article 2.6 below the Distributor agrees that it will not:

2.4.1 Distribute, sell, service or otherwise deal in Competing Items (except as disclosed in Schedule 6).

2.4.2 Solicit the sale of or sell Products outside the Territory and will not, without prior written consent of Perkins, establish branches, associated or subsidiary companies, for the sale of Products outside the Territory; provided, however, that where the Distributor does legally make sales of the Products outside the Territory but within the USA or Canada in response to non-solicited enquiries, the Distributor shall pay to the distributor of Perkins products into whose assigned trade area such sales were made an amount equal to 15% of the then current price from Perkins for the relevant product. Notwithstanding the above the Distributor may sell Products to other Perkins distributors without incurring any such charges. Distributor shall require its Dealers to abide by this Section 2.4.2 in any agreements between Distributor and its Dealers. Distributor shall be responsible for enforcing this Section against its Dealers. Distributor shall be responsible for the 15% fee to Perkins described herein in the event any of its Dealers undertakes actions which would give rise to the 15% fee.

For its part, Perkins shall ensure that all Distribution Agreements relating to the USA and Canada include this provision. Distributor therefore acknowledges

specifically to Perkins that where other Perkins distributors (or their Dealers) sell Products into the Territory, the Distributor's only claim relating to such activities shall be for the 15% payment referenced above.

2.4.3 Purchase Products other than from Perkins or its designees.

2.4.4 Become involved in any business activity that in any material way adversely affects the Distributor's ability or effectiveness in maximizing its performance hereunder.

2.5. The Distributor expressly agrees that the restraints detailed in Article 2.4 above shall also apply to any entity in which it or its principals directly or indirectly own or control at least 25% of the Issued voting stock or the Distributor has effective operational control.

2.6. The restrictions In Articles 2.4 and 2.5 above shall not preclude the Distributor from:

(a) holding In stock, supplying or advertising for supply other products (which are not Competing Items) manufactured by the Distributor in the ordinary course of its business. These products may include Engines as an integral and subsidiary part or in which Engines are installed, or

(b) servicing or remanufacturing engines which are not Competing Items and holding in stock, supplying and advertising for supply parts for the purpose of such servicing or remanufacture, provided that in the reasonable opinion of Perkins, the Distributor's performance as a distributor of Products is not adversely affected by such activity.

3. Distributor Premises.

3.1. The Distributor shall install by an agreed date and thereafter maintain in full working order the pre-agreed service accommodation, equipment, facilities and special tooling at the Specified Premises. Perkins will supply all such special tooling to the Distributor and the cost will be invoiced to them. The Distributor shall publicize boldly the Distributor's appointment as an authorized Perkins Distributor throughout the Territory and also by using prominent signs at the Specified Premises and on its service and parts vehicles, if any. All such signs shall comply strictly with the appropriate Perkins Standards.

3.2. The Specified Premises, the Products held thereon and all related work in progress shall be kept fully insured by the Distributor pursuant to commercially reasonable insurance, Perkins shall be entitled to receive upon request copies of such insurance policies and related premium receipts.

3.3. Notwithstanding Article 2.4.4's restrictions, the Distributor may use the Specified Premises for non-Perkins related activities provided that they do not adversely impact (in Perkins' reasonable opinion) the Distributor's performance hereunder. Perkins retains the right to advise the Distributor accordingly if it reasonably feels such performance is being so affected.

3.4. The Distributor shall seek Perkins prior written approval for either any intended reduction by it in the Perkins related facilities within the Specified Premises or any intended significant alteration to the Specified Premises.

4. Distributor Responsibilities.

4.1. In support of its commitment to the common vision set out in Article 1.1 above and its appointment referenced in Article 2.1 above, the Distributor undertakes to conduct all its activities hereunder in strict accordance with the Perkins Standards. The Distributor will establish and maintain a senior management structure appropriate to ensuring professional management of its business. The Distributor will give Perkins reasonable prior notice of any material changes to either structure or personnel. Subject to the individual employee's performance, the Distributor will take all reasonable steps to retain all those employees who have received Perkins related training and who are considered Important by the Parties to the Distributor's Perkins related business. The Distributor will also have the following responsibilities during the term hereof:

4.1.1 the Distributor will establish, maintain and continually strengthen a dedicated sales and marketing team for the promotion, sale, service and warranty support of the Products in the Territory targeted at maximizing sales and winning new business and offering best in class customer support for the Parties' mutual benefit. The Distributor will seek at all times to grow sales of the Products through pull through and follow up type business activities including but not limited to pursuing opportunities with fleets, airlines, rental yards, OEM dealers and end-users. In support of this, the Distributor will:

(a) advertise and promote interest in the Products in the Territory. This shall include (but shall not be limited to) the use of local communications media, maintaining a detailed and professional Internet web site, and exhibition or display facilities. The Distributor may, with Perkins' prior written consent, exhibit and be involved in exhibiting any of the Products at any exhibition or trade show and take part in, support or be involved in competitions, competitive trials or demonstrations of the Products. The Distributor shall upon Perkins' reasonable request withdraw at its own expense any particular advertisements, catalogues, sales literature or other printed matter relating to the Products;

(b) provide service training courses in line with appropriate Perkins guidelines in respect of the Products within the Territory;

(c) hold and distribute a pre-agreed (with Perkins) level and range of technical, sales and service literature applicable to the Products throughout the Territory and to its Dealers; and

(d) maintain Products in inventory in accordance with Article 4.1.6 and ensure that they are available for supply to customers.

4.1.2 The Distributor will establish, maintain and use its reasonable best efforts to strengthen an engineering team to provide engineering effort in the areas of production

specification, product engineering, application engineering and focused technical service assistance to its Dealers and customers within the Territory. The Distributor will nominate one appropriately qualified and experienced employee to act as the focal point for application engineering for the Products. The Distributor will ensure that this person attends appropriate Perkins training courses at least once per year. In addition, the Distributor will ensure that it has the application related equipment and tooling as reasonably specified by Perkins at the Designated Premises. The Distributor will obtain any omitted items within three (3) months of Perkins' written notice identifying the shortfall.

The Distributor will be responsible for ensuring that all applications and installations into which Engines are sold and fitted have been appraised by its staff in accordance with the relevant criteria. In particular all completed application appraisals must be registered with Perkins for sign off before the customer's first production date.

The Distributor acknowledges that Perkins has the right to refuse to sign off a particular application where it reasonably believes that it is non-compliant. In such cases and also in cases where no application appraisal has been registered, Perkins may refuse to supply the relevant Engines and the Distributor waives any rights that it may have to reclaim any loss thereby suffered by it or its customer(s).

4.1.3 The Distributor will establish, maintain and strengthen its Dealer network within the Territory. The Distributor acknowledges the importance of strict adherence to the Perkins Dealer Policy as communicated to it by Perkins from time to time. The Distributor also acknowledges that the annual performance appraisal by Perkins will include a review of its adherence to this policy. The Distributor acknowledges the importance of its Dealers to the success of the Perkins distributorship and that they will be promoted by Perkins in its literature as an essential part of the Perkins network in the Territory. Therefore the Distributor will only appoint as Dealers entities that have been approved in writing by Perkins. For its part, Perkins undertakes not to unreasonably withhold or delay its approval. In the case of any rejections, it will provide to and discuss with the Distributor its justifications. The Distributor will provide to Perkins upon request copies of all agreements with such Dealers so far as they relate to the Products. Perkins will hold any such agreements confidential. The Distributor will ensure that its agreements with its Dealers fairly and reasonably reflect the key terms of this Agreement relating to the operation of the Perkins distributorship. In particular, the Distributor will establish the right of Perkins to review the Dealer's performance, its premises and facilities for the purpose of Article 6 below. Notwithstanding anything else contained herein, the Distributor shall remain fully responsible for and be liable to Perkins for the performance of its Dealers.

4.1.4 The Distributor will nominate one of its employees as the trainer for Perkins Products who will become the in-house trainer for the Distributor's employees and those of its Dealers involved with the Products. The Distributor will ensure that this employee will attend Perkins technical training courses at least once every twelve (12) months, such courses to include sales, application engineering, products, service and warranty. The Distributor will provide Product familiarization and training to both its

staff and Dealers in accordance with Perkins Standards, especially with respect to any new Products as and when they are introduced into the Territory by Perkins. The Distributor will ensure that each Dealer will receive appropriate Product training from the Distributor covering those Products for which the Dealer has a responsibility, such training to take place at least annually.

4.1.5 The Distributor will ensure that its Dealers will establish, maintain and constantly improve their Product service capabilities and facilities for both current Products and any new Products as and when they are introduced Into the Territory by Perkins.

4.1.6 The Distributor will establish with Perkins the required minimum level of Product inventory to be purchased and held by it at pre-agreed locations within the Territory. This level will reflect .the forecasted activities of the Distributor. The agreed level will be subject to joint review at least annually. The Distributor will ensure that it and all its Dealers store all Products in an appropriate environment that accords to the Perkins Service Warranty Manual. As and when any Products require revalidation for warranty purposes, this will be carried out at the Distributor's expense and in strict accord with the Perkins Service Warranty Manual.

4.1.7 The Distributor will appoint at least one suitably qualified and experienced employee as its Perkins Dealer Development and Aftermarket Marketing Manager. The key objectives for this employee will be to deliver measurable year on year improvements in Dealer coverage, sales and market share growth in relation to aftermarket Parts sales, service and aftermarket competitor knowledge. This employee will also be responsible for developing suitable marketing and incentives programs for and with the Dealer network and Engine reconditioners. These programs may qualify for appropriate Special Sales Allowance under the relevant Perkins scheme as published by Perkins from time to time.

4.1.8 Every year the Distributor will develop and issue to Perkins a copy of its proposed annual business plan for its and its Dealers activities in the Territory. The Distributor's business plan must address marketing objectives with sales forecast, resources requirements, facility descriptions and projected financial statements and all other issues detailed in the Perkins format. The business plan and all data required by Perkins will be submitted in accordance with the Perkins guidelines and standards provided in advance to the Distributor. Perkins will notify the Distributor of the required receipt date at least six (6) weeks in advance. This plan will be reviewed in good faith with Perkins and any mutually agreed adjustments incorporated. Once finalized with Perkins, the Distributor will use all reasonable best efforts to achieve the targets set out in the plan. The Distributor will also develop and issue to Perkins every year a copy of a three (3) year forecast of the Perkins business in the Territory. The Distributor will at least annually evaluate with Perkins the performance achieved against the plan and the forecast. The Distributor will provide supporting data about volumes, margins and revenue by specification achieved with the Dealers and customers.

Every year the Distributor will issue to Perkins a twelve (12) month forecast of Product requirements, and this forecast will be updated monthly. With respect to Engines only, the forecast will also show a provisional three (3) month firm program.

The Distributor shall maintain such financial, inventory, sales, service and other records including details of key potential customers, all as mutually agreed with Perkins. These records shall be made available to Perkins during normal business hours upon request by Perkins.

4.1.9 The Distributor shall not, directly or indirectly, solicit, outside the Territory customers for any of the Products, nor for the purpose of delivery of the same establish branches or warehouses outside the Territory, nor advertise any of the Products outside the Territory. This shall not prevent the Distributor from advertising in a publication in circulation both within and outside the Territory. Distributor shall require Its Dealers to abide by this Section 4.1.9 in any agreements between Distributor and its Dealers, Distributor shall be responsible for enforcing this Section against its Dealers.

4.1.10 The Distributor shall ensure so far as is reasonably practicable that:

(a) all Engines sold by it conform to any applicable legislation in force in those countries and the Territory where the Distributor's customer may operate the Engine or to which it may sell the Engine;

(b) the Engines supplied by it or Its approved Dealers are installed and applied by customers in accordance with the limitations and product specifications established by Perkins;

(c) all required safety and operating instructions and warranty terms are supplied to purchasers of Engines, including but not limited to their Dealers and that such entities are fully aware of and properly instructed in all aspects of the operation and maintenance thereof; and

(d) it shall make available to a prospective purchaser all brochures, booklets, manuals and other literature and information provided by Perkins and which Perkins designates as intended for such users.

4.1.11 The Distributor will appoint one suitably qualified and experienced employee as its prime contact point and administrator for warranty issues within the Territory. The Distributor acknowledges the absolute priority of ensuring that all warranty related requests within its Territory from customers must be attended to within twelve (12) hours of their notification where so required. To this end, the Distributor will always consider the use by it of Engines within its inventory as warranty replacements where the customer's operational requirements so demand. In addition where Perkins so requests, the Distributor and its Dealers will carry out pro-service warranty work at a customer's premises within the Territory in accordance with the Perkins Service Warranty Manual procedures. The Distributor will directly and through its Dealers provide a repair, service and warranty service to purchasers of Products (including those items specifically referenced in Article 2.2.1 above) in the Territory. In relation to all

warranty related activity hereunder, the Distributor and its Dealers will operate in accordance with the Perkins Service Warranty Manual procedures as notified to the Distributor by Perkins. Notwithstanding the terms of such procedures, Perkins will use its reasonable best efforts to process and pay all accepted claims within twenty-eight (28) days of their receipt provided those claims have been compiled in accordance with the Perkins Service Warranty Manual and submitted to Perkins within sixty (60) days of the Engine failure.

In relation to Product service issues, the Distributor will appoint an appropriately qualified and experienced employee as its Perkins service manager for the Territory. The Distributor will ensure that the employee attends at least on an annual basis relevant Perkins product and service training courses.

4.1.12 In addition to the above, the Distributor will provide to Perkins against an agreed program sales and Inventory data for itself and its Dealers activities hereunder and financial and operating statements that may reasonably be requested. The Distributor shall provide within 120 days of the end of its fiscal year financial statements certified by an Independent firm of public or chartered accountants In a form acceptable to Perkins. In addition and at the same time, the Distributor will confirm the ownership and management control details of its business to the extent it relates to its appointment hereunder.

5. Perkins Responsibilities.

5.1. In support of its commitment to the common vision set out in Article 1.2 above, Perkins undertakes the following responsibilities during the term hereof:

5.1.1 Perkins will operate its sales and marketing teams in North America and the UK to support the Distributor's team referenced in Article 4.1.1 above.

5.1.2 Perkins will operate its engineering teams in North America and in the UK to support the Distributor's team referenced in Article 4.1.2 above.

5.1.3 Perkins will supply to the Distributor free of charge one copy of a pre-agreed list of Perkins literature for its own use. The Distributor will not copy or reproduce any Product related literature without Perkins prior written approval. The Distributor will be responsible for purchasing from Perkins all necessary literature for circulation to its branches, Dealers and customers.

5.1.4 Perkins will provide training and Product familiarization courses to the Distributor's personnel on pre-agreed terms.

5.1.5 Perkins will provide factory level support to the Distributor's team in accordance with pre-agreed terms.

5.2. Perkins shall retain the design and manufacturing responsibility for the Products and responsibility for final sign-off of all applications, engineering and specifications of such Products.

5.3. Every year Perkins will undertake with the Distributor a detailed review of the Distributor's performance over the previous twelve (12) months. Particular regard will be paid to the relevant Distributor business plan and the Distributor's performance against it. The Distributor's performance will be evaluated on the basis of criteria established by Perkins including but not limited to sales objectives detailed In the Distributor's business plan, the Distributor's achievements in its Territory compared to that of other distributors in comparable areas, previous-Perkins review comments and Distributor action plans, and the Distributor's improvements in its operations, organization and facilities to increase its sales performance and customer service. The Parties will agree to a detailed action plan arising out of the review and will thereafter monitor their respective progress against this plan.

5.4. Perkins will as from the Effective Date initiate a Parts inventory review program that will operate on an annual basis throughout the term hereof unless Perkins at its option decides otherwise, in which case Perkins will notify the Distributor as soon as possible of this decision. These programs will primarily focus on Products that fall obsolete during the relevant period. The basis, pricing and terms of payment of each such program shall be notified to the Distributor no later than sixty (60) days after the start of each calendar year.

5.5. In relation to any new Products including those with electronic management systems, Perkins and the Distributor will work together to ensure that:

(a) the Distributor (and where necessary specific Dealers) will have prior to any such launch had sufficient of its staff trained on. the new Product; and

(b) the Distributor will have established at agreed locations the pre-agreed level and range of literature, Parts inventory and service and diagnostic equipment and tooling appropriate to servicing and supporting the Product.

6. Joint Responsibilities.

6.1. Every two (2) years during the term hereof the Parties will undertake a comprehensive Joint review of pre-selected Dealers. The baseline and structure for the first review shall be agreed within twelve (12) months hereof.

6.2. While recognizing that the Distributor has sole responsibility (subject to Article 4.1.3 above) for the appointment and performance of the Dealers, the Distributor agrees that it will actively consider proposals and recommendations from Perkins with respect to non-performing Dealers. Perkins shall, in cases of continued non-performance by a Dealer, be entitled to require the Distributor to terminate the Dealer's participation in the Perkins program. Distributor shall consider any recommendations or proposals from Perkins for the appointment of new Dealers.

7. Ordering, Delivery, Other Terms for Engines, Manufactured Parts and Kits.

For the avoidance of doubt, all orders to be placed by the .Distributor on Perkins under this Article 7 shall be subject both to the terms hereof and to the then applicable Perkins Standard Terms of Sale, a copy of the current form being attached as Schedule 4. In the event of any conflict between the terms of this Agreement and Perkins Standard Terms of Sale, the

former shall apply. The Distributor formally agrees that any standard terms of purchase or other terms that it may seek to impose on Perkins in relation hereto are hereby automatically excluded.

7.1. Engines.

7.1.1 The Distributor will collect all orders for Engines from its Dealers and customers and will combine them with its own orders, The combined order will be transmitted in a pre-agreed format and detail direct to the Perkins North American office. Perkins will provide the Distributor with dispatch and delivery information.

7.1.2 An acknowledgement of order will be issued for each order received from the Distributor plus an estimated dockside arrival date in North America.

7.1.3 Unless agreed otherwise in writing, all deliveries by Perkins to the Distributor will be on a “**CIP Duty Paid, Port of Entry**” basis as per INCOTERMS 2000 to a mutually agreed port. Engines will normally be dispatched on a full container load basis unless there has been a specific customer request for an alternative such as airfreight.

7.1.4 Once a particular order has been acknowledged by Perkins, any request by the Distributor to a change in the specified delivery date must be in writing and is subject to Perkins prior written approval.

7.1.5 Perkins shall be responsible for all packing and shipping arrangements within the defined “GIP Duty Paid, Port of Entry” obligation. The Distributor shall be responsible for all costs relating to the delivery of the Engines as from the agreed Perkins delivery point whether direct to the end customer or to some other location, unless specifically agreed otherwise by the Parties in writing.

7.1.6 If and when a Distributor requires Perkins Manufacturing Parts - being items required as production components - these will be ordered from Perkins in accordance with this Article 7.1.

7.2. Kits.

7.2.1 The Distributor will collect all orders for Perkins Kits from its Dealers and customers and will combine them with its own orders. The combined orders will be transmitted in a pre-agreed format and detail direct to the Perkins North American office.

Perkins will provide the Distributor with estimated dispatch and delivery information. Order frequency from the Distributor to Perkins will reflect the Distributor's actual demand.

7.2.2 An acknowledgement of order will be issued for each order received from the Distributor plus an estimated dockside arrival date in North America.

7.2.3 Unless agreed otherwise in writing, all deliveries by Perkins to the Distributor will be on a “**CIP Duty Paid, Port of Entry**” basis as per INCOTERMS

2000 to a mutually agreed port. The provisions of Articles 7.1.4 and 7.1.5 shall also apply unless otherwise agreed.

7.3. Parts.

7.3.1 The Distributor will collect all orders for emergency (“**VOR**”) Parts from its Dealers and combine them with their own orders. The combined VOR order will be transmitted electronically direct to Perkins PDC. Dispatch will be by airfreight from Manchester.

7.3.2 All stock orders will be placed by the Distributor on behalf of itself and its Dealers only on pre-agreed stock order days. Dispatch will be by sea freight and orders will be consolidated by Perkins’ Parts Distribution Center (“**PDC**”) on no more than a weekly basis.

7.3.3 Unless agreed otherwise in writing, all deliveries by Perkins to the Distributor will be on a “**CIP Duty Paid, Port of Entry**” basis as per INCOTERMS 2000 to a mutually agreed port.

8. Price and Terms of Payment for Engines, Parts and Kits.

8.1. Engines, Parts and Kits.

8.1.1 The prices applicable to Engines, Parts and Kits for the period from the Effective Date to December 31, 2007 shall be supplied in a separate Distributor engine pricing book. Perkins may revise such prices at its discretion. These are characterized as Perkins list prices less discount applicable to the Distributor.

8.1.2 The Distributor shall be solely responsible for establishing its selling prices for Engines, Parts and Kits to both its Dealers and direct customers.

8.1.3 Perkins and the Distributor will create and promote incentive programs for the Engines, Parts, Parts and Kits in the Territory on a mutually agreed basis. Any special price adjustments for campaigns, promotions or extraordinary cost movements shall be agreed on a case-by-case basis at appropriate times during any year.

8.2. The terms of payment for all Engines, Parts and Kits dispatched from the UK shall be the 23rd day of the second month after the date of the relevant Perkins invoice. All payments will be due on or before 10:00 a.m. EST on the 23rd day of the relevant month. Where the 23rd falls on a weekend, Saturdays will be paid on Friday and Sundays on the Monday. Where the 23rd falls on a US Public Holiday the payment will be due on the immediately preceding working day. Each year the Parties will agree the precise payment dates for each month of the following year. All payments will be payable in US\$ by electronic bank transfer to an account nominated by Perkins. All payments will be made against the relevant Perkins invoice and supporting documentation. The Distributor shall not be permitted to raise debit notes or make deductions and/or short payments to Perkins for any reason unless otherwise agreed specifically in writing by Perkins. For all deliveries of Engines, Parts and Kits dispatched from a

Perkins North American warehouse the payment terms will be twenty-five (25) days from the ex warehouse dispatch date.

All payments that remain unpaid beyond their due date shall be subject to an interest charge by Perkins. The applicable rate of interest shall be that of Lloyds Bank plc plus 2% per month and will be calculated on a monthly basis.

8.3. Special Pricing.

Notwithstanding that this Article VIII details the prices and terms of payment applicable to the Engines, the Parties acknowledge the need to have in place a process where in given circumstances special pricing can apply in order to permit the Distributor the opportunity to win specific customers orders. Perkins will consider any relevant desk research, competitive studies and its own competitor pricing database in deciding its response to the Distributor. In any event Perkins will use all reasonable efforts to treat all the Distributors equally in relation to this provision and its operation. For its part the Distributor specifically acknowledges that Perkins is under no obligation to support it in any, each or every case.

9. Intentionally Left Blank.

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12. Product Warranty and Changes in Specifications.

12.1. The Perkins Service Warranty Manual as available to the Distributor shall form the basis of all warranties applicable to the Products and is hereby incorporated by reference into this Agreement. The Perkins written warranties as referenced above are the only warranties applicable to the Products and with respect to the Distributor are in lieu of all other warranties express or implied. As and when any amendments .are-issued by Perkins these shall be automatically provided to the Distributor by Perkins, In addition to its obligations under Article 4.1.11 above the Distributor shall develop and thereafter during the term hereof where necessary update/amend its warranty statements for each Product which will in any event reflect Perkins offering and be jointly agreed between the Parties so as to minimize their respective exposures.

12.2. Title.

12.2.1 Perkins may make modifications to the design of any of the Products or make improvements to them at any time. Perkins shall be under no obligation to apply the same to any of the Products previously purchased by the Distributor except on such occasions as Perkins deems It necessary to initiate a campaign to rectify known product defects.

12.2.2 Perkins reserves the right to discontinue the manufacture of any of the Products without incurring any obligation or liability to the Distributor. In such cases Perkins will promptly notify the Distributor and will use its reasonable efforts to do so at least six (6) months before discontinuing manufacture.

12.2.3 The Distributor agrees that, except with the prior approval of Perkins, It will not make any modifications to or in any material way vary the specification of Products supplied to it by Perkins or to be repaired or serviced by it.

12.3. In addition to the obligations set out in [Article 5.5](#) above, as and when Perkins introduces any new Engine either as a replacement for or as an addition to its existing range, it shall inform the Distributor and agree with it an appropriate product introduction plan so as to enable the Distributor the best opportunity to launch the Engine to its customers. This plan will be in addition to the notification of relevant specifications and terms of supply applicable to the Engine.

13. Perkins Trademarks and Other Intellectual Property Rights.

The Distributor acknowledges the value and importance of the Perkins name, brand and image.

13.1. During the term hereof the Distributor and its Dealers shall have the right to use those Perkins Trademarks designated by Perkins from time to time solely in promoting their activities with respect to the Products and for no other purpose whatsoever. The currently applicable Perkins Trademarks are detailed in Schedule 8, Distributor may sublicense the Perkins Trademarks only to Dealers. Perkins shall prohibit Dealers from further sublicensing the Perkins Trademarks.

13.2. The Distributor agrees:

13.2.1 to comply with all instructions issued by Perkins relating to the form and manner in which Perkins Trademarks shall be used and to discontinue immediately upon written notice any practice, relating to the use of Perkins Trademarks which in Perkins' opinion adversely affects its rights or interests;

13.2.2 not to use or permit any entity. controlled by it or any Dealer to use any Perkins Trademark in its corporate name or trading style;

13.2.3 not to effect or permit the removal, renewal or alteration of any trade names or marks, patent numbers, notices, nameplates or general numbers affixed to Products except as agreed by Perkins in writing;

13.2.4 to disclose to Perkins all details of any improvement which is applicable to Products and which Is made or discovered by the Distributor or any of its employees or Dealers, or which comes into their knowledge, whether or not the same be patented or patentable, and if Perkins so desires, Distributor shall use Its reasonable best efforts to enable Perkins (or an associate company designated by Perkins) to acquire exclusive rights to the improvement upon terms to be mutually agreed between the owner thereof and Perkins; and

13.2.5 to impose similar conditions on its Dealers to those set out in this [Article 13.2](#) and to take such action as Perkins may require at any time in respect of the use by the Dealers of Perkins Trademarks.

13.3. Notwithstanding any provision to the contrary herein, nothing in this Agreement shall act to transfer ownership to the Distributor or its Dealers any intellectual property right of Perkins in any of the Products.

14. Indemnities and Product Liability.

14.1. Subject to the express terms and limitations of Articles 12 and 20.2 and the Perkins Service Warranty Manual, Perkins shall indemnify and hold the Distributor, its Dealers, and the Distributor's and Dealers' respective employees, officers and directors, harmless against and from all claims, demands, penalties, liabilities, loss, damage, costs, attorneys' fees and expenses of whatsoever nature which are a consequence of or attributable to, the operation, use or possession of Products and resulting from any defect of material or workmanship of Products or failure to adequately instruct or warn concerning the operation, use or possession of such Products, excluding, however, any such claims and demands to the extent attributable to any modification or alteration of Products performed by the Distributor or its Dealers without the prior written approval of Perkins.

14.2. The Distributor shall indemnify and hold Perkins and its employees, officers and directors harmless against and from all claims, demands, penalties, liabilities, loss, damage, costs, attorneys' fees, and expenses of whatsoever nature, which are a consequence of or attributable to the operation, use or possession of Products and resulting from any modification to or alteration of the Product by the Distributor or the Dealers performed without the prior written approval of Perkins:

14.3. Subject to the express terms and limitations of Articles 12 and 20.2 and the Perkins Service Warranty Manual, Perkins shall indemnify and hold the Distributor, the Dealers, and the Distributor's and Dealers' respective employees, officers and directors, harmless against and from all claims, demands, penalties, liabilities, loss, damage, costs, attorneys' fees and expenses of whatsoever nature, which are a consequence of or attributable to the operation, use or possession of Products and resulting from any representation or misrepresentation made by Perkins Including, but not limited to, representations or misrepresentations relating to the capability, use, application, function, durability, reliability, quality, serviceability, safety or any other characteristic or feature of Products, and including representations as required for government certification, homologation, approval and for any other purpose whatsoever, except as may have been made In reasonable reliance upon information furnished by the Distributor or the Dealers.

14.4. The Distributor shall indemnify and hold Perkins, its employees, officers and directors, harmless against and from all claims, demands, penalties, liabilities, loss, damage, costs, attorneys' fees, and expenses of whatsoever nature, which are a consequence of or attributable to the operation, use or possession of Products and resulting from any representation or misrepresentation made by the Distributor or the Dealers including, but not limited to, representations or misrepresentations relating to the capability, use, application, function, durability, reliability, quality, serviceability, safety or any other characteristic or feature of Products, and including representations as required for government certification, homologation, approval and for any other purpose whatsoever, except as may have been made in reasonable reliance upon information furnished by Perkins.

14.5. Each of the Distributor and Perkins shall indemnify and hold harmless the other and the directors, officers and employees of the other, against and from any and all claims, demands, penalties, liabilities, loss, damage, costs, attorneys' fees, and expenses of whatsoever nature, arising out of injury to or death of or property damage sustained by the indemnifying Party's employees, agents and contractors while such employees, agents or contractors are on the property of the other.

15. Breach and Termination.

15.1. If either Party is in breach of any of its material obligations hereunder, the other Party may serve a written notice requiring the breaching Party to remedy the breach complained of within sixty (60) days thereafter. In relation to the Distributor, a breach of a material obligation will be deemed to have arisen in any event if, having been required so to do in writing by Perkins, it either (a) fails within the agreed period of time to submit a new offer and acceptable (to Perkins) business plan or (b) fails in a material sense to comply with the agreed action plans arising from a business review with Perkins.

If the breach is not remedied within the sixty (60) day period or such other period as may be agreed between the Parties on a case by case basis, then the innocent Party may terminate this Agreement immediately by written notice and the relevant provisions of this Article 15 shall apply.

15.2. This Agreement may be terminated immediately by written notice:

15.2.1 from one Party to the other upon the other Party being dissolved, bankrupted, liquidated or going into administration or receivership, or in the case of the Distributor filing for protection from its creditors under a Chapter 11 type procedure; provided that if a Party goes into voluntary liquidation for the purposes of amalgamation or reconstruction, this will not constitute a cause for termination so long as the new entity immediately confirms in writing its ability and desire to continue with the Agreement;

15.2.2 from Perkins if the Distributor attempts to assign or transfer this Agreement or any rights or obligations hereunder without Perkins prior written consent;

15.2.3 from Perkins if the ownership or control of the Distributor or its parent or ultimate parent is acquired by a third party (whether an individual, corporate entity or partnership) and that third party is in Perkins reasonable opinion considered by Perkins either to be a competitor in a material sense to its business or not reasonably capable of continuing the performance of the Distributor's obligations hereunder. For the purposes hereof "ownership or control" is defined as being either the acquisition of at least 25% of the issued voting stock or the ability to approve the Distributor's annual business plan or control the Distributor's operational activities;

15.2.4 from Perkins if the Distributor defaults under any financing agreement with or guarantee to Perkins, or if the Distributor willfully falsifies any claim, record, report or other material representation; or

15.2.5 if applicable, from Perkins to Distributor in the event that the Sales and Service Agreement by and between Caterpillar Inc. and any affiliate of Distributor is terminated for any reason.

15.3. If this Agreement is terminated by either Party under Articles 15.1 or 15.2, then the following provisions shall apply:

15.3.1 All indebtedness as between the Parties shall become immediately due and payable.

15.3.2 Unless otherwise mutually agreed all unfilled orders for Products shall be cancelled without liability on the part of either Party.

15.3.3 The distributor shall immediately remove and discontinue and shall, if required by Perkins, cause its Dealers to do the same, the use of all signs, stationary, advertising and other material identifying them with Perkins and the Products. They shall also refrain from all conduct that would indicate to the public any continuation of a Product selling activity as a distributor directly or indirectly of Perkins.

15.4. If this Agreement is terminated by either (a) an expiration of the initial term or any extended term without renewal or (b) by reason of a Perkins breach of the Agreement or (c) by reason of a Perkins Insolvency etc. as detailed in Article 15.2.1, then Perkins undertakes subject to the terms of this Article 15.4 to repurchase from the Distributor all Products (as defined below) in the inventory of the Distributor and Its Dealers as at the date of termination. The Distributor shall be responsible for all repurchase of Engines and Parts from its Dealers before any repurchase by Perkins. The enforcement by the Distributor of the Perkins repurchase obligation shall be the sole and exclusive remedy of the Distributor in the events of termination as referenced above.

15.4.1 “**Products**” for the purpose of this provision shall mean:

(a) All Engines that are new, unused, undamaged, unmodified, not deteriorated, complete, current and unencumbered and maintained in warrantable condition while in Inventory.

(b) All Parts that are unused, undamaged, still in original resalable packaging and in unbroken lots and that are listed in then current parts price schedules and are within reasonable stocking quantities based on Perkins ability to sell.

(c) All Kits that are complete, unused, undamaged and in their original resalable packaging, and still listed in the then current price list. Any and all “take off parts” being any loose Products which were originally attached to or part of any other Products are expressly excluded from the above definitions and will not become part of any Product inventory buy back program.

15.4.2 To fall within the above definition all Products must have also been purchased from Perkins or any duly authorized designee. For the purposes of this

provision Products to be repurchased by Perkins shall exclude any items delivered to the Distributor more than twelve (12) months before the date of termination.

15.4.3 The repurchase price payable by Perkins for Engines shall be the Distributor's cost thereof. The repurchase price payable by Perkins for Parts shall be Perkins then current net price for the Distributor less 10% handling charge FOB the relevant location within the Territory.

15.5. Within thirty (30) days of the effective date of any termination howsoever caused, the Parties will establish a joint team whose purpose will be to put in place and execute procedures and programs so as to ensure an orderly discontinuance of the distribution activities. Both Parties undertake to act in good faith and in a timely fashion in all such actions.

15.6. In all cases of termination except those listed in the sub paragraph (a), (b) and (c) of Article 15.4, Perkins shall have the right but not the obligation to repurchase the Product inventory then held by the Distributor. In all such cases the terms of Article 15.4.1, 15.4.2 and 15.4.3 shall apply.

15.7. Any termination of this Agreement shall be without prejudice to any rights of either Party existing as at the date of termination including but not limited to payment of any then outstanding sums including damages and any rights or remedies available under law. Any termination shall not extinguish any provisions of this Agreement that expressly or by implication either come into force or continue after such termination.

16. Assignment and Confidentiality.

16.1. This Agreement may be assigned by the Distributor only with the prior written approval of Perkins. Perkins may assign or transfer this Agreement to any subsidiary or affiliate of Caterpillar Inc. upon written notice to the Distributor.

16.2. Where either Party discloses to the other any commercial, pricing, technical or other information, data or drawings (regardless of their form or method of disclosure the "**Information**"), then to the extent the same is identified at the time as being confidential the receiving Party shall keep it confidential. It shall not disclose it outside its organization without the prior written consent of the disclosing Party. The above obligation shall not apply where the receiving Party can show that the Information is:

- (a) or becomes publicly available other than through acts by the receiving Party in violation of this Agreement;
- (b) already in the receiving Party's possession at the time of its disclosure by the disclosing Party;
- (c) disclosed to the receiving Party by a third party who, to the receiving Party's knowledge, is not prohibited from disclosing the Information by a confidentiality agreement with the disclosing Party;

- (d) developed or derived without the aid, application or use of the Information; or
- (e) on the advice of legal counsel, required to be disclosed by law or legal process.

16.3. Intentionally Left Blank.

16.4. The Distributor shall ensure that all its staff and Dealers are made aware of and abide by the provisions of this Article 16 with respect to any disclosed Perkins Information.

16.5. The obligations in Article 16.2 shall survive termination of this Agreement for a period of two (2) years.

17. Severability, Applicable Law and Applicable Venue.

17.1. Notwithstanding that any provision of the Agreement may prove to be or become illegal or unlawful, the remaining provisions shall continue in full force and effect. In this event the Parties shall attempt to replace such provision and thereby redefine their respective rights and obligations in the context of the new situation.

17.2. This Agreement shall be governed and construed In accordance with the laws of the State of Illinois, notwithstanding the conflicts of laws provisions thereof. In the event of any dispute or difference arising out of or relating to the Agreement, the Parties shall use their commercially reasonable efforts to settle such dispute or difference. They shall consult and negotiate with each other in good faith to reach a mutually acceptable solution.

17.3. Each Party hereby submits to venue in and to the exclusive personal jurisdiction of a federal or state court of competent subject matter jurisdiction located within the State of Illinois in respect of the Interpretation and enforcement of the provisions of this Agreement. Each Party waives and agrees not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement of this Agreement, that (a) it is not subject to such jurisdiction; (b) such action, suit or proceeding may not be brought or is not maintainable in said court; (c) this Agreement may not be enforced in or by said court; (d) its property is exempt or immune from execution; (e) the suit, action or proceeding is brought in an inconvenient forum; or (f) the venue of the suit, action or proceeding is improper.

18. Force Majeure.

If the performance of the Agreement or of any obligations hereunder (other than the making of a payment due hereunder) is prevented, restricted or interfered with by circumstances of force majeure, the Party whose performance is affected thereby shall be excused from such performance to the extent of such prevention, restriction or interference.

The Party so affected shall use its reasonable best efforts to avoid or remove such circumstances of force majeure and shall continue performance hereunder with the utmost dispatch whenever the same has been avoided or removed.

19. Changes to the Agreement.

Except as described herein, no variation, modification or alteration of any of the terms of the Agreement shall be valid and binding on the Parties unless made in writing and signed on behalf of both Parties.

20. Waiver of Default and General Liability.

20.1. No waiver by one Party of any breach, default or omission by the other in the performance or observance of any of its obligations hereunder shall be valid unless agreed to in writing signed on behalf of the other. No such waiver shall apply to or be deemed a waiver of any other breach, default or omission hereunder. The failure of one Party to enforce at any time any of the provisions hereof or to require at any time performance by the other of any of its obligations hereunder shall not be construed to be a waiver of such provisions or obligations.

20.2. NOTWITHSTANDING ANY OTHER PROVISION IN THIS AGREEMENT, NEITHER PARTY SHALL HAVE ANY LIABILITY FOR ANY INDIRECT OR CONSEQUENTIAL LOSS OR DAMAGE SUFFERED BY THE OTHER, INCLUDING BUT NOT LIMITED TO LOSS OF PROFITS, TRADE, CONTRACTS OR PRODUCTION HOWSOEVER ARISING OUT OF OR IN RELATION TO THIS AGREEMENT.

21. Additional Special Conditions.

Notwithstanding any other provision in this agreement, the parties hereby agree that the Additional Special Conditions set forth on Schedule 7 and attached hereto shall be and are considered part of this Agreement, and further agree that to the extent there is a conflict between any terms and conditions contained on Schedule 7 and any terms and conditions contained herein, those set forth on Schedule 7 shall supersede and govern over such contradictory terms and conditions contained herein.

22. Notices.

22.1. Any notice required or permitted to be served under this Agreement by either Party must be in writing and can only be served by hand or by pre-paid registered mail or by courier or by facsimile.

22.2. All notices must be addressed to an officer of the receiving Party at the address set out below and shall be deemed to have been delivered within five working days after posting it by registered mail or courier or 24 working hours after dispatch by facsimile.

For Distributor

Power Great Lakes, Inc.
655 Wheat Lane
Wood Dale, Illinois 60195
Attention: Gary Winemaster
President

For Perkins

Perkins Engines Inc.
P. O. Box 610, Rench Road
Mossville, Illinois 61552
Fax Number (309) 578-7302
Attention: PSNA Regional Manager

Signatures Appear on the Following Page

IN WITNESS WHEREOF this Agreement has been entered into the day and year first above written.

Power Great Lakes, Inc.

By: /s/ Ken Winemaster
Name: Ken Winemaster
Title: Senior Vice President

Perkins Engines Inc.

By: /s/ Jeremy A. Canham
Name: Jeremy A. Canham
Title: Vice President

By: /s/ Richard J. Case
Name: Richard J. Case
Title: Managing Director

SCHEDULE 1

DETAILS OF CURRENT ENGINES

<u>Included</u>	<u>Excluded</u>
• 3.152	• 2000 Series
• 100 Series	• 3000 Series
• 400 Series	• 4000 Series
• 800 Series	
• 1000 Series	
• 1100 Series	
• 1300 Series	

SCHEDULE 2

TERRITORY

Distributor has an exclusive Territory incorporating the full States of North Dakota, South Dakota, Minnesota, Wisconsin, Iowa, Michigan, Ohio, and Indiana.

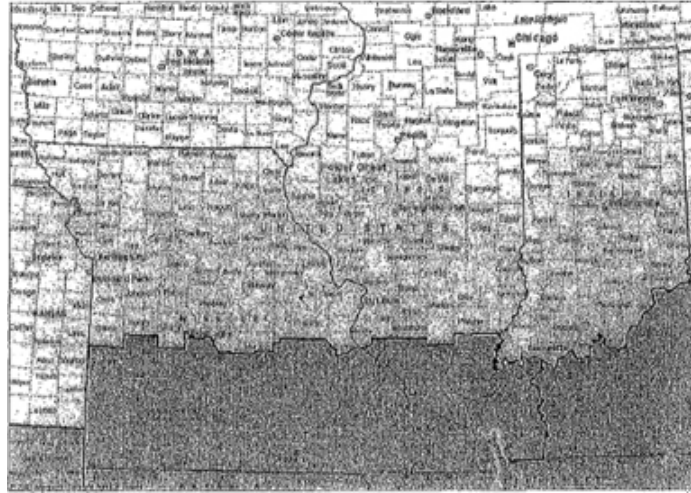
In the State of Illinois

Counties of Monroe, St. Clair, Washington, Jefferson, Wayne, Edwards, Wabash, and all others North as shown on the map below.

Distributor acknowledges that it also has a non-exclusive territory incorporating:

- The States of Nebraska and Kansas.
- In the State of Missouri: counties of Bates, Nary, Benton, Morgon, Miller, Maries, Gasconade, Franklin, Jefferson, and all others North of these counties.

Perkins reserves the right to reassign the above areas to a third party or parties. Until officially notified in writing by Perkins, Distributor may continue to provide sales and service support in the above territory on a non-exclusive basis.



SCHEDULE 3

CURRENTLY IDENTIFIED DIRECT CUSTOMERS

**

SCHEDULE 4

PERKINS STANDARD TERMS OF SALE

Detailed on page following

1. **Definitions**
In these terms and conditions "the Company" means the company whose name appears on the header of this document, "the Buyer" means the person, firm or company to whom this document is addressed and the Goods means the goods and/or services to be purchased by the Buyer under the contract in which these terms and conditions are incorporated (the Contract). All headings are included for reference purposes only.
 2. **Terms of Sale**
 - 2.1 The Company shall sell and the Buyer shall purchase the Goods in accordance with any written quotation or price list of the Company which is accepted by the Buyer, or any written order (including delivery schedules) of the Buyer which is accepted in writing by the Company subject to either case solely to these conditions. These conditions shall apply to the inclusion of any other terms and conditions however incorporated by the Buyer.
 - 2.2 No variation to these conditions shall be binding unless agreed to in writing by a duly authorised representative of the Company.
 - 2.3 The Buyer acknowledges that this sale was not entered into in reliance on any representations made by any employee or agent of the Company or appearing in any sales brochure or related sales literature specifically incorporated into this document.
 - 2.4 This Agreement shall not create or give rise to nor shall it be intended to create or give rise to any third party rights except to the extent expressly stated herein. The application of any legislation, including but not limited to the Contracts (Rights of Third Parties) Act 1999, giving to or conferring on third parties contractual or other rights in connection with this Agreement shall be excluded.
 3. **Orders and Specifications**
 - 3.1 No order for the Goods submitted by the Buyer shall be deemed to be accepted by the Company unless and until confirmed in writing by the Company.
 - 3.2 The quality, quantity, scope, description of and any specification for the Goods shall be set out in the Company's quotation, or Buyer's order and delivery schedule if and when they have been supplied by the Company in writing.
 - 3.3 The Company reserves the right at any time to make any changes in the specification or design of the Goods where either such changes are required to ensure that the Goods conform with any applicable safety or other regulatory requirements or where such changes do not materially affect their quality or performance. Delivery of Goods conforming to such altered specification or design shall constitute proper performance of the Contract by the Company.
 - 3.4 An order which has been accepted by the Company may be cancelled in whole or in part by the Buyer except with the prior written agreement of the Company. Such agreement will only be given on terms which compensate the Company in full for all losses and expenses incurred resulting from the cancellation.
 4. **Prices**
 - 4.1 The price of the Goods shall be the Company's quoted price or, where no price has been quoted (or a quoted price is no longer valid) the price fixed in the Company's published price list current at the date of acceptance of the order. Unless otherwise stated all quoted prices are valid for 30 days only.
 - 4.2 Except as otherwise agreed in writing between the Company and the Buyer, all prices are given by the Company on a delivered ex works basis and will exclude all duties, taxes and customs fees. Where the Company agrees to deliver the Goods elsewhere, the Company shall include the Buyer's responsibility for the costs of transport, packaging, insurance and customs fees, duties and taxes.
 - 4.3 All prices are exclusive of value added tax which will be added where appropriate to all invoices at the then current rate.
 - 4.4 The Company reserves the right by giving written notice to the Buyer at any time before delivery, to increase the price of the Goods to reflect any increase in the cost to the Company which is due to any factor beyond the Company's control, any change in delivery date, quantity or specification which is requested by the Buyer or any delay caused by any instructions of the Buyer or failure of the Buyer to give the Company adequate information or instruction.
 5. **Payment**
 - 5.1 Except as otherwise agreed in writing between the Company and the Buyer, the Company may invoice the Buyer for the price of the Goods on or at any time after delivery or in the case of services after performance. Where delivery is ex works, the Company may invoice the Buyer forthwith after notifying the Buyer that the Goods are ready for collection.
 - 5.2 The Buyer shall pay the price of the Goods in pounds sterling within 30 days of the date of the Company's invoice, notwithstanding that delivery may not have taken place and title in the Goods has not passed to the Buyer. Time for payment of the invoice shall be of the essence. The Buyer shall also be responsible for all costs associated with making such payment to the Company.
 - 5.3 If the Buyer fails to make any payment on the due date then, without prejudice to any other right or remedy available to the Company, the Company shall be entitled to:
 - 5.3.1 Cancel the Contract or suspend any further deliveries to the Buyer, and/or at its sole discretion;
 - 5.3.2 Charge the Buyer interest on the amount unpaid at the rate of 4% per annum above Lloyd's TSB Bank base rate then in force to time until payment is made in full by the Buyer.
 6. **Delivery**
 - 6.1 All delivery terms are to be interpreted by reference to the then current edition of INCOTERMS. Delivery of the Goods shall be made either (a) by the Buyer collecting the Goods at the Company's premises at any time after the Company has notified the Buyer that the Goods are ready for collection or (b) at some other place for delivery as agreed in writing by the Company, by the Company delivering or causing to be delivered the Goods to that place. Where the Goods are to be delivered to the Buyer's facility or nominated site, the Buyer shall be responsible for all unloading activities and the costs thereof. The Company reserves the right in all such cases to deliver the Goods to the nearest point of suitable access.
 - 6.2 Any delay caused for delivery of the Goods are approximate only. The Company shall not be liable for any delay in delivery of the Goods however caused including by reason of late or non-compliance by the Buyer of agreed date or information. Time for delivery shall not be of the essence.
 - 6.3 Where the Goods are to be delivered in instalments, each delivery shall constitute a separate contract. A failure by the Company to deliver any one or more of the instalments in accordance with these conditions or any delay by the Buyer in respect of any one or more instalments shall not entitle the Buyer to treat the Contract as repudiated.
 - 6.4 If the Buyer fails for whatever reason to take delivery of all or any of the Goods, then without prejudice to any other right or remedy available to the Company including the right to enforce payment under Clause 5.2, the Company may:
 - 6.4.1 Store the Goods at the Buyer's cost and risk until actual delivery or 30 days (whichever is shorter) and charge the Buyer for the reasonable storage costs (including insurance, handling and insurance); and/or at its sole discretion;
 - 6.4.2 Sell the Goods at a discount after notifying the Buyer in writing of its intention to do so and claim liquidated damages of 15 per cent of the invoice price of the Goods.
 7. **Claims Relating to Delivery**
 - 7.1 Any claim by the Buyer relating to either non-delivery of or damage to all or part of the Goods or that the Goods are not in accordance with the Contract must be made to the Company in writing within seven days of the Buyer's receipt or deemed receipt of the Goods or, in the case of non-delivery of all the Goods, within five days of the date of the Company's invoice. Failure to do so means that the Buyer shall be deemed to have accepted the Goods. Any claim by the Buyer must incorporate all relevant details and information and permit the Company or its agents reasonable access to inspect the Goods.
 - 7.2 In the event of a valid claim under Clause 7.1 above, the Company's liability shall, at its option, be limited to delivery of the Goods or repaired or replacement Goods (as this case may be) at no cost to the Buyer in the originally agreed delivery point. All repaired Goods shall become the Company's property and under its instruction.
 8. **Risk and Title**
 - 8.1 Risk of damage to or loss of the Goods shall pass to the Buyer when the Company notifies
 - 8.2 The Buyer that the Goods are available for collection or on delivery whichever is sooner. Notwithstanding delivery and the passing of risk in the Goods, title in the Goods shall not pass to the Buyer until the Company has received in cash or cleared funds payment in full of the price of not only the Goods but all other goods or services agreed to be sold by the Company or any other legal entity within the Feilaba Group or companies to the Buyer for which payment is then due. Notwithstanding any passing of title in the particular Goods sold, shall not serve to transfer to the Buyer or any user of the Goods any intellectual property rights in such items, which rights shall remain solely vested in the Company and its suppliers.
 - 8.3 Until such time as title in the Goods passes to the Buyer, the Buyer shall hold the Goods as the Company's fiduciary agent and shall keep the Goods separate from those of the Buyer and shall store and properly store, protect and insure as the Company's property. Prior to the title passing the Buyer shall be entitled to use or use the Goods in the ordinary course of its business. It shall account to the Company for the proceeds of sale or otherwise of the Goods (whether tangible or intangible including insurance proceeds) and shall keep all such proceeds separate from any other monies or property.
 - 8.4 Until such time as title in the Goods passes to the Buyer (and provided the Goods are still in existence and have not been resold), the Company shall be entitled at any time to require the Buyer to hand over the Goods to the Company. If the Buyer fails to do so, the Company may lawfully without any restrictions enter any premises of the Buyer or any third party where the Goods are stored and repossess the Goods without any liability thereby arising.
9. **Warranty and Liability**
 - 9.1 Subject to the conditions set out below and the terms of the then current Company's Service Warranty Manual (which terms are deemed to be incorporated herein) the Company warrants that the Goods will be free from defects in workmanship and materials for a period of twelve months from the date of delivery to the first user thereof or twenty four months from delivery to the Buyer whichever is the first to expire. In the event of any conflict as between those conditions and the terms of the Company's then current Service Warranty Manual, the latter shall prevail.
 - 9.2 Above warranty shall not unless otherwise expressly agreed to in writing by the Company extend to:
 - 9.2.1 Any accessories or proprietary fittings whatsoever and however supplied;
 - 9.2.2 Goods used for a purpose for which they were not designed;
 - 9.2.3 Goods which in the opinion of the Company have been altered, used, mislabelled, modified or stored otherwise than in accordance with the Company's recommendations including the use of non-approved items in the service, repair or maintenance of the Goods;
 - 9.2.4 Goods from which the Company's original or markings have been altered or removed;
 - 9.2.5 Defects arising from any design, design or specification supplied by the Buyer or its customer;
 - 9.2.6 Defects arising from fair wear and tear, without damage, negligence, abnormal working conditions (including overuse, overheat, use outside approved application), failure to follow the Company's recommendations and service warranty procedures (whether oral or in writing), misuse or alteration or repair of the Goods without the Company's prior approval;
 - 9.2.7 Faults, omissions or equipment not manufactured by the Company, where the Buyer shall only be entitled to any benefit obtainable under any warranty given by the Buyer's supplier;
 - 9.2.8 Costs of removal and refitting of Goods into the specific application or product.
 - 9.3 For claims to be valid they need to be notified to the Company in writing incorporating all relevant details and information and submitted within 60 days of the alleged failure. Where any valid claim by the Buyer for breach of the warranty contained in clause 9.1 above is notified to the Company in accordance with these conditions, the Company may, at its sole option, elect to repair or replace the defective item free of charge to the Buyer. All repaired Goods shall become the Company's property and under its instruction. In the case of defective products the Company's obligation with respect to any valid claim shall be to reposition the alleged defective service at no cost to the Buyer.
 - 9.4 Subject as expressly provided in these conditions, all warranties, conditions or other terms limited by statute or common law are excluded to the fullest extent permitted by law, except where the Goods are sold to a person dealing as a consumer (in which the Contract Terms Act 1977).
 - 9.5 Subject to paragraph 9.3, (a) the Company shall not be liable to the Buyer for any indirect or consequential loss, damage, expense or cost (including but not limited to loss of profits, contracts or production) howsoever arising out of or in connection with the supply of the Goods or their use or misuse by the Buyer; and (b) the Company's maximum liability however arising out of or in relation to this Contract shall be limited to the invoice value of the Goods concerned.
 - 9.6 Nothing in these conditions shall have the effect of excluding or restricting the liability of the Company for death or personal injury arising from the Company's negligence.
 - 9.7 The Buyer will carry out all certification activities relating to products into which the Goods are incorporated and will ensure that the Goods comply with legislation in force in territories where they are to be sold or used. The Buyer shall indemnify the Company against all liability, cost, damages, notice and expenses however arising from any breach of this obligation.
10. **Force Majeure**
 - 10.1 The Company shall not be liable to the Buyer or be deemed to be in breach by reason of any delay in performing or any failure to perform any obligation in relation to the Goods if the delay or failure is due to any cause beyond the Company's reasonable control.
11. **Inevitability of Buyer**
 - 11.1 The Company shall be entitled either to cancel the Contract in whole or in part or to suspend any further deliveries of Goods or performance of services under such Contract without any liability to the Buyer forthwith by written notice if (a) the Buyer makes any voluntary bankruptcy or goes into liquidation or becomes subject to an administration order or becomes bankrupt or goes into liquidation or a receiver is appointed over any of the property or assets of the Buyer; or (b) the Buyer ceases or threatens to cease to carry on business or is unable in the Company's reasonable opinion to meet its debts as they fall due; or (c) the Company has reasonable grounds for believing that any of these events is about to occur in relation to the Buyer.
 - 11.2 The above rights shall be in addition to any other rights of the Company in such circumstances. If any Goods have been delivered or services performed but not paid for, then the price shall become immediately due and payable notwithstanding any previous arrangement to the contrary.
12. **Milestones Compliance**
 - 12.1 Subject to Clause 12.2 below and for the warranty period stated in Clause 9.1 above the Company warrants that any Goods supplied by it under this Contract are milestone compliant and will not cease to be so at any time prior to during or after the year 2020. For the purposes of this warranty "milestone compliant" means that neither functionality nor performance is or will be affected by dates prior to, during or after the year 2020. The Goods are further warranted to comply with the following rules:
 - (1) No value for current data will create any interruption in operation
 - (2) Data-based functionality will continue to operate prior to, during and after the year 2020
 - (3) In all interfaces and data storage, the content in any data must be specified either explicitly or by using Goods algorithms or referencing rules
 - (4) The year 2020 will be recognised as a leap year
 - 12.2 The above warranty is the only warranty given by the Company with respect to the milestone compliance or otherwise of any Goods supplied by it under this Contract. The liability of the Company under Clause 12.1 shall be limited to the repair or replacement, at the Company's option, of the Goods or components proven to be defective.
13. **General**
 - 13.1 Any notice required or permitted to be given by either party to the other under these conditions shall be in writing addressed to the other party at its registered office or such other address as may have been notified in writing.
 - 13.2 No matter by the Company of any breach of these conditions by the Buyer shall be considered as a waiver of any subsequent breach of the same or any other provision.
 - 13.3 If any provision of these conditions is held by any competent authority to be invalid or unenforceable in whole or in part the validity of the other provisions of these conditions shall not be affected.
 - 13.4 This Contract and all matters related to it shall be governed by the laws of England and all disputes and related matters shall be subject to the exclusive jurisdiction of the English Courts.
 - 13.5 The Company may at its option assign or subcontract the whole or any part of this Contract to any third party.

SCHEDULE 5

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SCHEDULE 6

EXISTING DISTRIBUTOR AGREEMENTS

With respect to your existing distribution agreements and current specific assigned territories with the following companies:

Wis Con
GM Powertrain

Perkins confirms that it will not treat products of the above entities as referenced in those agreements as “Competing Items” under the terms of the Perkins Distribution Agreement.

However, Perkins notes Distributors undertaking in Section 2.4 of the Agreement not to take on “Competing Items” within its business during the term of the Agreement.

SCHEDULE 7

ADDITIONAL SPECIAL CONDITIONS

The following additional special terms and conditions shall apply to Distributor.

None.

SCHEDULE 8

PERKINS TRADEMARKS

- Perkins Symbol
- Powerpart
- Perkins
- Power Exchange

Note: Graphic Illustrations of the above Perkins owned trademarks will be provided to the Master Distributor by Perkins within 30 days of the date hereof.

Perkins Engines Company Limited
Peterborough
PE1 5NA United Kingdom



Tel +44 (0)1733 583000
Fax: +44 (0)1733 582240

21 May 2007

Mr. Ken Winemaster
Senior Vice President
Power Great Lakes
655 Wheat Lane
Illinois 60195
USA

Dear Mr Winemaster

Re: Agreement between Power Great Lakes and Perkins Engines Inc. effective 1st January 2004

We refer to your Agreement with Perkins Engines Inc, appointing you as a distributor, effective 1st January 2004.

In accordance with clause 2.3 of the agreement, we hereby confirm that the above Agreement and all matters relating to it have been extended for a further term of **, that being until **.

The terms and conditions of distribution remain unchanged.

Please sign and return the enclosed copy of this letter to indicate your acceptance.

Yours sincerely
for Perkins Engines Inc.

/s/ James L. Tevebaugh

James L. Tevebaugh
Managing Director
Industrial Power Sales and Marketing

**We confirm our agreement
to the above**

Signed /s/ Kenneth Winemaster

Name: Kenneth Winemaster

Date: 6/27/2007

Perkins Engines Company Limited
Peterborough
PE1 5NA United Kingdom



Tel: +44 (0)1733 583000
Telefax: +44 (0)1733 582240

23 October 2007

Mr. Kenneth Winemaster
Senior Vice President
Power Great Lakes
655 Wheat Lane
Illinois 60195
USA

Dear Mr Winemaster

Re: Agreement between Power Great Lakes and Perkins Engines Inc. effective 1st January 2004 “the Agreement”

We refer to your Agreement with Perkins Engines Inc, appointing you as a distributor, effective 1st January 2004.

The parties have agreed to insert the following clauses into the Agreement:

- 4.1.13 The Distributor undertakes to seek undertakings from OEM’s in Territory and manage and administer the OEM pool of uncertified flex engines in accordance with EPA regulations: Programme for equipment manufacturer percent (%) of production flex allowance provision 40 C FR 89.102(d) & (g).
- 4.1.14 The Distributor undertakes to report to: Perkins Legislation Engineer, Legislation Department, Peterborough, UK, PE1 5NA on a quarterly basis the information set out in the attached Schedule 1.
- 4.1.15 The Distributor shall indemnify Perkins, its parent, subsidiaries and affiliates in full against all liability, loss, damages, costs and expenses (including legal expenses) incurred or paid by Perkins as a result of or in connection with any claim that arises as a result of non compliance in Territory with the EPA Programme for equipment manufacturer percent (%) of production flex allowance provision 40 CFR 89.102(d) & (g).

All other terms and conditions of distribution remain unchanged.

Yours sincerely
for Perkins Engines Inc.

/s/ James L. Tevebaugh

James L. Tevebaugh
Managing Director
Industrial Power Sales and Marketing

**We confirm our agreement
to the above**

Signed /s/ Kenneth Winemaster

Name: Kenneth Winemaster

Date: 11/14/2007

Schedule 1

Customer: -NAME-

Build List: - LIST No. -

Flex List: -List No. -

Invoice Date	Invoice No.	Part Number	Serial No.	Approved Volume	Balance Volume

Customer: -NAME-

Arr. No.: -XXX-XXXX

Flex List: XXX-XXXX

Invoice Date	Invoice No.	Part Number	Serial No.	Approved Volume	Balance Volume



655 Wheat Lane • Wood Dale, IL 60191
(630) 350-9400 Tel. • (630) 350-9900 Fax

Power Great Lakes, Inc.TM

www.powergreatlakes.com

The Legislation Department
Perkins Engine Company Ltd.
Frank Perkins Way
Peterborough
PE1 5NA
England

November 12, 2007

Dear Sir/Madam,

Re: Agreement between Power Great Lakes, Inc. and Perkins Engines Inc. effective 1st January 2004.

We refer to our agreement with Perkins Engines, Inc. appointing Power Great Lakes, Inc. as a distributor effective 1st January 2004.

This is to clarify the amendment letter dated 23 October 2007 shall only apply to flex engines 99hp and under.

Sincerely,

/s/ Kenneth J. Winemaster

Kenneth J. Winemaster
Senior Vice President

We confirm our agreement to the above

Signed /s/ James L. Tevebaugh

Name: James L. Tevebaugh

Date: 11/22/07



Perkins Engines Inc.
N4 AC6160, P. O. Box 610
Mossville, IL 61552-0610

Telephone (309) 578-7364
Facsimile (309) 578-7329

19 October 2010

Mr Ken Winemaster
Senior Vice President
Power Great Lakes
655 Wheat Lane
Illinois 60195
USA

Dear Mr Winemaster

Re: Agreement between Power Great Lakes and Perkins Engines Inc. effective 1st January 2004

We refer to your Agreement with Perkins Engines Inc, appointing you as a distributor, effective 1st January 2004.

In accordance with clause 2.3 of the agreement, we hereby confirm that the above Agreement and all matters relating to it have been extended for a further term of **, that being until **.

The terms and conditions of distribution remain unchanged.

Please sign and return the enclosed copy of this letter to indicate your acceptance.

Yours sincerely
for Perkins Engines Inc.

/s/ Ennodio Ramos

Ennodio Ramos
Vice President

**We confirm our agreement
to the above**

Signed /s/ Kenneth Winemaster
Name: Kenneth Winemaster
Date: 11/4/2010

MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

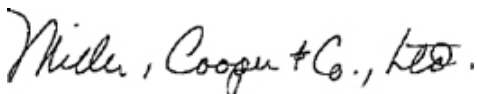
Securities and Exchange Commission
Washington, D.C. 20549

Ladies and Gentlemen:

We were previously principal accountants for The W Group, Inc. (the "Company") and, under the date of April 28, 2010, we reported on the consolidated financial statements of the Company and its subsidiaries as of December 31, 2009 and 2008 and for each of the years in the two-year period ended December 31, 2009. On or about August 1, 2010, we and the Company agreed that we would no longer serve as the Company's independent auditors. We have read the statements included under the heading "Changes in and Disagreements with Accountants on Accounting and Financial Disclosure - The W Group" of the Form 8-K filed by Power Solutions International, Inc. (f/k/a Format, Inc.) dated May 5, 2011 (the "Form 8-K"), and we agree with such statements, except that we are not in a position to agree or disagree with the Company's statement that the Company's board of directors (the "Board") approved the engagement of Deloitte & Touche LLP ("Deloitte") as the Company's independent auditors in connection with the Reverse Merger (as defined in the Form 8-K), nor are we in a position to agree or disagree with the Company's statement that the approval of the engagement of Deloitte followed the review by the Board of our qualifications and the qualifications of Deloitte and other potential candidates, given the Company's intention to engage in the Reverse Merger and related transactions. Further, we are not in a position to agree or disagree with the Company's statement that the Company did not consult Deloitte with respect to the application of accounting principles as to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, any matter that was the subject of a disagreement with us or any "reportable event."

Very truly yours,

MILLER, COOPER & CO., LTD.



Certified Public Accountants

Deerfield, Illinois
May 5, 2011

1751 Lake Cook Road, Suite 400, Deerfield, IL 60015 ☎ 500 West Madison Street, Suite 3350, Chicago, IL 60661
847.205.5000 ☎ Fax 847.205.1400 ☎ www.millercooper.com





JONATHON P. REUBEN, CPA
An Accountancy Corporation

23440 Hawthorne Blvd., Suite 200 • Torrance, CA 90505
(310) 378-3609 • Fax (310) 378-3709

May 5, 2011

Securities and Exchange Commission
100 F. Street, N.E.
Washington, D.C. 20549

Re: Power Solutions International, Inc. (formerly known as Format, Inc.) (the "Company").

Gentlemen:

We have read the statements under the heading "Form 10 Disclosure – Changes in and Disagreements with Accountants on Accounting and Financial Disclosure – Power Solutions International, Inc. (f/k/a Format, Inc.)" of the Company's Form 8-K dated May 5, 2011 and agree with the statements therein.

A handwritten signature in black ink, appearing to read "Jonathon P. Reuben", written over a horizontal line.

Jonathon P. Reuben, CPA,
An Accountancy Corporation

RESIGNATION

April 29, 2011

Power Solutions International, Inc. (f/k/a Format, Inc.)
3553 Camino Mira Costa
Suite E
San Clemente, California 92672

Reference is made to that certain Agreement and Plan of Merger, dated as of April 29, 2011 (the “Merger Agreement”), by and among Power Solutions International, Inc. (f/k/a Format, Inc.), a Nevada corporation (“Parent”), PSI Merger Sub, Inc., a Delaware corporation (“Merger Sub”), and The W Group, Inc., a Delaware corporation. Capitalized terms used, but not otherwise defined herein, shall have the meanings ascribed thereto in the Merger Agreement

The undersigned, Ryan A. Neely, hereby irrevocably resigns (1) (A) from any and all employee and officer positions held by the undersigned, or which the undersigned may be deemed to hold, with Parent and any of its subsidiaries and affiliated entities directly or indirectly related thereto (the subsidiaries and affiliated entities of Parent being collectively referred to as, the “Affiliated Entities”), and (B) from the board of directors (or similar governing body), including any and all committees thereof, of each of the Affiliated Entities on which the undersigned serves as a member, in each case effective immediately following the Closing and the closing of the Private Placement, and (2) from the board of directors of Parent, including any and all committees thereof on which the undersigned serves as a member, effective as of the later of (X) the date that is ten days after the date on which Parent shall have caused the Information Statement to be filed with the Commission and mailed to Parent Shareholders, and (Y) immediately following the Closing.

Sincerely yours,

By: /s/ Ryan A. Neely
Ryan A. Neely

Subsidiaries of the Registrant

	Name of Entity	Also Does Business Under the Name(s)	Jurisdiction of Organization
1.	The W Group, Inc.		Delaware
2.	Power Great Lakes, Inc.	PGL, Inc.; PGL	Illinois
3.	Power Solutions, Inc.	PSI; ENGINECLICK	Illinois
4.	Auto Manufacturing, Inc.		Illinois
5.	Power Production, Inc.	PPI	Illinois
6.	Torque Power Source Parts, Inc.	TORQUE POWER SOURCE	Illinois
7.	Power Global Solutions, Inc.	NG Engines; PGS; SUPPLYGEN; VPR (VALUE PERFORMANCE RELIABILITY); POWERVPR; NGE NATURAL GAS ENGINE	Illinois
8.	PSI International, LLC		Illinois
9.	XISync LLC		Illinois
10.	Power Properties, L.L.C.		Illinois

The W Group, Inc.
Consolidated Financial Statements

CONTENTS

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets of The W Group, Inc. as of December 31, 2010 and 2009

Consolidated Statements of Operations of The W Group, Inc. for the years ended December 31, 2010, 2009, and 2008

Consolidated Statements of Stockholders' Equity of The W Group, Inc. for the years ended December 31, 2010, 2009, and 2008

Consolidated Statements of Cash Flows of The W Group, Inc. for the years ended December 31, 2010, 2009, and 2008

The W Group, Inc. Notes to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
The W Group, Inc.
Wood Dale, IL

We have audited the accompanying consolidated balance sheets of The W Group, Inc. and subsidiaries (the “Company”) as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2010. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The W Group, Inc. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Chicago, Illinois
May 3, 2011

The W Group, Inc.
Consolidated Balance Sheets
December 31, 2010 and 2009
(Dollar amounts in thousands except per share amounts)

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ —	\$ —
Accounts receivable, net	16,282	28,540
Inventories	32,168	31,167
Prepaid and other	1,028	495
Deferred income taxes	687	585
Total current assets	<u>50,165</u>	<u>60,787</u>
PROPERTY AND EQUIPMENT, NET	2,883	3,330
OTHER NONCURRENT ASSETS	2,305	1,469
TOTAL ASSETS	<u>\$55,353</u>	<u>\$65,586</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Cash overdraft	\$ 529	\$ 649
Income taxes payable	619	1,290
Current maturities of long-term debt and capital lease obligations	2,226	2,218
Line of credit	21,633	22,409
Accounts payable	16,681	25,579
Accrued liabilities	2,211	1,549
Total current liabilities	<u>43,899</u>	<u>53,694</u>
LONG-TERM OBLIGATIONS		
Deferred revenue	189	—
Deferred income taxes	233	290
Long-term debt and capital lease obligations, net of current maturities	<u>5,676</u>	<u>7,815</u>
TOTAL LIABILITIES	<u>49,997</u>	<u>61,799</u>
Contingencies and Commitments		
STOCKHOLDERS' EQUITY		
Common stock, \$0.0001 par value: 3,500,000 shares authorized; 1,444,444 shares issued and outstanding		
Additional paid-in capital	7	7
Retained earnings	<u>5,349</u>	<u>3,780</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$55,353</u>	<u>\$65,586</u>

The accompanying notes are an integral part of these consolidated financial statements.

The W Group, Inc.
Consolidated Statements of Operations
Years Ended
December 31, 2010, 2009, and 2008
(Dollar amounts in thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net sales	\$100,521	\$82,902	\$125,318
Cost of sales	<u>83,894</u>	<u>66,520</u>	<u>107,419</u>
Gross profit	16,627	16,382	17,899
Operating expenses			
Engineering	3,846	2,721	3,305
Selling and service	5,465	4,519	5,979
General and administrative	<u>3,250</u>	<u>3,065</u>	<u>4,407</u>
Operating expenses	<u>12,561</u>	<u>10,305</u>	<u>13,691</u>
Operating income	4,066	6,077	4,208
Interest expense	<u>2,131</u>	<u>2,303</u>	<u>2,794</u>
Income before income taxes	1,935	3,774	1,414
Income tax provision	<u>366</u>	<u>1,387</u>	<u>750</u>
Net income	<u>\$ 1,569</u>	<u>\$ 2,387</u>	<u>\$ 664</u>

The accompanying notes are an integral part of these consolidated financial statements.

The W Group, Inc.
Consolidated Statements of Stockholders' Equity
December 31, 2010, 2009, and 2008
(Dollar amounts in thousands)

	Common Stock	Additional paid-in capital	Retained earnings	Total stockholders' equity
Balance at December 31, 2007	\$ —	\$ 7	\$ 729	\$ 736
Net income	—	—	664	664
Balance at December 31, 2008	—	7	1,393	1,400
Net income	—	—	2,387	2,387
Balance at December 31, 2009	—	7	3,780	3,787
Net income	—	—	1,569	1,569
Balance at December 31, 2010	<u>\$ —</u>	<u>\$ 7</u>	<u>\$5,349</u>	<u>\$ 5,356</u>

The accompanying notes are an integral part of these consolidated financial statements.

The W Group, Inc.
Consolidated Statements of Cash Flows
December 31, 2010, 2009, and 2008
(Dollar amounts in thousands)

	2010	2009	2008
Cash flows from operating activities			
Net income	\$ 1,569	\$ 2,387	\$ 664
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Deferred income taxes	(159)	38	348
Depreciation	988	984	672
Increase (decrease) in trade receivable allowances	246	(120)	103
(Increase) decrease in assets			
Accounts receivable	12,012	(9,572)	5,826
Other receivables	—	—	124
Inventories	(1,001)	(4,861)	7,361
Prepaid and other	(533)	(72)	(312)
Other assets	76	360	169
Increase (decrease) in liabilities			
Income taxes payable	(671)	1,234	(9)
Accounts payable	(9,255)	13,218	(12,010)
Accrued liabilities	463	(208)	(249)
Deferred revenue	189	—	—
Net cash provided by operating activities	<u>3,924</u>	<u>3,388</u>	<u>2,687</u>
Cash flows from investing activities			
Purchases of property, plant and equipment	(541)	(363)	(579)
Increase in cash surrender value of life insurance	(42)	—	(16)
Net cash used in investing activities	<u>(583)</u>	<u>(363)</u>	<u>(595)</u>
Cash flows from financing activities			
(Decrease) increase in cash overdraft	(120)	(718)	378
Net change in line of credit	(776)	(592)	(6,126)
Proceeds from long-term debt	95	—	11,100
Proceeds from sale leaseback of equipment	—	—	409
Payments on long-term debt and capital lease obligations	(2,226)	(1,645)	(6,512)
Cash paid for financing fees	(314)	(70)	(1,341)
Net cash used in financing activities	<u>(3,341)</u>	<u>(3,025)</u>	<u>(2,092)</u>
Change in cash	—	—	—
Cash at beginning of year	—	—	—
Cash at end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Supplemental disclosures of cash flow information			
Cash paid for interest	<u>\$ 1,899</u>	<u>\$ 1,772</u>	<u>\$ 2,825</u>
Cash paid for income taxes	<u>\$ 1,196</u>	<u>\$ 234</u>	<u>\$ 268</u>
Supplemental disclosure of noncash transactions			
Deferred Financing Fees	<u>\$ 556</u>	<u>\$ —</u>	<u>\$ —</u>

The accompanying notes are an integral part of these consolidated financial statements.

The W Group, Inc.
Notes to Consolidated Financial Statements
December 31, 2010, 2009, and 2008
(Dollar amounts in thousands)

1. Business

The W Group, Inc. (“The W Group” or the “Company”) is a producer and distributor of high-performance, emission-compliant, power solutions for original equipment manufacturers of off-highway industrial equipment (industrial OEMs). The W Group’s power systems are primarily spark-ignited, which run on alternative fuels such as natural gas and propane. The Company designs, develops, manufactures, distributes and provides after-market support for the Company’s power solutions for industrial OEMs in a wide range of industries with a diversified set of applications.

Financial Accounting Standards Board (FASB) Accounting Standards Codification ASC 280, “Segment Reporting” establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available and is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance.

The Company’s chief operating decision maker is the Chief Executive Officer. The Chief Executive Officer reviews financial information presented on a consolidated basis. The Company operates in one industry segment, which is the assembly and aftermarket support of power solutions for off-highway industrial equipment. Therefore, the Company has concluded that it has only one operating segment.

2. Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of The W Group, Inc., and its wholly-owned subsidiaries, Power Production, Inc., Power Great Lakes, Inc., Power Solutions, Inc., Power Global Solutions, Inc., Auto Manufacturing, Inc., Torque Power Source Parts, Inc., XISync, LLC, PSI International, LLC, and Power Properties, L.L.C. Collectively, these entities produce and distribute off-highway industrial engines and provide aftermarket support for the industrial engine market. All intercompany balances and transactions have been eliminated in the consolidation.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could materially differ from those estimates.

Subsequent events

In preparing the accompanying consolidated financial statements, we evaluated the period from December 31, 2010 through May 3, 2011, the date which the financial statements were issued, for material subsequent events requiring recognition or disclosure. As of December 31, 2010, the Company was not in compliance with the quarterly fixed charge coverage ratio and the quarterly senior debt leverage ratio covenants of its credit agreement (“Prior Credit Agreement”), which includes the Company’s revolving line of credit (discussed in Note 3) and Term Notes A and B (collectively, the “Term Notes”) (discussed in Note 4). On January 20, 2011, the Company received a waiver from the bank for these defaults effective as of that date.

On March 30, 2011, the Company’s Board of Directors approved a dividend of \$224 to two of the Company’s stockholders. The dividend is a noncash transaction and arises from previously issued loans to two stockholders. The loans receivable due from the stockholders have been classified as an offset of Additional Paid-in Capital on the Company’s balance sheet. The dividends were paid in the form of releasing the two stockholders from the repayment of the loans receivable. Accordingly, no cash is required to be exchanged in connection with the dividend, and there is no effect on stockholders’ equity as the loans receivable have been previously classified as an offset of Additional Paid-in Capital.

On April 29, 2011, Power Solutions International, Inc. (formerly known as Format, Inc.) (“PSI Inc.”) completed a reverse merger transaction (“Reverse Merger”) in which PSI Merger Sub, Inc., a Delaware corporation that was newly-created as a wholly-owned subsidiary of PSI Inc., merged with and into The W Group, Inc. The W Group remained as the surviving corporation of the Reverse Merger and became a wholly-owned subsidiary of PSI Inc. Pursuant to the Reverse Merger agreement, in exchange for all of the outstanding shares of common stock of The W Group held by the three stockholders of The W Group at the closing of the Reverse Merger, PSI Inc. issued an aggregate 10,000,000 shares of PSI Inc. common stock and 95,960.90289 shares of PSI Inc. preferred stock to the three

stockholders of The W Group. In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) section 805, “Business Combinations” The W Group is considered the accounting acquiror in the Reverse Merger. The W Group is considered the acquiror for accounting purposes, and will account for the exchange transaction as a reverse acquisition, because The W Group’s former stockholders received the greater portion of the voting rights in the combined entity and The W Group’s senior management represents all of the senior management of the combined entity. The Company expects that the acquisition will be accounted for as the recapitalization of The W Group since, at the time of the acquisition, PSI Inc., was a company with minimal assets and liabilities. Consequently, the assets and liabilities and the historical operations that will be reflected in PSI Inc.’s consolidated financial statements will be those of The W Group and will be recorded at the historical cost basis of The W Group.

Concurrently with the closing of the Reverse Merger, PSI Inc. and The W Group entered into a purchase agreement (“Private Placement”) whereby PSI Inc. completed the sale of an aggregate of 18,000 shares of PSI Inc. preferred stock together with private placement warrants representing the right to purchase an aggregate of 24,000,000 shares of PSI Inc. common stock, subject to certain limitations on exercise, and also issued a Warrant to purchase common stock of PSI Inc. to ROTH Capital Partners, LLC in connection with the Private Placement. The shares of PSI Inc. preferred stock issued in the Private Placement are initially convertible into an aggregate of 48,000,000 shares of PSI Inc. common stock, subject to certain limitations and conditions. In consideration, PSI Inc. and The W Group received proceeds of \$18,000 before estimated transaction fees, costs and expenses of approximately \$4,800 in connection with the Reverse Merger and Private Placement.

On April 29, 2011, in connection with the closing of the Reverse Merger, PSI Inc. and The W Group entered into a loan and security agreement with Harris, N.A., (“Harris Agreement”) which replaced the existing loan and security agreement that The W Group had with its senior lender prior to the closing of the Reverse Merger. Pursuant to the Harris Agreement, among other things, the maximum loan amount was reduced from the maximum loan amount under The W Group’s Prior Credit Agreement to reflect The W Group’s repayment in full of its two previously outstanding term loans under the Prior Credit Agreement and the financial covenants under the Prior Credit Agreement were replaced with a new fixed charge coverage ratio covenant. The Harris Agreement provides for borrowings up to \$35.0 million under a Revolving Line of Credit (“Line of Credit”) which is scheduled to mature on April 29, 2014. The Harris Agreement is collateralized by substantially all of the assets of PSI Inc. PSI Inc. is required to meet certain financial covenants, including a minimum monthly fixed charge coverage ratio and a limitation on annual capital expenditures. The Harris Agreement also contains customary covenants and restrictions applicable to PSI Inc., including agreements to provide financial information, comply with laws, pay taxes and maintain insurance, restrictions on the incurrence of certain indebtedness, guarantees and liens, restrictions on mergers, acquisitions and certain dispositions of assets, and restrictions on the payment of dividends and distributions. In addition, the Harris Agreement requires cash accounts to be held with Harris N.A. The cash deposits are swept by Harris N.A. daily and applied against the outstanding Line of Credit.

Under the Harris Agreement: (a) PSI Inc. is a party to the Harris Agreement and pledged all of its shares of The W Group to Harris N.A. as collateral for the line of credit; (b) there are no term loans; (c) the Line of Credit bears interest at Harris’ prime rate (3.25% at December 31, 2010) plus an applicable margin ranging from 0% to 0.50% or, at PSI Inc.’s option, a portion of the Line of Credit can be designated to bear interest at LIBOR plus an applicable margin ranging from 2.00% to 2.50%; (d) the limitation on annual capital expenditures was increased from the limitation under The W Group’s Prior Credit Agreement; (e) a maximum quarterly senior debt leverage ratio, which was included in the Prior Credit Agreement was eliminated; and (f) a fixed charge coverage ratio similar to the fixed charge coverage ratio in the Prior Credit Agreement was included, except that, this fixed charge coverage ratio under the Harris Agreement excludes historical debt service on the Term Notes (as discussed below) and certain other one-time expenses.

Revenue recognition

The W Group recognizes revenue upon transfer of title and risk of loss, which is when products are shipped, provided there is persuasive evidence of an arrangement, the sales price is fixed or determinable and management believes collectability is reasonably assured. At the request of a customer, the Company may enter into a bill and hold arrangement, whereby the Company will recognize a sale under the same terms and conditions as any other sale, except that the products are held by the Company until the customer initiates the shipment of the product from the Company’s premises. Transfer of title and risk of loss pass to the customer at the time the bill and hold sale is recognized. Any product that has been sold under a bill and hold arrangement is segregated from the Company’s owned inventory.

The Company’s returned goods from customers are nominal.

The Company classifies shipping and handling charges billed to customers as revenue. Shipping and handling costs paid to others are classified as a component of cost of sales when incurred.

Accounts receivable and allowance for doubtful accounts

Accounts receivable are due under normal trade terms requiring payment within 30 to 150 days from the invoice date.

The W Group records an allowance for doubtful accounts for amounts due from third parties that are not expected to be collected. The Company estimates the allowance for doubtful accounts based upon historical experience and management review of specific customer balances. The activity in the Company's allowance for doubtful accounts is as follows:

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$411	\$ 531
Charged to expense	4	72
Write-offs	(75)	(192)
Balance, end of year	<u>\$340</u>	<u>\$ 411</u>

Inventories

Inventory consists primarily of engines and parts. Engines are valued at the lower of cost plus estimated freight-in, as determined by specific serial number identification or market value. Parts are valued at the lower of cost (first-in, first-out) plus freight-in, or market value. The components of inventory were as follows at December 31:

	<u>2010</u>	<u>2009</u>
Raw material	\$26,156	\$28,385
Finished	6,012	2,782
Total	<u>\$32,168</u>	<u>\$31,167</u>

When necessary, the Company writes down the valuation of its inventory in an amount equal to the difference between the cost of inventory and the estimated realizable value based upon assumptions about future demand and market conditions.

Property, plant and equipment

	<u>2010</u>	<u>2009</u>
Building and improvements	\$ 1,899	\$ 1,882
Office furniture and equipment	2,633	2,551
Warehouse tooling and equipment	3,314	3,142
Transportation equipment	431	365
Construction in progress	160	130
	8,437	8,070
Accumulated depreciation	(5,814)	(5,000)
Property, plant and equipment, net	2,623	3,070
Land	260	260
Total	<u>\$ 2,883</u>	<u>\$ 3,330</u>

Property, plant and equipment are recorded at cost. The Company computes depreciation using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are depreciated over the shorter of their estimated useful lives or the period from the date the assets are placed in service to the end of the initial lease term. Depreciation expense totaled \$988, \$984, and \$672 for the years ended December 31, 2010, 2009, and 2008, respectively.

Depreciation of equipment acquired under a capital lease is provided using the straight line method over the shorter of the useful life of the equipment or the duration of the lease. The related depreciation for capital lease assets is included in depreciation expense. The carrying value of property under capital lease was \$456 and \$741 at December 31, 2010 and 2009, respectively, net of accumulated depreciation of \$1,148 and \$869, respectively.

Repairs and maintenance costs are charged directly to expense as incurred. Major renewals or replacements that substantially extend the useful life of an asset are capitalized and depreciated.

Estimated useful lives by major asset category are as follows:

Asset	Life (in years)
Buildings	39
Office furniture and equipment	8
Warehouse equipment and tooling	3-8
Transportation equipment	5
Leasehold improvements	8-10
Property under capital lease	3-8

Long-lived assets

Long-lived assets, such as property, plant and equipment and land, are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. If such review indicates that the carrying amount of long-lived assets is not recoverable, the carrying amount of such assets is reduced to fair value. There were no adjustments to the carrying value of long-lived assets during the years ended December 31, 2010 and 2009.

Other noncurrent assets

Other assets consist primarily of deferred emissions certification costs, loan origination fees and deferred financing expenses which are amortized over the periods for which benefits are expected to be realized.

The Company is required to certify that certain engines sold comply with various emissions laws, in accordance with regulations issued by the Environmental Protection Agency (EPA) and the California Air Resources Board (CARB). Once issued, the emissions certifications for these engines are typically valid for periods of three to five years. The costs of obtaining the emissions certificates are classified as other assets and expensed through operating expenses over the estimated life of the respective certificate. Deferred emissions classified as noncurrent assets totaled \$523 and \$517 at December 31, 2010 and 2009, respectively. Estimated annual amortization of deferred emissions as of December 31, 2010 is as follows:

2011	\$ 481
2012	474
2013	<u>49</u>
	<u>\$ 1,004</u>

Loan origination fees are classified as assets and amortized over the lives of the related loans of three to five years. Unamortized loan fees totaled \$558 and \$788 at December 31, 2010 and 2009, respectively, net of accumulated amortization of \$872 and \$642, respectively. Amortization expense related to loan origination fees and classified as interest expense was \$230, \$502 and \$350 for the years ended December 31, 2010, 2009, and 2008, respectively. Estimated annual amortization of amounts deferred as of December 31, 2010 is as follows:

2011	\$220
2012	220
2013	<u>118</u>
	<u>\$558</u>

Deferred financing expenses represent costs incurred in connection with the Reverse Merger discussed in the **Subsequent events** section above. Deferred financing costs incurred were \$870 at December 31, 2010.

Cash overdrafts

Under the Company's cash management system, cash overdraft balances exist for the Company's primary disbursement accounts. These overdrafts represent uncleared checks in excess of cash balances in the related bank accounts. Funds are transferred, from borrowings on our line of credit, to cover cash overdrafts on an as-needed basis to pay for clearing checks.

Warranty costs

The Company offers a standard limited warranty on the workmanship of its products that in most cases covers defects for a period of (i) one year from the date of shipment or (ii) six months from the date products are placed into service, whichever occurs first. Warranties for certified emission products are mandated by either the EPA and or the CARB and will be longer than the Company's standard warranty on certain emission related products. The Company's products also carry limited warranties from suppliers. Costs related to supplier warranty claims are borne by the supplier. The Company's warranties apply only to the modifications it makes to supplier base products. The Company charges the estimated costs of warranty programs against income at the time products are shipped to customers. The Company assesses the warranty exposure using historical experience to estimate the remaining liability.

Research and development costs

The W Group expenses research and development costs when incurred except for initial emission certification costs which are capitalized and amortized over the estimated life of the certification. Research and development costs classified within engineering expenses in the consolidated statements of operations, consist primarily of wages related to engineering work and approximated \$3,005, \$2,387, and \$2,623 for the years ended December 31, 2010, 2009, and 2008, respectively.

Concentrations

The W Group maintains cash balances in various accounts at one financial institution in the Midwest. Interest-bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250 per institution and per depositor. In addition, FDIC insurance on noninterest-bearing accounts is unlimited through December 31, 2012. At December 31, 2010, the Company had no uninsured cash balances.

The W Group is exposed to potential credit risks associated with its accounts receivable. The Company performs ongoing credit evaluations of its customers and does not require collateral on its accounts receivable. The Company has not experienced significant credit-related losses to date.

Two customers ("Customer A", and "Customer B") individually accounted for more than 10% of the Company's sales during one or more years for 2008 through 2010. Customer A represented 19%, 25% and 21% of consolidated net sales in 2010, 2009, and 2008, respectively. Customer B represented 11% of consolidated net sales in 2008.

Three customers ("Customer A" referred to above, "Customer C" and "Customer D") individually accounted for more than 10% of consolidated accounts receivable at December 31, 2010 or 2009. At December 31, 2010 and 2009, Customer A represented 12% and 43% of consolidated accounts receivable. Customer C represented 14% of consolidated accounts receivable at December 31, 2010, and Customer D represented 12% and 15% of consolidated accounts receivable at December 31, 2010 and 2009, respectively.

Two vendors ("Vendor A" and "Vendor B") individually accounted for more than 10% of the Company's purchases during one or more years for 2008 through 2010. Vendor A accounted for 31%, 39% and 39% of the Company's purchases in 2010, 2009, and 2008, respectively. Vendor B accounted for 16% of the Company's purchases in 2010.

Fair value of financial instruments

The Company's financial instruments include accounts receivable, accounts payable, letters of credit, notes payable and capital lease obligations. The carrying amounts of accounts receivable and accounts payable approximate fair value because of their short-term nature. The carrying value of the line of credit, notes payable and capital lease obligations approximate fair value because the interest rates fluctuate with market interest rates or the fixed rates are based on current rates offered to the Company for debt with similar terms and maturities.

The Company maintained an interest-rate risk management strategy that used derivative instruments to minimize significant unanticipated earnings fluctuations caused by interest-rate volatility. The W Group's goal was to lower the cost of borrowed funds designated to bear interest based upon the London InterBank Offered Rate (LIBOR). During 2007, the Company entered into an interest rate swap agreement related to its prior debt facility. The differential to be paid or received on the swap agreement was accrued as interest rates changed. The agreement was set to expire in August 2009 and had a fixed rate of 5.24%. The notional amount of the swap was \$15,000. On July 15, 2008, the swap agreement was extinguished in conjunction with the Company's debt refinancing. Upon extinguishment, a loss of \$424 was realized.

Self-funded insurance

The W Group is self-insured for certain costs of its employee health insurance plan, although the Company obtains third-party insurance coverage to limit its exposure. The Company maintains a stop-loss insurance policy with individual and aggregate stop-loss coverage.

Income taxes

The W Group accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured pursuant to tax laws using rates expected to apply to taxable income in the years in which The W Group expects those temporary differences to be recovered or settled. The Company recognizes the effects of a change in income tax rates on deferred tax assets and liabilities in its consolidated statements of operations in the period that includes the enactment date. The W Group records a valuation allowance to reduce the carrying amounts of deferred tax assets when, in the opinion of management, it is more likely than not that such assets will not be realized.

In determining the provision for income taxes, The W Group uses an annual effective income tax rate based on annual income, permanent differences between book and tax income and statutory income tax rates. The effective income tax rate also reflects the Company's assessment of the ultimate outcome of tax audits. The W Group adjusts its annual effective income tax rate as additional information on outcomes or events becomes available. Discrete events such as audit settlements or changes in tax laws are recognized in the period in which they occur. The W Group reduces its net tax assets for the estimated additional tax and interest that may result from tax authorities disputing uncertain tax positions the Company has taken. During interim reporting periods, income tax provisions are based upon the estimated annual effective tax rate of those taxable jurisdictions where The W Group conducts business.

New accounting pronouncements

Revenue Recognition—In September 2009, the FASB reached a consensus on Accounting Standards Update (ASU) No. 2009-13, "Revenue Recognition (Topic No. 605)—Multiple-Deliverable Revenue Arrangements," (ASU 2009-13). ASU 2009-13 modifies the requirements that must be met for an entity to recognize revenue from the sale of a delivered item that is part of a multiple-element arrangement when other items have not yet been delivered. ASU 2009-13 eliminates the requirement that all undelivered elements must have either: (i) vendor-specific objective evidence (VSOE) or (ii) third-party evidence (TPE), before an entity can recognize the portion of an overall arrangement consideration that is attributable to items that already have been delivered. In the absence of VSOE or TPE of the standalone selling price for one or more delivered or undelivered elements in a multiple-element arrangement, entities will be required to estimate the selling prices of those elements. Overall arrangement consideration will be allocated to each element (both delivered and undelivered items) based on their relative selling prices, regardless of whether those selling prices are evidenced by VSOE or TPE or are based on the entity's estimated selling price. The residual method of allocating arrangement consideration has been eliminated. Early adoption is permitted. This new update is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Based on the current nature of the Company's operations, The W Group does not expect the adoption of this requirement will have a material effect on its consolidated financial statements.

3. Line of credit

Our primary sources of liquidity are cash flows from operations, principally collections of customer accounts receivable and borrowing capacity under our revolving credit facility. Our existing and historical financing arrangements require that cash received by us be applied against our revolving line of credit. Accordingly, we do not maintain cash or cash equivalents on our balance sheet, but instead fund our operations through borrowings under our revolving line of credit.

Prior to August 20, 2009, the Company's Prior Credit Agreement with a bank that provided for borrowings up to \$37,500 bearing interest at the bank's prime rate plus an applicable margin ranging from -0.25% to 0.00%. At the Company's option, a portion of the line could have been designated to bear interest at LIBOR plus an applicable margin ranging from 2.25% to 2.50%. On August 20, 2009, the Prior Credit Agreement was amended to provide borrowings up to \$29,000, bearing interest at the bank's prime rate (3.25% at December 31, 2010 and 2009), plus an applicable margin ranging from 2.25% to 2.50%. At The W Group's option, a portion of the line can be designated to bear interest at LIBOR, subject to a 2.00% floor, plus an applicable margin ranging from 3.25% to 3.50%. At December 31, 2010 and 2009, the entire outstanding balance of \$21,633 and \$22,409, respectively had been designated to bear interest at LIBOR. The unused line balance was \$7,367 and \$6,591 at December 31, 2010 and 2009, respectively. The interest rate on the line of credit was 5.50% at December 31, 2010 and 2009.

The line of credit of the Prior Credit Agreement is scheduled to mature on July 15, 2013, and is cross-defaulted with Term Notes A and B discussed below and collateralized by substantially all business assets. Borrowings under the line of credit of the Prior Credit Agreement are restricted by borrowing base calculations, as defined in the agreement. In addition, the Company is required to meet certain financial covenants, which include a minimum quarterly fixed charge coverage ratio, a maximum quarterly senior debt leverage ratio, and a limitation on annual capital expenditures. The Prior Credit Agreement also contains customary requirements and restrictions applicable to us, including agreements to provide financial information, comply with laws, pay taxes and maintain insurance, restrictions on the incurrence of certain indebtedness, guarantees and liens, restrictions on mergers, acquisitions and certain dispositions of assets, and restrictions on the payment of dividends and distributions.

As of December 31, 2010, the Company was not in compliance with the quarterly fixed charge coverage ratio and the quarterly senior debt leverage ratio covenants of the Prior Credit Agreement. On January 20, 2011, the Company received a waiver from the bank for the events of non-compliance.

4. Long-term debt

Long-term debt consisted of the following at December 31:

	2010	2009
Term Note A	\$5,638	\$ 7,237
Term Note B	2,100	2,220
Notes payable	86	—
Capital lease obligations	78	576
	<u>7,902</u>	<u>10,033</u>
Less current maturities	<u>2,226</u>	<u>2,218</u>
Total	<u>\$5,676</u>	<u>\$ 7,815</u>

Term Note A is payable in quarterly installments ranging from \$213 to \$629 plus interest at the prime rate plus an applicable margin of 4.25%, with the balance of the note due on July 13, 2013. At the option of the Company, a portion of this note can be designated to bear interest at LIBOR plus an applicable margin of 6.00%. At December 31, 2010, none of the outstanding balance had been designated to bear interest at LIBOR. The note is collateralized by substantially all business assets and cross-defaulted with the line of credit and Term Note B. The note is subject to the financial covenants discussed in Note 3. The interest rate was 7.50% at December 31, 2010 and 2009.

Term Note B is payable in quarterly installments of \$30 plus interest at the prime rate plus an applicable margin ranging from 2.00% to 2.25%, with a balloon payment of \$1,800 due at maturity on July 15, 2013. At the option of the Company, a portion of this note can be designated to bear interest at LIBOR plus an applicable margin ranging from 3.75% to 4.00%. At December 31, 2010, none of the Company's outstanding balance had been designated to bear interest at LIBOR. This note is collateralized by substantially all business assets and cross-defaulted with the line of credit and Term Note A. The note is subject to the financial covenants discussed in Note 3. The interest rate was 5.5% at December 31, 2010 and 2009.

The capital lease obligation is due in 2011. The capital lease obligations at December 31, 2010 and 2009 had interest rates from 9.15% to 9.25%.

At December 31, 2010, the future maturities of long-term debt, excluding capitalized leases, consisted of the following:

2011	\$2,148
2012	2,375
2013	3,288
2014	11
2015	2
Total	<u>\$7,824</u>

5. Leases

The W Group leases certain buildings and transportation equipment under various noncancelable operating lease agreements that contain renewal provisions. Rent expense under these leases approximated \$1,436, \$1,439 and \$1,400 for the years ended December 31, 2010, 2009, and 2008, respectively.

The future minimum lease payments due under operating leases by fiscal year at December 31, 2010, were as follows:

	Operating Leases
2011	\$ 1,184
2012	396
2013	45
2014	5
	<u>\$ 1,630</u>

The W Group also leases equipment under a capital lease maturing in 2011. The present value of the future minimum lease payments for this capital lease is \$78.

6. Defined contribution plan

The W Group sponsors a retirement savings plan for employees meeting certain eligibility requirements. Participants may choose from various investment options and can contribute an amount of their eligible compensation annually as defined by the plan document, subject to Internal Revenue Code limitations. The plan is funded by participant contributions and discretionary Company contributions. The Company made no discretionary contributions during 2010, 2009, or 2008.

7. Income taxes

The provision for income taxes and the reconciliation of the income tax provision at the U.S. federal income tax rate of 34 percent to the actual effective tax rate were as follows as of December 31:

	2010		2009		2008	
	Amount	Percent	Amount	Percent	Amount	Percent
Federal statutory rate	\$ 658	34.0%	\$ 1,283	34.0%	\$ 481	34.0%
State income tax, net of federal effect	76	3.9	133	3.5	65	4.6
Research tax credits	(260)	(13.4)	(180)	(4.8)	(70)	(4.9)
Settlement of tax audits	—	—	—	—	178	12.6
Other, net	(108)	(5.6)	151	4.0	96	6.7
Tax provision	<u>\$ 366</u>	<u>18.9%</u>	<u>\$ 1,387</u>	<u>36.7%</u>	<u>\$ 750</u>	<u>53.0%</u>

Deferred taxes are the result of differences between the bases of assets and liabilities for financial reporting and income tax purposes. Deferred tax assets and liabilities consisted of the following as of December 31:

	<u>2010</u>	<u>2009</u>
Allowances and bad debts	\$ 295	\$ 168
Accrued warranty	114	82
Accrued legal fees	13	54
Accrued vacation	175	136
Deferred revenue	49	—
Other	41	63
Estimated R&D credit carryforward	—	82
Total current deferred tax assets	<u>687</u>	<u>585</u>
Tax depreciation in excess of book	<u>(233)</u>	<u>(290)</u>
Total deferred tax liabilities	<u>(233)</u>	<u>(290)</u>
Net deferred tax assets	<u>\$ 454</u>	<u>\$ 295</u>

The current and deferred tax provision components are as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current tax expense			
Federal	\$ 418	\$ 1,152	\$ 221
State	107	197	33
	<u>525</u>	<u>1,349</u>	<u>254</u>
Deferred tax expense (benefit)			
Federal	(112)	33	430
State	(47)	5	66
	<u>(159)</u>	<u>38</u>	<u>496</u>
	<u>\$ 366</u>	<u>\$ 1,387</u>	<u>\$ 750</u>

At December 31, 2010 and 2009, there was no deferred tax valuation allowance, as the Company believed it was more likely than not that earnings will be sufficient to realize the deferred tax assets.

Effective for its fiscal year ended December 31, 2007, the Company has complied with FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109" (codified in FASB ASC Topic 740, Income Taxes), which requires that income tax positions must be more likely than not to be sustained based solely on their technical merits in order to be recognized. The Company has recorded no liability for uncertain tax positions. The Company has elected to record interest and penalties from unrecognized tax benefits in the tax provision.

The W Group files a consolidated income tax return in the U.S. federal jurisdiction and in various states. Because of closure of an Internal Revenue Service examination, The W Group is no longer subject to U.S. federal income tax examinations for years prior to 2008. The W Group believes that it is no longer subject to state income tax examinations for years prior to 2007.

8. Contingencies and commitments

The Company is involved in various legal proceedings arising in the normal course of conducting business. The resolution of such proceedings is not expected to have a material effect on the Company's consolidated results of operations or financial condition.

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma combined balance sheet combines the consolidated historical balance sheet of Format, Inc. and the consolidated historical balance sheet of The W Group, Inc., a Delaware corporation (“The W Group”) as of December 31, 2010, following the completion of a reverse merger transaction (the “Reverse Merger”), in which PSI Merger Sub, Inc., (“Merger Sub”) a Delaware corporation that was newly-created as a wholly-owned subsidiary of Power Solutions International, Inc. (f/k/a Format, Inc.) (the “Company”) merged with and into The W Group, and The W Group remained as the surviving corporation of the Reverse Merger, becoming a wholly-owned subsidiary of the Company. Concurrent with the closing of the Reverse Merger, the Company completed a private placement (“Private Placement”) of shares of its newly designated Series A Convertible Preferred Stock and warrants to purchase shares of the Company’s common stock for gross proceeds of \$18,000,000 and the Company completed the refinancing of its bank debt (“Bank Refinancing”). The pro forma combined balance sheet presented herein reflects the effects of the Reverse Merger, Private Placement and Bank Refinancing (collectively the “Transactions”) as if they had been consummated on December 31, 2010. The following unaudited pro forma combined statements of operations combine the historical statements of operations of Format, Inc. and The W Group for the year ended December 31, 2010, giving effect to the Transactions, as if they had occurred on January 1, 2010.

The following unaudited pro forma combined financial statements are presented to illustrate the estimated effects of the Transactions. The unaudited pro forma combined financial statements were prepared using the historical financial statements of Format, Inc. and The W Group as of and for the year ended December 31, 2010.

The historical financial information has been adjusted to give effect to pro forma events that are directly attributable to the Transactions, factually supportable. Additionally, the pro forma adjustments related to the statement of operations are expected to have a continuing impact on the combined results and are based on available data and certain assumptions that we believe are reasonable.

The following information should be read in conjunction with the pro forma combined financial statements.

- Accompanying notes to the unaudited pro forma combined financial statements
- Separate historical financial statements of Format, Inc. for the year ended December 31, 2010 as filed in its annual report on Form 10-K with the Securities and Exchange Commission
- Separate historical financial statements of The W Group for the year ended December 31, 2010 included as Exhibit 99.1 to this Current Report on Form 8-K

The unaudited pro forma combined financial statements are presented for informational purposes only. The pro forma information is not necessarily indicative of what the financial position or results of operations actually would have been had the Transactions been completed at the dates indicated. In addition, the unaudited pro forma combined financial statements do not purport to project the future financial position or operating results of the combined company.

The unaudited pro forma combined financial statements were prepared using the reverse acquisition application of the acquisition method of accounting as described in ASC 805-40-05-2, with The W Group treated as the acquiror for U.S. GAAP accounting and financial reporting purposes. Accordingly, the unaudited pro forma combined financial statements are presented as a continuation of The W Group’s financial statements with an adjustment to reflect the issued equity capital of the former Format, Inc., the legal parent, including the equity issued by the Company to effect the business combination.

**UNAUDITED PRO FORMA
COMBINED BALANCE SHEET
OF
POWER SOLUTIONS INTERNATIONAL, INC.
DECEMBER 31, 2010
(Dollar amounts in thousands, except per share data)**

	Historical		Pro Forma	Notes	Power Solutions
	The W Group, Inc.	Format Inc.	Adjustments		International Combined
ASSETS					
CURRENT ASSETS					
Cash	\$ —	\$ 48	\$ (360)	a	\$ —
			(48)	b	
			18,000	d	
			(4,183)	f	
			(7,738)	g	
			(5,345)	g	
			(374)	h	
Accounts receivable, net	16,282	—	—		16,282
Inventories	32,168	—	—		32,168
Prepaid expenses	1,028	2	(220)	i	935
			125	h	
Deferred income taxes	687	—	—		687
Total current assets	50,165	50	(143)		50,072
PROPERTY AND EQUIPMENT, NET	2,883	4	—		2,887
OTHER NONCURRENT ASSETS	2,305	—	(338)	i	2,216
			249	h	
TOTAL ASSETS	\$ 55,353	\$ 54	\$ (232)		\$ 55,175
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Cash overdraft	\$ 529	\$ —	\$ —		\$ 529
Income taxes payable	619	1	(1)	b	513
			(106)	j	
Current maturities of long-term debt and capital lease obligations	2,226	—	(2,095)	g	131
Line of credit	21,633	—	(5,345)	g	16,288
Accounts payable	16,681	87	(87)	b	16,681
Due to related party	—	116	(116)	a	—
Accrued liabilities	2,211	43	(43)	a	2,211
Total current liabilities	43,899	247	(7,793)		36,353
LONG-TERM OBLIGATIONS					
Deferred income taxes	233	—	—		233
Private Placement warrants	—	—	2,888	e	2,888
Long-term debt and capital lease obligations, net of current maturities	5,676	—	(5,643)	g	33
Deferred revenue	189	—	—		189
Total Liabilities	49,997	247	(10,548)		39,696
SHAREHOLDERS' EQUITY					
Series A Convertible Preferred Stock, \$.001 par value: 114,000 shares authorized; 113,960.90289 shares issued and outstanding			—	c	11,201
			18,000	d	
			(2,888)	e	
			(399)	f	
			(3,512)	f	
Common stock, \$0.0001 par value: 3,500,0000 shares authorized; 1,444,444 shares issued and outstanding	—	—	—		—
Common stock: \$.001 par value 50,000,000 issued and 10,770,083 outstanding		4	(3)	a	11
			10	c	
Roth Warrant			399	f	399
Additional paid-in capital	7	38	(30)	a	5
			(10)	c	
Retained earnings (accumulated deficit)	5,349	(235)	(168)	a	3,863
			40	b	
			(671)	f	
			(558)	i	
			106	j	
	5,356	(193)	10,316		15,479
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 55,353	\$ 54	\$ (232)		\$ 55,175

UNAUDITED PRO FORMA
COMBINED STATEMENT OF OPERATIONS
OF
POWER SOLUTIONS INTERNATIONAL, INC.
YEAR ENDED DECEMBER 31, 2010
(Dollar amounts in thousands in per share data)

	Historical		Pro Forma		Pre-Reverse Split	Post Reverse Split
	The W Group, Inc.	Format, Inc.	Adjustments	Notes	Combined Pro Forma	Combined Pro Forma
Net sales	\$ 100,521	\$ 78	\$ —		\$ 100,599	\$ 100,599
Cost of sales	83,894	—	—		83,894	83,894
Gross profit	16,627	78	—		16,705	16,705
Operating expenses						
Engineering	3,846	—	—		3,846	3,846
Selling and service	5,465	—	—		5,465	5,465
General administrative	3,250	104	—		3,354	3,354
Operating expenses	12,561	104	—		12,665	12,665
Operating income (loss)	4,066	(26)	—		4,040	4,040
Interest expense	2,131	—	(563)	k	648	648
			(824)	k		
			(220)	l		
			124	l		
Other income	—	1			1	1
Other expense	—	—			—	—
Income (loss) before income taxes	1,935	(25)	1,483		3,393	3,393
Income tax provision	366	1	280	m	647	647
Net income (loss)	\$ 1,569	\$ (26)	\$ 1,203		\$ 2,746	\$ 2,746
Undistributed earnings (loss) (UEL)	\$ 1,569	\$ (26)	\$ 1,203		\$ 2,746	\$ 2,746
UEL allocable to Series A Convertible Preferred Shares				n	\$ 2,652	
UEL allocable to Common Shares				n	\$ 94	\$ 2,746
Weighted average preferred shares outstanding:						
Basic				o	113,961	—
Diluted					113,961	—
Weighted average common shares outstanding:						
Basic		3,770,083		p,q	10,770,083	9,833,307
Diluted		3,770,083			10,770,083	9,833,307
Undistributed Earnings (loss) per share - Basic						
Series A Convertible Preferred Shares					\$ 23.27	
Common Shares					\$ 0.01	\$ 0.28
Undistributed Earnings (loss) per share - Diluted						
Series A Convertible Preferred Shares					\$ 23.27	\$ —
Common Shares					\$ 0.01	\$ 0.28
Preferred Shares, if converted		303,895,741	96.58%		\$ 2,652	
		314,665,824				
Common Shares		10,770,083	3.42%		\$ 94	
		314,665,824				

**NOTES TO UNAUDITED PRO FORMA
COMBINED FINANCIAL STATEMENTS**

1. Description of Transaction and Basis of Presentation

On April 29, 2011, Power Solutions International, Inc. (f/k/a Format, Inc.) (the “Company”) completed a reverse merger transaction (the “Reverse Merger”) pursuant to an agreement and plan of merger (the “Merger Agreement”), in which PSI Merger Sub, Inc., a Delaware corporation that was newly-created as a wholly-owned subsidiary of the Company (“Merger Sub”), merged with and into The W Group, Inc., a Delaware corporation (“The W Group”), and The W Group remained as the surviving corporation of the merger, becoming a wholly-owned subsidiary of the Company. As a result, the historical financial statements of The W Group constitute the historical financial statements of the merged companies. The transaction is considered to be a capital transaction and as such is the equivalent to the issuance of common stock by The W Group for the net monetary assets of Format, Inc. accompanied by a re-capitalization. For accounting purposes, The W Group is treated as the continuing reporting entity.

Concurrent with the closing of the Reverse Merger, pursuant to a purchase agreement (the “Purchase Agreement”), the Company completed a private placement (“Private Placement”) of shares of its newly designated Series A Convertible Preferred Stock, liquidation preference of \$1,000 per share (“Company Preferred Stock”), together with warrants to purchase shares of the Company’s common stock (“Company Common Stock”), par value \$0.001 per share (“Private Placement Warrants”), to accredited investors, receiving total gross proceeds of \$18,000,000 at the closing of the Private Placement. The incremental costs of the transaction incurred by The W Group will be charged pro rata to equity and expenses based on the cash received and allocated between the Company Preferred Stock and the Private Placement Warrants. The transaction costs incurred by Format, Inc. (i.e., the Company prior to the closing of the Reverse Merger, which is also referred to herein as “Format”) will be expensed.

In connection with the Reverse Merger and the Private Placement, the Company entered in to a stock repurchase and debt satisfaction agreement (“Repurchase Agreement”) with Ryan Neely, Format’s sole director and executive officer immediately prior to the closing of the Reverse Merger, and his wife, Michelle Neely. The Company repurchased 3,000,000 shares of Format common stock from Ryan Neely and Michelle Neely, which represented approximately 79.57% of the shares of Format common stock outstanding immediately prior to the Reverse Merger and the Private Placement (without giving effect to the 1-for-32 reverse stock split of the Company Common Stock to be consummated pursuant to the Purchase Agreement following the consummation of the Reverse Merger and the Private Placement (the “Reverse Split”)), and immediately thereafter these shares were cancelled, and Ryan Neely and Michelle Neely terminated all of their right, title and interest in and to, and released Format from any and all obligations it had with respect to, the loans made by Ryan Neely and Michelle Neely to Format (which as of December 31, 2010 was approximately \$116,000), in exchange for a cash payment of \$360,000. As part of the Repurchase Agreement, Ryan Neely also released Format from any other obligations owed to him which includes the balance of accrued liabilities on Format’s balance sheet of approximately \$43,000.

The Reverse Merger and Private Placement occurred in a series of steps outlined below:

- Pursuant to the Repurchase Agreement, the Company repurchased 3,000,000 shares of Format common stock from Ryan Neely and Michelle Neely, which represented approximately 79.57% of the shares of Company Common Stock outstanding and immediately thereafter cancelled these shares.
- At the closing of the Reverse Merger, the Company issued an aggregate of 10,000,000 shares of Company Common Stock and 95,960.90289 shares of Company Preferred Stock in exchange for all of the outstanding shares of common stock of The W Group held by the three stockholders of The W Group. The Company Common Stock and Company Preferred Stock each have a par value of \$0.001 per share. No cash consideration arose relating to this exchange.

- The Company received gross proceeds of \$18,000,000 from the Private Placement of 18,000 shares of Company Preferred Stock and related Private Placement Warrants at a purchase price of \$1,000 per share and related warrants. Each share of Company Preferred Stock is initially convertible into 2,666.666667 shares of Company Common Stock, subject to certain limitations, at an initial conversion price of \$0.375 per share, subject to adjustment. The shares of Company Preferred Stock are initially convertible into an aggregate of 48,000,000 shares of Company Common Stock subject to certain limitations. For every share of Company Common Stock issuable upon conversion of Company Preferred Stock purchased in the Private Placement, each investor in the Private Placement also received a warrant to purchase initially one-half of a share of Company Common Stock at an initial exercise price of \$0.40625, subject to certain adjustments. The Private Placement Warrants represent the right to purchase initially an aggregate of 24,000,000 shares of Company Common Stock, subject to limitations set forth in the Private Placement Warrants.
- In connection with the Private Placement, the Company also issued to ROTH Capital Partners, LLC a warrant to purchase initially 3,360,000 shares of Company Common Stock, subject to certain limitations on exercise set forth in the Roth Warrant, at an initial exercise price of \$.4125 per share, subject to adjustment.
- Concurrent with the Reverse Merger and the Private Placement, The W Group repaid its outstanding obligations with its former lender, Fifth Third Bank (“Prior Credit Agreement”) and entered into a new credit agreement (“Credit Agreement”) with Harris N.A.

2. **Pro Forma Adjustments**

There were no inter-company balances and transactions between Format, Inc. and The W Group as of the dates and for the periods of these pro forma combined financial statements.

The pro forma combined provision for income taxes does not necessarily reflect the amounts that would have resulted had Format, Inc. and The W Group filed consolidated tax returns during the periods presented. The pro forma adjustments included in the unaudited pro forma combined financial statements are as follows:

Pro Forma Combined Balance Sheet Adjustments

- a) The terms of the Repurchase Agreement resulted in a cash payment to Ryan Neely of \$360,000 to repurchase 3,000,000 shares of Company Common Stock from Ryan Neely and Michelle Neely, which represented approximately 79.57% of the shares of Company Common Stock outstanding immediately prior to the Reverse Merger and the Private Placement (without giving effect to the Reverse Split), and immediately thereafter these shares were cancelled, and Ryan Neely and Michelle Neely terminated all of their right, title and interest in and to and released Format from any and all obligations it had with respect to, the loans made by Ryan Neely and Michelle Neely to Format (which as of December 31, 2010 approximated \$116,000) and also released Format from any other obligations owed to him which includes the balance of accrued liabilities on Format’s balance sheet of approximately \$43,000 at December 31, 2010.
- b) The remaining liabilities of Format as of December 31, 2010, which consisted of accounts payable were settled with the available cash on Format’s balance sheet.
- c) Pursuant to the Merger Agreement, in exchange for all of the outstanding shares of common stock of The W Group held by the three stockholders of The W Group at the closing of the Reverse Merger, the Company issued 10,000,000 shares of Company Common Stock and 95,960.90289 shares of Company Preferred Stock. The Company Common Stock and Company Preferred Stock each have a par value of \$.001 per share. No cash consideration arose from this exchange.

- d) The Company recorded gross proceeds of \$18,000,000 from the Private Placement in which the Company issued 18,000 shares of Company Preferred Stock together with Private Placement Warrants at a price of \$1,000 per share and related Warrants. The Private Placement Warrants are further described in Note e.
- e) Private Placement Warrants issued with the 18,000 shares of Company Preferred Stock have a fair value of \$2,887,500. Certain attributes of these Private Placement Warrants, including certain reset provisions require the Company to record the warrants at fair value as a derivative liability. The value of the Private Placement Warrants was determined based upon an agreed-upon exercise price of the Private Placement Warrants; an agreed upon value of the Company Preferred Stock and Private Placement Warrants, in aggregate, by the accredited investors; and an assessment of the risk-free interest rate, anticipated volatility factor, and dividend yield all incorporated into the valuation using the Black-Scholes option pricing model.
- f) The transaction costs incurred in connection with the Private Placement consists of cash costs of approximately \$4,183,000 and the issuance of the Roth Warrant (with a fair value of approximately \$399,000) to purchase the shares of Company Common Stock. The cash costs consist of approximately \$1,830,000 of deferred fees to the placement agent, \$1,460,000 of legal and accounting fees, \$830,000 of consulting fees, and approximately \$63,000 in other expenses associated with the transaction. The fair value of the Roth Warrant was recorded as an adjustment between the Roth Warrant (classified as equity) and Preferred Stock. The cash transaction costs were allocated on a pro-rata basis between Preferred Stock (approximately \$3,512,000) and the Private Placement Warrants (approximately \$671,000). The amounts allocated to the Private Placement Warrants are adjusted in retained earnings as the amounts are to be expensed upon completion of the Private Placement.
- g) To reflect the repayment of approximately \$5,638,000 and \$2,100,000 of Term Note A and Term Note B and \$5,345,000 of borrowings under the revolving line of credit of The W Group with a portion of the proceeds from the Private Placement.
- h) To reflect the payment of approximately \$374,000 in loan issuance costs associated with the Company's new Credit Agreement with Harris.
- i) To write off approximately \$558,000 of unamortized loan fees associated with the repayment of the related term loans and revolving line of credit to Fifth Third Bank.
- j) To record the tax benefit associated with the write-off of the remaining Fifth Third loan fees described above, the Company recorded a tax benefit of approximately \$106,000.

Pro Forma Combined Statement of Operations Adjustments

- k) To record the estimated interest expense reduction of approximately \$824,000 arising from the application of the proceeds from the Private Placement to fully repay Term Note A and Term Note B and apply the remaining proceeds against the revolving line of credit as if these obligations had been repaid as of January 1, 2010. Additional interest expense reduction of approximately \$563,000 was estimated as arising from an overall interest rate reduction of 2% attributable to the Bank Refinancing.
- l) To recognize approximately \$124,000 of loan fee amortization associated with the Harris revolving line of credit. To eliminate approximately \$220,000 of loan fee amortization associated with the Prior Credit Agreement.
- m) To record the estimated additional tax expense of \$280,000 arising from the taxable transactions identified in Notes k and l at the Company's effective tax rate.
- n) Under the two-class method, 96.58% of the undistributed earnings were allocated to the Company Preferred Stock, and 3.42% were allocated to the Company Common Stock based upon the relative number of each type of stock to the total of the combined stock on a post conversion basis, because the Company Preferred Stock participates in earnings on a one-to-one basis with Company Common Stock, as if this stock had been converted. Thus, the Company Preferred Stock was allocated \$2,652,000 of undistributed earnings, calculated as follows:

113,960.90289	Company Preferred Stock
2,666.66667	Conversion rate
303,895,741	Converted Company Common Stock
10,770,083	Company Common Stock
314,665,824	Total Company Common Stock
96.58%	Percent allocable to Converted Company Common Stock
<u>\$ 2,652,000</u>	UEL to Converted Company Common Stock
3.42%	Percent allocable to Company Common Stock
<u>\$ 94,000</u>	UEL to Company Common Stock

- o) 113,960.90289 shares of Company Preferred Stock represents the sum of 95,960.90289 shares issued to the three shareholders of The W Group as part of the exchange for all of their stock in The W Group in the Reverse Merger, plus the 18,000 shares of Company Preferred Stock issued in the Private Placement.
- p) 10,770,083 shares of Company Common Stock represents the 10,000,000 shares issued to the three shareholders of The W Group as part of the exchange for all of their stock in The W Group in the Reverse Merger; plus, the 770,083 remaining shares of Company Common Stock of Format, Inc., after the repurchase of 3,000,000 shares from its former director and officer, Ryan Neely and his wife, Michelle Neely.
- q) See post-Reverse Split earnings per share calculation which follows.

3. Pro Forma Net Income(Loss) Per Share

The Company computes earnings per share by applying the guidance stated in ASC 260, *Earnings per Share*, to determine the net income (loss) available per share of its common stock. Pro forma earnings per share is calculated as if the Reverse Merger had occurred as of January 1, 2010, using the two-class method before taking into account the Reverse Split, because the convertible preferred shares participate in any undistributed earnings with the common shareholders. Upon the Reverse Split, the shares of Company Preferred Stock automatically convert to shares of Company Common Stock, as such, the pro forma net income (loss) per share is then calculated under the standard method, as consolidated net income available to common shareholders divided by the weighted average shares of Company Common Stock of Format, Inc. (the legal acquirer) immediately after the Reverse Split, which is also presumed to have occurred as of January 1, 2010. Diluted earnings per share, under both methods, is calculated by evaluating the dilutive effect of potential shares of Company Common Stock issuable per the terms of the Private Placement Warrants and the Roth Warrant.

Series A Convertible Preferred Stock

The Company Preferred Stock is convertible at the option of the holder at any time, subject to limitation based upon the shareholder's proportion of the available shares for conversion, and will automatically convert to common shares upon effectiveness of the Reverse Split at a conversion price of \$12.00 per share (\$0.375 pre-Reverse Split). The conversion of all the preferred shares could be considered contingent upon a substantive event other than market price triggers, which, per ASC 260-10-45-43, requires that the converted shares not be included in diluted EPS until such time that the contingency, (in this case, shareholder approval of the Reverse Split) has been met. However, approval of the Reverse Split is controlled by the majority shareholders of the Company, who have agreed to vote in favor of the Reverse Split pursuant to voting agreements entered into in connection with the Reverse Merger and the Private Placement, and have therefore substantially resolved the contingency. Accordingly, all shares of Company Preferred Stock have been evaluated for their dilutive effect in the calculation of pro forma diluted EPS.

The Company Preferred Stock is subject to full-ratchet anti-dilution whereby, upon the issuance (or deemed issuance) of shares of Company Common Stock at a price below the then-current conversion price of the Company Preferred Stock, subject to specified exceptions, the conversion price of the Company Preferred Stock shall be reduced to the effective price of Company Common Stock so issued (or deemed to be issued).

The Purchase Agreement also contains the following provision, which may be deemed to be a form of anti-dilution protection. If prior to the earlier of (1) the second anniversary of the date on which the initial Registration Statement is declared effective, as described previously in this document and (2) 180 days after the closing of a firm commitment public underwritten offering of equity securities resulting in gross proceeds of not less than \$15.0 million, the Company issues equity securities in a public or private offering (or series of related offerings) resulting in gross proceeds of at least \$5.0 million at or below a pre-determined effective price per share ("Reset Price"), the Company will have to issue to each investor in the Private Placement (1) additional shares of Company Common Stock so that after giving effect to such issuance, the effective price per share of Company Common Stock acquired by such investors in the Private Placement will be equal to the Reset Price and (2) additional Private Placement Warrants covering a number of shares of Company Common Stock equal to 50% of the shares of Company Common Stock issued pursuant to clause (1) above. This event of market-based contingency does not exist until the Company issues securities in an offering resulting in a price below the Reset Price upon the terms set forth in the Purchase Agreement. Management's discretion in this matter, and the inability to determine the variable number of additional common shares to be issued, makes the adjustment for these potential shares indeterminable until such events occur. Thus, such potential shares are not considered in the diluted EPS calculation.

Lastly, the Company Preferred Stock grants voting rights and participation rights to dividends on par with Company Common Stock, with 2% preference dividends payable should the Reverse Split not be effective within 120 days after the Private Placement. Because the Company Preferred Stock participates in undistributed earnings with Company Common Stock, it is considered as a participating security under ASC 260-10-45 until such conversion occurs. Accordingly, the Company will apply the two-class method to calculate per share amounts for distributed and undistributed earnings available to each class of stock.

Private Placement Warrants

For each share of Company Common Stock issuable upon conversion of shares of Company Preferred Stock purchased by investors in the Private Placement, investors in the Private Placement received warrants to acquire one-half share of the Company's common stock at an exercise price of \$0.40625 per share (\$13.00 per share post-Reverse Split). An aggregate total of 24,000,000 shares (750,000 shares post-Reverse Split) can be initially purchased upon exercise of the Private Placement Warrants, but the Private Placement Warrants are not exercisable before the effective date of the Reverse Split, which the majority shareholders have agreed to vote in favor of pursuant to voting agreements. The Private Placement Warrants are subject to full-ratchet anti-dilution whereby, upon the issuance (or deemed issuance) of shares of Company Common Stock at a price below the then-current exercise price of the Private Placement Warrants, subject to specified exceptions, the exercise price of the Private Placement Warrants shall be

reduced to the effective price of Company Common Stock so issued (or deemed to be issued). The treasury stock method has been applied to determine the number of treasury shares assumed to be purchased from the proceeds of warrant exercises, with any residual shares representing the incremental shares of Company Common Stock to be issued and included in diluted EPS. The average market price of the Company Common Stock during the reporting period is used to approximate the number of treasury shares repurchased from the proceeds of an assumed warrant exercise. Since the Company Common Stock was not actively traded during 2010, a recent valuation performed by independent consultants has been utilized and assumed to have remained the same throughout the year. The appraised fair value of \$10.08 per common share results in an excess number of treasury shares purchased over the number of shares issued upon exercise of the Private Placement Warrants at \$13.00 per share; thus, the Private Placement Warrants were not considered dilutive securities.

Roth Warrant

A warrant representing the right to purchase initially 3,360,000 shares of Company Common Stock at an initial exercise price of \$0.4125 per share (\$13.20 per share post-Reverse Split) was issued to Roth Capital Partners, LLC in their capacity as placement agent in the Private Placement. The Roth Warrant is not exercisable before the effective date of the Reverse Split, and thereafter, is exercisable immediately, and has been evaluated for its potentially dilutive effect using the treasury stock method. An excess number of treasury shares could be purchased with the proceeds from exercise of the Roth Warrant, resulting in exclusion of the Roth Warrant from diluted EPS.

Following is the calculation of earnings per common share utilizing the two class method without effect to the Reverse Split:

(Amounts in thousands, except per share data)

Net income	\$2,746
Less dividends paid:	
Preferred	\$—
Common	—
Undistributed earnings for the year ended December 31, 2010	<u>\$2,746</u>

Allocation of undistributed earnings (Basic and diluted per-share amounts):

	<u>Preferred Stock</u>	<u>Common Stock</u>
Distributed earnings	\$ —	\$ —
Undistributed earnings	23.27	0.01
Totals	<u>\$ 23.27</u>	<u>\$ 0.01</u>

Anti-dilutive potential common shares excluded
from the diluted earnings per share computation:

Roth Warrant: 3,360,000 shares of Company
Common Stock pre-Reverse Split; 105,000 shares
post Reverse Split; exercise price \$13.20 post-
Reverse Split; average share price \$10.08

Private Placement Warrants: 24,000,000 shares of
Company Common Stock pre-Reverse Split; 750,000
shares post-Reverse Split; exercise price \$13.00 post-
Reverse Split; average share price \$10.08

On a post-Reverse Split basis, the Company Preferred Stock will no longer exist, and with no other participating securities, the standard EPS calculation would apply.

Because the preferred shares are convertible automatically upon the effectiveness of the Reverse Split, which is substantially imminent, the preferred shares are substantively equivalent to common shares on a post-Reverse Split basis, and are included as such in the basic earnings per share calculation on this basis.

Following is the calculation of earnings per share on a post Reverse Split basis:

(In thousands, except per share amounts)		Year ended December 31, 2010
Post-Reverse Split		
Numerator:		
Net income (loss) available to common shareholders	\$	2,746
Denominator:		
Weighted-average common shares outstanding used for basic earnings per share:		
Shares originally issued as common		336,565
Shares automatically converted to common		9,496,742
Weighted average common shares outstanding		9,833,307
Basic Earnings per Share	\$	<u>0.28</u>
Effect of dilutive securities:		
Outstanding private placement warrants		—
Outstanding Roth warrant		—
Weighted-average common and potential common shares outstanding for diluted earnings per share		9,833,307
Diluted Earnings per Share	\$	<u>0.28</u>