

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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): September 16, 2022

Power Solutions International, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-35944
(Commission
File Number)

33-0963637
(I.R.S. Employer
Identification No.)

201 Mittel Drive, Wood Dale, Illinois 60191
(Address of Principal Executive Offices, and Zip Code)

(630) 350-9400
Registrant's Telephone Number, Including Area Code

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 (*see* General Instruction A.2. below):

- Written communication 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 communication pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communication pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	-	-

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Resignation of Sidong Shao as Director of the Company

On September 16, 2022, Sidong Shao resigned from the Board of Directors (the “Board”) of Power Solutions International, Inc. (the “Company”). Mr. Shao served on the Board as a Weichai designee and was also a member of the Executive Committee. Mr. Shao’s resignation is not based upon any disagreement with the Company on any matter relating to the respective operations, policies, or practices of the Company.

Mr. Shao was appointed as the Company’s Executive Vice President (“EVP”), effective September 16, 2022. As EVP, Mr. Shao will be responsible for the oversight of product management, purchasing and supply chain.

Mr. Shao previously served as the President and Chairman of the Board of Directors of Weichai America Corp. (“Weichai America”), the Company’s majority stockholder, which focuses on researching, developing and manufacturing a full line of off-road natural gas engines and engine components, from 2019 to September 2022. Weichai America is a wholly owned subsidiary of Weichai Power Co., Ltd., a publicly traded company on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange. From May 2012 to April 2018, Mr. Shao was President of Weichai Westport Inc., a joint venture between Weichai Power and Westport Fuel Systems Inc., a publicly traded company on the NASDAQ and Toronto Stock Exchanges, that manufactures and sells alternative-fuel engines for automobiles, heavy-duty trucks, power generation and shipping applications.

Shao has a Bachelor’s degree in Industrial Energy and Power Engineering from Shandong University. Mr. Shao also holds a Master’s degree in Power Engineering from Tianjin University and a Masters of Business Administration degree from Missouri State University.

There are no family relationships between Mr. Shao and any of the directors or executive officers of the Company, and there are no transactions in which Mr. Shao has an interest requiring disclosure under Item 404(a) of Regulation S-K. There is no arrangement or understanding between Mr. Shao and any other person pursuant to which Mr. Shao was appointed as an officer of the Company.

Employment Agreement with Sidong Shao

On September 16, 2022, the Company entered into an employment agreement with Sidong Shao (the “Employment Agreement”). The Employment Agreement provides that Mr. Shao’s employment is “at will” and may be terminated at any time by either party. The Employment Agreement provides for (i) an annual base salary of \$260,000, subject to increase from time to time; (ii) eligibility to participate in the Company Key Performance Indicator (“KPI”) plan at a target amount equal to 50% of his base salary; and (iii) eligibility to participate in the Company Long Term Incentive (“LTI”) Plan. In the event that Mr. Shao’s employment is terminated by the Company without Cause (as defined in the Employment Agreement) during the employment term, he will be entitled to receive, among other things, (i) severance equal to base salary for 6 months if his employment period is less than 48 months, and for 1 year if his employment period is 48 months or longer; and (ii) any unpaid awarded KPI and LTI bonuses. The Employment Agreement restricts Mr. Shao from competing with the Company during the term of the agreement and for one year after termination of his employment with the Company. The Employment Agreement also restricts Mr. Shao from soliciting the Company’s customers or employees during the term of the agreement and for one year after termination of his employment with the Company.

The foregoing description of the Employment Agreement is qualified in its entirety by reference to the complete text of the Employment Agreement, which is filed as Exhibit 10.1 to this Current Report on Form 8-K and incorporated by reference herein.

Appointment of Gengsheng Zhang to the Company’s Board of Directors

The Board of Directors of Power Solutions International, Inc. appointed Mr. Gengsheng Zhang as a member of the Board effective as of September 16, 2022. Mr. Zhang, who will serve on the Board as designee of Weichai America Corp., PSI’s majority stockholder, will fill the position previously held by Sidong Shao, who was a Weichai America Corp. designee and resigned from the Board effective September 16, 2022. Mr. Zhang was also appointed to the Executive Committee.

Mr. Zhang will serve until the Company’s 2023 annual meeting of stockholders or until his successor is duly elected and qualifies.

Mr. Zhang, age 55, has served as Director of International Cooperation and Business Synergy Department for Shandong Heavy Industry Group (“SHIG”), a leading automobile and equipment manufacturing group, since March 2022. Prior to this, he served as Deputy General Manager of Weichai Group, a multi-field and multi-industry international group which owns six business segments of powertrain, intelligent logistics, automotive, construction machinery, luxury yacht, and finance & after-services, from August 2020 to March 2022. Prior to this, he originally served as Assistant General Manager of Weichai Group (and later as Deputy General Manager) and Chairman and CEO of SHIG India Pvt Ltd., a subsidiary of SHIG, from December 2019 to August 2020. Prior to this role, he served as Assistant General Manager of Weichai Group and General Manager of Shandong Weichai Import & Export Company, from May 2012 to December 2019. Prior to this, he served as Director of Weichai International Service Department from October 2005 to May 2012. Earlier in his career, Mr. Zhang was employed in various leadership and engineering roles at manufacturing organizations.

Mr. Zhang earned a Bachelor of Engineering degree from Shandong Polytechnic University in 1990 and an EMBA from China-Europe International Business School in 2014.

In connection with his appointment to the Board, Mr. Zhang will receive indemnification to the fullest extent permitted under Delaware General Corporation Law and the Company's bylaws, under which the Company indemnifies, defends and holds harmless its directors from and against losses and expenses as a result of Board service. At the current time, Mr. Zhang will not receive compensation for his services on the Board. Mr. Zhang is not a party to any transaction that would require disclosure under Item 404(a) of Regulation S-K. In addition, there are no family relationships between Mr. Zhang and any director or executive officer of the Company.

Caution Regarding Forward-Looking Statements

This Form 8-K contains forward-looking statements regarding the current expectations of the Company about its prospects and opportunities. These forward-looking statements are entitled to the safe-harbor provisions of Section 21E of the Securities Exchange Act of 1934. The Company has tried to identify these forward-looking statements by using words such as "anticipate," "believe," "budgeted," "contemplate," "estimate," "expect," "forecast," "guidance," "may," "outlook," "plan," "projection," "should," "target," "will," "would," or similar expressions, but these words are not the exclusive means for identifying such statements. These statements are subject to a number of risks, uncertainties, and assumptions that may cause actual results, performance or achievements to be materially different from those expressed in, or implied by, such statements.

The Company cautions that the risks, uncertainties and other factors that could cause its actual results to differ materially from those expressed in, or implied by, the forward-looking statements, include, without limitation: the impact of the ongoing COVID-19 pandemic could have on the Company's business and financial results; the Company's ability to continue as a going concern; the Company's ability to raise additional capital when needed and its liquidity; uncertainties around the Company's ability to meet funding conditions under its financing arrangements and access to capital thereunder; the potential acceleration of the maturity at any time of the loans under the Company's uncommitted senior secured revolving credit facility through the exercise by Standard Chartered Bank of its demand right; the impact of rising interest rates; the timing of completion of steps to address, and the inability to address and remedy, material weaknesses; the identification of additional material weaknesses or significant deficiencies; risks related to complying with the terms and conditions of the settlements with the Securities and Exchange Commission (the "SEC") and the United States Attorney's Office for the Northern District of Illinois (the "USAO"); variances in non-recurring expenses; risks relating to the substantial costs and diversion of personnel's attention and resources deployed to address the internal control matters; the Company's obligations to indemnify past and present directors and officers and certain current and former employees with respect to the investigations conducted by the SEC, which will be funded by the Company with its existing cash resources due to the exhaustion of its historical primary directors' and officers' insurance coverage; the ability of the Company to accurately forecast sales, and the extent to which sales result in recorded revenues; changes in customer demand for the Company's products; volatility in oil and gas prices; the impact of U.S. tariffs on imports from China on the Company's supply chain; impact on the global economy of the war in Ukraine; the impact of supply chain interruptions and raw material shortages; the potential impact of higher warranty costs and the Company's ability to mitigate such costs; any delays and challenges in recruiting and retaining key employees consistent with the Company's plans; any negative impacts from delisting of the Company's common stock par value \$0.001 from the NASDAQ Stock Market and any delays and challenges in obtaining a re-listing on a stock exchange; and the risks and uncertainties described in reports filed by the Company with the SEC, including without limitation its Annual Report on Form 10-K for the fiscal year ended December 31, 2021 and the Company's subsequent filings with the SEC.

The Company's forward-looking statements are presented as of the date hereof. Except as required by law, the Company expressly disclaims any intention or obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits. Exhibit Number Description

<u>Exhibit No.</u>	<u>Description</u>
10.1	Employment Agreement, effective as of September 16, 2022, between PSI and Sidong Shao
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURE

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

Power Solutions International, Inc.

Dated: September 22, 2022

By: /s/ Junhua Gu

Name: Junhua Gu

Title: Interim General Counsel

EMPLOYMENT AGREEMENT

This Employment Agreement (“Agreement”) is dated this 16th day of September 2022, by and between Sidong Shao (“Shao”) and Power Solutions International, Inc. (“Company”).

PREAMBLE

WHEREAS, the Company desires to hire Shao to the position of Executive Vice President (“EVP”) of Product Management, Purchasing and Supply Chain of the Company, effective September 16, 2022;

WHEREAS, Shao desires to be employed by the Company as its EVP and to perform services on behalf of the Company; and

WHEREAS, Shao and the Company desire to enter into this Agreement to, among other things, set forth (i) the terms and conditions of Shao’s employment with the Company; and (ii) the obligation of Shao to comply with certain other covenants under certain circumstances as provided below.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein, which the parties agree constitute good and sufficient consideration, the Company and Shao agree as follows:

AGREEMENT

1. Incorporation of Preamble. The preambles to this Agreement are hereby incorporated into this Agreement and made an integral part of this Agreement by this reference.

2. Employment. The Company shall employ Shao, and Shao hereby accepts such employment, upon the terms and conditions set forth in this Agreement for the period beginning on the Effective Date and ending as provided in Section 5 (the “Employment Period”). Shao’s employment is “at-will” and may be terminated by either party at any time, subject to the provisions of Section 5.

3. Position and Duties.

(a) Shao shall serve as the Company’s EVP of Product Management, Purchasing and Supply Chain, reporting to the Chief Executive Officer (CEO) or his designee. As EVP Shao shall have overall responsibility for the oversight and management of the Strategic Collaboration and Integration strategy and implementation between Weichai and PSI. In this role, Operations, Purchasing and Supply Chain, as well as designated program managers shall report to Shao and Shao shall be responsible for the oversight and day-to-day operations of these groups.

(b) Shao shall perform Shao's duties in a conscientious, reasonable and competent manner and shall strive to promote the success and best interests of Company. If the material duties of Shao's position change, the Company agrees to negotiate in good faith with Shao concerning possible changes to the compensation, benefits and other terms and conditions of employment described in this Agreement.

(c) During the Employment Period, Shao shall devote Shao's full business time, attention, skill and energy to the business and affairs of the Company and the Company Affiliates and shall use Shao's reasonable best efforts to faithfully perform Shao's responsibilities in a diligent, trustworthy, efficient and businesslike manner to promote the success and best interests of the Company.

4. Compensation and Benefits.

(a) Base Salary. Shao's base salary shall be \$260,000 per annum. (the "Base Salary"), provided that no decreases in Base Salary may be made without the written consent of Shao unless the decrease affects all similarly situated senior management team members in the same relative proportion. Base Salary will be payable by the Company in regular bi-weekly installments in accordance with the Company's general payroll practices.

(b) KPI Bonus. For each of the Company's fiscal year during the Employment Period, Shao shall be eligible to participate in any Company Key Performance Indicator ("KPI") plan in accordance with the terms and conditions of such plan, if any, with a target KPI equal to 50% of his Base Salary or as generally determined by the Company for the overall KPI plan

(c) LTI Bonus. For each of the Company's fiscal year during the Employment Period, Shao shall be eligible to participate in any Long-Term Incentive (LTI) plan in accordance with the terms and conditions of such plan, if any, with a target LTI bonus as generally determined by the Company for the overall LTI plan.

(d) Business Expenses. During the Employment Period, the Company will reimburse Shao for all reasonable expenses incurred by him in the course of performing his duties and responsibilities under this Agreement to the extent consistent with the Company policies in effect from time to time with respect to travel, entertainment and other business expenses for the Company employees, subject to the Company reasonable requirements, including submission of an expense report on a monthly basis, with respect to reporting and documentation of such expenses.

(e) Benefits. During the Employment Period, Shao shall be entitled to participate in all Company employee benefit programs for which employees of the Company are generally eligible.

(f) Vacation. Shao shall be eligible to take vacation as approved by the CEO.

(g) Payroll Withholding. All amounts payable to Shao by the Company as compensation will be subject to withholding by the Company as required under applicable law.

5. Term; Termination; Severance. The Employment Period will commence on the Effective Date and will continue until the first to occur of (i) Shao's death; (ii) a termination by the Company at any time; (iii) or a termination by Shao at any time. Any termination of Shao's employment with the Company shall be a "Termination." The date of any termination of Shao's employment with the Company shall be the "Termination Date."

(a) The Company may terminate Shao's employment at any time with Cause (as defined in Section 9(b) of this Agreement) or without cause, by giving written notice of such termination to Shao designating an immediate or future date, as outlined below.

(b) Shao may terminate Shao's employment by giving the Company ninety (90) days' prior written Notice of Termination (as defined in Section 5(c) of this Agreement). Upon such notice, the Company may, at its option, (i) make Shao's termination effective immediately, (ii) require Shao to continue to perform Shao's duties hereunder during such ninety (90) day period, with or without restrictions on Shao's activities, and/or (iii) accept Shao's Notice of Termination as Shao's resignation from the Company at any time during such ninety (90) day period; provided, that the Company shall (x) pay Shao's Base Salary under Section 4(a) and benefits under Section 4(e) through the date on which Shao ceases to perform services for the Company and (y) pay to Shao any KPI or LTI related to the fiscal year prior to the fiscal year in which the Termination Date falls if the amount of such KPI or LTI has been determined but not yet paid to Shao as of the Termination Date.

(c) Any termination by the Company for Cause or without Cause, or by Shao, shall be communicated by Notice of Termination to the other party hereto given in accordance with this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Shao's employment under the provision so indicated, if for Cause, and (iii) if the Termination Date is other than the date of receipt of such notice, specifies the termination date.

(d) Shao's employment will terminate immediately without any notice upon Shao's death.

(e) If Shao is determined to be Disabled or Incapacitated during the Employment Period, the Company may give Shao written notice of its intention to terminate Shao's employment. In such event, Shao's employment with the Company shall terminate effective on the 30th day after receipt of such notice by Shao (the "Disability Effective Date") unless within the 30-day period after such receipt, Shao shall have returned to full time performance of Shao's duties. Whether Shao is Disabled or Incapacitated shall be determined by a physician selected by the CEO of the Company or the Company's insurers, which physician is reasonably acceptable to Shao. Upon request, Shao shall provide the Board with documentation from Shao's health care provider sufficient for the CEO to determine the nature and extent of any physical or mental impairment that may interfere with Shao's performance of Shao's job duties, as well as any accommodations that could be made.

(f) If Shao's employment is terminated as a result of Shao's death or a determination that Shao is Disabled or Incapacitated, then prior to the 30th day following the Termination Date, the Company shall pay to Shao (or his legal representatives) in a lump sum, to the extent not previously paid, the Base Salary through the Termination Date, less applicable withholdings.

(g) If the Company terminates Shao's employment without Cause, then the Company will provide Shao with the following severance payments and/or benefits:

(i) Prior to the 30th day following the Termination Date, the Company shall pay to Shao, in the regular bi-weekly installments the Base Salary through the Termination Date, and any KPI or LTI award related to the fiscal year prior to the fiscal year in which the Termination Date falls if the amount of such Incentive Compensation Award has been determined but not yet paid to Shao as of the Termination Date and any KPI or LTI award related to the current year on a pro rata basis to the Termination Date once determined by the Company.

(ii) Starting as of the next applicable Company payroll date after the Termination Date (provided Employee has executed and delivered a Release Agreement pursuant to Section 5(h) below, and such Release Agreement has become effective and irrevocable), the Company will pay Employee severance as follows:

- A. If the Employment Period is less than 48 months from the Effective Date, the Company will pay Employee 6 months of severance pay at Employee's Base Salary in 13 bi-weekly installments as part of the Company's normal payroll, less applicable withholdings following the date on which the conditions in Section 5 (g) are met.
- B. If the Employment Period is 48 months or greater from the Effective Date, the Company will pay Employee 12 months of severance pay at Employee's Base Salary in 26 bi-weekly installments as part of the Company's normal payroll, less applicable withholdings following the date on which the conditions in Section 5(g) are met.

(iii) If Shao has entered into a Release Agreement and timely elects COBRA health insurance continuation coverage, the Company will pay a proportional share of the premiums owed by Shao as if Shao were still employed by the Company for a period of 12 months. Shao will be responsible for submitting all notices and forms required to elect COBRA.

(h) If Shao's employment with the Company is separated for cause, then following the Termination Date, the Company shall pay to Shao, less applicable withholdings, to the extent not previously paid, (a) the Base Salary through the Termination Date, at the time required by applicable law, and (b) Shao shall automatically forfeit:

1. Any bonus to which Shao might otherwise have been entitled pursuant to the Company's KPI or LTI Plan (i) related to the fiscal year prior to the fiscal year in which the Termination Date falls if the amount of such KPI or LTI Bonus has been determined by the Board but not yet paid; and (ii) for the fiscal year in which the separation takes place; and
2. Any SARS, Restricted Stock Units and unexercised options (whether vested or unvested) awarded pursuant to the Company's Incentive Compensation Plan.

(i) The obligations of the Company to make payments under Section 5(g) are conditioned on Shao executing and returning to the Company a general release agreement ("Release Agreement") releasing the Company, the Company Affiliates, and each of their respective officers, directors, members, managers, partners and shareholders with respect to Shao's employment in the form acceptable to Company, and such Release Agreement becoming effective and irrevocable no later than fifty-five (55) days following Shao's Termination Date. To the extent such fifty-five (55) day period may cover two taxable years, payments will be made in the later of the two such years. Shao acknowledges that until a Release Agreement is timely executed and delivered to the Company and the applicable revocation period (if any) expires, the Company will not be obligated to pay any Cash Severance due to Shao under this Agreement. If Shao has breached in any material respect any of Shao's obligations in Section 6 below, then, without precluding its right to take any other actions available pursuant to this Agreement or applicable law, the CEO may elect to immediately terminate Shao's right to receive, and Company's obligation to pay, any additional Cash Severance, and Shao shall have no further rights to Cash Severance. In the event that Shao prevails on a legal action or claim challenging the Company's rights to terminate such payments, the Company shall be required to pay to Shao in a lump sum within thirty (30) days of such adjudication any Cash Severance the payment of which was delayed due to such termination, plus interest at the prime rate (as published in the Wall Street Journal on the date of such termination), for any period during which the payment of the Cash Severance did not occur, and to commence payment of future installments of Cash Severance in accordance with Section 5(g), plus any legal fees of Shao incurred in connection with such legal action or claim.

6. Shao Covenants. Shao agrees and acknowledges that to ensure that the Company retains its value and goodwill, he has a continuing obligation to not use any Confidential Information (as defined below), special knowledge of the Business, or the relationships of the Company or the Company Affiliates with their respective customers and employees, all of which Shao will continue to gain access to through Shao's employment with the Company, other than in the furtherance of Shao's legitimate job duties. Accordingly, Shao agrees to the following restrictive covenants.

(a) Confidential Information. Shao acknowledges that by reason of his employment by the the Company, or while being associated with the Company Affiliates, Shao has had and will continue to have access to and become informed of Confidential Information (defined below) that is a competitive asset of the Company or the Company Affiliates, and agrees that the Company and the Company Affiliates have a protectable interest in such Confidential Information. Therefore, Shao agrees that during the Employment Period and after his termination for any reason 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 Shao'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 the Company Affiliates are listed; provided, however, that Shao, 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. Shao acknowledges that all documents and other property including or reflecting Confidential Information furnished to Shao by the Company or any Company Affiliate or otherwise acquired or developed by the Company or any Company Affiliate or acquired, developed or known by Shao by reason of the performance of his duties for, or his association with, the Company or any Company Affiliate shall at all times be the property of the Company. Shao shall take all reasonable steps to safeguard Confidential Information and protect it against disclosure, misuse, loss or theft. "Confidential Information" means (x) any and all trade secrets concerning the business and affairs of the Company or any Company Affiliate, 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 the Company or any Company Affiliate; (y) any and all information concerning the business and affairs of the Company or any Company Affiliate (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 the Company or Company Affiliate containing or based, in whole or in part, upon any information included in the foregoing.

(b) Non-Compete. Shao agrees that Shao has had and will continue to have access to Confidential Information concerning the Company and the Company Affiliates and that Shao's services are of special, unique and extraordinary value to the Company and the Company Affiliates. Therefore, Shao agrees that during his employment with the Company and until 12 months after the Termination Date (regardless of the reason for termination), Shao shall not, other than in the legitimate exercise of his duties for the Company during his employment with the Company, directly or indirectly own, manage, operate, control, be employed or engaged by, lend to, or otherwise serve as a director, officer, stockholder, partner, member, manager, agent, consultant or contractor of or to, any entity that engages in, or otherwise engage or participate in, whether or not for compensation, the Business (as defined in Section 9(a) of this Agreement), or in any other business in which the Company or any Company Affiliate engages as of the date on which Shao's employment with the Company ends and in which Shao has been actively involved ("Competitive Activity"). The provisions in this Section 6(b) 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 Company or any Company Affiliate conducts its business as of Shao's separation from the Company. The foregoing shall not restrict Shao from directly or indirectly owning stock of the Company or up to an aggregate of one percent of the outstanding stock of any publicly held company engaged in Competitive Activity.

(c) Non-Solicitation. Shao agrees that during his employment with the Company and until the first anniversary of the Termination Date (regardless of the reason for termination), he shall not, directly or indirectly, whether individually, as a director, stockholder, partner, member, manager, owner, officer, employee, agent, consultant or contractor of or to any business or entity, or in any other capacity: (i) induce or attempt to induce any employee of the Company or any Company Affiliate to leave his or her employ or in any way interfere with the relationship between the Company or any Company Affiliate and any Shao thereof; (ii) solicit to hire or hire any person who was an employee of the Company or any Company Affiliate at any time during the one-year period prior to the date of such solicitation; or (iii) solicit any customer, developer, client, supplier, vendor, licensee, licensor, franchisee or other business relation of the Company or any Company Affiliate for sale thereto of any products or services related to any Competitive Activity, induce or attempt to induce any such customer, developer, client, supplier, vendor, licensee, licensor, franchisee or other business relation of the Company or any Company Affiliate to cease doing business with the Company or any Company Affiliate, or in any way interfere with the relationship between any such customer, developer, client, supplier, vendor, licensee, licensor, franchisee or business relation of the Company or any Company Affiliate (including making any negative statements or communications about the Company or any Company Affiliate or any of their respective officers, directors, products or services).

(d) Ownership of Inventions. Shao hereby agrees that any and all inventions (whether or not an application for protection has been filed under patent laws), works of authorship, information fixed in any tangible medium of expression (whether or not protected under copyright laws), Moral Rights, mask works, trademarks, trade names, trade dress, trade secrets, publicity rights, know-how, ideas (whether or not protected under trade secret laws), and all other subject matter protected under patent, copyright, Moral Right (defined as any right to claim authorship of a work, any right to object to any distortion or other modification of a work, and any similar right, existing under the law of any country, or under any treaty), mask work, trademark, trade secret, or other laws, that have been, are or will be developed, generated or produced by Shao, solely or jointly with others, at any time while employed by the Company, including during the Employment Period, are and shall be the exclusive property of the Company, subject to the obligations of this Section 6 with respect to Confidential Information, and Shao hereby forever waives and agrees never to assert against the Company, its successors or licensees any and all ownership, interest, Moral Rights or similar rights with respect thereto. Shao hereby assigns to the Company all right, title and interest to the foregoing inventions, concepts, ideas and materials. This Section 6(d) does not apply to any invention or other work of Shao for which no equipment, supplies, facility or Confidential Information of the Company was used and that was developed entirely on Shao's own time, unless the invention (A) relates to (x) the Business or (y) the Company's actual or demonstrably anticipated research or development, or (B) results from any work performed by Shao for or on behalf of the Company. Shao shall keep and maintain adequate and current written records of all inventions, concepts, ideas and materials made by Shao (jointly or with others) during the term of Shao's association or employment with the Company. Such records shall remain the property of the Company at all times. Shao shall promptly and fully disclose to the Company the nature and particulars of any Inventions or research project undertaken on the Company's behalf.

7. Enforcement and Remedies.

(a) If, at the time of enforcement of any of Sections 6(a),(b),(c) or (d), a court of competent jurisdiction shall hold that the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the court shall be allowed to substitute the maximum legally-permissible restrictions for the restrictions contained in this Agreement.

(b) Shao acknowledges that the provisions of Section 6 are in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged. Shao expressly agrees and acknowledges that the restrictions contained in Section 6 do not preclude Shao from earning a livelihood, nor do they unreasonably impose limitations on Shao's ability to earn a living. In addition, Shao agrees and acknowledges that the Company and the Company Affiliates are engaged in the Business, the Business is highly competitive and the services to be performed by Shao for the Company are unique and national in nature, and the potential harm to the Company and the Company Affiliates of the non-enforcement of the provisions of this Section 7 outweighs any harm to Shao of the enforcement of such provisions by injunction or otherwise. Shao acknowledges that Shao has carefully read this Agreement and has given careful consideration to the restraints imposed upon Shao by this Agreement and is in full

accord as to their necessity. Shao 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 the Company and the Company Affiliates, and Shao 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 Section 6, and that the Company would be irreparably damaged if Shao were to disclose the Confidential Information, solicit or hire employees, solicit customers or provide services to any person or entity in violation of the provisions of this Agreement. Therefore, in the event of a breach or threatened breach of any such provision, the Company and/or any Company Affiliate 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).

8. Post Termination Obligations.

(a) Return of Company Materials. Immediately upon Notice of Termination of Shao's employment for any reason, Shao shall return to the Company, and shall not retain in any form or media of expression, all Company and Company Affiliate property that is then in Shao's possession, custody or control, including, without limitation, all keys, access cards, credit cards, computer hardware and software, documents, records, policies, marketing information, design information, specifications and plans, data base information and lists, and any other property or information that Shao has or had relating to the Company or any Company Affiliate (whether those materials are in paper or computer-stored form), and including but not limited to any documents containing, summarizing, or describing any Confidential Information. Upon the Company's request, Shao will certify in writing, in a form acceptable to the Company, that Shao has returned all Company and Company Affiliate property, including any Confidential Information and copies thereof.

(b) Shao Assistance. During the Employment Period and for twelve (12) months thereafter, Shao shall, upon reasonable notice, reasonably assist the Company and the Company Affiliates (the "Affiliated Group") in the defense of any claims, or potential claims that may be made or threatened to be made against any member of the Affiliated Group in any action, suit or proceeding, whether civil, criminal, administrative, investigative or otherwise (a "Proceeding"), and will reasonably assist the Affiliated Group in the prosecution of any claims that may be made by any member of the Affiliated Group in any Proceeding, to the extent that such claims may relate to Shao's employment or the period of Shao's employment by the Company. The Company shall reimburse Shao for all of the Shao's reasonable out-of-pocket expenses associated with such assistance, including travel expenses and any attorneys' fees and shall pay a reasonable per diem fee for Shao's service under this Section.

9. Definitions. The following terms shall have the meanings set forth below:

(a) “Business” means the engineering, design, manufacture and distribution of cleantech engines and power systems for the industrial and on-road sectors.

(b) “Cause” means that the Company makes a good faith determination that Shao has: (1) violated any Company policy or procedure that causes material harm or risk to the Company including but not limited to sexual harassment, misappropriation, or fraud; (2) been convicted of a crime which is injurious to the Company’s operation or reputation; (3) engaged in a material breach of Shao’s employment agreement; (4) engaged in willful failure or willful inability to perform Shao’s duties under Shao’s employment agreement; (5) engaged in any act or omission, which in any material way impairs the reputation, goodwill or business position of the Company; or (6) Shao is prohibited by order of a government agency or court from being employed by the Company or any Company Affiliate in the role set forth in Shao’s employment agreement.

A termination will not be for “Cause” to the extent such conduct is curable, unless Company shall have notified Shao in writing describing such conduct and prescribing conduct required to cure such conduct and Shao shall have failed to cure such conduct within ten (10) business days after his receipt of such written notice. For purposes of this definition of Cause, no act or failure to act on the part of Shao shall be considered willful if it is done, or omitted to be done, by Shao in good faith and with a good faith belief that Shao’s act or omission was in the best interests of Company.

(c) “COBRA Continuation Coverage” means any medical, dental and vision care benefits that Shao and his “qualifying family members” (defined below) elect and are eligible to receive upon the Termination Date pursuant to Code Section 4980B and Section 601 et seq. of the Employee Retirement Income Security Act of 1974, as amended. For this purpose, Shao’s “qualifying family members” are his spouse and dependent children to the extent they are eligible for, and elect to receive, continuation coverage under such Section 4980B and Section 601 et seq. COBRA Continuation Coverage under this Agreement shall terminate for any individual when it terminates under the terms of the applicable benefit plan of the Company in accordance with such Section 4980B and Section 601 et seq.

(d) “Code” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated and in effect thereunder.

(e) “Company Affiliate” means PSI and each corporation, limited liability company, partnership, association or business entity of which a majority of the ownership interest thereof is at the time owned or controlled, directly or indirectly, by PSI or one or more Subsidiaries of PSI or a combination thereof.

(f) “Disabled or Incapacitated” means Shao’s inability or failure, due to a medically determinable physical or mental impairment, to substantially perform the essential functions of Shao’s job, with or without a reasonable accommodation, for thirty (30) consecutive calendar days or for ninety (90) calendar days during any twelve (12) month period irrespective of whether such days are consecutive.

(g) "Termination Date" means (i) if Shao's employment is terminated by Company for Cause or by Shao, the date of receipt of the Notice of Termination or any later date specified therein pursuant to Section 5, as the case may be, (ii) if Shao's employment is terminated by the Company without Cause, the date on which Shao ceases to perform services for the Company, (iii) if Shao's employment is terminated by reason of Disability, the Disability Effective Date, and (iv) if Shao's employment is terminated by reason of death, the date of death.

10. Notices. Any notice provided for in this Agreement must be in writing and sent to the recipients at the address indicated below:

If to Shao: Sidong Shao
 At the address on file by Company

If to the Company: Power Solutions International, Inc.
 201 Mittel Drive
 Wood Dale, IL 60191
 Attn: Legal Department
 PSILegal@psiengines.com

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice under this Agreement shall be deemed to have been duly given or made as follows: (a) if sent by registered or certified mail in the United States, return receipt requested, upon actual receipt; (b) if sent by reputable overnight air courier (such as DHL or Federal Express), two business days after being so sent; or (c) if by electronic mail or otherwise actually personally delivered, when so delivered.

11. Code Section 409A. The intent of the parties is that payments and benefits under this Agreement comply with or are exempt from Code Section 409A and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance with or exempt from Code Section 409A; provided, however, that in no event shall the Company be liable for any additional tax, interest or penalty that may be imposed on Shao by Code Section 409A.

12. Shao Representations. In connection with entering into this Agreement, Shao represents and warrants to the Company that:

(a) This Agreement constitutes the legal, valid and binding obligation of Shao, enforceable in accordance with its terms, and the execution, delivery of this Agreement by Shao does not and shall not conflict with, violate or cause a breach of any agreement, contract or instrument to which Shao is a party or any judgment, order or decree to which Shao is subject.

(b) Shao has consulted with independent legal counsel regarding his rights and obligations under this Agreement and fully understands the terms and conditions contained herein. Shao has obtained advice from persons other than the Company and its counsel regarding the tax effects of the transaction contemplated hereby.

(c) In signing this Agreement, Shao gives the Company assurance that Shao has carefully read and considered all of the terms and conditions of this Agreement, including the restraints imposed under Section 6 and the remedies provided under Section 7.

13. General Provisions.

(a) 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.

(b) Complete Agreement. This Agreement embodies the complete agreement and understanding among the parties and supersedes and preempts any prior understandings, representations or other agreements by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

(c) Successors and Assigns. This Agreement shall bind and inure to the benefit of and be enforceable by Shao, the Company and their respective successors and assigns; provided, that the rights and obligations of Shao under this Agreement shall not be assignable.

(d) Governing Law; Venue. 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). Each party hereto irrevocably submits itself to the exclusive jurisdiction of the courts of the State of Illinois located in Cook County, Illinois and to the jurisdiction of the United States District Court for the Northern District of Illinois, for the purpose of bringing any action that may be brought in connection with the provisions hereof. Each party hereto individually agrees not to assert any claim that such party is not subject to the jurisdiction of such courts, that the venue is improper, that the forum is inconvenient or any similar objection, claim or argument.

(e) Survival. The provisions set forth in Sections 5 through 13 shall survive and continue in full force and effect in accordance with their terms notwithstanding any termination or expiration of this Agreement and/or the end of the Employment Period and the termination of Shao's employment for any reason.

(f) Amendment and Waiver. The provisions of this Agreement may be amended and waived only with the prior written consent of the Company and Shao.

[Signature page to follow]

IN WITNESS WHEREOF, the parties hereto have executed this Employment Agreement on the date first written above.

POWER SOLUTIONS INTERNATIONAL, INC.

By: /s/ Dino Xykis
Printed Name: Dino Xykis
Title: CTO, Interim CEO

Sidong Shao

/s/ Sidong Shao
Dated: 09/21/2022