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



FORM 10-K/A
Amendment No. 1

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

For the fiscal year ended December 31, 2022

or

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

For the transition period from _____ to _____

Commission file number 001-35944

POWER SOLUTIONS INTERNATIONAL, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

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

201 Mittel Drive, Wood Dale, IL
(Address of Principal Executive Offices)

60191
(Zip Code)

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

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	—	—

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock, par value \$0.001 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 and Section 15(d) of the Act. YES NO

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES NO

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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.

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

The aggregate market value of 5,562,933 shares of the registrant’s common stock, par value \$0.001 per share (the “Common Stock”) held by non-affiliates of the registrant as of December 31, 2022 was \$9.5 million based on the last reported sale price on the over-the-counter (“OTC”) market on June 30, 2022 (although the total market capitalization of the registrant as of such date was approximately \$39.0 million.) Shares of the registrant’s Common Stock held by each executive officer and director and by each person who holds 10% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of April 24, 2023, there were 22,951,478 outstanding shares of the Common Stock of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

None.

Auditor Name:
BDO USA, LLP

Auditor Location:
Chicago, IL

Auditor Firm ID:
#243

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EXPLANATORY NOTE

This Amendment No. 1 (this “Amendment”) on Form 10-K/A amends the Annual Report on Form 10-K for the year ended December 31, 2022 of Power Solutions International, Inc. (“PSI” or the “Company”) filed with the Securities and Exchange Commission (the “SEC”) on April 14, 2023 (the “Original 10-K”) to include the information required by Items 10 through 14 of Part III (the “Part III Disclosure”) of the Original 10-K. This information was previously omitted from the Original 10-K in reliance on General Instruction G(3) to Form 10-K, which permits the information in the above referenced items to be incorporated in the Form 10-K by reference to the Company’s definitive proxy statement if such statement is filed no later than 120 days after the Company’s fiscal year-end.

The information included herein as required by the Part III Disclosure is more limited than what is required to be included in the definitive proxy statement to be filed in connection with PSI’s 2023 Annual Meeting of Stockholders. Accordingly, the definitive proxy statement to be filed at a later date will include additional information related to the topics herein and additional information not required by the Part III Disclosure.

Pursuant to the SEC rules, Part IV, Item 15 has also been amended to contain the currently dated certificates from the Company’s principal executive and financial officers pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. The certificates of the Company’s principal executive and financial officers are attached to this Amendment as Exhibits 31.3 and 31.4. Because no financial statements have been included in this Amendment and this Amendment does not contain or amend any disclosure with respect to Items 307 and 308 of Regulation S-K, paragraphs 3, 4 and 5 of the certifications have been omitted. Additionally, PSI is not including the certificate under Section 906 of the Sarbanes-Oxley Act of 2002 as no financial statements are being filed with this Amendment.

Except for the information described above, the Company has not modified or updated disclosures provided in the Original 10-K in this Amendment. Accordingly, this Amendment does not reflect events occurring after the filing of the Original 10-K or modify or update those disclosures affected by subsequent events, except as noted herein. Information not affected by this Amendment is unchanged and reflects the disclosures made at the time the Original 10-K was filed.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Amendment to the Annual Report on Form 10-K (“2022 Annual Report”) that are not historical facts are intended to constitute “forward-looking statements” entitled to the safe-harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These statements may involve risks and uncertainties. These statements often include 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 forward-looking statements include statements subject to a number of risks, uncertainties and assumptions that may cause actual results, performance or achievements to differ materially 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 factors discussed in Item 1A. Risk Factors in the Original 10-Ks; the impact of the 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; changes in economic conditions, including inflationary trends in the price of raw materials; our reliance on information technology and the associated risks involving potential security lapses and/or cyber-attacks; 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 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; the 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 (the “Common Stock”) from the NASDAQ Stock Market (“NASDAQ”) and any delays and challenges in obtaining a re-listing on a stock exchange.

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.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

DIRECTORS AND EXECUTIVE OFFICERS

Directors

The following table and biographical summaries set forth, with respect to each member of the Board of Directors for the Company (the “Board”) as of April 24, 2023, his or her committee membership, his or her age, the year in which he or she first became a director of the Company, and whether or not Weichai America Corp. (“Weichai America”), a wholly-owned subsidiary of Weichai Power Co., Ltd (“Weichai Power”) (Weichai America and Weichai Power, herein together referred to as “Weichai”) designated such director to serve on the Board pursuant to the Investor Rights Agreement (as described in the “Related Person Transactions” section in this Amendment) entered into by the Company and Weichai:

Name	Position	Committee ⁽¹⁾	Age	Director Since	Weichai Designee
Jiwen Zhang	Chairman of the Board		52	2023	Yes
Shaojun Sun, Ph.D.	Director	Compensation; Nominating (Chair)	57	2017	Yes
Gengsheng Zhang	Director	Nominating	55	2022	Yes
Kenneth W. Landini	Director	Audit	66	2001	No
Frank P. Simpkins	Director	Audit (Chair); Nominating	60	2017	No
Hong He	Director	Audit; Compensation	54	2019	No
Lei Lei	Director	Compensation (Chair)	40	2021	Yes

(1) Effective March 22, 2023, the Board dissolved the Executive Committee.

Jiwen Zhang Age: 52 Chairman of the Board

Biography: Mr. Jiwen Zhang has served as a Director of the Company and Chairman of the Board since March 29, 2023.

Mr. Jiwen Zhang has served as Chairman and Chief Executive Officer of Weichai America, which focuses on researching and developing a full line of off-road natural gas engines and engine components, since February 2023. Weichai America is a wholly owned subsidiary of Weichai Power, a publicly traded company on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange. Mr. Jiwen Zhang has over twenty years of experience in the engine industry. From January 2013 to December 2022, Mr. Jiwen Zhang served as President of Kohler Power Systems, a multinational company located in Wisconsin, which specialized in diesel and gaseous generators, responsible for oversight of the global business operations. Prior to this, Mr. Jiwen Zhang served as Managing Director Commercial of Fiat Powertrain APAC from September 2010 to December 2012, Vice President of Volvo Penta Region Asia from May 2002 to August 2010, and Customer Service General Manager of a Caterpillar distributor Lei Shing Hong machinery from September 1994 to April 2002.

Mr. Jiwen Zhang earned his EMBA from University of Texas at Arlington and Bachelor’s degree of Mechanical & Electrical Engineering from University of Science and Technology of China. Mr. Jiwen Zhang serves on the Board as a Weichai designee.

Mr. Jiwen Zhang brings to the Board extensive and effective leadership experience demonstrated through his executive and management roles at leading engine manufacturers.

Shaojun Sun, Ph.D. Age: 57 PSI Committees:

- Compensation Committee
- Nominating Committee (Chair)

Biography: Dr. Sun has served as a Director of the Company since April 2017. Dr. Sun previously served as the Company’s Vice Chairman of the Board from December 7, 2021 to March 29, 2023, and prior to that, served as Chairman of the Board from April 1, 2017 to December 7, 2021. In addition, he serves as Chair of the Nominating and Governance Committee (the “Nominating Committee”) and as a member of the Compensation Committee.

Dr. Sun serves as Vice President of Shandong Heavy Industry Group Co., Ltd. (“SHIG”), a leading automobile and equipment manufacturing group since 2021. Dr. Sun has been an Executive Director since December 2002 and was an Executive President from October 2007 to November 2021 of Weichai Power, a publicly traded company on the Hong Kong and the Shenzhen Stock Exchange and leading global designer and manufacturer of diesel

engines. Dr. Sun also served as a Director of Weichai Group Holdings Limited (the “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 2007 to 2021, and Chairman of Shandong Weichai Import and Export Co., Ltd., a wholesale distributor of industrial machinery and equipment. On January 1, 2019, Dr. Sun was appointed a Director of Ballard Power Systems Inc., a publicly traded company on the NASDAQ and Toronto Stock Exchanges that builds fuel cell products. Dr. Sun joined Weifang Diesel Engine Factory in 1988 and held various supervisory positions as a Chief Engineer of Weifang Diesel Engine Factory, and Director of Torch Automobile Group Co., Ltd.

Dr. Sun holds a Master’s degree from Beihang University and a Doctorate degree in Engineering from Tianjin University. Dr. Sun serves on the Board as a Weichai designee.

Dr. Sun brings to the Board extensive managerial experience and leadership gained through his executive roles at leading engine manufacturers.

Gengsheng Zhang Age: 55 PSI Committees:
• Nominating Committee

Biography: Mr. Gengsheng Zhang served as a Director of the Company since September 16, 2022. In addition, he serves as a member of the Nominating Committee.

Mr. Gengsheng Zhang has served as Director of International Cooperation and Business Synergy Department for SHIG, a leading automobile and equipment manufacturing group, since March 2022. Previously, he served as Deputy General Manager of Weichai 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 Weichai Group, he served as Assistant General Manager of Weichai Group (and later as Deputy General Manager) and Chairman and Chief Executive Officer of SHIG India Pvt Ltd., a subsidiary of SHIG, from December 2019 to August 2020. Prior to that, 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 that, he served as Director of Weichai International Service Department from October 2005 to May 2012. Earlier in his career, Mr. Gengsheng Zhang was employed in various leadership and engineering roles at manufacturing organizations.

Mr. Gengsheng Zhang earned a Bachelor of Engineering degree from Shandong Polytechnic University in 1990 and an EMBA from China-Europe International Business School in 2014. Mr. Gengsheng Zhang serves on the Board as a Weichai designee.

Mr. Gengsheng Zhang brings to the Board in-depth management experience in manufacturing and engineering.

Kenneth W. Landini Age: 66 PSI Committees:
• Audit Committee

Biography: Mr. Landini has served as a Director of the Company since 2001 and assisted in the development and growth of the business of the Company since 1985. Mr. Landini is a member of the Audit Committee. From August 7, 2017 to January 19, 2021, Mr. Landini was the Chair of the Compensation Committee. He also served as a member of the Nominating Committee from April 2017 to January 19, 2021.

Mr. Landini previously served as the Vice President of Finance for the Company’s subsidiary, Power Great Lakes, Inc., from December 1985 to March 1988 and assisted the Company in establishing distributor relationships and expanding the territories into which the Company provides its 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.

He holds a Bachelor of Arts degree from Albion College and is a licensed Certified Public Accountant in the state of Michigan. Mr. Landini qualifies as an “Audit Committee Financial Expert” under applicable SEC regulations and has substantial audit experience gained from his tenure as a partner at a certified public accounting and consulting firm.

Mr. Landini brings to the Board an in-depth knowledge and understanding of the Company’s business and operations, having served as Vice President of Finance for one of the Company’s subsidiaries.

Frank P. Simpkins Age: 60 PSI Committees:
• Audit Committee (Chair)
• Nominating Committee

Biography: Mr. Simpkins has served as a Director of the Company since July 13, 2017. Mr. Simpkins is the Chair of the Audit Committee and is also a member of the Nominating Committee.

Mr. Simpkins has over 25 years of executive management and financial experience. From June 2016 to December 2016, he served as Chief Financial Officer of Emerson Network Power, part of Emerson Electric Co., a publicly traded company on the New York Stock Exchange (the “NYSE”). From 2006 to 2015, Mr. Simpkins served as Vice President and Chief Financial Officer of Kennametal Inc., a publicly traded company on the NYSE and a global leader in the design and manufacture of engineered components, advanced materials and cutting tools. Prior to that role, Mr. Simpkins held various positions within Kennametal since 1995. Prior to Kennametal, he worked as a Manager for PricewaterhouseCoopers from 1986 to 1995.

Mr. Simpkins serves on the Board of Trustees at Seton Hill University, Greensburg and previously served on the Board of Trustees of Pennsylvania State University, New Kensington. On September 1, 2022, Mr. Simpkins joined the Advisory Board of Anovion, an advanced battery materials business in North America for synthetic graphite anode materials.

He holds a Bachelor of Science degree in Accounting from Pennsylvania State University. Mr. Simpkins qualifies as an “Audit Committee Financial Expert” under applicable SEC regulations and has substantial public-company reporting experience gained from his roles as Chief Financial Officer during his career.

Mr. Simpkins brings to the Board significant management experience, as well as his experience as a Chief Financial Officer.

Hong He

Age: 54 PSI Committees:

- Audit Committee
- Compensation Committee

Biography: Mr. He has served as a Director of the Company since November 14, 2019. Mr. He is a member of the Audit and Compensation Committees.

Mr. He has served as Director, Financial Planning & Analysis for CytomX Therapeutics (“CytomX”), a NASDAQ-listed biotechnology company, since February 2021, and previously served as a Consultant to CytomX beginning in February 2020. Previously, Mr. He served as Director of Finance and Reporting for Blackthorn Therapeutics, a clinical-stage biotechnology company, from June 2019 to December 2019. Prior to that, Mr. He served as the Head of Finance at GenapSys, Inc. from 2018 until May 2019. From 2014 until 2018, Mr. He was the Finance Director of SciClone Pharmaceuticals, Inc., a NASDAQ-listed specialty pharmaceutical company with main operations in China. From January to June 2014, Mr. He served as Vice President of Finance and the Controller of Augmedix, Inc., a privately held technology-enabled medical documentation company. From October 2011 to December 2013, Mr. He was employed as Vice President of Finance at Baidu Leho.com, a private company backed by Baidu, a NASDAQ- listed company.

Mr. He earned his Bachelor of Science degree in Accounting from Beijing University of Technology in July 1992 and his Master of Business Administration degree from University of Chicago Booth School of Business in December 2006. Mr. He is a U.S. certified management accountant and a China certified public accountant. Mr. He qualifies as an “Audit Committee Financial Expert” under applicable SEC regulations and has substantial public company reporting experience gained from his roles as a financial officer and controller of public companies during his career.

Mr. He brings to the Board substantial financial and managerial experience gained through leadership roles at public companies.

Lei Lei

Age: 40 PSI Committees:

- Compensation Committee (Chair)

Biography: Ms. Lei has served as a Director of the Company since December 7, 2021. In addition, Ms. Lei is the Chair of the Compensation Committee.

Ms. Lei has served since August 2021, as Overseas Finance Department, Director of Weichai Group. Prior to that, from 2016 until 2021, Ms. Lei was employed by KPMG Advisory (China) Limited, Beijing Branch, a professional services firm providing audit, tax and advisory services and served in the deal transaction department as an associate director. Prior to this, from 2010 to 2016, Ms. Lei was employed by PwC Beijing, a professional services firm providing assurance, advisory and tax services and served as an assurance manager. Previously, Ms. Lei served in accounting related roles at other organizations.

Ms. Lei earned a Bachelor’s degree in economics at Southwest University, China in 2004. Ms. Lei serves on the Board as a Weichai designee.

Ms. Lei brings to the Board extensive accounting experience as well as management experience through her roles at professional services firms and engine manufacturers.

Executive Officers

The following table sets forth certain information with respect to the Company's executive officers as of April 24, 2023.

<u>Name</u>	<u>Age</u>	<u>Executive Officer Since</u>	<u>Present Position with the Company</u>
C. (Dino) Xykis	64	2021	Chief Executive Officer; Chief Technical Officer
Xun (Kenneth) Li	53	2022	Chief Financial Officer
Junhua Gu	48	2022	Interim General Counsel

The narrative descriptions below set forth the employment and position with the Company, principal occupation and education for each of the Company's three current executive officers.

C. (Dino) Xykis was appointed as the Chief Executive Officer on April 24, 2023. Prior to that, Mr. Xykis served as the Interim Chief Executive Officer from June 1, 2022 to April 24, 2023. Mr. Xykis was also appointed as the Company's Chief Technical Officer on March 15, 2021. He is responsible for the oversight of the Company's advanced product development, engineering design and analysis, on-highway engineering, applied engineering, emissions and certification, Waterford, Michigan engineering operations, program management and product strategic planning. Since joining the Company in 2010 and until his appointment as Chief Technical Officer in March 2021, Mr. Xykis served as Vice President of Engineering for the Company from December 2010 to March 2021. He has more than 30 years of professional experience in multi-disciplined engineering areas including senior management and executive positions at various companies including Cummins Inc., a publicly traded company on the NYSE, and Generac Power Systems, a publicly traded company on the NYSE. Mr. Xykis also served as Adjunct Professor of Mechanical Engineering and Mechanics at the Milwaukee School of Engineering and previously served on the audit and compensation committees of the board of directors of Image Sensing Systems, a publicly traded company on NASDAQ, from 1996 to 2001. Mr. Xykis has also served on the advisory board of CEGE, College of Science and Engineering, University of Minnesota for eight years.

Mr. Xykis holds a Bachelor's degree in Structural Engineering, a Master's degree in Vibration/Dynamics, and a Ph. D. in Structural/Applied Mechanics from the University of Minnesota, Minneapolis.

Xun (Kenneth) Li was appointed as the Chief Financial Officer on August 26, 2022. Mr. Li is an accomplished executive who has more than 20 years of professional experience in the areas of finance, accounting, financial planning and analysis, internal controls and strategy, among others. Most recently, Mr. Li served as Chief Financial Officer for ND Paper, a leading pulp, packaging and paper company, from 2020 to August 2022, where he was a member of the executive leadership management team with primary responsibility for finance, accounting, tax, auditing, treasury, risk management, internal audit, and strategic planning, among other areas, and served as a strategic advisor to the chief executive officer. Prior to this role, Mr. Li was with Caterpillar Inc., a publicly traded company on the NYSE, from 2008 through 2020, where he served in various financial leadership positions, the most recent of which was Chief Financial Officer of the global mining machine product group from 2013 to 2020. Prior to Caterpillar, Mr. Li was with Ford Motor Company, a publicly traded company on the NYSE, where he held finance leadership roles of increasing responsibility, from 2003 to 2008.

Mr. Li holds a Master of Business Administration with high distinction and a Master of Science degree in Accounting, both from the University of Michigan. He also holds a Master of Science degree in Mechanical Engineering from the University of Oklahoma and a Bachelor of Science degree in Mechanical Engineering from Shanghai JiaoTong University. Mr. Li is also a Certified Public Accountant.

Junhua Gu was appointed as the Interim General Counsel effective June 13, 2022. Ms. Gu is responsible for overseeing all legal and regulatory matters affecting the Company. Prior to becoming Interim General Counsel, Ms. Gu served as Vice General Counsel from August 2021 to June 2022. Ms. Gu previously served as the Director of Corporate Support of Weichai America from September 2017 to August 2021. Prior to Weichai America, Ms. Gu served as Senior Legal Counsel and then Deputy Director of the legal department of SHIG from May 2012 to August 2017. Prior to her roles as in-house counsel, Ms. Gu practiced corporate and bankruptcy law in New York and Michigan from 2004 to 2012.

Ms. Gu holds Bachelor's of Engineering degree in Textile Materials and Design from Wuhan Textile University. Ms. Gu also holds a Master's degree in Management Science from Renmin University of China and a Juris Doctor degree from Brooklyn Law School.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of the Company's Common Stock and other equity securities. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish PSI with copies of all Section 16(a) forms they file.

To the Company's knowledge, including PSI's review of the copies of such reports furnished to the Company and written representations that no other reports were required during 2022, all Section 16(a) filing requirements were satisfied on a timely basis, except the following reports: (i) one Form 4 filed in March 2022 (reporting one transaction) for C. Dino Xykis, (ii) an initial statement of beneficial ownership on Form 3 filed in April 2022 for Matthew Thomas, (iii) an initial statement of beneficial ownership on Form 3 filed in July 2022 for Junhua Gu, and (iv) an initial statement of beneficial ownership on Form 3 filed in September 2022 for Xun (Kenneth) Li. Each late filing was due to inadvertent administrative error by the Company.

CORPORATE GOVERNANCE

Audit Committee

The Company has a separately designated Audit Committee. Each member of the Audit Committee is financially literate, and the Board has determined that each of Mr. Simpkins, the Chair of the Audit Committee, and Mr. He and Mr. Landini qualify as an "Audit Committee Financial Expert" as defined in applicable SEC rules because each meets the requirement for past employment experience in finance or accounting, requisite professional certification in accounting or comparable experience. The Board has determined that each of Mr. Simpkins, Mr. Landini and Mr. He meets the independence requirements for audit committee members under NASDAQ rules.

Code of Business Conduct and Ethics

The Company has adopted a Code of Business Conduct and Ethics (the "Code of Ethics") that applies to all of PSI's employees, officers and directors, including those officers responsible for financial reporting. The Code of Ethics is available on the Company's website at www.psiengines.com under "Investors" and then "Governance."

Item 11. Executive Compensation.

EXECUTIVE COMPENSATION

The named executive officers for the year ended December 31, 2022, were:

- C. (Dino) Xykis, Chief Executive Officer and Chief Technical Officer; Former Interim Chief Executive Officer;
- Lance M. Arnett, Former Chief Executive Officer;
- Xun (Kenneth) Li, Chief Financial Officer;
- Junhua Gu, Interim General Counsel; and
- Matthew Thomas, Controller and Former Interim Chief Financial Officer.

Executive Team Transitions

Chief Executive Officer Transition

As previously disclosed, effective May 31, 2022 (the "Separation Date"), Lance Arnett resigned as Chief Executive Officer and C. (Dino) Xykis, then serving as the Company's Chief Technical Officer, was appointed by the Company's Board to the additional role of Interim Chief Executive Officer, effective June 1, 2022. As previously disclosed, effective April 24, 2023, the Board appointed Mr. Xykis as the Company's Chief Executive Officer and Chief Technical Officer. The terms of Mr. Xykis' agreement with the Company related to his new role as Chief Executive Officer and Chief Technical Officer, as well as the terms of his prior letter agreement related to his previous appointment as Interim Chief Executive Officer, are described under "Employment Agreements with Named Executive Officers" below.

In connection with Mr. Arnett's resignation from the Company, the Company entered into a Separation Agreement and Release (the "Separation Agreement") with Mr. Arnett on June 26, 2022. Pursuant to the Separation Agreement, Mr. Arnett is entitled to receive (a) cash severance payments in the total amount of \$425,000, payable in 12 monthly installments of \$35,416.67 payable on the last day of each month beginning on June 30, 2022, (b) a cash payment of \$17,708.33 under the Long-Term Incentive ("LTI") plan for the period January 1, 2020 to December 31, 2022 (the "LTI Plan"), once approved by the Compensation Committee, at the same time other LTI participants are paid, as full and complete payment under the LTI Plan, (c) the payment of any Key Performance Indicator ("KPI") bonus on a pro rata basis through the Separation Date, once determined by the Company, if any, at the same time as other KPI participants are paid out, and (d) payment by the Company of a proportional share of the COBRA premiums owed by Mr. Arnett as if he were still employed by the Company for a period of 12 months following the effective date of the Separation Agreement. Pursuant to the Separation Agreement, Mr. Arnett acknowledged and agreed that he had 30 days from his termination date to exercise any vested Stock Appreciation Rights ("SARs") granted to him pursuant to the applicable SARs agreements, and that any and all unvested SARs granted to him pursuant to those agreements were forfeited and unenforceable against the Company. Mr. Arnett did not exercise his vested SARs, therefore they were cancelled following the expiration of the 30 day extension.

The Separation Agreement contains a release of the Company by Mr. Arnett and mutual non-disparagement provisions. Mr. Arnett also agreed that the confidentiality, non-competition, non-solicitation and IP assignment provisions in his employment agreement with the Company would remain in effect. Finally, Mr. Arnett agreed to cooperate with, and make himself reasonably available to, the Company for a period of 12 months following the effective date of the Separation Agreement in order to assist with the transition of his duties at a rate of \$250 per hour plus reasonable expenses.

Chief Financial Officer Transition

As previously disclosed, on August 26, 2022, the Board appointed Xun (Kenneth) Li as Chief Financial Officer, effective August 29, 2022, succeeding Matthew Thomas who had been serving in an interim role since April 2022. Mr. Thomas then resumed his role as Controller. On August 29, 2022, the Company entered into an employment agreement with Mr. Li, the terms of which are described under “*Employment Agreements with Named Executive Officers*” below.

Prior to Mr. Li’s appointment as the Company’s Chief Financial Officer, Mr. Thomas was appointed as the Company’s Interim Chief Financial Officer, which role Mr. Thomas assumed on April 3, 2022. Mr. Thomas and the Company entered into a letter agreement on June 9, 2022 for his services as Interim Chief Financial Officer. Pursuant to the letter agreement, in addition to his normal for his services as Controller, Mr. Thomas would be (i) entitled to a bonus of \$8,333 per month from April 3, 2022 until such time as a successor Chief Financial Officer is appointed by the Board (the “Interim CFO Term”), calculated at the end of the Interim CFO Term, and (ii) eligible to receive an award of 2,000 SARs, subject to certain conditions, with a vesting period of one year from the date of grant after the end of the Interim CFO Term, subject to Mr. Thomas’ continued service with the Company through the vesting date.

Summary Compensation Table

The table below summarizes our named executive officers’ compensation for the services rendered to the Company, in all capacities, for the years ended December 31, 2022, and 2021.

Name and Principal Position	Year	Salary	Bonus⁽¹⁾	Option/ SAR Awards⁽²⁾	Nonequity Incentive Plan Compensation⁽³⁾	All Other Compensation⁽⁴⁾	Total
C. (Dino) Xykis ⁽⁵⁾ <i>Chief Executive Officer and Chief Technical Officer; Former Interim Chief Executive Officer</i>	2022	\$358,866	\$82,512	\$ 28,397	\$ 179,786	\$ 53,390	\$702,951
	2021	\$331,933	\$33,193	\$109,619	—	\$ 54,679	\$529,424
Lance M. Arnett ⁽⁵⁾ <i>Former Chief Executive Officer</i>	2022	\$178,334	—	\$ 2,677	—	\$ 514,181	\$695,192
	2021	\$401,250	\$40,125	\$307,508	—	\$ 17,470	\$766,353
Xun (Kenneth) Li ⁽⁶⁾ <i>Chief Financial Officer</i>	2022	\$117,693	\$33,776	\$ 42,382	\$ 46,685	\$ 2,215	\$242,751
Junhua Gu ⁽⁷⁾ <i>Interim General Counsel</i>	2022	\$188,077	\$18,887	—	\$ 39,302	\$ 4,017	\$250,283
Matthew Thomas ⁽⁶⁾ <i>Controller and Former Interim Chief Financial Officer</i>	2022	\$222,723	\$82,267	\$ 2,825	\$ 81,914	\$ 4,956	\$394,685

- (1) The amounts reported for each named executive officer in this column for 2022 represent their 2022 LTI Plan amounts. A description of the Company's LTI Plan is below under "*Long-Term Incentive Plan.*" Additionally, the amounts reported (i) for Mr. Xykis include his semi-monthly bonus payments for his services as the Company's Interim Chief Executive Officer, and (ii) for Mr. Li include his sign-on bonus, each as described under "*Employment Agreements with Named Executive Officers*" below, and (iii) for Mr. Thomas include his interim Chief Financial Officer bonus as described under "*Executive Team Transitions – Chief Financial Officer Transition*" above as well as an additional, discretionary bonus granted to Mr. Thomas for assisting in the transition of the Chief Financial officer role to Mr. Li.
- (2) The amount reported in the "Option/SAR Awards" column for 2022 reflects the grant date fair value of (i) an award of (x) 342 SARs granted to Mr. Xykis on March 18, 2022 and (y) 20,000 SARs granted to Mr. Xykis on July 15, 2022, (ii) an award of 1,875 SARs granted to Mr. Arnett on March 18, 2022 (which SAR award was cancelled and forfeited in its entirety following his separation, described above in "*Chief Executive Officer Transition*"), (iii) an award of 30,000 SARs granted to Mr. Li on September 2, 2022, and (iv) an award of 2,000 SARs granted to Mr. Thomas on September 2, 2022, each calculated in accordance with Financial Accounting Standards Board ("FASB") ASC Topic 718. See Note 13, *Stock-Based Compensation*, to the consolidated financial statements included in the Company's Original 10-K for the assumptions made in determining these values.
- (3) The amounts reported for each named executive officer in this column for 2022 represent their bonuses under the Company's KPI plan established for 2022 (the "2022 KPI Plan"). A description of the Company's 2022 KPI Plan is below under "*2022 Key Performance Indicator Plan.*"
- (4) The amounts reported for 2022 in the "All Other Compensation" column include (i) for Mr. Xykis: (a) \$581 for life insurance premiums, (b) \$44,700 for automobile-related expenses (including an automobile and automobile lease allowances), (c) \$2,016 for reimbursement of car insurance premiums and gross up of taxes related to the reimbursement, and (d) \$6,093 for 401(k) matching contributions; (ii) for Mr. Arnett: (a) \$6,000 for an automobile allowance, (b) \$150 for life insurance premiums, (c) \$2,245 for 401(k) matching contributions, and (d) \$505,786 for severance payments, which includes the cash severance payment of \$425,000, amounts payable under the LTI Plan (\$17,709), 2022 KPI Plan (\$51,602), and the proportional share of the Company's contributions toward Mr. Arnett's COBRA premiums (\$11,475); (iii) for Mr. Li: \$2,215 for 401(k) matching contributions; (iv) for Ms. Gu: (a) \$245 for life insurance premiums, and (b) \$3,772 for 401(k) matching contributions; and (v) for Mr. Thomas: (a) \$250 for life insurance premiums, and (b) \$4,706 for 401(k) matching contributions. Item (d) for Mr. Arnett is described in more detail above under "*Executive Team Transitions – Chief Executive Officer Transition.*"
- (5) Mr. Arnett resigned from his position as Chief Executive Officer effective May 31, 2022, and Mr. Xykis was appointed to the additional position of Interim Chief Executive Officer effective June 1, 2022. Mr. Xykis was appointed as the Company's Chief Executive Officer and Chief Technical Officer effective April 24, 2023.
- (6) Mr. Thomas was promoted to the additional position of Interim Chief Financial Officer effective April 3, 2022 and remained Interim Chief Financial Officer until Mr. Li's appointment as Chief Financial Officer effective August 26, 2022. Because neither was a named executive officer before 2022, only their 2022 compensation is reported in the table.
- (7) Ms. Gu was appointed Interim General Counsel, effective June 13, 2022. Because Ms. Gu was not a named executive officer before 2022, only her 2022 compensation is reported in the table.

Employment Agreements with Named Executive Officers

C. (Dino) Xykis. In connection with Mr. Xykis' appointment as Chief Executive Officer and Chief Technical Officer on April 24, 2023, Mr. Xykis and the Company entered into an employment agreement, effective April 24, 2023 (the "Xykis Employment Agreement"), which supersedes his previous employment-related agreements with the Company. The Xykis Employment Agreement provides for the following: (a) an annual base salary of \$525,000; (b) eligibility to participate in any KPI plan, with a target opportunity equal to 70% of his KPI base salary (generally, annual W-2 earnings, referred to herein as "KPI Base Salary" or "LTI Base Salary"), or as generally determined by the Board for the overall KPI plan; (c) Mr. Xykis' eligibility to participate in any LTI plan, with a target equal to 60% of his LTI Base Salary, or as generally determined by the Board for the overall LTI plan; (d) subject to approval by the Compensation Committee, an award of 85,000 SARs with a strike price to be determined at the time of the Compensation Committee's approval and vesting in essentially 3 equal installments on the anniversary of the grant date, subject to Mr. Xykis' continued employment in good standing as of each vesting date (which award was granted on April 25, 2023); (e) an automobile allowance of \$1,975 per month towards his automobile lease, \$1,750 per month towards the cost of gasoline for travel as long as Mr. Xykis commutes from his current home to the Company's headquarters, and reimbursement for reasonable amounts spent on auto insurance for the leased vehicle capped at \$2,500 per year; and (f) Mr. Xykis' entitlement to participate in all Company employee benefit programs for which senior employees of the Company are generally eligible. If the Company terminates Mr. Xykis without cause (as defined in the Xykis Employment Agreement), in addition to payment of any accrued obligations, Mr. Xykis would be eligible to receive severance, subject to his execution and non-revocation of a general release of claims in favor of the Company, consisting of: (i) any determined, but unpaid, KPI or LTI bonus relating to the fiscal year prior to the fiscal year of termination; (ii) any prorated KPI or LTI bonus for the fiscal year in which his termination occurs once determined by the Board; (iii) 12 months of base salary continuation payments; and (iv) subject to his election

to receive COBRA health insurance, payment by the Company of a proportional share of the premiums owed by Mr. Xykis as if he were still employed by the Company for 12 months. If Mr. Xykis is terminated for cause, any outstanding KPI bonus or LTI award, including any not yet paid for the fiscal year prior to the fiscal year of his termination, and any restricted stock units, unexercised stock options and SARs (whether vested or unvested) will be automatically forfeited. The Xykis Employment Agreement contains certain restrictive covenants, including an indefinite confidentiality provision and IP assignment provision, and non-competition and non-solicitation covenants applicable for one-year post-termination.

As stated above, and as previously disclosed, the Xykis Employment Agreement supersedes his prior employment-related agreements with the Company, including the letter agreement he and the Company entered into on June 15, 2022 related to his appointment as the Company's Interim Chief Executive Officer, the terms of which were in addition to the terms of his employment agreement with the Company, dated March 15, 2021, that remained in full force and effect and continued to govern his role as the Company's Chief Technical Officer. For purposes of Mr. Xykis' 2022 compensation, the Interim Chief Executive Officer letter agreement provided that (i) in addition to his salary, he would receive a bonus paid semi-monthly in the amount of \$5,000 per month from June 1, 2022 until such time as a successor Chief Executive Officer was appointed by the Board (the "Interim CEO Term"), subject to an aggregate minimum bonus payment of \$25,000 on a pre-tax basis (the "Minimum Bonus Payment"), and (ii) that he was also eligible to receive an award of 3,333 SARs per month during the Interim CEO Term (the "SARs Award"), subject to certain conditions, with an initial award of 20,000 SARs (the "Minimum SARs Award") as part of the SARs Award due to vest on the one-year anniversary of the grant date, subject to Mr. Xykis' continued service with the Company through the vesting date. As the Interim CEO Term was greater than 6 months, pursuant to the terms of the letter agreement, Mr. Xykis also received any additional SARs grant of 16,663 SARs as part of the SARs Award granted on April 25, 2023, which vests on the one-year anniversary of the grant date, subject to Mr. Xykis' continued service with the Company through the vesting date.

Xun (Kenneth) Li. On August 29, 2022, Mr. Li entered into an employment agreement with the Company, effective August 29, 2022 (the "Li Employment Agreement"), related to his employment as Chief Financial Officer. The Li Employment Agreement provides for (i) an annual base salary of no less than \$360,000; (ii) a sign-on bonus of \$20,000 (subject to reimbursement from Mr. Li if he voluntarily resigns within 1 year from the effective date of his employment); (iii) eligibility to participate in the Company's KPI plan at a target amount equal to 50% of his KPI Base Salary or as determined by the Board (with eligibility for 2022 on a prorated basis); (iv) eligibility to participate in any Company LTI plan with a target LTI bonus equal to 60% of his LTI Base Salary or as generally determined by the Company for the overall LTI plan (with eligibility to participate in the stay portion of the LTI Plan on a prorated basis); and (v) eligibility to receive an award of 30,000 SARs with a strike price determined at the close of business on the day of the Compensation Committee's approval (i.e., the grant date), vesting in four equal installments on the anniversaries of the grant date subject to Mr. Li's continued employment with the Company through the vesting date (which award was granted on September 2, 2022). Pursuant to the Li Employment Agreement, Mr. Li is also eligible to participate in the Company's employee benefit programs on the same basis as its other employees. In the event that Mr. Li's employment is terminated by the Company without cause (as defined in the Li Employment Agreement), he will be entitled to receive (i) severance equal to his base salary for 6 months if his employment period is less than 48 months, and for 12 months if his employment period is 48 months or longer, subject to his execution and non-revocation of a general release in favor of the Company, and (ii) payment for any KPI bonus or LTI award related to the fiscal year in which the termination occurs, if any, which may be prorated based on when his termination date occurs during the fiscal year. If Mr. Li is terminated for cause, any outstanding KPI bonus or LTI award, including any not yet paid for the fiscal year prior to the year of his termination, and any restricted stock units, unexercised stock options and SARs (whether vested or unvested) will be automatically forfeited. Mr. Li's employment agreement contains certain restrictive covenants, including an indefinite confidentiality provision and IP assignment provision and non-competition and non-solicitation covenants applicable for one-year post-termination.

Mr. Arnett's employment agreement was terminated in connection with his resignation from the Company. The terms of his Separation Agreement are described above under "*Executive Team Transitions – Chief Executive Officer Transition.*" The terms of the letter agreement Mr. Thomas entered into with the Company for his services as Interim Chief Financial Officer are described above under "*Executive Team Transitions – Chief Financial Officer Transition.*"

Long-Term Incentive Plan

Pursuant to the LTI Plan, executives, including the named executive officers, are eligible to receive 50% to 150% of a target incentive amount (which target incentive amount is equal to 60% of the executive's LTI Base Salary), with (i) 50% of the target incentive amount to be received as a bonus that is not tied to performance conditions and (ii) the remaining amount of 50% (plan target) to 100% (maximum) of the target incentive amount subject to the Company's performance against a performance indicator based on return on assets over the three-year performance period. The 50% of the target incentive amount (equal to 30% of the executive's LTI Base Salary) vests in equal annual installments as follows:

(i) one-third vested on December 31, 2020 and was paid out in the first quarter of 2021; (ii) one-third vested on December 31, 2021 and was paid out in April of 2022; and (iii) one-third vested on December 31, 2022 and was paid out in the first quarter of 2023. No amounts were paid at the end of the three-year performance period with respect to the performance-related component of the LTI Plan. A full description of the Company's LTI Plan is available at Exhibit 10.35, "Description of Long-Term Incentive Plan" to the Company's Original 10-K.

2022 Key Performance Indicator Plan

The named executive officers were eligible to earn a cash incentive award for 2022 under the 2022 KPI Plan. For 2022, the annual target incentive opportunity for each named executive officer as a percentage of his or her KPI Base Salary for the year was 56% for Mr. Xykis, 60% for Mr. Arnett, 50% for Mr. Li, 29% for Ms. Gu and 38% for Mr. Thomas, with their individual cash incentive awards weighted as follows: (i) for Messrs. Xykis and Li, 70% was tied to Company performance relative to the Company performance metrics and 30% was tied to individual performance; (ii) for Ms. Gu and Mr. Thomas, 60% was tied to Company performance relative to the Company performance metrics and 40% was tied to individual performance, and for Mr. Arnett, 90% was tied to Company performance relative to the Company performance metrics and 10% was tied to individual performance.

The following four separately weighted performance metrics were established as the Company's performance metrics under the 2022 KPI Plan: (i) gross revenue, (ii) net income, (iii) inventory at December 31, 2022, and (iv) gross revenue of strategic products. Weightings, performance thresholds and payout ranges are shown in the table below with no payout earned for performance below the threshold. Set forth in the table below are the weightings, performance thresholds and payout ranges for each Company performance metric.

Performance Payout Threshold (interpolation used between these points)	2022 Company Performance Metrics (% Weighting of Company Performance Goal)			
	Revenue (in millions) (30% of Goal)	Net Income (in millions) (30% of Goal)	Inventory (in millions) (20% of Goal)	Revenue of Strategic Products (in millions) (20% of Goal)
0% of Target	\$ 456	\$ 0	\$ 120	\$ 15
50% of Target	\$ 478	\$ 5	\$ 105	\$ 35
100% of Target	\$ 500	\$ 10	\$ 90	\$ 53
200% of Target	\$ 600	\$ 40	\$ 80	\$ 100

The Company's 2022 performance in relation to the 2022 KPI Plan's Company performance metrics resulted in the Company's performance metrics being achieved at approximately 54% of target, as shown below.

Performance Metric	Weighting (%)	2022 Actual Performance (in millions)	Earned (%)	Achieved (%)
Revenue	30%	\$ 481	58%	17.3%
Net Income	30%	\$ 11.3	104%	31.3%
Inventory	20%	\$ 121	0%	0%
Revenue of Strategic Products	20%	\$ 26	27%	5.4%
Total Company Performance Achievement	100%			54.0%

The Compensation Committee determined that each named executive officer's individual performance for 2022 was achieved at target (i.e., 100%), except Mr. Arnett whose individual performance was deemed 0% of target, so his 2022 KPI award was based solely on the Company's achievement relative to the Company performance metrics. Each named executive officer's award under the 2022 KPI Plan is shown above in the "Nonequity Incentive Plan Compensation" column of the "Summary Compensation Table," except for Mr. Arnett whose award is included as part of the amount shown in the "All Other Compensation" column.

OUTSTANDING EQUITY AWARDS AT 2022 YEAR-END

The table below shows outstanding SAR awards as of December 31, 2022, held by each named executive officer. No stock awards remained outstanding for any named executive officers as of December 31, 2022.

Name	Option/SAR Awards			
	Number of Securities Underlying Unexercised Options/SARs (#) Exercisable	Number of Securities Underlying Unexercised Options/SARs (#) Unexercisable	Option/SAR Exercise Price (\$)	Option/SAR Expiration Date
C. (Dino) Xykis	1,500	—	11.25	February 22, 2026
	8,333 ⁽¹⁾	16,667 ⁽¹⁾	6.82	March 12, 2031
	114 ⁽²⁾	228 ⁽²⁾	6.50	March 18, 2032
	— ⁽³⁾	20,000 ⁽³⁾	2.00	July 15, 2032
Lance M. Arnett ⁽⁴⁾	—	—	—	—
Xun (Kenneth) Li	— ⁽⁵⁾	30,000 ⁽⁵⁾	2.00	September 2, 2032
Junhua Gu	—	—	—	—
Matthew Thomas	— ⁽⁶⁾	2,000 ⁽⁶⁾	2.00	September 2, 2032

- (1) The amount reported represents Mr. Xykis' outstanding SAR award under the Company's 2012 Incentive Compensation Plan, as amended and restated (the "2012 Plan"), effective March 12, 2021, which has the following vesting schedule: 8,333 of the SAR shares vested and became exercisable on March 15, 2022, 8,333 of the SAR shares vested and became exercisable on March 15, 2023, and 8,334 of the SAR shares vest and become exercisable on March 15, 2024.
- (2) The amount reported represents Mr. Xykis' outstanding SAR award under the 2012 Plan, effective March 18, 2022, which vested or vests in three equal installments on March 18, 2022, March 18, 2023 and March 18, 2024.
- (3) The amount reported represents Mr. Xykis' outstanding SAR award under the 2012 Plan, effective July 15, 2022, which vests and becomes exercisable on July 15, 2023.
- (4) Mr. Arnett did not exercise any of his vested awards as provided for under the terms of his Separation Agreement as described in "Executive Team Transitions – Chief Executive Officer Transition" section above, therefore his vested and unvested SAR awards have been forfeited and cancelled and were no longer outstanding as of December 31, 2022.
- (5) The amount reported represents Mr. Li's outstanding SAR award under the 2012 Plan, effective September 2, 2022, which vests and becomes exercisable in four equal installments on September 2, 2023, September 2, 2024, September 2, 2025 and September 2, 2026.
- (6) The amount reported represents Mr. Thomas' outstanding SAR award under the 2012 Plan, effective September 2, 2022, which vests and becomes exercisable on September 2, 2023.

Potential Payments Upon Termination or Change in Control

As of December 31, 2022, the Company had employment agreements with Messrs. Xykis and Li that provided for payments upon termination without “cause.” Ms. Gu and Mr. Thomas did not have any such agreements with the Company, however, pursuant to the 2022 KPI Plan, they each would have been entitled to receive a prorated portion of their respective awards under the plan if terminated without cause. A summary of the payments the Li Employment Agreement provides for upon a termination without cause is summarized above under the heading, “*Employment Agreements with Named Executive Officers.*” If Mr. Xykis’ employment had been terminated without cause (as defined under his March 15, 2021 employment agreement for purposes of his Minimum Bonus Payment and as defined under the 2012 Plan for purposes of the Minimum SARs Award), as of December 31, 2022, then pursuant to the terms of his letter agreement for his services as Interim Chief Executive Officer, he would have been eligible for the following: (i) continued receipt of bonus payments on a semi-monthly schedule until he received the Minimum Bonus Payment under the letter agreement, and (ii) accelerated vesting of the Minimum SARs Award, in full and exercisable in accordance with the 2012 Plan and his award agreement. For a detailed description of the termination payments received by Mr. Arnett in connection with his resignation from the Company, please see the “*Executive Team Transitions – Chief Executive Officer Transition*” section above.

Other than these arrangements and accelerated vesting of equity awards under the 2012 Plan, the Company currently does not have any compensatory plans or arrangements in place that provide for any payments or benefits upon the resignation, retirement or any other termination of any of the named executive officers, as the result of a change in control, or from a change in any named executive officer’s responsibilities following a change in control.

Clawback Policy

As part of the Company’s derivative litigation settlement, the Company adopted a formal clawback policy covering specified incentive compensation of officers (defined as only those individuals the Company has designated as subject to the reporting and liability provisions of Section 16 of the Exchange Act). This provision will be included in any new or amended employment agreements entered into with any existing or future officers of the Company on and after April 11, 2019. The clawback provision will provide that upon a termination for cause, an officer shall automatically forfeit:

1. Any bonus to which the officer might otherwise have been entitled pursuant to the Company’s KPI plan related to the fiscal year prior to the fiscal year in which the termination date falls if the amount of such KPI bonus has been determined by the Board but not yet paid; and (ii) for the fiscal year in which the separation takes place.
2. For the fiscal year in which the separation takes place, any SARs and unexercised options (whether vested or unvested) awarded pursuant to the Company’s 2012 Plan.

“Cause” means that the Company makes a good faith determination that the officer 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 the officer’s employment agreement; (4) engaged in willful failure or willful inability to perform the officer’s duties under the officer’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) the officer 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 the officer’s employment agreement.

For purposes of subsections (3) and (4) of this definition, a termination will not be for “Cause” to the extent such conduct is curable, unless the Company shall have notified the officer in writing describing such conduct and prescribing conduct required to cure such conduct and the officer shall have failed to cure such conduct within thirty (30) business days after his or her receipt of such written notice. For purposes of this definition of Cause, no act or failure to act on the part of the officer shall be considered willful if it is done, or omitted to be done, by the officer in good faith and with a good-faith belief that the officer’s act or omission was in the best interests of the Company.

Director Compensation

PSI directors generally receive the following compensation for their services as members of the Board:

- A cash retainer of \$50,000 per year.
- An additional cash retainer of \$25,000 per year to the Chairman of the Board and the Chair of the Audit Committee.
- An additional cash retainer of \$160,000 per year to the Chair of the Executive Committee.
- 5,000 shares of restricted stock per year.
- Meeting fees of \$1,000 per day for each Board and Committee meeting, which increased to \$1,500 per day beginning September 13, 2022.

The Company also reimburses directors for necessary and reasonable travel and other related expenses incurred in connection with the performance of their official duties of attendance at each meeting of the Board or any Committee.

The table below summarizes the compensation paid to each director for their service on the Board for the year ended December 31, 2022:

Name	Fees Earned or Paid in Cash	Stock Awards ⁽¹⁾	Total
Fabrizio Mozzi ⁽²⁾	\$ 277,000	\$ 9,000	\$286,000
Shaojun Sun ⁽²⁾	\$ 63,000	—	\$ 63,000
Frank P. Simpkins	\$ 92,000	\$ 9,000	\$101,000
Kenneth W. Landini	\$ 63,500	\$ 9,000	\$ 72,500
Hong He	\$ 68,000	\$ 9,000	\$ 77,000
Gengsheng Zhang ⁽³⁾	—	—	—
Lei Lei	\$ 61,000	—	\$ 61,000
Sidong Shao ⁽⁴⁾	\$ 40,556	—	\$ 40,556

- (1) Reflects the aggregate grant date fair value of restricted stock granted to Messrs. Mozzi, Simpkins, Landini and He on September 15, 2022, which will vest on July 10, 2023, and related to their 2022 Board service. The grant date fair value is computed in accordance with FASB ASC Topic 718. As of December 31, 2022, Messrs. Mozzi, Simpkins, Landini and He each had 5,000 outstanding shares of restricted stock. Mr. Mozzi, who is employed by a subsidiary of Weichai, received a waiver from Weichai permitting him to receive a restricted stock award related to his Board service in 2022.
- (2) On March 29, 2023, Mr. Mozzi resigned as Chairman and a member of the Board, effective as of that date, and Dr. Sun resigned from his position as Vice Chairman of the Board but will continue to serve as a Board member. The Board appointed Jiwen Zhang to the Board, and to serve as Chairman of the Board, on March 29, 2023, and he will continue to serve until PSI's 2023 Annual Meeting of Stockholders or until his successor is duly elected and qualifies. Mr. Jiwen Zhang will serve on the Board as a designee of Weichai.
- (3) Mr. Gengsheng Zhang was appointed to the Board effective September 16, 2022 and will continue to serve until PSI's 2023 Annual Meeting of Stockholders or until his successor is duly elected and qualifies. Mr. Gengsheng Zhang was not paid for his 2022 Board and Committee services.
- (4) On September 16, 2022, Mr. Shao resigned from his position as a non-employee director on the Board. Mr. Shao was appointed as Executive Vice President of the Company, effective September 16, 2022. The amounts reported for Mr. Shao in the table reflect his prorated Board compensation for his services as a non-employee director for a portion of 2022.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

**SECURITY OWNERSHIP OF
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information known to the Company regarding beneficial ownership of shares of the Company's Common Stock as of April 24, 2023, by:

- each person who is known to us to be the beneficial owner of more than 5% of the outstanding shares of the Company's Common Stock;
- each named executive officer and each director; and
- all of the Company's executive officers and directors as a group.

The amounts and percentages of shares beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Under SEC rules, a person is deemed to be a "beneficial owner" of a security if that person has or shares voting power or investment power, which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Securities that can be so acquired are deemed to be outstanding for purposes of computing such person's ownership percentage, but not for purposes of computing any other person's percentage. Under these rules, more than one person may be deemed to be a beneficial owner of the same securities, and a person may be deemed to be a beneficial owner of securities as to which such person has no economic interest.

Beneficial ownership of Common Stock is based on 22,951,478 shares of Common Stock issued and outstanding as of April 24, 2023.

Except as otherwise indicated in the footnotes, each of the beneficial owners listed has, to the Company's knowledge, sole voting and investment power with respect to the indicated shares of Common Stock. Addresses for the beneficial owners are set forth in the footnotes to the table.

Name and Address of Beneficial Owner(1)	Number of Shares of Common Stock	Percent of Outstanding Common Stock
Directors:		
Jiwen Zhang ⁽²⁾	—	—
Shaojun Sun, Ph.D.	—	—
Kenneth W. Landini	44,000	*
Frank P. Simpkins	25,000	*
Hong He	13,750	*
Gengsheng Zhang ⁽³⁾	—	—
Lei Lei	—	—
Executive Officers:		
Junhua Gu	—	—
Sidong Shao	—	—
Xun (Kenneth) Li	—	—
C. Dino Xykis ⁽⁴⁾	18,834	
Matthew Thomas ⁽⁵⁾	—	
Lance Arnett ⁽⁶⁾	—	
All executive officers and directors as a group (11 individuals)⁽⁷⁾	101,584	*
Parties owning beneficially more than 5% of the outstanding shares:		
Kenneth J. Winemaster ⁽⁸⁾	2,211,274	9.6%
Neil Gagnon ⁽⁹⁾	2,494,463	10.9%
Gary S. Winemaster ⁽¹⁰⁾	3,353,955	14.6%
Weichai ⁽¹¹⁾	11,749,759	51.2%

* Less than 1%.

(1) Unless otherwise indicated, the business address of each individual is 201 Mittel Drive, Wood Dale, Illinois 60191.

(2) Was appointed to the Board during March 2023.

(3) Was appointed to the Board during September 2022.

(4) A SAR granted under an equity compensation plan of the Company in respect of one or more shares of Common Stock generally entitles the holder thereof the right to receive, either in cash or Common Stock, as determined by the Compensation Committee in its discretion, an amount per share of Common Stock equal to the excess, if any, of (i) the fair market value of a share of Common Stock on the date the SAR is exercised, over (ii) the grant price of the SAR. As of April 15, 2023, the fair market value of a share of Common Stock was less than the grant price of each outstanding SAR awarded to Mr. Xykis. As a result, no shares were acquirable as of that date through the exercise of SARs for Mr. Xykis.

(5) Mr. Thomas served as our Interim Chief Financial Officer until August 29, 2022.

(6) Information contained in the table above is based on the Form 4 filed with the SEC on March 25, 2022. Mr. Arnett served as our Chief Executive Officer and President until May 31, 2022. Open market purchases or sales, if any, by Mr. Arnett of our Common Stock since the date he ceased serving as our Chief Executive Officer and President are not known to us or reported in the table.

(7) Includes all current officers and directors.

(8) According to the Form 4 filed with the SEC May 16, 2019. Mr. Winemaster served as the Company's Executive Vice President until January 1, 2022. Open market purchases or sales, if any, by Mr. Winemaster of Common Stock since the date that he ceased serving as the Company's Executive Vice President are not known by the Company or reported in the table.

(9) According to the Schedule 13G/A filed with the SEC on February 6, 2023, Neil Gagnon is the beneficial owner with respect to 2,494,463 shares of Common Stock, with sole voting power to 233,492 shares of Common Stock and sole dispositive power with respect to 233,492 shares of Common Stock. In addition, Mr. Gagnon has shared voting power over 2,218,578 shares of Common Stock and shared dispositive power over 2,260,971 shares of Common Stock. The business address of Mr. Gagnon is 1370 Ave. of the Americas, 24th Floor, New York, NY 10019.

(10) According to the Form 4 filed with the SEC on November 25, 2022, Gary Winemaster beneficially owned 3,317,603 shares of Common Stock directly and 36,352 shares of Common Stock indirectly through his spouse's holdings.

(11) According to the Schedule 13D/A filed with the SEC on April 23, 2019, Weichai America Corp. holds shared voting power with respect to 11,749,759 shares of Common Stock and shared dispositive power with respect to 11,749,759 shares of Common Stock with Weichai Power and Shandong Heavy Industry Group Co., Ltd. The business address of Weichai America Corp. is 3100 Golf Road, Rolling Meadows, IL 60008.

Equity Compensation Plan Information

The following table summarizes information regarding the securities that may be issued under the 2012 Plan as of December 31, 2022:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities reflected in Column (a)) (c)
Equity compensation plans approved by security holders	128,112 ⁽¹⁾	\$ 6.22 ⁽²⁾	399,432 ⁽³⁾
Equity compensation plans not approved by security holders	—	—	—
Total	128,112	\$ 6.22	399,432

(1) Includes outstanding stock appreciation rights.

(2) Represents the weighted average exercise price of outstanding stock appreciation rights.

(3) Includes shares remaining available for issuance under the 2012 Plan as of December 31, 2022.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

RELATED PERSON POLICY AND TRANSACTIONS

Related Person Transactions Policy and Procedures

In the ordinary course of the Company's business, the Company may from time to time enter into transactions with its directors, officers and 5% or greater stockholders. The Audit Committee is responsible for approving related party transactions, as defined in applicable rules promulgated by the SEC. Our Audit Committee operates under a written charter pursuant to which all related party transactions are reviewed for potential conflicts of interest situations. Such transactions must be approved by our Audit Committee prior to consummation.

Related Person Transactions

Other than as described below, during the years ended December 31, 2022, and 2021, the Company did not enter into any related person transactions.

Weichai

In March 2017, the Company and Weichai executed a share purchase agreement (the "SPA") with Weichai. Under the terms of the SPA, Weichai invested \$60.0 million in the Company (the "Weichai Transaction") by purchasing a combination of newly issued common and preferred stock as well as a stock purchase warrant, which significantly strengthened the Company's financial condition and contributed to the subsequent extinguishment of a \$60.0 million term loan.

The stock purchase warrant issued to Weichai (the "Weichai Warrant") was exercisable for any number of additional shares of Common Stock such that Weichai, upon exercise, would hold 51% of the Common Stock then outstanding on a fully dilutive basis, on terms and subject to adjustments as provided in the SPA. On April 23, 2019, Weichai exercised the Weichai Warrant and increased its ownership to 51.5% of the Company's outstanding Common Stock, as of such date. With the exercise of the Weichai Warrant in April 2019, Weichai owns a majority of the outstanding shares of the Common Stock of the Company. As a result, Weichai is able to exercise control over matters requiring stockholders' approval, including the election of the directors, amendment of the Company's Certificate of Incorporation and approval of significant corporate transactions.

Weichai also entered into an Investor Rights Agreement (the “Rights Agreement”) with the Company upon execution of the SPA. The Rights Agreement provides Weichai with representation on the Company’s Board and management representation rights. According to the Rights Agreement, once Weichai exercised the Weichai Warrant and became the majority owner of the Company’s outstanding shares of Common Stock calculated on a fully diluted as-converted basis (excluding certain excepted issuances), the Company became required to appoint to the Board an additional individual designated by Weichai or such additional numbers of individuals so that Weichai designees constitute the majority of the directors serving on the Board. As of the date of this filing, Weichai has four representatives on the Board, which constitutes the majority of the directors serving on the Board.

The Company and Weichai executed a strategic Collaboration Agreement on March 20, 2017, as amended by the First Amendment to Strategic Collaboration Agreement, dated March 26, 2020 and the Second Amendment to Strategic Collaboration Agreement, dated March 22, 2023 (collectively, the “Collaboration Agreement”) in order to achieve their respective strategic objectives and enhance the strategic cooperation alliance to share experiences, expertise and resources. Among other things, the Collaboration Agreement established a joint steering committee, permitted Weichai to second a limited number of certain technical, marketing, sales, procurement and finance personnel to work at the Company and established several collaborations, related to stationary natural-gas applications and Weichai diesel engines. The Collaboration Agreement expires on March 20, 2026.

The Company is party to an uncommitted revolving credit agreement with Standard Chartered Bank dated March 26, 2021, as amended on March 26, 2021, March 25, 2022, and March 23, 2023 (the “Third Amended and Restated Uncommitted Revolving Credit Agreement”).

On December 28, 2020, the Company entered into a shareholder’s loan agreement with Weichai America, as amended on March 26, 2021, March 25, 2022 and March 24, 2023 (the “Amended First Shareholder’s Loan Agreement”). The Amended First Shareholder’s Loan Agreement provides the Company with a \$130.0 million secured loan facility that expires on April 24, 2024. Borrowings under the Amended First Shareholder’s Loan Agreement bear interest at an annual rate equal to the applicable Secured Overnight Financing Rate (“SOFR”) plus 4.05% per annum. Further, if the applicable term SOFR is negative, the interest rate per annum shall be deemed as 4.05% per annum.

On July 14, 2021, the Company entered into an additional Shareholder’s Loan Agreement with Weichai America, as amended on March 25, 2022 (the “Amended Second Shareholder’s Loan Agreement”). The Amended Second Shareholder’s Loan Agreement provides the Company with a \$25.0 million uncommitted facility that expires on May 20, 2023. Borrowings under the Amended Second Shareholder’s Loan Agreement incur interest at SOFR plus 4.65% per annum. Further, if the applicable term SOFR is negative, the interest rate per annum shall be deemed as 4.65% per annum.

On December 10, 2021, the Company entered into an additional Shareholder’s Loan Agreement with Weichai America, as amended on November 29, 2022, (the “Amended Third Shareholder’s Loan Agreement”). The Amended Third Shareholder’s Loan Agreement provides the Company with a \$50.0 million uncommitted facility that expires on November 30, 2023. Borrowings under the Amended Third Shareholder’s Loan Agreement bear interest at SOFR plus 4.65% per annum and can be used for general corporate purposes, except for certain legal expenditures.

On April 20, 2022, the Company entered into an additional shareholder’s loan agreement with Weichai America, as amended March 24, 2023 (the “Amended Fourth Shareholder’s Loan Agreement” together with the Amended First Shareholder’s Loan Agreement, the Amended Second Shareholder’s Loan Agreement and the Amended Third Shareholder’s Loan Agreement, the “Shareholder’s Loan Agreements”). The Amended Fourth Shareholder’s Loan Agreement provides the Company with access to up to \$30 million of credit, which matures on March 31, 2024. Borrowings under the Amended Fourth Shareholder’s Loan Agreement will incur interest at bear interest at an annual rate equal to SOFR plus 4.05% per annum. Further, if the applicable term SOFR is negative, the interest rate per annum shall be deemed as 4.05% per annum.

The Shareholder’s Loan Agreements are subject to customary events of default and covenants. The Company has covenanted to secure any amounts borrowed under the Shareholder’s Loan Agreements upon payment in full of all amounts outstanding under the Third Amended and Restated Uncommitted Revolving Credit Agreement. If the interest rate for any Shareholder Loan Agreement is lower than Weichai America’s borrowing cost, the interest rate for such loan shall be equal to Weichai America’s borrowing cost plus 1.0%. The Shareholder Loan Agreements are subordinated to the Third Amended and Restated Uncommitted Revolving Credit Agreement in all respects and any borrowing requests are subject to Weichai America’s discretionary approval.

As of December 31, 2022, PSI had no borrowings under the Amended First Shareholder’s Loan Agreement, \$25 million of borrowings under the Amended Second Shareholder’s Loan Agreement, \$50 million of borrowings under the Amended Third Shareholder’s Loan Agreement, and \$4.8 million of borrowings under the Amended Fourth Shareholder’s Loan Agreement.

In January 2022, PSI and Société Internationale des Moteurs Baudouin (“Baudouin”), a France-based marine engine manufacturing subsidiary of Weichai Power, entered into an international distribution and sales agreement which enables Baudouin to bring PSI’s power systems line of products into the European, Middle Eastern, and African markets, which resulted in over \$2.0 million of sales. In addition to sales, Baudouin will manage service, support, warranty claims, and technical requests.

Director Independence

While the Company’s Common Stock is currently traded on the OTCPink market, which requires the Company to establish and maintain fundamental corporate governance standards, the Company has elected to adopt more exacting governance standards that are substantially similar to the NASDAQ listing governance standards. The Board has determined that the Company is a “controlled company,” as defined in Rule 5615(c)(1) of the NASDAQ Marketplace Rules. The Board has based this determination on the fact that Weichai currently owns a majority of the Company’s Common Stock. Under the NASDAQ rules, a company where more than 50% of the voting power for the election of directors is held by an individual, group or another company is a “controlled company” and may elect not to comply with certain NASDAQ corporate governance requirements, including:

- a majority of the Board consists of independent directors;
- PSI’s Nominating Committee be composed entirely of independent directors; and
- PSI’s Compensation Committee be composed entirely of independent directors.

The Company is not currently relying on the controlled company exemption for the above requirements but may in the future.

Unless the Company avails itself of the “controlled company” status as discussed above, pursuant to NASDAQ listing standards, a majority of the members of the Board must qualify as “independent,” as affirmatively determined by the Board. In addition to the NASDAQ independence requirements, the Company also applies the independence guidelines set forth in its Corporate Governance Guidelines, which are available on the Company’s website at www.psiengines.com in the “Investors” section, under “Governance” which are substantially similar to the NASDAQ’s director independence requirements and “controlled company” exemptions. Consistent with this requirement, based on the review and recommendation of the Company’s Nominating Committee, the Board reviewed all relevant identified transactions or relationships between each of the Company’s directors, former directors, or any of their family members, and PSI, the Company’s senior management and the Company’s independent registered public accounting firm, and has affirmatively determined that each of Dr. Sun, Messrs. He, Landini, Simpkins, Gengsheng Zhang, Ms. Lei, and former director, Mr. Mozzi, meet the standards of independence under the applicable NASDAQ listing standards. In making this determination, the Board found Dr. Sun, Ms. Lei and Messrs. He, Landini, Simpkins, Gensheng Zhang and former director Mr. Mozzi to be free of any relationship that would impair his or her individual exercise of independent judgment with regard to the Company. The Board has also determined that each member of its Audit Committee is independent under NASDAQ Rule 5605(a)(2). The Board found that Mr. Jiwen Zhang and former director Mr. Shao are not independent under the applicable NASDAQ listing standards.

Item 14. Principal Accounting Fees and Services.

AUDIT-RELATED MATTERS

Independent Registered Public Accounting Firm Fees

The following table shows the fees for professional services rendered to us by BDO USA, LLP (“BDO”) for services in respect of the years ended December 31, 2022, and 2021.

	2022	2021
Audit Fees(1)	\$1,617,024	\$2,143,717
Audit-Related Fees(2)	—	—
Tax Fees(3)	—	—
All Other Fees(4)	—	—
Total Fees	<u>\$1,617,024</u>	<u>\$2,143,717</u>

- (1) *Audit Fees:* Audit fees for the fiscal years 2022 and 2021 include the aggregate fees incurred for the audit of the Company’s annual consolidated financial statements and to review interim quarterly consolidated financial information. 2021 total fees have been updated based on final billings.
- (2) *Audit-Related Fees:* The Company did not engage BDO for any audit-related services during the 2022 and 2021 fiscal years.
- (3) *Tax Fees:* The Company did not engage BDO for any tax services during the 2022 and 2021 fiscal years.
- (4) *All Other Fees:* The Company did not engage BDO for any other services during the 2022 and 2021 fiscal years.

In accordance with its charter, the Audit Committee approved in advance all audit services provided by the Company’s independent registered public accounting firm for fiscal year 2022.

Pre-Approval Policy and Procedures

In accordance with its charter, the Audit Committee approves in advance all audit and non-audit services to be provided by the Company's independent registered public accounting firm.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

EXHIBIT INDEX

The following documents listed below that have been previously filed with the SEC (1934 Act File No. 001-35944) are incorporated herein by reference:

Exhibit No.	Exhibit Description	Incorporated by Reference Herein			
		Form	Exhibit	Filing Date	File No.
2.1†	Agreement and Plan of Merger dated April 29, 2011, by and among Format, Inc., PSI Merger Sub, Inc. and The W Group, Inc.	8-K	2.1	05/05/2011	000-52213
2.2	Stock Purchase Agreement, dated as of April 1, 2014, by and among Power Solutions International, Inc., Carl L. Trent, Kenneth C. Trent and CKT Holdings, Inc.	8-K	10.1	04/02/2014	001-35944
3.1	Certificate of Incorporation of Power Solutions International, Inc., a Delaware corporation, originally filed with the Secretary of State of the State of Delaware on August 12, 2011.	S-1/A	3.4	08/19/2011	333-174543
3.2	Amended and Restated Bylaws of Power Solutions International, Inc.	8-K	3.1	08/18/2015	001-35944
3.3	Form of Certificate of Designation of Series B Convertible Perpetual Preferred Stock of Power Solutions International, Inc.	8-K	3.1	03/27/2017	001-35944
3.4	Second Amended and Restated Bylaws of Power Solutions International, Inc., dated as of December 23, 2020.	8-K	3.1	12/31/2020	001-35944
4.1	Description of the registrant's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934.	10-K	4.11	05/04/2020	001-35944
10.1††	Power Solutions International, Inc. 2012 Incentive Compensation Plan.	8-K	10.3	06/07/2012	000-52213
10.2††	Amendment No. 1 to the Power Solutions International, Inc. 2012 Incentive Compensation Plan.	DEF14A	Appendix A	08/02/2013	001-35944
10.3††*	Power Solutions International, Inc. 2012 Incentive Compensation Plan, as amended and restated.				
10.4††	Form of Restricted Stock Agreement by and between Power Solutions International, Inc. and each eligible employee.	8-K	10.1	06/20/2013	001-35944
10.5††	Form of Indemnification Agreement by and between Power Solutions International, Inc. and certain Indemnitees.	8-K	10.1	01/09/2014	001-35944
10.6	Amended and Restated Lease Agreement, dated as of April 1, 2014, by and between Professional Power Products, Inc. and 448 W. Madison LLC.	8-K	10.2	04/02/2014	001-35944
10.7	Lease Agreement, dated as of October 1, 2014, by and between Power Solutions International, Inc. and Hamilton Lakes Commerce Center #4 Limited Partnership.	8-K	10.2	10/01/2014	001-35944
10.8	Lease Agreement, dated as of December 1, 2017, by and between Power Solutions International, Inc. and James Campbell Company LLC.	10-K	10.26	05/16/2019	001-35944
10.9	First Lease Amendment, dated as of July 11, 2018, by and between Power Solutions International, Inc. and Centerpoint Properties Trust, in connection with that certain Industrial Building Lease dated as of March 13, 2012, with respect to that certain premises located at 101 Mittel Drive (formerly 801 EC Drive) in Wood Dale, Illinois.	8-K	10.1	07/18/2018	001-35944

Exhibit No.	Exhibit Description	Incorporated by Reference Herein			
		Form	Exhibit	Filing Date	File No.
10.10	Second Lease Amendment, dated as of July 11, 2018, by and between Power Solutions International, Inc. and CenterPoint Properties Trust, in connection with that certain Industrial Building Lease dated as of February 28, 2012, as further amended by that certain First Lease Amendment dated June 1, 2012, with respect to that certain premises located at 201 Mittel Drive, Wood Dale, Illinois.	8-K	10.2	07/18/2018	001-35944
10.11†††	Addendum dated as of July 31, 2014, to Supply Agreement dated December 11, 2007, by and between Power Solutions International, Inc. and Doosan Infracore Co., Ltd., as amended.	8-K	10.1	08/06/2014	001-35944
10.12	Asset Purchase Agreement dated as of May 4, 2015, by and among Power Solutions International, Inc., Powertrain Integration Acquisition, LLC, as the Buyer, and Powertrain Integration, LLC and its principals, as the Seller.	8-K	10.1	05/06/2015	001-35944
10.13	Form of Investor Rights Agreement between Power Solutions International, Inc. and Weichai America Corp.	8-K	10.3	03/27/2017	001-35944
10.14	Shareholders Agreement by and among Power Solutions International, Inc., Weichai America Corp. and the Founding Stockholders, dated as of March 20, 2017.	8-K	10.4	03/27/2017	001-35944
10.15†††	Strategic Collaboration Agreement between Weichai Power Co. Ltd. and Power Solutions International, Inc., dated March 20, 2017.	8-K	10.5	03/27/2017	001-35944
10.16	Securities Exchange Agreement, dated as of November 30, 2017, by and among Power Solutions International, Inc., and Weichai America Corp.	8-K	10.1	12/05/2017	001-35944
10.17	Amendment to the Power Solutions International, Inc. 2012 Incentive Compensation Plan (As Amended July 31, 2013).	10-K	10.40	05/16/2019	001-35944
10.18	Addendum #10, dated as of September 16, 2019, to Supply Agreement, dated as of December 11, 2007, by and between Power Solutions International, Inc. and Doosan Infracore Co., Ltd., as amended.	8-K	10.1	10/02/2019	001-35944
10.19	First Amendment to Strategic Collaboration Agreement, dated as of March 26, 2020, by and between the Company and Weichai Power.	8-K	10.1	04/01/2020	001-35944
10.20	Credit Agreement, dated as of March 27, 2020, between the Company and Standard Chartered Bank, as administrative agent.	8-K	10.1	04/06/2020	001-35944
10.21††	Confidential Consulting Agreement	10-Q	10.1	05/04/2019	001-35944
10.22	First Amendment to Credit Agreement and Limited Waiver, dated as of December 28, 2020, among the Company, certain subsidiaries of the Company party thereto, the lenders party thereto and Standard Chartered Bank, as administrative agent.	8-K	10.1	12/31/2020	001-35944
10.23	Shareholder's Loan Agreement, dated as of December 28, 2020, between the Company and Weichai America Corp.	8-K	10.2	12/31/2020	001-35944
10.24	Shareholder's Loan Agreement, dated as of December 10, 2021, between the Company and Weichai America Corp.	8-K	10.1	12/16/2021	001-35944
10.25	Second Amended and Restated Uncommitted Revolving Credit Agreement, dated as of March 25, 2022, among the Company, certain subsidiaries of the Company party thereto, the lenders party thereto and Standard Chartered Bank, as administrative agent.	8-K	10.1	03/28/2022	001-35944
10.26	Second Amended and Restated Shareholder's Loan Agreement, dated as of March 25, 2022, between the Company and Weichai America Corp.	8-K	10.2	03/28/2022	001-35944
10.27	First Amended and Restated Shareholder's Loan Agreement, dated as of March 25, 2022, between the Company and Weichai America Corp.	8-K	10.3	03/28/2022	001-35944
10.28††	Employment Agreement, dated March 15, 2021, by and between Constantine Xykis And Power Solutions International, Inc.	10K/A	10.32	05/02/2022	001-35944

Exhibit No.	Exhibit Description	Incorporated by Reference Herein			
		Form	Exhibit	Filing Date	File No.
10.29	Shareholder's Loan Agreement, dated April 20, 2022, by and between the Company and Weichai America Corp.	8-K	10.1	04/21/2022	001-35944
10.30††	Interim CEO Letter Agreement, dated June 15, 2022, by and between the Company and Dino Xykis	8-K/A	10.1	06/21/2022	001-35944
10.31††	Separation Agreement and Release, dated June 26, 2022, by and between the Company and Lance Arnett	8-K	10.1	06/29/2022	001-35944
10.32	Addendum #11, dated as of July 1, 2022, to Supply Agreement, dated as of December 11, 2007, by and between Power Solutions International, Inc. and Doosan Infracore Co., Ltd., as amended.	8-K	10.1	07/25/2022	001-35944
10.33	Employment Agreement, dated August 29, 2022, by and between the Company and Kenneth Li	8-K	10.1	08/29/2022	001-35944
10.34	Employment Agreement, dated September 16, 2022, by and between the Company and Sidong Shao	8-K	10.1	09/22/2022	001-35944
10.35	First Amended and Restated Shareholder's Loan Agreement, dated November 29, 2022, by and between the Company and Weichai America Corp.	8-K	10.1	12/02/2022	001-35944
10.36	Second Amendment to Strategic Collaboration Agreement, dated as of March 26, 2020, by and between the Company and Weichai Power.	8-K	10.1	03/27/2023	001-35944
10.37	Employment Agreement, dated as of April 24, 2023, between the Company and Constantine Xykis	8-K	10.1	04/25/2023	001-35944
10.38	Description of Long-Term Incentive Plan	10-K	10.27	04/14/2023	001-35944
21.1	Subsidiaries of Power Solutions International, Inc.	10-K	21.1	04/14/2023	001-35944
23.1	Consent of BDO USA, LLP	10-K	23.1	04/14/2023	001-35944
31.1	Certification of Chief Executive Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	10-K	31.1	04/14/2023	001-35944
31.2	Certificate of Chief Financial Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	10-K	31.2	04/14/2023	001-35944
31.3*	Certification of Chief Executive Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.4*	Certification of Chief Financial Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1**	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	10-K	32.1	04/14/2023	001-35944
32.2**	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	10-K	32.2	04/14/2023	001-35944
101.INS	XBRL Instance Document.	10-K	101.INS	04/14/2023	001-35944
101.SCH	XBRL Taxonomy Extension Schema Document.	10-K	101.SCH	04/14/2023	001-35944
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	10-K	101.CAL	04/14/2023	001-35944
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.	10-K	101.LAB	04/14/2023	001-35944
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	10-K	101.PRE	04/14/2023	001-35944
101.DEF	XBRL Taxonomy Definition Linkbase Document.	10-K	101.DEF	04/14/2023	001-35944
104*	Cover Page Interactive Data File Embedded within the Inline XBRL document).				

* Filed with this Report.

** This exhibit shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that Section. Such exhibit shall not be deemed incorporated into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

† Exhibits and schedules omitted pursuant to Item 601(a)(5) of Regulation S-K. The registrant agrees to furnish a supplemental copy of an omitted exhibit or schedule to the SEC upon request.

†† Management contract or compensatory plan or arrangement.

††† Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted portions have been separately filed with the SEC.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 1st day of May 2023.

POWER SOLUTIONS INTERNATIONAL, INC.

By: /s/ Xun Li
Name: **Xun Li**
Title: Chief Financial Officer
(Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 1st day of May 2023.

<u>Signature</u>	<u>Title</u>
<u>/s/ C. (Dino) Xykis</u> C. Dino Xykis	Chief Executive Officer and Chief Technical Officer (Principal Executive Officer)
<u>/s/ Xun Li</u> Xun Li	Chief Financial Officer (Principal Accounting Officer)
<u>/s/ Jiwen Zhang</u> Jiwen Zhang	Chairman of the Board and Director
<u>/s/ Shaojun Sun</u> Shaojun Sun	Director
<u>/s/ Gengsheng Zhang</u> Gengsheng Zhang	Director
<u>/s/ Kenneth W. Landini</u> Kenneth W. Landini	Director
<u>/s/ Frank P. Simpkins</u> Frank P. Simpkins	Director
<u>/s/ Hong He</u> Hong He	Director
<u>/s/ Lei Lei</u> Lei Lei	Director

Power Solutions International, Inc.
2012 Incentive Compensation Plan
(as amended and restated May 26, 2022)

Section 1.
Establishment, Purpose and Duration

1.1. Effective Date and Purpose. Power Solutions International, Inc., a Delaware corporation (the “Company”), hereby establishes the Power Solutions International, Inc. 2012 Incentive Compensation Plan, as amended and restated (the “Plan”). The Plan is intended to assist the Company in attracting and retaining exceptionally qualified employees, consultants and directors upon whom, in large measure, the sustained progress, growth and profitability of the Company depend. The Plan was approved by the Company’s Board of Directors (the “Board”) on May 30, 2012 and became effective upon such approval and approval of the Company’s stockholders at the 2012 Annual Meeting of Stockholders. An amendment to the Plan was subsequently approved by the Board on July 31, 2013 and became effective upon such approval and approval of the Company’s stockholders at the 2013 Annual Meeting of Stockholders. An amendment and restatement of the Plan was approved by the Board on the Effective Date, subject to approval by the Company’s stockholders at the Company’s annual meeting. Following the Effective Date, unless and until approved by the Company stockholders, no shares of Common Stock shall be issued, nor shall any cash payments be made, under the Plan.

1.2. Duration of the Plan. The Plan shall become effective as of the Effective Date and shall remain in effect, subject to the right of the Committee to amend or terminate the Plan at any time pursuant to Section 15 hereof, until the earlier to occur of (a) the date all Shares subject to the Plan shall have been purchased or acquired and the Restrictions on all Restricted Stock granted under the Plan shall have lapsed, according to the Plan’s provisions, and (b) four (4) years from the Effective Date of the Plan. The termination of the Plan pursuant to this Section 1.2 shall not adversely affect any Awards outstanding on the date of such termination.

Section 2.
Definitions

As used in the Plan, in addition to terms elsewhere defined in the Plan, the following terms shall have the meanings set forth below:

2.1. “Acquired Entity” has the meaning set forth in Section 5.6.

2.2. “Acquired Entity Awards” has the meaning set forth in Section 5.6.

2.3. “Available Shares” has the meaning set forth in Section 4.1(a).

2.4. “Award” means any Option (either a Non-Qualified Stock Option or an Incentive Stock Option), Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Deferred Stock, Performance Unit, Substitute Award, Share, Other Share-Based Award, Other Cash-Based Award or Dividend Equivalent.

2.5. “Award Agreement” means any written agreement, contract or other instrument or document evidencing the terms and conditions of an individual Award granted under the Plan between the Company and a Grantee. Evidence of an Award may be in written or electronic form, may be limited to notation on the books and records of the Company and, with the approval of the Committee, need not be signed by a representative of the Company or a Grantee. Any Shares that become deliverable to the Grantee pursuant to the Plan may be issued in certificate form in the name of the Grantee or in book-entry form in the name of the Grantee. Each Award Agreement shall be subject to the terms and conditions of the Plan.

2.6. “Beneficiary” means the Person designated to receive Plan benefits, if any, in accordance with Section 16 following a Grantee’s death.

2.7. “Board” has the meaning set forth in Section 1.1.

2.8. “Cause” means, as determined by the Committee, the occurrence of any one of the following: (a) commission of an act of fraud, embezzlement or other act of dishonesty that would reflect adversely on the integrity, character or reputation of the Company, or that would cause harm to its customer relations, operations or business prospects; (b) breach of a fiduciary duty owed to the Company; (c) violation or threatening to violate a restrictive covenant agreement, such as a non-compete, non-solicit, or non-disclosure agreement, between an Eligible Person and any Employer; (d) unauthorized disclosure or use of confidential information or trade secrets; (e) violation of any lawful policies or rules of the Company, including any applicable code of conduct; (f) commission of criminal activity; (g) failure to reasonably cooperate in any investigation or proceeding concerning the Company; or (h) neglect or misconduct in the performance of the Grantee’s duties and responsibilities, provided that such Grantee did not cure such neglect or misconduct within ten (10) days after the Company gave written notice of such neglect or misconduct to such Grantee; provided, however, that in the event a Grantee is party to an Employment Agreement that contains a different definition of Cause, the definition of Cause contained in such Employment Agreement shall be controlling.

2.9. “Change in Control” means the occurrence of any one or more of the following: (a) any corporation, person or other entity (other than the Company, a majority-owned subsidiary of the Company or any of its subsidiaries, or an employee benefit plan (or related trust) sponsored or maintained by the Company), including a “group” as provided in Section 13(d)(3) of the Exchange Act, becomes the beneficial owner of stock representing more than fifty percent (50%) of the combined voting power of the Company’s then outstanding securities; (b) (i) consummation of the Company’s merger or consolidation with or into another corporation other than a majority-owned subsidiary of the Company, or the sale or other disposition of at least eighty-five percent (85%) of the Company’s assets, and (ii) the persons who were the members of the Board prior to such consummation do not represent a majority of the directors of the surviving, resulting or acquiring entity or parent thereof; (c) the consummation of a plan of liquidation; or (d) within any period of 12 consecutive months, persons who were members of the Board immediately prior to such 12-month period, together with persons who were first elected as directors (other than as a result of any settlement of a proxy or consent solicitation contest or any action taken to avoid such a contest) during such 12-month period by or upon the recommendation of persons who were members of the Board immediately prior to such 12-month period and who constituted a majority of the Board at the time of such election, cease to constitute a majority of the Board. Notwithstanding the foregoing, a Change in Control shall not occur with respect to a Deferred Compensation Award unless such Change in Control constitutes a “change in control event” within the meaning of Treasury Regulation Section 1.409A-3(i)(5).

2.10. “Change in Control Price” has the meaning set forth in Section 13.2.

2.11. “Code” means the Internal Revenue Code of 1986 (and any successor thereto), as amended from time to time. References to a particular section of the Code include references to regulations and rulings promulgated and in effect thereunder and to any successor provisions.

2.12. “Committee” has the meaning set forth in Section 3.1(a).

2.13. “Common Stock” means common stock, par value \$0.001 per share, of the Company.

2.14. “Company” has the meaning set forth in Section 1.1.

2.15. “Current Grant” has the meaning set forth in Section 6.5(d).

2.16. “Deferral Account” has the meaning set forth in Section 10.4(a).

2.17. “Deferral Election” has the meaning set forth in Section 10.3(a).

2.18. “Deferred Compensation Award” means an Award that is not exempt from Code Section 409A and, thus, could be subject to adverse tax consequences under Code Section 409A.

2.19. “Deferred Stock” means a right, granted as an Award under Section 10, to receive payment in the form of Shares (or measured by the value of Shares) at the end of a specified deferral period.

2.20. “Disability” means a mental or physical illness that entitles a Grantee to receive benefits under the long-term disability plan of an Employer, or if the Grantee is not covered by such a plan or the Grantee is not an employee of an Employer, a mental or physical illness that renders the Grantee totally and permanently incapable of performing the Grantee’s duties for the Company or a Subsidiary; provided, however, that the Grantee of a Deferred

Compensation Award shall, for purposes thereof, not be considered to have a Disability unless such Disability also constitutes a “disability” within the meaning of Treasury Regulation Section 1.409A-3(i)(4). Notwithstanding anything to the contrary in this Section 2.20, a Disability shall not qualify under the Plan if it is the result of (i) a willfully self-inflicted injury or willfully self-induced sickness; or (ii) an injury or disease contracted, suffered or incurred while participating in a criminal offense.

2.21. “Disqualifying Disposition” has the meaning set forth in Section 6.5(f).

2.22. “Dividend Equivalent” means a right to receive cash, Shares or other property equal in value to dividends paid or distributed with respect to a specified number of Shares. Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award, and may be paid currently or on a deferred basis, subject to the provisions of Code Section 409A. Notwithstanding anything herein to the contrary, Dividend Equivalents on unvested Shares underlying any Award will only be paid, if at all, when and to the extent that the Shares underlying the Award vest. No dividends or Dividend Equivalents shall be paid in connection with Options or SARs.

2.23. “Effective Date” means May 26, 2022, the date on which the Plan was approved by the Board, subject to the approval of the Company’s stockholders at the Company’s annual meeting.

2.24. “Eligible Person” means any (a) employee of an Employer (including leased employees and co-employees with a professional employer organization), (b) non-employee director of the Company or (c) consultant engaged by an Employer.

2.25. “Employer” means the Company or any Subsidiary.

2.26. “Employment Agreement” means an employment agreement, offer letter, consulting agreement or other written agreement between an Employer and an Eligible Person, which relates to the terms and conditions of such person’s employment or other services for an Employer.

2.27. “Exchange Act” means the Securities Exchange Act of 1934 (and any successor thereto), as amended from time to time. References to a particular section of the Exchange Act include references to rules, regulations and rulings promulgated and in effect thereunder, and to any successors thereto.

2.28. “Exercise Date” means the date the Grantee or other holder of an Award that is subject to exercise delivers notice of such exercise to the Company, accompanied by such payment, attestations, representations and warranties or other documentation required under the Plan and applicable Award Agreement or as the Committee may otherwise specify.

2.29. “Fair Market Value” means, unless otherwise provided in an Award Agreement, as of any applicable date, (a) the closing (last sale) price for one Share on such date as reported on the market system or securities exchange on which the Company’s Common Stock is then listed or admitted to trading, or on the last previous day on which a sale was reported if no sale of a Share was reported on such date, or (b) if the foregoing subsection (a) does not apply, the fair market value of a Share as reasonably determined in good faith by the Board in accordance with Code Section 409A. For purposes of subsection (b), the determination of such Fair Market Value by the Board will be made no less frequently than every twelve (12) months and will either (x) use one of the safe harbor methodologies permitted under Treasury Regulation Section 1.409A-1(b)(5)(iv)(B)(2) (or such other similar regulation provision as may be provided) or (y) include, as applicable, the value of tangible and intangible assets of the Company, the present value of future cash flows of the Company, the market value of stock or other equity interests in similar corporations and other entities engaged in trades or businesses substantially similar to those engaged in by the Company, the value of which can be readily determined through objective means (such as through trading prices or an established securities market or an amount paid in an arm’s length private transaction), and other relevant factors such as control premiums or discounts for lack of marketability and whether the valuation method is used for other purposes that have a material economic effect on the Company, its stockholders or its creditors.

2.30. “FICA” has the meaning set forth in Section 17.1(a).

2.31. “Good Reason” has the meaning set forth in the Grantee’s Employment Agreement. If the Grantee is not a party to an Employment Agreement or such Employment Agreement does not define “Good Reason,” then “Good Reason” means, without the Grantee’s written consent, the occurrence of any of the following conditions, unless such condition is fully corrected within 30 days after written notice thereof: The Company (a) permanently and materially diminishes the Grantee’s authority, duties, or responsibilities, (b) materially reduces the Grantee’s overall compensation, including base salary and bonus opportunity, or (c) requires the Grantee to relocate to an office or location of the Company that is not within 50 miles of the office or location of the Company that is the Grantee’s principal business office immediately prior to the relocation. Notwithstanding anything in the Plan to the contrary, a termination of employment due to Good Reason must occur, if at all, within 90 days after the Company receives written notice of any one or more of the conditions set forth in this Section 2.31. The Grantee must provide the Company with written notice of any one or more of the conditions set forth in this Section 2.31 within 30 days of the initial existence of the condition in order for such condition to constitute Good Reason under the Plan.

2.32. “Grant Date” means the date on which an Award is granted, which date may be specified in advance by the Committee.

2.33. “Grantee” means an Eligible Person who has been granted an Award.

2.34. “Immediate Family” has the meaning set forth in Section 5.4(c).

2.35. “Incentive Stock Option” means an Option granted under Section 6 that is intended to meet the requirements of Code Section 422.

2.36. “including” or “includes” means “including, but not limited to,” or “includes, but is not limited to,” respectively.

2.37. “Non-Qualified Stock Option” means an Option granted under Section 6 that is not intended to be an Incentive Stock Option.

2.38. “Notice” has the meaning set forth in Section 6.6(a).

2.39. “\$100,000 Limit” has the meaning set forth in Section 6.5(d).

2.40. “Option” means a right granted as an Award under the Plan to purchase Shares for the Option Price (as to each such Share), and may be either an Incentive Stock Option or a Non-Qualified Stock Option.

2.41. “Option Price” means the price at which a Share may be purchased by a Grantee pursuant to an Option.

2.42. “Other Cash-Based Awards” means a cash Award granted to a Grantee under Section 11.2 of the Plan, including cash awarded as a bonus or upon the attainment of Performance Goals or otherwise as permitted under the Plan.

2.43. “Other Plans” has the meaning set forth in Section 6.5(d).

2.44. “Other Share-Based Awards” means a right or other interest awarded to a Grantee under the Plan that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Common Stock, including, but not limited to, unrestricted Shares or Dividend Equivalents, each of which may be subject to the attainment of Performance Goals or a period of continued service or other terms or conditions as permitted under the Plan.

2.45. “Performance Goals” means performance goals based on performance criteria selected by the Committee, which may include, but are not limited to, any of the following: (i) earnings before interest and taxes; (ii) earnings before interest, taxes, depreciation and amortization; (iii) net operating profit after tax; (iv) cash flow; (v) revenue; (vi) net revenues; (vii) sales; (viii) days sales outstanding; (ix) income; (x) net income; (xi) operating income; (xii) net operating income; (xiii) operating margin; (xiv) earnings; (xv) earnings per share; (xvi) return on equity; (xvii) return on investment; (xviii) return on capital; (xix) return on assets; (xx) return on net assets; (xxi) total shareholder return; (xxii) economic profit; (xxiii) market share; (xxiv) appreciation in the fair market value, book value or other measure of value of the shares of Common Stock; (xxv) expense or cost control; (xxvi) working capital; (xxvii) customer satisfaction; (xxviii) employee retention or employee turnover; (xxix) employee satisfaction or engagement; (xxx) environmental, health or other safety goals; (xxxi) individual performance; (xxxii) strategic objective milestones; (xxxiii) any other criteria specified by the Committee in its sole discretion; and (xxxiv) any combination of, or a specified increase or decrease in, as applicable, any of the foregoing. Where

applicable, the Performance Goals may be expressed in terms of attaining a specified level of the particular criteria or the attainment of a percentage increase or decrease in the particular criteria, and may be applied to one or more of the Company or a Subsidiary, or a division or strategic business unit of the Company, or may be applied to the performance of the Company relative to a market index, a group of other companies or a combination thereof, all as determined by the Committee. The Performance Goals may include a threshold level of performance below which no payment shall be made (or no vesting shall occur), levels of performance at which specified payments shall be made (or specified vesting shall occur), and a maximum level of performance above which no additional payment shall be made (or at which full vesting shall occur). At the time such an Award is granted, the Committee may specify any reasonable definition of the Performance Goals it uses. Such definitions may provide for equitable adjustments to the Performance Goals in recognition of unusual or non-recurring events affecting the Company or a Subsidiary thereof or the financial statements of the Company or a Subsidiary thereof, in response to changes in applicable laws or regulations, or to account for items of gain, loss or expense determined to be unusual in nature, infrequent in occurrence or unusual in nature and infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principles. If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company or the manner in which the Company or a Subsidiary conducts its business, or other events or circumstances render performance goals to be unsuitable, the Committee may modify such Performance Goals in whole or in part, as the Committee deems appropriate. If a Grantee is promoted, demoted or transferred to a different business unit or function during a Performance Period, the Committee may determine that the Performance Goals or Performance Period are no longer appropriate and may (x) adjust, change or eliminate the Performance Goals or the applicable Performance Period as it deems appropriate to make such goals and period comparable to the initial goals and period, or (y) make a cash payment to the Grantee in an amount determined by the Committee.

2.46. "Performance Period" means that period established by the Committee at the time any Award is granted or at any time thereafter during which any Performance Goals specified by the Committee with respect to such Award are to be measured.

2.47. "Performance Unit" means any grant pursuant to Section 11.1 of (a) a bonus consisting of cash or other property the amount or value of which, and/or the entitlement to which, is conditioned upon the attainment of any Performance Goals specified by the Committee, or (b) a unit valued by reference to a designated amount of property other than Shares.

2.48. "Permitted Transferee" has the meaning set forth in Section 5.4(c).

2.49. "Person" means any individual, sole proprietorship, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust, unincorporated organization, institution, public benefit corporation or other entity or government instrumentality, division, agency, body or department.

2.50. "Plan" has the meaning set forth in Section 1.1 and also includes any appendices hereto.

2.51. "Prior Grants" has the meaning set forth in Section 6.5(e).

2.52. "Restricted Stock" means any Share issued as an Award under the Plan that is subject to Restrictions.

2.53. "Restricted Stock Unit" or "RSU" means the right granted as an Award under the Plan to receive Shares, conditioned on the satisfaction of Restrictions imposed by the Committee.

2.54. "Restrictions" means any restriction on a Grantee's free enjoyment of the Shares or other rights underlying Awards, including (a) a restriction that the Grantee or other holder may not sell, transfer, pledge or assign a Share or right, and (b) such other restrictions as the Committee may impose in the Award Agreement (including any restriction on the right to vote such Share and the right to receive any dividends). Restrictions may be based upon the passage of time, the satisfaction of performance criteria and/or the occurrence of one or more events or conditions, and shall lapse separately or in combination upon such conditions and at such time or times, in installments or otherwise, as the Committee shall specify. Awards subject to a Restriction shall be forfeited if the Restriction does not lapse prior to such date, the occurrence of such event or the satisfaction of such other criteria as the Committee shall determine.

2.55. "RSU Account" has the meaning set forth in Section 9.3.

2.56. "Rule 16b-3" means Rule 16b-3 promulgated by the SEC under the Exchange Act, as amended from time to time, together with any successor rule.

2.57. "SEC" means the United States Securities and Exchange Commission, or any successor thereto.

2.58. "Section 16 Non-Employee Director" means a member of the Board who satisfies the requirements to qualify as a "non-employee director" under Rule 16b-3.

2.59. "Section 16 Person" means a person who is subject to potential liability under Section 16(b) of the Exchange Act with respect to transactions involving equity securities of the Company.

2.60. "Settlement Date" means the payment date for Restricted Stock Units or Deferred Stock, as set forth in Section 9.3(b) or 10.4(c), as applicable.

2.61. "Share" means a share of Common Stock.

2.62. "Stock Appreciation Right" or "SAR" means a right granted as an Award under the Plan to receive an amount equal to the number of Shares with respect to which the SAR is exercised, multiplied by the excess of (a) the Fair Market Value (or such lower per-Share price as is set forth in the Award Agreement) of one Share on the Exercise Date over (b) the Strike Price.

2.63. "Strike Price" means the per-Share price used as the baseline measure for the value of a SAR, as specified in the applicable Award Agreement.

2.64. "Subsidiary" means any Person that directly, or through one (1) or more intermediaries, is controlled by the Company and that would be treated as part of a single controlled group of corporations with the Company under Code Sections 414(b) and 414(c) if the language "at least 50 percent" is used instead of "at least 80 percent" each place it appears in Code Sections 1563(a)(1), (2), and (3) and Treasury Regulation 1.414(c)-2.

2.65. "Subsidiary Corporation" has the meaning set forth in Section 6.5.

2.66. "Substitute Award" has the meaning set forth in Section 5.6.

2.67. "Tax Date" has the meaning set forth in Section 17.1(a).

2.68. "Term" means the period beginning on the Grant Date of an Option or SAR and ending on the date such Option or SAR expires, terminates or is cancelled.

2.69. "Termination of Service" means,

(a) with respect to Awards other than Deferred Compensation Awards, the first day on which (i) an individual is for any reason no longer providing services to an Employer as an employee, director or consultant or (ii) with respect to an individual who is an employee or consultant to a Subsidiary, such entity ceases to be a Subsidiary of the Company and such individual is no longer providing services to the Company or another Subsidiary; provided, however, that the Committee shall have the discretion to determine when a Grantee, who terminates services as an employee, but continues to provide services in the capacity of a consultant or director immediately following such termination, has incurred a Termination of Service; or

(b) with respect to Deferred Compensation Awards, a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h).

2.70. "Total Payments" has the meaning set forth in Section 18.7.

2.71. "Year" means a calendar year.

Section 3.
Administration

3.1. Committee.

(a) Subject to Section 3.2, the Plan shall be administered by the Compensation Committee of the Board or such other committee of the Board as shall be determined by the Board (in any case, the "Committee"). The members of the Committee shall be appointed by the Board from time to time and may be removed by the Board from time to time. The Committee shall consist of two or more directors of the Company, all of whom are Section 16 Non-Employee Directors. The number of members of the Committee shall from time to time be increased or decreased, and shall be subject to such conditions, in each case as the Board deems necessary to permit transactions in Shares pursuant to the Plan to satisfy such conditions of Rule 16b-3 as then in effect.

(b) The Committee may delegate, to the fullest extent permitted under applicable law, to the Chief Executive Officer of the Company any or all of the authority of the Committee with respect to the grant of Awards to Grantees, other than Grantees who are executive officers, or are (or are expected to be) Section 16 Persons at the time any such delegated authority is exercised.

(c) The Committee may delegate to other members of the Board or officers or managers of the Company or any Subsidiary the authority, subject to such terms as the Committee shall determine, to perform administrative functions and, with respect to Awards granted to persons who are not subject to Section 16 Persons, to perform such other functions as the Committee may determine, to the extent permitted under Rule 16b-3 (if applicable) and applicable law.

(d) Each member of the Committee shall be entitled to, in good faith, rely or act upon any report or other information furnished to him or her by any officer or other employee of the Company or any Subsidiary, the Company's independent certified public accountants, or other professional retained by the Company to assist in the administration of the Plan. No member of the Committee, and no officer or employee of the Company acting on behalf of the Committee, shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the Plan, and all members of the Committee and any officer or employee of the Company acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action, determination, or interpretation.

3.2. Powers of the Committee. Subject to and consistent with the provisions of the Plan, the Committee shall have full power and authority and sole discretion as follows:

(a) to determine when, to whom (*i.e.*, what Eligible Persons) and in what types and amounts Awards should be granted;

(b) to grant Awards to Eligible Persons in any number, and to determine the terms and conditions applicable to each Award, including (in each case, based on such considerations as the Committee shall determine) conditions intended to comply with Code Section 409A, the number of Shares or the amount of cash or other property to which an Award will relate, any Option Price or Strike Price, grant price or purchase price, any limitation or Restriction, any schedule for or performance conditions relating to the earning of the Award or the lapse of limitations, forfeiture restrictions, restrictive covenants, restrictions on exercisability or transferability, any Performance Goals, including those relating to the Company and/or a Subsidiary and/or any division thereof and/or an individual, and/or vesting based on the passage of time, satisfaction of performance criteria or the occurrence of one or more events or conditions;

(c) to determine the benefit payable under any Award and to determine whether any performance, vesting or transfer conditions, including Performance Goals, have been satisfied;

(d) to determine whether or not specific Awards shall be granted in connection with other specific Awards;

(e) to determine the Term of an Award, as applicable;

(f) to determine the amount, if any, that a Grantee shall pay for Restricted Stock, and the terms related thereto, when Restricted Stock shall be forfeited and whether such Shares shall be held in escrow or other custodial arrangement;

(g) subject to Section 4.3, to determine whether, to what extent and under what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Shares, other Awards or other property, or an Award may be accelerated, vested, canceled, forfeited or surrendered or any terms of the Award may be waived, and to accelerate the exercisability of, and to accelerate or waive any or all of the terms and conditions applicable to, any Award or any group of Awards for any reason and at any time or to extend the period subsequent to the Termination of Service within which an Award may continue to vest and/or be exercised;

(h) to determine with respect to Awards granted to Eligible Persons, whether, to what extent and under what circumstances cash, Shares, other Awards, other property and other amounts payable with respect to an Award will be deferred, either at the election of the Grantee or if and to the extent specified in the Award Agreement automatically or at the election of the Committee and to provide for the payment of interest or other rate of return determined with reference to a predetermined actual investment or independently set interest rate, or with respect to other bases permitted under Code Section 409A or otherwise, for the period between the date of exercise and the date of payment or settlement of the Award;

(i) to determine whether a Grantee has a Disability;

(j) to determine whether and under what circumstances a Grantee has incurred a Termination of Service (*e.g.*, whether Termination of Service was for Cause);

(k) to make, amend, suspend, waive and rescind rules and regulations relating to the Plan;

(l) without the consent of the Grantee, to make adjustments in the terms and conditions of, and the criteria in, Awards in recognition of unusual or non-recurring events (including events described in Section 4.2) affecting an Employer or the financial statements of an Employer, or in response to changes in applicable laws, regulations or accounting principles;

(m) to appoint such agents as the Committee may deem necessary or advisable to administer the Plan;

(n) to determine the terms and conditions of all Award Agreements applicable to Eligible Persons (which need not be identical) and, with the consent of the Grantee (except as provided in this Section 3.2(n), and Sections 5.5 and 15.2), to amend any such Award Agreement at any time; provided, however, that the consent of the Grantee shall not be required for any amendment (i) that does not adversely affect the rights of the Grantee, or (ii) that is necessary or advisable (as determined by the Committee) to carry out the purpose of the Award as a result of any new law or regulation, or a change in an existing law or regulation or interpretation thereof, or (iii) to the extent the Award Agreement specifically permits amendment without consent;

(o) to impose such additional terms and conditions upon the grant, exercise or retention of Awards as the Committee may, before or concurrently with the grant thereof, deem appropriate, including limiting the percentage of Awards that may from time to time be exercised by a Grantee and requiring the Grantee to enter into restrictive covenants;

(p) to correct any defect, supply any omission or reconcile any inconsistency, and to construe and interpret the Plan, any rules and regulations adopted hereunder, Award Agreements or any other instrument entered into or relating to an Award under the Plan; and

(q) to take any other action with respect to any matters relating to the Plan for which it is responsible and to make all other decisions and determinations, including factual determinations, as may be required under the terms of the Plan or as the Committee may deem necessary or advisable for the administration of the Plan.

The Committee shall have sole discretion in exercising its authority under the Plan. Any action of the Committee with respect to the Plan shall be final, conclusive and binding on all Persons, including the Company, Subsidiaries, any Grantee, any Eligible Person, any Person claiming any rights under the Plan from or through any Grantee, and stockholders, except to the extent the Committee may subsequently modify, or take further action not consistent with, its prior action. If not specified in the Plan, the time at which the Committee must or may make any determination shall be determined by the Committee, and any such determination may thereafter be modified by the Committee. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee.

All determinations of the Committee shall be made by a majority of its members; provided, however, that any determination affecting any Awards made or to be made to a member of the Committee may, at the Board's election, be made by the Board.

Section 4.
Shares Subject to the Plan and Adjustments

4.1. Number of Shares Available for Grants.

(a) Subject to adjustment as provided in Section 4.2, the maximum aggregate number of Shares that are reserved and available for issuance pursuant to Awards granted under the Plan is equal to the sum of (i) 330,357 (the number of Shares authorized and approved for issuance, but not awarded, under the Plan as of the Effective Date), *plus* (ii) any Shares subject to Awards that, after the Effective Date, are forfeited, terminated, lapsed or satisfied thereunder in cash or property other than Shares available for grant under the Plan (the "Available Shares"). For purposes of this Section 4.1(a), each Share delivered pursuant to an Award shall reduce the Available Shares by one Share; provided, however, that the number of Available Shares shall not be reduced for Substitute Awards or any Award that, by its terms, from and after its Grant Date is payable only in cash. If any Shares subject to an Award granted hereunder are forfeited or such Award otherwise terminates without the delivery of such Shares, the Shares subject to such Award, to the extent of any such forfeiture or termination, shall again be available for grant under the Plan. If any Award is settled in cash, the Shares subject to such Award that are not delivered shall again be available for grants under the Plan. The following Shares may not again be made available for issuance as Awards under the Plan: (i) Shares not issued or delivered as a result of the net settlement of an outstanding Option or SAR, (ii) Shares used to pay the Option Price or withholding taxes related to an outstanding Award, and (iii) Shares repurchased by the Company on the open market with the proceeds of the Option Price. The maximum number of Shares that may be issued or transferred to Eligible Persons as Incentive Stock Options is 330,357.

(b) The Committee shall from time to time determine the appropriate method for calculating the number of Shares that have been delivered pursuant to the Plan. Shares delivered pursuant to the Plan shall be issued only out of the authorized and unissued Shares or treasury Shares, including Shares acquired by purchase in the open market or in private transactions.

(c) The maximum number of shares of Common Stock that may be issued under the Plan in this Section 4.1 shall not be affected by (i) the cash payment of dividends or Dividend Equivalents in connection with outstanding Awards; or (ii) any Shares required to satisfy Substitute Awards.

(d) Notwithstanding anything herein to the contrary, the maximum number of Shares subject to Awards granted during any fiscal year to any Eligible Person who is a non-employee director, taken together with any cash fees paid to such director during the fiscal year with respect to such director's service as a non-employee director, shall not exceed \$500,000 (calculating the value of any such Awards based on the Grant Date Fair Market Value of such Awards for financial reporting purposes).

4.2. Adjustments in Authorized Shares and Awards.

(a) In the event that the Committee determines that any dividend or other distribution (whether in the form of cash, Shares, or other securities or property), stock split or combination, forward or reverse merger, reorganization, subdivision, consolidation or reduction of capital, recapitalization, consolidation, scheme of arrangement, split-up, spin-off or combination involving the Company or repurchase or exchange of Shares, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of: (i) the number and type of Shares (or other securities or property) with respect to which Awards may be granted, (ii) the number and type of Shares (or other securities or property) subject to outstanding Awards, (iii) Option Price, Strike Price or other grant or exercise price (as applicable) with respect to any Award or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award, (iv) the number and kind of Shares of outstanding Restricted Stock or relating to any other outstanding Award in connection with which Shares are subject, and (v) the number of Shares with respect to which Awards may be granted to a Grantee; provided, however, that, in each case, with respect to Awards of Incentive Stock Options intended to continue to qualify as Incentive Stock Options after such adjustment, no such adjustment shall be authorized to the extent that such adjustment would cause the Incentive Stock Option to fail to continue to qualify under Code Section 424(a); provided, further, that the number of Shares subject to any Award denominated in Shares shall always be a whole number.

(b) Notwithstanding Section 4.2(a), any adjustments made pursuant to Section 4.2(a) shall be made in such a manner as to ensure that, after such adjustment, Awards continue not to be non-qualified deferred compensation subject to Code Section 409A (or if such Awards are already subject to Code Section 409A, so as not to give rise to adverse tax consequences thereunder.)

4.3 Minimum Vesting. Except in the case of Substitute Awards granted pursuant to Section 5.6, the delivery of Shares in lieu of fully vested cash-based obligations and subject to the following sentence, Awards granted under the Plan shall be subject to a minimum vesting period of one (1) year. Notwithstanding the foregoing, (i) the Committee may provide in an Award Agreement that the vesting of an Award shall accelerate in the event of the Grantee's death or Disability or in connection with or following a Change in Control and (ii) the Committee may grant Awards covering five percent (5%) or fewer of the total number of Shares authorized under the Plan without respect to the above-described minimum vesting requirement. Notwithstanding the foregoing, with respect to Awards to Grantees who are non-employee directors, the vesting of such Awards will be deemed to satisfy the one (1) year minimum vesting requirement to the extent that the Awards vest on the earlier of the one (1) year anniversary of the date of grant and the next annual meeting of the Company's stockholders that is at least fifty (50) weeks after the immediately preceding year's annual meeting.

Section 5. Eligibility and General Conditions of Awards

5.1. Eligibility. The Committee may in its discretion grant Awards to any Eligible Person, whether or not he or she has previously received an Award.

5.2. Award Agreement. To the extent not set forth in the Plan, the terms and conditions of each Award shall be set forth in an Award Agreement.

5.3. General Terms and Termination of Service. Except as provided in an Award Agreement or as otherwise provided below in this Section 5.3, all Options or SARs that have not been exercised, or any other Awards that remain subject to Restrictions or that are not otherwise vested or exercisable, at the time of a Termination of Service shall be cancelled and forfeited to the Company. Any Restricted Stock that is forfeited by the Grantee upon Termination of Service shall be reacquired by the Company, and the Grantee shall sign any document and take any other action required to assign such Shares back to the Company.

(a) Options and SARs. Except as otherwise provided in an Award Agreement:

(i) If the Grantee incurs a Termination of Service due to his or her death or Disability, the Options or SARs shall become fully vested and exercisable at the time of such Termination of Service, and such Options or SARs shall remain exercisable for a period of one (1) year from the date of such Termination of Service (but not beyond the original Term). To the extent the Options or SARs are not exercised at the end of such one (1) year period, the Options or SARs shall be immediately cancelled and forfeited to the Company.

(ii) If the Grantee incurs a Termination of Service by an Employer without Cause, the Options and SARs may thereafter be exercised, to the extent they were vested and exercisable at the time of such Termination of Service, for a period of thirty (30) days from the date of such Termination of Service (but not beyond the original Term). To the extent the Options or SARs are not exercised at the end of such thirty (30)-day period, the Options or SARs shall be immediately cancelled and forfeited to the Company. To the extent the Options and SARs are not vested and exercisable on the date of such Termination of Service, they shall be immediately cancelled and forfeited to the Company.

(iii) If the Grantee incurs a Termination of Service that is voluntary on the part of the Grantee (and not due to such Grantee's death or Disability), the Options and SARs may be exercised, to the extent they were vested and exercisable at the time of such Termination of Service, on a date that is no later than the date of such Termination of Service (but not beyond the original Term). To the extent the Options or SARs are not exercised by the date of such Termination of Service, the Options or SARs shall be immediately cancelled and forfeited to the Company. To the extent the Options and SARs are not vested and exercisable on the date of such Termination of Service, they shall be immediately cancelled and forfeited to the Company.

(iv) If the Grantee incurs a Termination of Service for Cause, all unexercised Options and SARs (whether vested or unvested) shall be immediately canceled and forfeited to the Company.

(b) Restricted Stock. Except as otherwise provided in an Award Agreement:

(i) If Termination of Service occurs by reason of the Grantee's death or Disability, such Grantee's Restricted Stock shall become immediately vested and no longer subject to Restrictions.

(ii) If Termination of Service occurs for any reason other than the Grantee's death or Disability while the Grantee's Restricted Stock is subject to a Restriction(s), all of such Grantee's Restricted Stock that is unvested or still subject to Restrictions shall be forfeited by the Grantee.

(c) Dividend Equivalents. If Dividend Equivalents have been credited with respect to any Award and such Award (in whole or in part) is forfeited, all accrued but unpaid Dividend Equivalents that at that time of such forfeiture relate to such Award (or portion of an Award) and remain subject to vesting or other Restrictions shall also be forfeited to the Company.

(d) Waiver. Notwithstanding anything to the contrary in the Plan, the Committee may in its sole discretion as to all or part of any Award, at the time the Award is granted (subject to Section 4.3) or thereafter, (i) determine that Awards shall become exercisable or vested, or Restrictions shall lapse, (ii) determine that Awards shall continue to become exercisable or vested in full or in installments, or Restrictions shall continue to lapse, after a Termination of Service, (iii) extend the period for exercise of Options or SARs following a Termination of Service (but not beyond the original Term), or (iv) provide that any Award shall, in whole or in part, not be forfeited upon such Termination of Service.

5.4. Non-transferability of Awards.

(a) Each Award and each right under any Award shall be exercisable only by the Grantee during the Grantee's lifetime, or, if permissible under applicable law, by the Grantee's guardian or legal representative.

(b) No Award (prior to the time, if applicable, Shares are delivered in respect of such Award), and no right under any Award, may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Grantee other than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Subsidiary; provided, however, that the designation of a Beneficiary to receive benefits in the event of the Grantee's death, or a transfer by the Grantee to the Company with respect to Restricted Stock, shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance for purposes of this Section 5.4(b). If so determined by the Committee, a Grantee may, in the manner established by the Committee, designate a Beneficiary or Beneficiaries to exercise the rights of the Grantee, and to receive any distribution with respect to any Award upon the death of the Grantee. A transferee, Beneficiary, guardian, legal representative or other person claiming any rights under the Plan from or through any Grantee shall be subject to the provisions of the Plan and any applicable Award Agreement, except to the extent the Plan and Award Agreement otherwise provide with respect to such persons, and to any additional restrictions or limitations deemed necessary or appropriate by the Committee.

(c) Notwithstanding Sections 5.4(a) and 5.4(b) above, to the extent provided in the applicable Award Agreement, Non-Qualified Stock Options may be transferred, without consideration, to a Permitted Transferee. For this purpose, (i) a "Permitted Transferee" in respect of any Grantee means any member of the Immediate Family of such Grantee, any trust of which all of the primary beneficiaries are such Grantee or members of his or her Immediate Family, or any partnership, limited liability company, corporation or similar entity of which all of the partners, members or stockholders are such Grantee or members of his or her Immediate Family, and (ii) the "Immediate Family" of a Grantee means the Grantee's spouse, former spouse, children, stepchildren, grandchildren, parents, stepparents, siblings, grandparents, nieces, nephews, mother-in-law, father-in-law, sons-in-law, daughters-in-law, brothers-in-law, or sisters-in-law, including adoptive relationships. Such Award may be exercised by such Permitted Transferee in accordance with the terms of such Award.

(d) Nothing herein shall be construed as requiring the Committee to honor the order of a domestic relations court regarding an Award, except to the extent required under applicable law.

5.5. Cancellation and Rescission of Awards. Unless the Award Agreement specifies otherwise, the Committee may cancel, rescind, suspend, withhold or otherwise limit or restrict any unexercised or unsettled Award (including Dividend Equivalents) at any time if the Grantee is not in compliance with all applicable provisions of the Award Agreement and the Plan, or is in violation of any restrictive covenant or other agreement with an Employer.

5.6. Substitute Awards. The Committee may, in its discretion and on such terms and conditions as the Committee considers appropriate under the circumstances, grant Substitute Awards under the Plan. For purposes of this Section 5.6, “Substitute Award” means an Award granted under the Plan upon the assumption of, or in substitution for, outstanding stock and stock-based awards (“Acquired Entity Awards”) held by current and former employees or non-employee directors of, or consultants to, another corporation or entity who become Eligible Persons as the result of a merger, consolidation or combination of the employing corporation or other entity (the “Acquired Entity”) with the Company or a Subsidiary or the acquisition by the Company or a Subsidiary of property or stock of the Acquired Entity (provided such persons held such awards immediately prior to such merger, consolidation, acquisition or combination) in order to preserve for the Grantee the economic value of all or a portion of such Acquired Entity Award at such price as the Committee determines necessary to achieve such preservation of economic value. Notwithstanding the foregoing, in no event shall the term “Substitute Award” be construed to refer to an Award made in connection with the cancellation and repricing of an Option or SAR.

5.7. Exercise by Non-Grantee. If any Award is exercised as permitted by the Plan by any Person other than the Grantee, the exercise notice shall be accompanied by such documentation as may reasonably be required by the Committee, including, without limitation, evidence of authority of such Person or Persons to exercise the Award and, if the Committee so specifies, evidence satisfactory to the Company that any estate taxes payable with respect to such Shares have been paid or provided for.

5.8. No Cash Consideration for Awards. Awards may be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law.

Section 6. Stock Options

6.1. Grant of Options. Subject to and consistent with the provisions of the Plan, Options may be granted to any Eligible Person in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee.

6.2. Award Agreement. Each Option grant shall be evidenced by an Award Agreement in such form as the Committee may approve that shall specify the Grant Date, the Option Price, the Term (which shall be ten (10) years from its Grant Date unless the Committee otherwise specifies a shorter period in the Award Agreement), the number of Shares to which the Option pertains, the time or times at which such Option shall be exercisable and such other provisions (including Restrictions) not inconsistent with the provisions of the Plan as the Committee shall determine.

6.3. Option Price. The purchase price per Share purchasable under an Option shall be determined by the Committee; provided, however, that such purchase price shall not be less than one hundred percent (100%) of the Fair Market Value of a Share on the Grant Date. Subject to the adjustment allowed in Section 4.2, or as otherwise permissible under this Section 6.3 to comply with Code Section 409A or the Plan, neither the Committee nor the Board shall have the authority or discretion to change the Option Price of any outstanding Option. Without the approval of stockholders, neither the Committee nor the Board will amend or replace previously granted Options or SARs in a transaction that constitutes “repricing,” which for this purpose means any of the following or any action that has the same effect: (a) lowering the exercise price of an Option or SAR after it is granted; (b) any other action that is treated as a repricing under generally accepted accounting principles; (c) cancelling an Option or SAR at a time when its exercise price exceeds the Fair Market Value of the underlying Share, in exchange for another Award, other equity, cash or other property; provided, however, that the foregoing transactions shall not be deemed a repricing if done pursuant to an adjustment authorized under Section 4.2.

6.4. Vesting. Unless otherwise specified in the applicable Award Agreement, Section 5.3(a), or Section 13, an Option shall become vested and exercisable as follows:

- (a) the Option shall vest with respect to 20% of the Shares purchasable under the Option on the first anniversary of the Grant Date;
- (b) the Option shall vest with respect to an additional 20% of the Shares purchasable under the Option on the second anniversary of the Grant Date;
- (c) the Option shall vest with respect to an additional 20% of the Shares purchasable under the Option on the third anniversary of the Grant Date;
- (d) the Option shall vest with respect to an additional 20% of the Shares purchasable under the Option on the fourth anniversary of the Grant Date; and
- (e) the Option shall vest with respect to the remaining Shares purchasable under the Option on the fifth anniversary of the Grant Date.

6.5. Grant of Incentive Stock Options. At the time of the grant of any Option, the Committee may, in its discretion, designate that such Option shall be made subject to additional restrictions to permit it to qualify as an Incentive Stock Option. Any Option designated as an Incentive Stock Option:

- (a) shall be granted only to an employee of the Company or a Subsidiary Corporation;
- (b) shall have an Option Price of not less than one hundred percent (100%) of the Fair Market Value of a Share on the Grant Date, and, if granted to a person who owns capital stock (including stock treated as owned under Code Section 424(d)) possessing more than ten percent (10%) of the total combined voting power of all classes of capital stock of the Company or any Subsidiary Corporation (a "10% Owner"), have an Option Price not less than one hundred ten percent (110%) of the Fair Market Value of a Share on its Grant Date;
- (c) shall have a Term of not more than ten (10) years (five (5) years if the Grantee is a 10% Owner) from its Grant Date, and shall be subject to earlier termination as provided herein or in the applicable Award Agreement;
- (d) shall not have an aggregate Fair Market Value (as of the Grant Date) of the Shares with respect to which Incentive Stock Options (whether granted under the Plan or any other equity incentive plan of the Grantee's employer or any parent or Subsidiary Corporation ("Other Plans")) are exercisable for the first time by such Grantee during any Year ("Current Grant"), determined in accordance with the provisions of Code Section 422, which exceeds \$100,000 (the "\$100,000 Limit");
- (e) shall, if the aggregate Fair Market Value of the Shares (determined on the Grant Date) with respect to the Current Grant and all Incentive Stock Options previously granted under the Plan and any Other Plans that are exercisable for the first time during a Year ("Prior Grants") would exceed the \$100,000 Limit, be, as to the portion in excess of the \$100,000 Limit, exercisable as a separate Non-Qualified Stock Option at such date or dates as are provided in the Current Grant;
- (f) shall require the Grantee to notify the Committee of any disposition of any Shares delivered pursuant to the exercise of the Incentive Stock Option under the circumstances described in Code Section 421(b) (relating to holding periods and certain disqualifying dispositions) ("Disqualifying Disposition"), within ten (10) days of such a Disqualifying Disposition;
- (g) shall, by its terms, not be assignable or transferable other than by will or the laws of descent and distribution and may be exercised, during the Grantee's lifetime, only by the Grantee; provided, however, that the Grantee may, to the extent provided in the Plan in any manner specified by the Committee, designate in writing a Beneficiary to exercise his or her Incentive Stock Option after the Grantee's death; and
- (h) shall, if such Option nevertheless fails to meet the foregoing requirements, or otherwise fails to meet the requirements of Code Section 422 for an Incentive Stock Option, be treated for all purposes of the Plan, except as otherwise provided in subsections (d) and (e) above, as a Non-Qualified Stock Option.

For purposes of this Section 6.5, "Subsidiary Corporation" means a corporation other than the Company in an unbroken chain of corporations beginning with the Company if, at the time of granting the Option, each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. Notwithstanding the foregoing and Sections 3.2(n) and 15.2, the Committee may, without the consent of the Grantee, at any time before the exercise of an Option (whether or not an Incentive Stock Option), take any action necessary to prevent such Option from being treated as an Incentive Stock Option.

6.6. Exercise and Payment.

(a) Except as may otherwise be provided by the Committee in an Award Agreement, Options shall be exercised by the delivery of a written notice ("Notice") to the Company setting forth the number of whole Shares to be exercised, accompanied by full payment (including any applicable tax withholding) for the Shares made by any one or more of the following means on the Exercise Date (or such other date as may be permitted in writing by the Secretary of the Company):

(i) cash, personal check, money order, cashier's check, or wire transfer;

(ii) with the approval of the Committee, Shares valued, as determined by the Committee, at an amount not to exceed the Fair Market Value of a Share on the Exercise Date; or

(iii) subject to applicable law and the Company's policies, through the sale of the Shares acquired on exercise of the Option through a broker-dealer to whom the Grantee has submitted an irrevocable notice of exercise and irrevocable instructions to deliver promptly to the Company the amount of sale or loan proceeds sufficient to pay for such Shares, together with, if requested by the Company, the amount of applicable withholding taxes payable by Grantee by reason of such exercise.

(b) If the Option is exercised as permitted by the Plan by any Person other than the Grantee, the Notice shall be accompanied by documentation as may reasonably be required by the Company, including evidence of authority of such Person or Persons to exercise the Option.

(c) At the time a Grantee exercises an Option or to the extent provided by the Committee in the applicable Award Agreement, in lieu of accepting payment of the Option Price of the Option and delivering the number of Shares of Common Stock for which the Option is being exercised, the Committee may direct that the Company either (i) pay the Grantee a cash amount, or (ii) issue a lesser number of Shares of Common Stock, in any such case, having a Fair Market Value on the Exercise Date equal to the amount, if any, by which the aggregate Fair Market Value (or such other amount as may be specified in the applicable Award Agreement, in the case of an exercise occurring concurrent with a Change in Control) of the Shares of Common Stock as to which the Option is being exercised exceeds the aggregate Option Price for such Shares, based on such terms and conditions as the Committee shall establish.

Section 7. Stock Appreciation Rights

7.1. Grant of SARs. Subject to and consistent with the provisions of the Plan, the Committee, at any time and from time to time, may grant SARs to any Eligible Person on a standalone basis or in tandem with an Option. The Committee may impose such conditions or restrictions on the exercise of any SAR as it shall deem appropriate.

7.2. Award Agreements. Each SAR grant shall be evidenced by an Award Agreement in such form as the Committee may approve, which shall specify the Grant Date, the Strike Price, the Term (which shall be ten (10) years from its Grant Date unless the Committee otherwise specifies a shorter period in the Award Agreement), the number of Shares to which the SAR pertains, the time or times at which such SAR shall be exercisable and such other provisions (including Restrictions) not inconsistent with the provisions of the Plan as shall be determined by the Committee.

7.3. Strike Price. The Strike Price of a SAR shall be determined by the Committee in its sole discretion; provided, however, that the Strike Price shall not be less than one hundred percent (100%) of the Fair Market Value of a Share on the Grant Date of the SAR.

7.4. Vesting. Unless otherwise specified in the applicable Award Agreement, Section 5.3(a), or Section 13, SARs shall become vested and exercisable as follows:

- (a) the SAR shall vest with respect to 20% of the Shares to which the SAR pertains on the first anniversary of the Grant Date;
- (b) the SAR shall vest with respect to an additional 20% of the Shares to which the SAR pertains on the second anniversary of the Grant Date;
- (c) the SAR shall vest with respect to an additional 20% of the Shares to which the SAR pertains on the third anniversary of the Grant Date;
- (d) the SAR shall vest with respect to an additional 20% of the Shares to which the SAR pertains on the fourth anniversary of the Grant Date; and
- (e) the SAR shall vest with respect to the remaining Shares to which the SAR pertains on the fifth anniversary of the Grant Date.

7.5. Exercise and Payment. Except as may otherwise be provided by the Committee in an Award Agreement, SARs shall be exercised by the delivery of a written notice to the Company, setting forth the number of whole Shares with respect to which the SAR is to be exercised. No payment of a SAR shall be made unless applicable tax withholding requirements have been satisfied in accordance with Section 17.1 or otherwise. Any payment by the Company in respect of a SAR may be made in cash, Shares, other property, or any combination thereof, as the Committee, in its sole discretion, shall determine.

7.6. Grant Limitations. The Committee may at any time impose any other limitations or Restrictions upon the exercise of SARs that it deems necessary or desirable in order to achieve desirable tax results for the Grantee or the Company.

Section 8. Restricted Stock

8.1. Grant of Restricted Stock. Subject to and consistent with the provisions of the Plan, the Committee, at any time and from time to time, may grant Restricted Stock to any Eligible Person in such amounts as the Committee shall determine.

8.2. Award Agreement. Each grant of Restricted Stock shall be evidenced by an Award Agreement that shall specify the Restrictions, the number of Shares subject to the Restricted Stock Award, and such other provisions not inconsistent with the provisions of the Plan as the Committee shall determine. The Committee may impose such Restrictions on any Award of Restricted Stock as it deems appropriate, including time-based Restrictions, Restrictions based upon the achievement of specific Performance Goals, Restrictions based on the occurrence of a specified event, Restrictions under applicable laws or pursuant to a regulatory entity with authority over the Company or a Subsidiary, and/or a combination of any of the foregoing.

8.3. Consideration for Restricted Stock. The Committee shall determine the amount, if any, that a Grantee shall pay for Restricted Stock.

8.4. Vesting. Unless otherwise specified in the applicable Award Agreement, Section 5.3(b), or Section 13, a Restricted Stock Award shall become vested as follows:

- (a) 20% of the Shares subject to the Restricted Stock Award shall vest on the first anniversary of the Grant Date;
- (b) an additional 20% of the Shares subject to the Restricted Stock Award shall vest on the second anniversary of the Grant Date;
- (c) an additional 20% of the Shares subject to the Restricted Stock Award shall vest on the third anniversary of the Grant Date;

(d) an additional 20% of the Shares subject to the Restricted Stock Award shall vest on the fourth anniversary of the Grant Date; and

(e) the remaining Shares subject to the Restricted Stock Award shall vest on the fifth anniversary of the Grant Date.

For purposes of calculating the number of Shares of Restricted Stock that vest as set forth above, Share amounts shall be rounded to the nearest whole Share amount, unless otherwise specified in the applicable Award Agreement.

8.5. Effect of Forfeiture. If Restricted Stock is forfeited, and if the Grantee was required to pay for such Shares of Restricted Stock, the Grantee shall be deemed to have resold such Restricted Stock to the Company at a price equal to the lesser of (a) the amount paid by the Grantee for such Restricted Stock, and (b) the Fair Market Value of a Share on the date of such forfeiture. The Company shall pay to the Grantee the deemed sale price as soon as administratively practical. Such Restricted Stock shall cease to be outstanding and shall no longer confer on the Grantee thereof any rights as a stockholder of the Company, from and after the date of the event causing the forfeiture, whether or not the Grantee accepts the Company's tender of payment for such Restricted Stock.

8.6. Escrow; Legends. The Committee may provide that the certificates for any Restricted Stock (a) shall be held (together with a stock power executed in blank by the Grantee) in escrow by the Secretary of the Company until such Restricted Stock becomes non-forfeitable or vested and transferable, or is forfeited and/or (b) shall bear an appropriate legend restricting the transfer of such Restricted Stock under the Plan. If any Restricted Stock becomes non-forfeitable or vested and transferable, the Company shall cause certificates for such Shares to be delivered without such legend or shall cause a release of restrictions on a book entry account maintained by the Company's transfer agent.

8.7. Stockholder Rights in Restricted Stock. Restricted Stock, whether held by a Grantee or in escrow or other custodial arrangement by the Secretary of the Company, shall confer on the Grantee all rights of a stockholder of the Company, except as otherwise provided in the Plan or Award Agreement. In the Committee's discretion and as provided in the applicable Award Agreement, a Grantee may be entitled to dividends or dividend equivalents on an Award of Restricted Stock, which will be payable in accordance with the terms of such grant as determined by the Committee. Notwithstanding the foregoing, no dividends or dividend equivalents will be paid on unvested Awards of Restricted Stock while such Awards are subject to vesting restrictions; provided, however, that to the extent that any such Awards contain the right to receive dividends or dividends equivalents during the restricted period, such dividends or dividend equivalents will be accumulated and paid once (and to the extent that) the underlying Awards vest.

Section 9. Restricted Stock Units

9.1. Grant of Restricted Stock Units. Subject to and consistent with the provisions of the Plan and applicable requirements of Code Section 409A, the Committee, at any time and from time to time, may grant Restricted Stock Units to any Eligible Person, in such amount and upon such terms as the Committee shall determine. A Grantee shall have no stockholder voting rights with respect to Restricted Stock Units.

9.2. Award Agreement. Each grant of Restricted Stock Units shall be evidenced by an Award Agreement that shall specify the Restrictions, the number of Shares subject to the Restricted Stock Units granted, and such other provisions not inconsistent with the Plan as the Committee shall determine. The Committee may impose such Restrictions on Restricted Stock Units as it deems appropriate, including time-based Restrictions, Restrictions based on the achievement of specific Performance Goals, Restrictions based on the occurrence of a specified event, or restrictions under securities laws or pursuant to a regulatory entity with authority over the Company or a Subsidiary, and/or a combination of any of the foregoing.

9.3. Crediting Restricted Stock Units. The Company shall establish an account ("RSU Account") on its books for each Eligible Person who receives a grant of Restricted Stock Units. Restricted Stock Units shall be credited to the Grantee's RSU Account as of the Grant Date of such Restricted Stock Units. RSU Accounts shall be maintained for recordkeeping purposes only, and the Company shall not be obligated to segregate or set aside assets representing securities or other amounts credited to RSU Accounts. The obligation to make distributions of securities or other amounts credited to RSU Accounts shall be an unfunded, unsecured obligation of the Company.

(a) **Crediting and Payment of Dividend Equivalents.** Except as otherwise provided in an Award Agreement, whenever dividends are paid or distributions made with respect to Shares, Dividend Equivalents shall be credited to RSU Accounts on all Restricted Stock Units credited thereto as of the record date for such dividend or distribution. Such Dividend Equivalents shall be credited to the RSU Account in the form of additional Restricted Stock Units in a number determined by dividing the aggregate value of such Dividend Equivalents by the Fair Market Value of a Share on the payment date of such dividend or distribution; provided, however, that any Shares distributed as Dividend Equivalents with respect to Restricted Stock Units as to which the restrictions have not yet lapsed, shall be subject to the same restrictions as such Restricted Stock Units. Notwithstanding anything herein to the contrary, Dividend Equivalents on unvested Awards of Restricted Stock Units will only be paid, if at all, when and to the extent that the underlying Awards vest.

(b) **Settlement of RSU Accounts.** The Company shall settle an RSU Account by delivering to the holder thereof (which may be the Grantee or his or her Beneficiary, as applicable) a number of Shares equal to the whole number of Shares underlying the Restricted Stock Units then credited to the Grantee's RSU Account (or a specified portion in the event of any partial settlement); provided, however, that any fractional Shares underlying Restricted Stock Units remaining in the RSU Account on the Settlement Date shall either be forfeited or distributed in cash in an amount equal to the Fair Market Value of a Share as of the Settlement Date multiplied by the remaining fractional Restricted Stock Unit, as determined by the Committee. Unless otherwise provided in an Award Agreement, the Settlement Date for all Restricted Stock Units credited to a Grantee's RSU Account shall be as soon as administratively practical following when Restrictions applicable to an Award of Restricted Stock Units (and any related Dividend Equivalents) have lapsed, but in no event shall such Settlement Date be later than March 15 of the Year following the Year in which the Restrictions applicable to an Award of Restricted Stock Units have lapsed. Unless otherwise provided in an Award Agreement, in the event of a Grantee's Termination of Service prior to the lapse of such Restrictions, such Grantee's Restricted Stock Units shall be immediately cancelled and forfeited to the Company.

Section 10. Deferred Stock

10.1. **Grant of Deferred Stock.** Subject to and consistent with the provisions of the Plan and applicable requirements of Code Sections 409A, the Committee, at any time and from time to time, may grant Deferred Stock to any Eligible Person in such number, and upon such terms, as the Committee, at any time and from time to time, shall determine (including, to the extent allowed by the Committee, grants at the election of a Grantee to convert Shares to be acquired upon lapse of Restrictions on Restricted Stock or Restricted Stock Units into such Deferred Stock). A Grantee shall have no voting rights in Deferred Stock.

10.2. **Award Agreement.** Each grant of Deferred Stock shall be evidenced by an Award Agreement that shall specify the number of Shares underlying the Deferred Stock subject to an Award, the Settlement Date such Shares of Deferred Stock shall be settled and such other provisions as the Committee shall determine that are in accordance with the Plan and Code Section 409A.

10.3. **Deferred Stock Elections.**

(a) **Making of Deferral Elections.** If and to the extent permitted by the Committee, an Eligible Person may elect (a "**Deferral Election**") at such times and in accordance with rules and procedures adopted by the Committee (which shall comport with Code Section 409A), to receive all or any portion of his salary, bonus and/or cash retainer (in the case of a director) (including any cash or Share-based Award, other than Options or SARs) either in the form of a number of shares of Deferred Stock equal to the quotient of the amount of salary, bonus and/or cash retainer or other permissible Award to be paid in the form of Deferred Stock divided by the Fair Market Value of a Share on the date such salary, bonus, cash retainer or other such Award would otherwise be paid in cash or distributed in Shares or pursuant to such other terms and conditions as the Committee may determine. The Grant Date for an Award of Deferred Stock made pursuant to a Deferral Election shall be the date the deferrable amount subject to a Deferral Election would otherwise have been paid to the Grantee in cash or Shares.

(b) Timing of Deferral Elections. An initial Deferral Election must be filed with the Company (pursuant to procedures established by the Committee) no later than December 31 of the Year preceding the Year in which the amounts subject to the Deferral Election would otherwise be earned, subject to such restrictions and advance filing requirements as the Company may impose. A Deferral Election shall be irrevocable as of the filing deadline, unless the Company has specified an earlier time at which it shall be irrevocable. Each Deferral Election shall remain in effect with respect to subsequently earned amounts unless the Eligible Person revokes or changes such Deferral Election. Any such revocation or change shall have prospective application only and must be made at a time at which a subsequent Deferral Election is permitted.

(c) Subsequent Deferral Elections. A Deferral Election (other than an initial Deferral Election) made with respect to a Deferred Compensation Award must meet the timing requirements for a subsequent deferral election as specified in Treasury Regulation Section 1.409A-2(b).

10.4. Deferral Account.

(a) Establishment of Deferral Accounts. The Company shall establish an account (“Deferral Account”) on its books for each Eligible Person who receives a grant of Deferred Stock or makes a Deferral Election. Deferred Stock shall be credited to the Grantee’s Deferral Account as of the Grant Date of such Deferred Stock. Deferral Accounts shall be maintained for recordkeeping purposes only, and the Company shall not be obligated to segregate or set aside assets representing securities or other amounts credited to Deferral Accounts. The obligation to make distributions of securities or other amounts credited to Deferral Accounts shall be an unfunded, unsecured obligation of the Company.

(b) Crediting and Payment of Dividend Equivalents. Except as otherwise provided in an Award Agreement, whenever dividends are paid or distributions made with respect to Shares, Dividend Equivalents shall be credited to Deferral Accounts on all Deferred Stock credited thereto as of the record date for such dividend or distribution. Such Dividend Equivalents shall be credited to the Deferral Account in the form of additional Deferred Stock in a number determined by dividing the aggregate value of such Dividend Equivalents by the Fair Market Value of a Share at the payment date of such dividend or distribution; provided, however, that any Shares distributed as Dividend Equivalents with respect to Deferred Stock as to which the restrictions have not yet lapsed, shall be subject to the same restrictions as such Deferred Stock. Notwithstanding anything herein to the contrary, Dividend Equivalents on unvested Awards of Deferred Stock will only be paid, if at all, when and to the extent that the underlying Awards vest.

(c) Settlement of Deferral Accounts. The Company shall settle a Deferral Account by delivering to the holder thereof (which may be the Grantee or his or her Beneficiary, as applicable) a number of Shares equal to the whole number of Shares of Deferred Stock then credited to the Grantee’s Deferral Account (or a specified portion in the event of any partial settlement); provided, however, that any fractional Shares of Deferred Stock remaining in the Deferral Account on the Settlement Date shall either be forfeited or distributed in cash in an amount equal to the Fair Market Value of a Share as of the Settlement Date multiplied by the remaining fractional Share, as determined by the Committee. The Settlement Date for all Deferred Stock credited in a Grantee’s Deferral Account shall be determined in accordance with Code Section 409A and shall be specified in the applicable Award Agreement or Deferral Election. The Settlement Date for Deferred Stock, as may be permitted by the Committee in its discretion and as specified in the Award Agreement or Deferral Election, is limited to one or more of the following events: (i) a specified date within the meaning of Treasury Regulation Section 1.409A-3(i)(1), (ii) a Change in Control, (iii) the Grantee’s “separation from service” as provided in Treasury Regulation Section 1.409A-1(h), (iv) the Grantee’s death, (v) the Grantee’s Disability, or (vi) an “unforeseeable emergency” of the Grantee as provided in Treasury Regulation Section 1.409A-3(i)(3).

Section 11.

Performance Units, Other Share-Based or Cash-Based Awards.

11.1. Performance Units.

(a) Grant of Performance Units. Subject to and consistent with the provisions of the Plan, Performance Units may be granted to any Eligible Person in such number and upon such terms, and at any time and from time to time, as shall be determined by the Committee. Performance Units shall be evidenced by an Award Agreement in such form as the Committee may approve, which shall contain such terms and conditions not inconsistent with the provisions of the Plan as shall be determined by the Committee.

(b) Value/Performance Goals. The Committee shall set Performance Goals in its discretion which, depending on the extent to which they are met during a Performance Period, will determine the number or value of Performance Units that will be paid to the Grantee at the end of the Performance Period. Each Performance Unit shall have an initial value that is established by the Committee at the time of grant. The Performance Goals for Awards of Performance Units may be set by the Committee at threshold, target and maximum performance levels with the number or value of the Performance Units payable directly correlated to the degree of attainment of the various performance levels during the Performance Period. Unless otherwise provided in an Award Agreement, no payment shall be made with respect to a Performance Unit Award if the threshold performance level is not satisfied. If Performance Goals are attained between the threshold and target performance levels or between the target and maximum performance levels, the number or value of Performance Units under such Award shall be determined by linear interpolation, unless otherwise provided in an Award Agreement.

(c) Earning of Performance Units. Except as provided in Section 12, after the applicable Performance Period has ended, the holder of Performance Units shall be entitled to payment based on the level of achievement of Performance Goals set by the Committee and as described in Section 11.1(b). At the discretion of the Committee, the Award Agreement may specify that an Award of Performance Units is payable in cash, Shares, Restricted Stock or Restricted Stock Units.

11.2. Other Share-Based or Cash-Based Awards.

(a) The Committee is authorized to grant Awards to Grantees in the form of Other Share-Based Awards or Other Cash-Based Awards, as deemed by the Committee to be consistent with the purposes of the Plan and as evidenced by an Award Agreement. The Committee shall determine the terms and conditions of such Awards, consistent with the terms of the Plan, at the date of grant or thereafter, including any Performance Goals and Performance Periods. Shares or other securities or property delivered pursuant to an Award in the nature of a purchase right granted under this Section 11.2 shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, Shares, other Awards, notes or other property, as the Committee shall determine, subject to any required corporate action.

(b) Notwithstanding anything herein to the contrary, upon a Change in Control, all outstanding Other Share-Based Awards and Other Cash-Based Awards shall be subject to Section 13 of the Plan.

Section 12. Dividends; Dividend Equivalents

The Committee is authorized to grant Awards of Dividend Equivalents alone or in conjunction with other Awards (other than Options and SARs), on such terms and conditions as the Committee shall determine in accordance with the Plan and Code Section 409A. Accrued Dividend Equivalents shall vest and be paid on the same terms as the Shares underlying the Award to which the Dividend Equivalents relate. Notwithstanding anything in this Plan to the contrary, to the extent that an Award contains a right to receive dividends or Dividend Equivalents while such Award remains unvested, such dividends or Dividend Equivalents will be accumulated and paid once and to the extent that the underlying Award vests.

Section 13. Change in Control

13.1. Acceleration of Vesting. Unless otherwise provided in the applicable Award Agreement, upon the occurrence of (a) an event satisfying the Section 2.9 definition of "Change in Control" with respect to a particular Award, and (b) a Grantee's Termination of Service by the Company without Cause or by the Grantee for Good Reason that occurs during the two (2)-year period immediately following such Change in Control event, such Award shall, as applicable, become vested, all Restrictions shall lapse and, for all Awards with respect to which the vesting or amount is based on the satisfaction or achievement of Performance Goals or other performance-based criteria, such Award shall become earned and vested and the Performance Goals and criteria shall be deemed to be achieved or fulfilled based on the performance achieved (as determined by the Committee), but prorated based on the elapsed proportion of the Performance Period as of the Termination of Service. The Committee may, in its discretion, include such further provisions and limitations with respect to a Change in Control in any Award Agreement as it may deem desirable.

13.2. Special Treatment in the Event of a Change in Control. In order to maintain the Grantee's rights upon the occurrence of any event satisfying the Section 2.9 definition of "Change in Control" with respect to an Award, the Committee, as constituted before such event, may, in its sole discretion, as to any such Award, either at the time the Award is made hereunder or any time thereafter: (a) make such adjustment to any such Award then outstanding as the Committee deems appropriate to reflect such Change in Control; and/or (b) cause any such Award then outstanding to be assumed, or new rights substituted therefor, by the acquiring or surviving entity after such Change in Control. Additionally, in the event of any Change in Control with respect to Options and SARs, the Committee, as constituted before such Change in Control, may, in its sole discretion (except as may be otherwise provided in the Award Agreement): (x) cancel any outstanding unexercised Options or SARs (whether or not vested) that have an Option Price or Strike Price (as applicable) that is greater than the Change in Control Price (defined below); or (y) cancel any outstanding unexercised Options or SARs (whether or not vested) that have an Option Price or Strike Price (as applicable) that is less than or equal to the Change in Control Price in exchange for a cash payment of an amount equal to (A) the difference between the Change in Control Price and the Option Price or Strike Price (as applicable), multiplied by (B) the total number of Shares underlying such Option or SAR that are vested and exercisable at the time of the Change in Control. The Committee may, in its discretion, include such further provisions and limitations in any Award Agreement as it may deem desirable. The "Change in Control Price" means the lower of (X) the per-Share Fair Market Value as of the date of the Change in Control, and (Y) the price paid per Share as part of the transaction which constitutes the Change in Control.

Section 14. Non-United States Employees.

Without amending the Plan, the Committee may grant Awards to Eligible Persons residing in non-United States jurisdictions on such terms and conditions different from those specified in the Plan, including the terms of any award agreement or plan, adopted by the Company or any Subsidiary thereof to comply with, or take advantage of favorable tax or other treatment available under, the laws of any non-United States jurisdiction, as may in the judgment of the Committee be necessary or desirable to foster and promote achievement of the purposes of the Plan and, in furtherance of such purposes the Committee may make such modifications, amendments, procedures, sub-plans and the like as may be necessary or advisable to comply with provisions of laws in other countries or jurisdictions in which the Company or its Subsidiaries operates or has employees.

Section 15. Amendments and Termination

15.1. Amendment and Termination.

(a) Subject to Section 15.2, the Board may at any time amend, alter, suspend, discontinue or terminate the Plan in whole or in part without the approval of the Company's stockholders; provided that (i) any amendment shall be subject to the approval of the Company's stockholders if such approval is required by any federal or state law or regulation or any securities exchange or automated quotation system on which the Shares may then be listed or quoted and (ii) no Plan amendment or termination shall extend the exercise period for an Option or SAR beyond a date that is later than the earlier of the latest date upon which the Award could have expired by its original terms under any circumstances or the tenth (10th) anniversary of the original date of grant of the Award.

(b) Subject to Section 15.2, the Committee may amend the terms of any Award Agreement, prospectively or retroactively, in accordance with the terms of the Plan.

15.2. Previously Granted Awards. Except as otherwise specifically provided in the Plan (including Sections 3.2(k), 3.2(n), 5.5, 15.1 and this Section 15.2) or an Award Agreement, no termination, amendment or modification of the Plan shall adversely affect in any material respect any Award previously granted under the Plan or an Award Agreement without the written consent of the Grantee of such Award. Notwithstanding the foregoing, the Board or the Committee (as applicable) shall have the authority to amend the Plan and outstanding Awards to the extent necessary or advisable to account for changes in applicable law, regulations, rules or other written guidance without a Grantee's consent.

Section 16.
Beneficiary Designation

Each Grantee under the Plan may, from time to time, name any Beneficiary or Beneficiaries (who may be named contingently or successfully) to whom any benefit under the Plan is to be paid in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Grantee, shall be in a form prescribed by the Company, and will be effective only when filed by the Grantee in writing with the Company during the Grantee's lifetime. In the absence of any such designation, the Grantee's estate shall be the Grantee's Beneficiary.

Section 17.
Withholding

17.1. Required Withholding.

(a) The Committee in its sole discretion may provide that when taxes are to be withheld in connection with the exercise of an Option or a SAR, upon the lapse of Restrictions on an Award or upon payment of any benefit or right under the Plan (the Exercise Date, the date such Restrictions lapse or such payment of any other benefit or right occurs hereinafter referred to as the "Tax Date"), the Grantee may be required or may be permitted to elect to make payment for the withholding of federal, state and local taxes, including Social Security and Medicare ("FICA") taxes, by one or a combination of the following methods:

- (i) payment of an amount in cash equal to the amount to be withheld;
- (ii) requesting the Company to withhold from those Shares that would otherwise be received upon exercise of an Option or a SAR, upon the lapse of Restrictions on, or upon settlement of, any other Award, a number of Shares having a Fair Market Value on the Tax Date equal to the amount to be withheld; or
- (iii) withholding from any compensation otherwise due to the Grantee.

The maximum amount of tax withholding upon exercise of an Option or a SAR or in connection with the settlement of any other Award to be satisfied by withholding Shares pursuant to Section 17.1(a)(iii) above shall not exceed the maximum individual statutory tax rate in a given jurisdiction (or such lower amount as may be necessary to avoid liability award accounting, or any other accounting consequence or cost – including in connection with the effectiveness of FASB Accounting Standards Update 2016-09 – as determined by the Committee, and in any event in accordance with Company policies and applicable law). An election by Grantee under this Section 17.1(a) is irrevocable. Any fractional share amount and any additional withholding not paid by the withholding or surrender of Shares shall be paid in cash. If no timely election is made, the Grantee must deliver cash to satisfy all tax withholding requirements, unless otherwise provided in the Award Agreement.

(b) Any Grantee who makes a Disqualifying Disposition or an election under Code Section 83(b) shall remit to the Company an amount sufficient to satisfy all resulting tax withholding requirements in the same manner as set forth in Section 17.1(a).

(c) No Award shall be settled, whether in cash or in Shares, unless the applicable tax withholding requirements have been met to the satisfaction of the Committee.

17.2. Notification under Code Section 83(b). If the Grantee, in connection with the exercise of any Option (if permitted under an Award Agreement), or the grant of Restricted Stock, makes the election permitted under Code Section 83(b) to include in such Grantee's gross income in the year of transfer the amounts specified in Code Section 83(b), then such Grantee shall notify the Company of such election within ten (10) days of filing the notice of the election with the Internal Revenue Service, in addition to any filing and notification required pursuant to regulations issued under Code Section 83(b). The Committee may, in connection with the grant of an Award or at any time thereafter, prohibit a Grantee from making the election described above.

Section 18.
General Provisions

18.1. Governing Law. The validity, construction and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Delaware (regardless of its conflict of laws principles) and applicable federal laws, and without reference to any rules of construction regarding the party responsible for the drafting hereof. Venue shall be in, and jurisdiction of, the State or Federal Court (as may be appropriate) nearest to the Company's then United States headquarters.

18.2. Severability. If any provision of the Plan or any Award Agreement is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction, or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, it shall be stricken and the remainder of the Plan and any such Award shall remain in full force and effect.

18.3. Successors. All obligations of the Company under the Plan or any Award Agreement with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

18.4. Requirements of Law. The granting of Awards and the delivery of Shares under the Plan shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges or markets as may be required. Notwithstanding any provision of the Plan or any Award Agreement, Grantees shall not be entitled to exercise, or receive benefits under, any Award, and the Company (or any Subsidiary) shall not be obligated to deliver any Shares or deliver benefits to a Grantee, if such exercise or delivery would constitute a violation by the Grantee, the Company or a Subsidiary of any applicable law or regulation.

18.5. Securities Law Compliance. If the Committee deems it necessary to comply with any applicable securities law, or the requirements of any securities exchange or market upon which Shares may be listed, the Committee may impose any restriction on Awards or Shares acquired pursuant to Awards under the Plan as it may deem advisable. All evidence of Share ownership delivered pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations or other requirements of the SEC, any securities exchange or market upon which Shares are then listed, and any applicable securities law. If so requested by the Company, the Grantee shall make a written representation and warranty to the Company that he or she will not sell or offer to sell any Shares unless a registration statement shall be in effect with respect to such Shares under the Securities Act of 1933, as amended, and any applicable state securities law or unless he or she shall have furnished to the Company an opinion of counsel, in form and substance satisfactory to the Company, that such registration is not required. No provisions of the Plan shall be interpreted or construed to obligate the Company to register any Shares under federal, state, or foreign law. The Shares issued under the Plan may be subject to such other restrictions on transfer as determined by the Committee.

If the Committee determines that the exercise or non-forfeatability of, or delivery of benefits pursuant to, any Award would violate any applicable provision of securities laws or the listing requirements of any national securities exchange or national market system on which any of the Company's equity securities are listed, then the Committee may postpone any such exercise, non-forfeatability or delivery to comply with all such provisions at the earliest practicable date.

18.6. Code Section 409A. To the extent applicable and notwithstanding any other provision of the Plan, the Plan and Award Agreements hereunder shall be administered, operated and interpreted in accordance with Code Section 409A, including any regulations or other guidance that may be issued after the date on which the Board approves the Plan; provided, however, that, in the event that the Committee determines that any amounts payable hereunder may be taxable to a Grantee under Code Section 409A prior to the payment and/or delivery to such Grantee of such amount, the Company may (a) adopt such amendments to the Plan and related Award, and appropriate policies and procedures, including amendments and policies with retroactive effect (to the extent permissible under applicable law), that the Committee determines necessary or appropriate to preserve the intended tax treatment of the benefits provided by the Plan and Awards hereunder, and/or (b) take such other actions as the Committee determines necessary or appropriate to comply with or exempt the Plan and/or Awards from the requirements of Code Section 409A. The Company and its Subsidiaries make no guarantees to any Person regarding the tax treatment of Awards or payments made under the Plan, and, notwithstanding the above provisions and any agreement or understanding to the contrary, if any Award, payments or other amounts due to a Grantee (or his or her beneficiaries, as applicable) results in, or causes in any manner, the application of any adverse tax consequence under Code Section 409A or otherwise to be imposed, then the Grantee (or his or her Beneficiaries, as applicable) shall be solely liable for the payment of, and the Company and its Subsidiaries shall have no obligation or liability to pay or reimburse (either directly or otherwise) the Grantee (or his or her Beneficiaries, as applicable) for, any such

adverse tax consequences. In the case of any Deferred Compensation Award (in addition to Deferred Stock), the provisions of Section 10.4 relating to permitted times of settlement shall apply to such Award. If any Deferred Compensation Award is payable to a “specified employee” (within the meaning of Treasury Regulation Section 1.409A-1(i)), then such payment, to the extent payable due to the Grantee’s Termination of Service and not otherwise exempt from Code Section 409A, shall not be paid before the date that is six (6) months after the date of such Termination of Service (or, if earlier, such Grantee’s death).

18.7. Mitigation of Excise Tax. Subject to the last sentence of this Section 18.7, if any payment or right accruing to a Grantee under the Plan (without the application of this Section 18.7), either alone or together with other payments or rights accruing to the Grantee from an Employer (“Total Payments”), would constitute a “parachute payment” (as defined in Code Section 280G), such payment or right shall be reduced to the largest amount or greatest right that will result in no portion of the amount payable or right accruing under the Plan being subject to an excise tax under Code Section 4999 or being disallowed as a deduction under Code Section 280G. The determination of whether any reduction in the rights or payments under the Plan is to apply shall be made by the Committee in good faith after consultation with the Grantee, and such determination shall be conclusive and binding on the Grantee. The Grantee shall cooperate in good faith with the Committee in making such determination and providing the necessary information for this purpose. Unless otherwise provided in an Award Agreement or in an Employment Agreement, the foregoing provisions of this Section 18.7 shall apply with respect to any person only if, after reduction for any applicable federal excise tax imposed by Code Section 4999 and all state and federal taxes imposed by the Code, the Total Payments accruing to such person would be less than the amount of the Total Payments as reduced, if applicable, under the foregoing provisions of the Plan and after reduction for all state and federal taxes, excluding any applicable federal excise tax imposed by Code Section 4999.

18.8. No Rights as a Stockholder. No Grantee shall have any rights as a stockholder of the Company with respect to the Shares (except as provided in Section 8.7 with respect to Restricted Stock) that may be deliverable upon exercise or payment of such Award until such Shares have been delivered to him or her.

18.9. Awards Not Taken into Account for Other Benefits. Awards shall be special incentive payments to the Grantee and shall not be taken into account in computing the amount of salary or compensation of the Grantee for purposes of determining any pension, retirement, death or other benefit under (a) any pension, retirement, profit-sharing, bonus, insurance or other employee benefit plan of an Employer, except as such plan shall otherwise expressly provide, or (b) any Employment Agreement between an Employer and the Grantee, except as such Employment Agreement shall otherwise expressly provide.

18.10. Non-Exclusivity of Plan. Neither the adoption of the Plan by the Board nor its submission to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board to adopt such other compensatory arrangements for employees as it may deem desirable.

18.11. No Trust or Fund Created. The Plan is intended to constitute an “unfunded” plan for incentive compensation. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Subsidiary and a Grantee or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Subsidiary pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Subsidiary.

18.12. No Right to Continued Employment or Awards. No employee shall have the right to be selected to receive an Award under this Plan or, having been so selected, to be selected to receive a future Award. The grant of an Award shall not be construed as giving a Grantee the right to be retained in the employ of the Company or any Subsidiary or to be retained as a director of or consultant to the Company or any Subsidiary. Further, the Company or a Subsidiary may at any time terminate the employment of a Grantee free from any liability, or any claim under the Plan, unless otherwise expressly provided in the Plan, any Award Agreement or an Employment Agreement, as applicable.

18.13. Military Service. Awards shall be administered in accordance with Code Section 414(u) and the Uniformed Services Employment and Reemployment Rights Act of 1994.

18.14. Construction. The following rules of construction will apply to the Plan: (a) the word “or” is disjunctive but not necessarily exclusive and (b) words in the singular include the plural, words in the plural include the singular, and words in the neuter gender include the masculine and feminine genders and words in the masculine or feminine genders include the neuter gender. The headings of sections and subsections are included solely for convenience of reference, and if there is any conflict between such headings and the text of this Plan, the text shall control. All references to Sections herein are intended to be references to sections of the Plan, unless otherwise indicated.

18.15. No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities, or other property shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

18.16. Compensation Recoupment Policy. The Plan and all Awards issued hereunder shall be subject to any compensation recovery and/or recoupment policy adopted by the Company to comply with applicable law, including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or to comport with good corporate governance practices, as such policies may be amended from time to time. No recovery of compensation under such a clawback policy will be an event giving rise to a right to resign for “good reason” or “constructive termination” (or similar term) under any agreement with the Company or a Subsidiary.

18.17. Notice. Any notice or other communication required or permitted under the Plan must be in writing and must be delivered personally, sent by certified, registered, or express mail, or sent by overnight courier, at the sender’s expense. Notice will be deemed given (1) when delivered personally or, (2) if mailed, three days after the date of deposit in the United States mail or, (3) if sent by overnight courier, on the regular business day following the date sent. Notice to the Company should be sent to Power Solutions International, Inc. 201 Mittel Drive, Wood Dale, Illinois 60191, Attention: Chief Financial Officer. Notice to the Grantee should be sent to the address set forth on the Company’s records. Either party may change the address to which the other party must give notice under this Section 18.17 by giving the other party written notice of such change, in accordance with the procedures described above.

18.18. Plan Document Controls. This Plan and each Award Agreement constitute the entire agreement with respect to the subject matter hereof and thereof; provided, however, that in the event of any inconsistency between the Plan and such Award Agreement, the terms and conditions of the Plan shall control.

**CERTIFICATION PURSUANT TO 17 CFR 240.13a-14 PROMULGATED
UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, C. (Dino) Xykis, certify that:

1. I have reviewed this Amendment No. 1 to the annual report on Form 10-K of Power Solutions International, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

Date: May 1, 2023

By: /s/ C. (Dino) Xykis

Name: C. Dino Xykis

Title: Chief Executive Officer

**CERTIFICATION PURSUANT TO 17 CFR 240.13a-14 PROMULGATED
UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Xun Li certify that:

1. I have reviewed this Amendment No. 1 to the annual report on Form 10-K of Power Solutions International, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

Date: May 1, 2023

By: /s/ Xun Li

Name: Xun Li

Title: Chief Financial Officer