

**POWER SOLUTIONS INTERNATIONAL, INC.  
RELATED PARTY TRANSACTIONS POLICY**

**A. Policy Statement**

The Board of Directors (the “Board”) of Power Solutions International, Inc. (including its subsidiaries, the “Company”) recognizes that Related Party Transactions (as defined below) may raise questions as to whether those transactions are consistent with the best interests of the Company and its stockholders. It is the Company’s policy to enter into or ratify Related Party Transactions only when the Board, acting through the Audit Committee (the “Committee”) of the Board, or as otherwise described herein, determines that the Related Party Transaction in question is (1) in, or not inconsistent with, the best interests of the Company and its stockholders, and (2) consistent with applicable legal and regulatory requirements. Accordingly, upon the recommendation of the Committee, the Board has adopted the procedures set forth below for the review, approval and ratification of Related Party Transactions. The Company is also subject to the ethics and compliance requirements of the regulations of the Securities and Exchange Commission and NASDAQ listing requirements as applicable. The Committee will review this policy from time to time and may recommend to the Board changes to the policy as it deems appropriate.

**B. Related Party Transactions**

For purposes of this policy, a “Related Party Transaction” is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) (including any indebtedness or guarantee of indebtedness) in which the Company (including any of its subsidiaries) was, is or will be a participant, and in which any Related Person (as defined below) had, has or will have a direct or indirect interest. However, Related Party Transactions do not include:

1. Transactions involving compensation of executive officers of the Company if:
  - a. the compensation is required to be reported by the Company under Item 402 of Regulation S-K and has been approved by the Board; or
  - b. the executive officer is not an immediate family member of another executive officer or director of the Company, the related compensation would be reported by the Company under Item 402 of Regulation S-K if the executive officer was a named executive officer (as such term is defined in Item 402(a)(3) of Regulation S-K), and the compensation has been approved by the Board.
2. Transactions involving compensation of directors for service on the Board, or committees thereof, that has been approved by the Board;
3. Compensation or other transactions available on the same basis to all employees of the Company generally, or to all salaried employees of the Company generally; or
4. Transactions in which the interest of the Related Person arises solely from the ownership of a class of the Company’s securities and all holders of that class receive the same benefit on a pro rata basis, including interests in securities created or otherwise granted pursuant to and in accordance with a Company incentive compensation plan.

For purposes of this policy, a “Related Person” means:

1. Any person who is, or at any time since the beginning of the Company's last fiscal year was, a director or executive officer of the Company or a nominee to become a director of the Company;
2. Any person who is known to be the beneficial owner of more than 5% of any class of the Company's voting securities;
3. Any immediate family member or person (other than a tenant or employee) sharing the household of any of the foregoing persons; and
4. Any firm, corporation or entity in which any of the foregoing persons is employed or is a general partner or principal or in a similar position, or in which such person, together with all other Related Persons, have in the aggregate a 10% or greater beneficial ownership interest.

### **C. Identification of Related Persons**

On an annual basis, as requested by the Committee or the Company's General Counsel, each director and executive officer shall disclose in writing to the Company information regarding his or her Related Persons and each charitable or non-profit organization for which the director or executive officer (or any of his or her Related Persons) is actively involved in fundraising or otherwise serves as a director, trustee or in a similar capacity.

Any person who is appointed as a director or an executive officer shall comply with such a request for information prior to such person's appointment as a director or executive officer, except in the case of an executive officer where due to the circumstances it is not practicable to submit the information in advance, in which case the information shall be submitted as soon as reasonably practicable following the appointment.

Directors and executive officers are expected to notify the Company's General Counsel of any material updates to the information they provided regarding their Related Persons and the charitable or non-profit organizations with which they and their Related Persons are involved.

### **D. Dissemination of Related Person Information**

The Company's General Counsel shall (a) ensure that information regarding Related Persons is collected as described in Section C above, and (b) distribute the information (and the periodic updates thereof) to applicable personnel as described further below.

### **E. Approval Procedures**

Any Related Party Transaction that is identified as such prior to the consummation thereof or amendment thereto shall be consummated or amended only if the following steps are taken:

1. Any Related Party Transaction where the amount involved is less than \$5,000 may be approved by the Company's General Counsel

(or, in the case of a Related Party Transaction involving the General Counsel, the Chair of the Committee (the "Committee Chair")). If so approved, the General Counsel (or the Committee Chair, as applicable) shall report the material terms of the transaction to the Committee at its next quarterly meeting. Any Related Party Transaction where the amount involved is in excess of \$5,000 shall be submitted to the Committee for consideration at its next quarterly Committee meeting, or if they deem it advisable, prior thereto at an interim meeting called for such purpose.

2. For all Related Party Transactions, prior to entering into any such transaction, (a) the Related Person, (b) the director, executive officer, nominee or beneficial owner who is an immediate family member of the Related Person, or (c) the function/department leader responsible for the potential transaction shall provide notice to the General Counsel (or, in the case of a Related Party Transaction involving the General Counsel, the Committee Chair) of the facts and circumstances of the proposed transaction, including: (i) the Related Person's relationship to the Company and interest in the transaction; (ii) the material facts of the proposed transaction, including the proposed aggregate value of such transaction or, in the case of indebtedness, the amount of principal that would be involved; (iii) the benefits to the Company of the proposed transaction; (iv) if applicable, the availability of other sources of comparable products or services; and (v) an assessment of whether the proposed transaction is on terms that are comparable to the terms available to an unrelated third party or to employees generally.

3. The General Counsel (or the Committee Chair, as applicable) or the Committee, as the case may be (such party, the "Approving Party"), shall consider all of the relevant facts and circumstances available to the Approving Party, including (if applicable) but not limited to: the benefits to the Company; the impact on a director's independence in the event the Related Person is a non-employee director, an immediate family member of a non-employee director or an entity in which a non-employee director is a partner, shareholder or executive officer; the availability of other sources for comparable products or services; the terms of the transaction; and the terms available to unrelated third parties or to employees generally. The Approving Party shall also consult with outside counsel as the Approving Party deems necessary and/or appropriate, prior to approving any Related Party Transaction. No individual should participate in any review or consideration of a Related Party Transaction if such person or any of his or her immediate family members is the Related Person in such transaction. The Approving Party shall approve only those Related Party Transactions that are in, or are not inconsistent with, the best interests of the Company and its stockholders, as the Approving Party determines in good faith.

4. The Approving Party shall convey all decisions with respect to Related Party Transactions to the appropriate personnel within the Company.

5. Any Related Party Transaction approved by the General Counsel (or the Committee Chair, as applicable) shall be reported on a quarterly basis to the Committee.

6. On a quarterly basis, any Related Party Transactions approved by the General Counsel (or the Committee Chair, as applicable) shall also be discussed in the Committee meeting.

7. All reviews and approvals by the Committee shall be documented and evidenced by the minutes of such meeting(s).

#### **F. Monitoring and Annual Review of Ongoing Transactions**

Periodically, but no less than annually, the Company's General Counsel shall review any amounts paid or payable to, or received or receivable from, any Related Person. If the General Counsel becomes aware of a Related Party Transaction that has not been previously approved, whether as a result of such a review or otherwise, such Related Party Transaction will be submitted for review (if still ongoing) in accordance with the procedures described herein, and the Approving Party will determine the appropriate steps to take with regards to the transaction and any potential disciplinary action against the persons involved.

Annually, the Committee shall review any previously approved Related Party Transaction that remains ongoing with a total amount payable to, or receivable from, the Company of more than \$25,000. Based on all relevant facts and circumstances, taking into consideration the Company's contractual obligations, the

Committee shall determine if it is in the best interests of the Company and its stockholders to continue, modify or terminate each such transaction.

#### **G. Charitable Contributions**

Proposed charitable contributions or pledges of charitable contributions by the Company to a charitable or non-profit organization identified on the roster of Related Persons shall be subject to prior review and approval by the Committee.

#### **H. Disclosure**

All Related Party Transactions that are required to be disclosed in the Company's filings with the Securities and Exchange Commission, as required by the Securities Act of 1933 and the Securities Exchange Act of 1934 and related rules and regulations, shall be so disclosed in accordance with such laws, rules and regulations, including without limitation, Item 404 of Regulation S-K.

The material features of this policy shall be disclosed in the Company's proxy statement for its annual meeting of stockholders.

#### **I. Procedure**

General Counsel shall advise the Chair of the Committee of any Related Party Transaction of which he or she becomes aware. The Committee shall consider such Related Party Transaction at its next regularly scheduled meeting or, if it deems it advisable, at an interim meeting called for such purpose. Except as set forth below, any Related Party Transaction not approved in advance by the Committee shall not be entered into by the Company (unless the consummation of the transaction is expressly subject to later ratification).

If the Company enters into a transaction that (i) the Company was not aware constituted a Related Party Transaction at the time it was entered into but which it subsequently determines is a Related Party Transaction or (ii) did not constitute a Related Party Transaction at the time such transaction was entered into but thereafter becomes a Related Party Transaction, then in either such case the Related Party Transaction shall be presented for ratification in the manner set forth above. If such Related Party Transaction is not ratified by the Committee, then the Company shall take all reasonable actions to attempt to terminate the Company's participation in the transaction.

The Committee shall timely advise the Board of Directors of all Related Party Transactions, if any, approved or ratified by the Committee.