

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): February 15, 2021

Power Solutions International, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-35944
(Commission
File Number)

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

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

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communication pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communication pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

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

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

Emerging growth company

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

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

On February 16, 2021, Power Solutions International, Inc. (the “Company” or “PSI”) announced the appointment of Lance Arnett to serve as the Company’s Chief Executive Officer effective February 15, 2021 (the “Effective Date”). Mr. Arnett will succeed John P. Miller, who has retired from his position as Chief Executive Officer and President by mutual agreement with the Company effective the Effective Date following a transition period. Mr. Miller has agreed to transition his responsibilities pursuant to an agreement between Mr. Miller and the Company as discussed below.

Mr. Arnett, age 50, has served as PSI’s Chief Commercial Officer since November 18, 2019. Mr. Arnett has more than 25 years of sales, business development and operational experience. Prior to joining the Company, from January 2009 to November 2019, he worked at Cummins Inc., a NYSE-listed global company that designs, manufactures, distributes and services a broad portfolio of power solutions. During his tenure at Cummins, he served in various capacities for Cummins Central Region in Minnesota, most recently serving as Director and Chief of Staff of their North American OEM Performance Cell. In this capacity, he oversaw direct strategy for their North American business including sales, engineering, assembly and uplift, pricing, marketing, and customer support. His previous roles at Cummins Central Region include serving as Interim President, Vice President of OEM Business, Vice President of OEM and Customer Care and Executive Director of Operational Effectiveness. Prior thereto, from 2006 to 2009, he worked as Business Development Manager for PreVisor, Inc. and, from 2001 to 2006, he served as director, Franchise Sales and Development at Mighty Distributing System of America. Earlier in his career, he served in management and sales roles within the staffing industry.

Arnett Employment Agreement

In connection with Mr. Arnett’s appointment as Chief Executive Officer, Mr. Arnett and the Company entered into an Employment Agreement, effective the Effective Date (the “Employment Agreement”), which supersedes Mr. Arnett’s previous employment agreement as Chief Commercial Officer. The Employment Agreement provides that Mr. Arnett will receive (a) an annual salary of \$400,000 per year, which will increase to \$425,000 per year on August 15, 2021; (b) an annual incentive bonus under the Company’s Key Performance Indicator Plan (“KPI”) with a target 60% of his base salary or as generally determined by the Company; (c) a bonus under the Company’s Long Term Incentive (“LTI”) plan with a target of 60% of his base salary or as generally determined by the Company; (d) subject to approval of the Compensation Committee of the Board of Directors (the “Compensation Committee”), an award of 80,000 stock appreciation rights (“SARs”) pursuant to the Company’s 2012 Incentive Compensation Plan, with a strike price determined at the time of the Compensation Committee’s approval, and with vesting to occur in equal installments on each of the first four anniversaries of the Effective Date, subject to his continued employment; (e) an automobile allowance of \$1,200 per month; (f) up to \$20,000 in reasonable relocation expenses if Mr. Arnett moves to the Chicagoland area; and (g) standard employee benefits as are generally available to employees of the Company.

If the Company terminates Mr. Arnett without cause (as defined in the Employment Agreement), in addition to payment of any accrued obligations, Mr. Arnett would be eligible to receive severance, subject to his execution of a general release of claims, consisting of: (i) any determined, but unpaid, KPI or LTI bonus relating to the fiscal year prior to the fiscal year of termination; (ii) accelerated vesting of any unvested SARs; (iii) a prorated KPI or LTI bonus for the fiscal year in which his termination occurs; (iv) 12 months of salary continuation payments; and (v) 12 months of health benefit continuation coverage on the same terms as provided before Mr. Arnett’s termination. Mr. Arnett will be subject to non-competition and non-solicitation obligations for a period of 12 months following any termination of his employment.

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

The foregoing description of the Employment Agreement is qualified in its entirety by the full text of the Employment Agreement, which is attached hereto as Exhibit 10.1 and incorporated by reference herein.

A press release announcing the matters described above is attached hereto as Exhibit 99.1 and incorporated herein by reference.

Miller Separation Agreement

In connection with Mr. Miller's retirement from the Company, Mr. Miller and the Company entered into a Separation Agreement and Release, effective the Effective Date (the "Separation Agreement"). Pursuant to the Separation Agreement and the retirement of Mr. Miller, he is entitled to receive (a) a cash severance payment of \$360,000, payable within 14 days after the Effective Date, (b) subject to his election to receive continued group health plan coverage under COBRA, continued coverage at active-employee rates for up to 12 months after the Effective Date, and (c) a cash payment of \$36,000 under the LTI plan at the same time other LTI participants are paid, but in no event later than December 31, 2021.

The Separation Agreement also provides that Mr. Miller will assist with transition services for the Company beginning on the Effective Date and terminating 90 days thereafter unless earlier terminated pursuant to the Separation Agreement (the "Transition Period"). Subject to his compliance with the terms of the Separation Agreement, Mr. Miller is entitled to receive a transition fee of \$30,000 payable every 30 days during the Transition Period. Mr. Miller has agreed to make himself available on an "as needed" basis during the Transition Period to assist with transitioning his duties with the Company and as reasonably directed by the Company's Chief Executive Officer. The Separation Agreement contains a release of the Company by Mr. Miller and mutual non-disparagement provisions. Mr. Miller also agreed that the confidentiality, non-competition and non-solicitation provisions in his current employment agreement with the Company will remain in effect. Finally, Mr. Miller agreed to cooperate with, and make himself reasonably available to, the Company for a period ending twelve months following termination of the Transition Period in order to assist with the transition of his duties at a rate of \$250 per hour plus expenses.

The foregoing description of the Separation Agreement is qualified in its entirety by the full text of the Separation Agreement, which is attached hereto as Exhibit 10.2 and incorporated by reference herein.

Item 7.01 Regulation FD Disclosure.

On February 16, 2021, the Company issued a press release announcing the Chief Executive Officer transition, which is attached as Exhibit 99.1 hereto.

The information contained in this Item 7.01 and Exhibit 99.1 hereto shall not be deemed "filed" for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933 (the "Securities Act") or the Exchange Act, except as shall be expressly set forth by reference in such a filing.

Caution Regarding Forward-Looking Statements

This Form 8-K contains forward-looking statements regarding the current expectations of the Company about its prospects and opportunities. These forward-looking statements are entitled to the safe-harbor provisions of Section 21E of the Securities Exchange Act of 1934. The Company has tried to identify these forward-looking statements by using words such as "anticipate," "believe," "budgeted," "contemplate," "estimate," "expect," "forecast," "guidance," "may," "outlook," "plan," "projection," "should," "target," "will," "would," or similar expressions, but these words are not the exclusive means for identifying such statements. These statements are subject to a number of risks, uncertainties, and assumptions that may cause actual results, performance or achievements to be materially different from those expressed in, or implied by, such statements. The Company cautions that the risks, uncertainties and other factors that could cause its actual results to differ materially from those expressed in, or implied by, the forward-looking statements, include, without limitation: the impact the ongoing COVID-19 pandemic could have on the Company's business and financial results; the Company's ability to continue as a going concern; the Company's ability to raise additional capital when needed and its liquidity; uncertainties around the Company's ability to meet funding conditions under its financing arrangements and access to capital thereunder; the timing of completion of steps to address, and the inability to address and remedy, material weaknesses; the identification of additional material weaknesses or significant deficiencies; risks related to complying with the terms and conditions of the settlements with the Securities and Exchange Commission (the "SEC") and 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 and the criminal division of the United States Attorney's Office for the Northern District of Illinois (the "USAO"), 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; remedial recommendations; 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; any delays and challenges in recruiting key employees consistent with the Company's plans; any negative impacts from delisting of the Company's common stock

from the NASDAQ Stock Market and any delays and challenges in obtaining a re-listing on a stock exchange; and the risks and uncertainties described in reports filed by the Company with the SEC, including without limitation its Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and the Company's subsequent filings with the SEC. The Company's forward-looking statements are presented as of the date hereof. Except as required by law, the Company expressly disclaims any intention or obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
10.1	<u>Employment Agreement, dated as of February 15, 2021, between the Company and Lance Arnett.</u>
10.2	<u>Separation Agreement and Release, dated as of February 15, 2021, between the Company and John P. Miller.</u>
99.1	<u>Press Release, dated February 16, 2021, announcing the Chief Executive Officer transition.</u>

SIGNATURE

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

Power Solutions International, Inc.

Dated: February 16, 2021

By: /s/ Donald P. Klein

Name: Donald P. Klein

Title: Chief Financial Officer

EMPLOYMENT AGREEMENT

This Employment Agreement (“Agreement”) is dated this 15th day of February 2021, by and between Lance M. Arnett (“Arnett”) and Power Solutions International, Inc. (“Company”).

PREAMBLE

WHEREAS, Arnett has been employed by Company pursuant to a November 25, 2019 offer letter and subsequently a December 6, 2019 Employment Agreement (“2019 Agreement”) as Chief Commercial Officer (“CCO”) for the Company;

WHEREAS, the Company desires to promote Arnett to the position of Chief Executive Officer (“CEO”) of the Company, a section 16 Officer, effective February 15, 2021 (the “Effective Date”);

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

WHEREAS, Arnett and the Company desire to enter into this Agreement to, among other things, set forth (i) the continued terms and conditions of Arnett’s employment with the Company which shall supersede and cancel any other or different terms or conditions of employment, except as stated herein; and (ii) the obligation of Arnett to comply with certain other covenants under certain circumstances as provided below.

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

AGREEMENT

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

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

3. Position and Duties.

(a) Arnett shall serve as the Company’s CEO, with overall responsibility for the day-to-day operations, business and affairs of the Company and such other duties as are normally commensurate with executive’s position. Arnett shall report to the Board of Directors of the Company (the “Board”).

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

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

4. Compensation and Benefits.

(a) Base Salary. Arnett's base salary shall be \$400,000.00 per annum. (the "Base Salary"). Arnett's Base Salary will be increased to \$425,000 on August 15, 2021 without further action being necessary by Arnett or the Board, as long as Arnett remains an employee with Company in good standing as of July 1, 2021. Base Salary will be payable by the Company in regular semi-monthly installments in accordance with the Company's general payroll practices.

(b) KPI Bonus. For each of the Company's fiscal year during the Employment Period, Arnett shall be eligible to participate in any Company Key Performance Indicator ("KPI") plan in accordance with the terms and conditions of such plan, if any, with a target KPI equal to 60% of his Base Salary or as generally determined by the Company for the overall KPI plan

(c) LTI Bonus. For each of the Company's fiscal year during the Employment Period, Arnett shall be eligible to participate in any Long-Term Incentive (LTI) plan in accordance with the terms and conditions of such plan, if any, with a target LTI bonus equal to 60% of his Base Salary or as generally determined by the Company for the overall LTI plan.

(d) Equity. Pursuant to Arnett's previous December 10, 2019 Stock Appreciation Rights Agreement ("2019 Stock Agreement") Arnett was granted a Stock Appreciation Rights (SARs) award equivalent to 50,000 stock options of PSI stock (PSIX trading symbol) with strike price of \$4.83 and vesting to occur pro rata over a three-year period with 16,666 SARS vesting on November 25th of each year, provided that Arnett is an employee in good standing on each of the foregoing anniversary dates. Nothing in this Agreement shall act to change, nullify or effect Arnett's 2019 Stock Agreement or entitlement thereto, including vesting schedules.

Additionally, subject to the approval of the Compensation Committee, Arnett shall be awarded a new stock grant of 80,000 SARs with a strike price determined at the time of Compensation Committee approval. Vesting occurs pro rata over a four-year period with: 20,000 SARs awards vesting on February 15, 2022; 20,000 SARs awards vesting on February 15, 2023; 20,000 SARs awards vesting on February 15, 2024 and 20,000 SARs awards vesting on February 15, 2025, provided that Arnett has not quit or voluntarily terminated his employment as CEO or been terminated for cause or due to death or incapacity in which case any unvested SARs awards shall be extinguished and forfeited by Arnett. The SARs awards shall be subject to the terms and conditions of the Power Solutions 2012 Incentive Compensation Plan.

(e) Automobile allowance. The Company will pay Arnett \$1,200 per month for all automobile related expenses including any lease. Such amount will be subject to applicable withholdings as required by law.

(f) Relocation Expenses. The Company will cover up to \$20,000 in reasonable relocation expenses, if Employee moves on behalf of the Company to the Chicagoland area, upon submission of receipts for the costs incurred to the Company. Such amounts will be refunded by Employee should Employee voluntarily quit within one year of receipt of reimbursement from the Company.

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

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

(i) Vacation. Arnett shall be eligible to take vacation as approved by the Board.

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

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

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

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

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

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

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

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

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

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

(ii) Starting as of the next applicable Company payroll date after the Termination Date (provided Arnett has executed and delivered a Release Agreement pursuant to Section 5(h) below, and such Release Agreement has become effective and irrevocable), the Company will pay Arnett a monthly amount equal to the (x) Base Salary, divided by (y) 12 (the "Cash Severance"), less applicable withholdings, for a period of twelve (12) months following date on which the first monthly payment is made pursuant to this Section 5(g). For purposes of this Agreement, the period of time from the Termination Date to the date the last monthly payment is made pursuant to this Section 5(g) is referred to as the "Severance Period."

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

(iv) Arnett's death during the Severance Period shall not act to nullify or extinguish Arnett's rights to the severance payments and benefits stated in this Section 5(g) which shall become payable to Arnett's estate during the Severance Period.

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

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

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

6. **Arnett Covenants.** Arnett agrees and acknowledges that to ensure that the Company retains its value and goodwill, he has a continuing obligation to not use any Confidential Information (as defined below), special knowledge of the Business, or the relationships of the Company or the Company Affiliates with their respective customers and employees, all of which Arnett will continue to gain access to through Arnett's employment with the Company, other than in the furtherance of Arnett's legitimate job duties. Accordingly, Arnett agrees that he has a continuing obligation from his 2019 Agreement to the following restrictive covenants.

(a) Confidential Information. Arnett acknowledges that by reason of his employment by the Employer and the Company, or while being associated with the Company Affiliates, Arnett has had and will continue to have access to and become informed of Confidential Information (defined below) that is a competitive asset of the Company or the Company Affiliates, and agrees that the Company and the Company Affiliates have a protectable interest in such Confidential Information. Therefore, Arnett agrees that during the Employment Period and after his termination for any reason he shall not, directly or indirectly, disclose to any unauthorized person or use for his own purposes any such Confidential Information without the prior written consent of the Company unless and to the extent that such Confidential Information (i) becomes or is generally known to the public and available for use by the public and industry other than as a result of Arnett's unauthorized acts or omissions in breach of this Agreement, or (ii) is required to be disclosed by judicial process, law or securities exchange on which the securities of the Company or any of the Company Affiliates are listed; provided, however, that Arnett, to the extent not prohibited by such process, law or exchange, shall give the Company written notice of the Confidential Information to be so disclosed pursuant to clause (ii) of this sentence as far in advance of its disclosure as is reasonably practicable, shall cooperate with the Company in any efforts to protect the Confidential Information from disclosure (including efforts to secure a judicial order to such effect), and shall limit his disclosure of such Confidential Information to the minimum disclosure required by such process, law or exchange. Arnett acknowledges that all documents and other property including or reflecting Confidential Information furnished to Arnett by the Company or any Company Affiliate or otherwise acquired or developed by the Company or any Company Affiliate or acquired, developed or known by Arnett by reason of the performance of his duties for, or his association with, the Company or any Company Affiliate shall at all times be the property of the Company. Arnett shall take all reasonable steps to safeguard Confidential Information and protect it against disclosure, misuse, loss or theft. "Confidential Information" means (x) any and all trade secrets concerning the business and affairs of the Company or any Company Affiliate, any product specifications, data, know-how, formulae, compositions, processes, designs, sketches, photographs, graphs, drawings, samples, inventions and ideas, past, current and planned research and development, current and planned manufacturing and distribution methods and processes, customer lists, current and anticipated customer requirements, price lists, market studies, business plans, computer software and programs (including object code and source code), database technologies, systems, structures, architectures processes, improvements, devices, discoveries, concepts, methods, and information of the Company or any Company Affiliate; (y) any and all

information concerning the business and affairs of the Company or any Company Affiliate (which includes financial statements, financial projections and budgets, historical and projected sales, capital spending budgets and plans, the names and backgrounds of key personnel, contractors, agents, suppliers and potential suppliers, personnel training and techniques and materials, and purchasing methods and techniques), however documented; and (z) any and all notes, analysis, compilations, studies, summaries and other material prepared by or for the Company or Company Affiliate containing or based, in whole or in part, upon any information included in the foregoing.

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

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

Competitive Activity, induce or attempt to induce any such customer, developer, client, supplier, vendor, licensee, licensor, franchisee or other business relation of the Company or any Company Affiliate to cease doing business with the Company or any Company Affiliate, or in any way interfere with the relationship between any such customer, developer, client, supplier, vendor, licensee, licensor, franchisee or business relation of the Company or any Company Affiliate (including making any negative statements or communications about the Company or any Company Affiliate or any of their respective officers, directors, products or services).

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

7. Enforcement and Remedies.

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

(b) Arnett acknowledges that the provisions of Section 6 are in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged. Arnett expressly agrees and acknowledges that the restrictions contained in Section 6 do not preclude Arnett from earning a livelihood, nor do they unreasonably impose limitations on Arnett's ability to earn a living. In addition, Arnett agrees and acknowledges that the Company and the Company Affiliates are engaged in the Business, the Business is highly competitive and the services to be performed by Arnett for the Company are unique and national in nature, and the potential harm to the Company and the Company Affiliates of the non-enforcement of the provisions of this Section 7 outweighs any harm to Arnett of the enforcement of such provisions by injunction or otherwise. Arnett acknowledges that Arnett has carefully read this Agreement and has given careful consideration to the restraints imposed upon Arnett by this Agreement and is in full accord as to their necessity. Arnett expressly acknowledges and agrees that the restrictions contained herein are reasonable in terms of duration, scope and area restrictions and are necessary to protect the Confidential Information and the goodwill of the businesses of the Company and the Company Affiliates, and Arnett agrees not to challenge the validity or enforceability of the restrictions contained herein. The parties hereto expressly agree that money damages would not be an adequate remedy for breaching any provision of Section 6, and that the Company would be irreparably damaged if Arnett were to disclose the Confidential Information, solicit or hire employees, solicit customers or provide services to any person or entity in violation of the provisions of this Agreement. Therefore, in the event of a breach or threatened breach of any such provision, the Company and/or any Company Affiliate or their respective successors or assigns shall be entitled to, in addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violations of the provisions hereof (without the necessity of posting a bond or other security, or proving economic harm).

8. Post Termination Obligations.

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

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

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

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

(b) "Cause" means that the Company makes a good faith determination that Arnett 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 Arnett's employment agreement; (4) engaged in willful failure or willful inability to perform Arnett's duties under the Arnett'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) Arnett 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 Arnett's employment agreement.

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

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

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

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

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

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

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

If to Arnett:	Lance M. Arnett At the address on file by Company
If to the Company:	Power Solutions International, Inc. 201 Mittel Drive Wood Dale, IL 60191 Attn: Legal Department PSILegal@psiengines.com

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

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

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

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

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

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

13. General Provisions.

(a) Severability. If any provision hereof is invalid or unenforceable, the invalidity or unenforceability shall not affect any other provision hereof and this Agreement shall be construed in all respects as if the invalid or unenforceable provision had been omitted.

(b) Complete Agreement. This Agreement fully amends and restates any existing employment agreement between or among the Arnett and the Company or any Company Affiliate. Further, this Agreement embodies the complete agreement and understanding among the parties and supersedes and preempts any prior understandings, representations or other agreements by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

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

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

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

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

[Signature page to follow]

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

POWER SOLUTIONS INTERNATIONAL, INC.

By: /s/ Kenneth J. Winemaster

Printed Name: Kenneth J. Winemaster

Title: Executive Vice President

Lance M. Arnett

/s/ Lance M. Arnett

SEPARATION AGREEMENT AND RELEASE

This Separation Agreement and Release (the "Agreement") is entered into between John P. Miller ("Miller") and Power Solutions International, Inc. (the "Company"). Miller and the Company are collectively referred to herein as the "Parties." This Agreement will be effective upon expiration of the revocation period provided in Section 11 of this Agreement (the "Effective Date").

RECITALS

WHEREAS, Miller currently serves as the Company's Chief Executive Officer and President and has been employed with the Company since May 15, 2017;

WHEREAS, Miller and the Company entered into an Employment Agreement (the "Employment Agreement") dated and effective on June 15, 2017;

WHEREAS, the Parties have mutually agreed that it is in the best interests of the Parties to terminate the Employment Agreement and facilitate Miller's transition out of the Company under the terms and conditions stated herein;

WHEREAS, Miller and PSI desire to enter into the following Agreement to (a) provide Miller with the benefits described below in recognition of his contribution and service to the Company, (b) provide for Miller's cooperation as needed with respect to the transition of his responsibilities and (c) avoid any disputes between them relating to or arising from Miller's employment by the Company or his resignation of employment.

NOW, THEREFORE, in consideration of the promises and mutual agreements set forth in this Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

AGREEMENT

1. Resignation of Employment. Miller hereby voluntarily and irrevocably retires from his employment as Chief Executive Officer and President, corporate officer and any other position or appointment he holds with the Company effective February 15, 2021 (the "Separation Date"). Miller's separation will be announced in a statement mutually prepared by the Company and Miller. If the Parties cannot in good faith agree on a mutually prepared statement, the Company reserves the right to make any statement the Company reasonably believes it is legally required to make. The Company and Miller will use best efforts to agree on the final content of the mutually prepared statement within seven calendar days after the signing of this Agreement. The Company will continue to employ Miller and will continue to provide Miller with all compensation and benefits set forth in Paragraph 4 of his Employment Agreement through the Separation Date. On or before the next regularly scheduled pay period following the Separation Date, Miller will receive payment for any unpaid final wages for time worked through and including the Separation Date. Except as set forth herein, all compensation and employee benefits will terminate on the Separation Date and Miller will not be entitled to any additional compensation, bonuses, equity awards, Long Term Incentive bonus, employee benefits or other consideration. Miller waives any right to apply for re-employment with the Company and any such application may be rejected without explanation. The Company agrees not to contest Miller's application to receive unemployment benefits.

2. Separation Benefits.

A. The Company will pay Miller severance pay in the total amount of \$360,000 less applicable withholdings required by applicable law within 14 days after the Separation Date. The payment will not be considered compensation for retirement or other compensation plan purposes.

B. If Miller timely elects COBRA health insurance continuation coverage, the Company will pay a proportional share of the premiums owed by Miller as if Miller were still employed by the Company for a period of twelve months. Miller will be responsible for submitting all notices and forms required to elect COBRA.

C. The Company will pay Miller \$36,000 under the 2019 Long Term Incentive (LTI) plan at the same time other LTI participants are paid but in no event later than December 31, 2021 as full and complete payment under the LTI plan.

Miller acknowledges and agrees that he is responsible for any and all tax liability, if any, arising from the Separation Benefits provided in Paragraph 2.

3. Indemnification. The Company agrees that the Indemnification Agreement between Miller and the Company effective June 15, 2017 (“Indemnification Agreement”) remains in full force and effect. A true and accurate copy of the Indemnification Agreement is attached hereto as Exhibit A and is fully incorporated by reference. In addition and without limiting the preceding sentence, the Company agrees as of the Effective Date to defend and indemnify Miller pursuant to the Indemnification Agreement’s terms for covered conduct occurring before the Effective Date.

4. Release and Representations.

A. **Release of the Company.** In exchange for the consideration specified in this Agreement, except for claims specifically exempted from the terms of this Release under the Agreement, Miller, on behalf of himself and his heirs, legatees, personal representatives and assigns, releases and discharges the Company, the Company affiliates, and each of their respective officers, directors, members, managers, partners and shareholders, (collectively, the “Released Parties”) from any and all claims and causes of action, whether known or unknown, that Miller has, had or may have against them, related in any way to his employment with the Company or separation of employment, including any and all claims under the Employment Agreement. This release specifically includes, but is in no way limited to, (i) all claims arising from or relating in any way to Miller’s employment with the Company or his separation from employment with the Company; (ii) all claims under Title VII of the Civil Rights Act of 1964, as amended by the Civil Rights Act of 1991, 42 U.S.C. §§ 2000e *et seq.*; the Civil Rights Acts of 1866 and 1871 as amended, 42 U.S.C. § 1981; the Age Discrimination in Employment Act of 1967 as amended, 29 U.S.C. §§ 621 *et seq.*; the Americans With Disabilities Act of 1990, 42 U.S.C. §§ 12101 *et seq.*, as amended; the Equal Pay Act, 29 U.S.C. § 29 U.S.C. § 206(d); the Family and Medical Leave Act of 1993, 29 U.S.C. §§ 2601 *et seq.*, as amended; the Employee Retirement Income Security Act of 1973 as amended, 29 U.S.C. §§ 1001 *et seq.*; the Occupational Safety and Health Act of 1970 as amended, 29 U.S.C. §§ 651 *et seq.*; the Illinois Human Rights Act, 765 ILCS 5/1-101 *et*

seq., the Illinois Whistleblower Act, 740 ILCS 174/1 *et seq.*, or any provision of Chapter 820 of the Illinois Compiled Statutes; and (iv) any other claims or causes of action that Miller has, had, or may have had under any federal, state, or local statute, regulation, ordinance, or the common law. Miller waives any right to receive any monetary or other benefit because of any charge, claim, lawsuit, or administrative proceeding based upon any claim released in this Agreement. This release does not apply to claims for workers' compensation benefits, vested employee benefits, or other claims that cannot be released under applicable law. For avoidance of doubt, this Release shall not (1) act to preclude Miller from asserting any rights or claims as a Shareholder of the Company, (2) release any claims or modify any rights available to Miller under the Indemnification Agreement or this Agreement, or (3) release or waive any coverage or claim under the applicable Company's Directors and Officers insurance policies, including Side A coverage. Nothing in this Agreement limits Miller's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state, or local government agency or commission ("Government Agencies"), but Miller waives his right to recover damages from PSI should any agency or other third party pursue a claim on his behalf; provided, however, that nothing in this paragraph or Agreement limits Miller's right to receive or fully retain a monetary award from a government administered whistleblower award program for providing information directly to a government agency. Miller further understands that this Agreement does not limit his ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency. Nothing in this Agreement is intended to prevent, impede or interfere with Miller providing truthful testimony and information in the course of an investigation authorized by law and conducted by any Government Agencies.

B. **PSI's Representations.** PSI represents and warrants that it does not have any known claims against Miller and that no such claims are pending before any court, agency, or other person/entity. PSI does not release any unknown or future claims it may have against Miller related to his employment with PSI that become known or arise after the date of this Agreement.

5. **Transition Services.** The transition services shall begin on the Effective Date and shall terminate 90 days thereafter (the "transition period") unless earlier terminated under the terms set forth in this Section 5:

A. **Transition Services.** During the transition period, Miller will, upon reasonable request from the Company, assist in the transition of his current responsibilities with the Company or as reasonably directed by the new Chief Executive Officer (the "Transition Services") and will be consistent with Miller's duties and responsibilities in his current roles.

B. **Termination of Transition Period.** The Transition Period shall terminate immediately if Miller is unable to perform transition services due to death or physical or mental incapacity, and Miller shall not be entitled to any further transition fee except for pro rata amounts earned or accrued prior to his last day providing transition services.

E. Transition Fee and Benefits.

(1) In consideration for Miller making himself available for transition services as requested by the Company under this Agreement, the Company will pay Miller a transition fee of \$30,000 paid every thirty (30) days during the Transition Period.

(2) The Company will reimburse Miller for reasonable expenses incurred by him in the course of performing his duties and responsibilities during the Transition Period, consistent with the Company's generally applicable policies in effect from time to time with respect to travel, entertainment and other business expenses, subject to the Company's reasonable requirements, including submission of an expense report on a monthly basis, with respect to reporting and documentation of such expenses.

6. Cooperation. For twelve (12) months following the termination of the Transition Period, Miller agrees to continue to make himself reasonably available to assist in the transition of his duties as requested by the Chief Executive Officer of the Company or his expressly authorized designees. The Company agrees to reimburse Miller for time incurred on such assistance at the rate of \$250 per hour plus reasonable expenses incurred by him (the "Consultancy Rate") in the course of performing his duties and responsibilities. If approved by the CEO, which approval shall not be unreasonably withheld, Miller shall be entitled to the Consultancy Rate for time incurred, and reimbursement of all attorneys' fees incurred by Miller, responding to subpoenas or other legal process, providing testimony, or otherwise cooperating in or related to any administrative, investigative, civil, or criminal proceeding relating to the Company or any of its current or former employees or agents. Miller agrees that he will be responsible for any and all tax liability, if any, arising from the payments received under this Paragraph 6. Miller agrees to cooperate with the Company on all reasonable requests. The scope and timing of such assistance shall be mutually agreed upon in advance by Miller and the Company to the extent practicable, but in each case such work shall not materially interfere with any subsequent employment or engagement of Miller. This provision is intended to modify Section 8(b) of the Employment Agreement to specify the per diem rate to be paid Miller. The remainder of Section 8(b) is incorporated herein by reference and is considered part of this Agreement. For the avoidance of doubt, this Agreement (1) shall not infringe or prevent Miller in any way from asserting his rights under the Fifth Amendment to the Constitution of the United States and (2) shall not require Miller to cooperate in a manner adverse to his own interests in any governmental investigation. To the extent that the Company seeks Miller's cooperation relating to a matter in which Miller is represented by counsel, the Company shall work directly with Miller's counsel regarding the Company's request for Miller's assistance. The Company agrees to provide reasonable assistance and cooperation with Miller's requests for information in connection with any legal proceeding, audit, or governmental investigation relating to matters within the scope of Miller's employment by the Company. Miller understands that nothing in this Agreement prevents or is intended to prevent or discourage him from speaking to or cooperating with the government in any ongoing or future investigations.

7. Expenses. Miller shall submit documentation for any outstanding Business Expenses incurred under Section 4(e) of the Employment Agreement no later than March 15, 2021. For the avoidance of doubt, nothing in this Section 7 is intended to interfere with or affect the parties' respective rights and obligations under the Indemnification Agreement.

8. Post-Employment Covenants. Except as explicitly set forth in paragraphs 5, 6, 7, and 8, of this Agreement, Miller agrees that the provisions of Sections 6, 7, and 8 of his Employment Agreement remain enforceable and are not superseded by this Agreement.

9. Non-Disparagement. Except as provided in the next sentence, Miller and the Company each agree that they will not make any statement at any time, in the present or future, to any person or entity which is disparaging of the individual, business, reputation, competence or good character of the other party or which, if publicized, would cause the other party humiliation or embarrassment, or would cause the public to question the other party's integrity, competence or good character. For the avoidance of doubt, nothing in this Agreement in any way precludes or interferes with, or is intended to preclude or interfere with, Miller or the Company or its agents from providing truthful testimony or information as part of a legal proceeding or investigation, or making any truthful statements to any government enforcement or regulatory agency.

10. Knowing and Voluntary Waiver of Age Claims. Miller acknowledges that:

A. He has been given a period of at least 21 days after being presented with this Agreement in which to consider whether to sign it, and has an adequate opportunity to review this Agreement and obtain any legal advice necessary to fully understand its terms;

B. The consideration he will receive under this Agreement is in addition to anything of value to which he is otherwise entitled to receive from the Company under applicable law;

C. He has read and understands this Agreement;

D. He is waiving any and all claims against the Company under the Age Discrimination in Employment Act arising up to the date on which he signs this Agreement; and

E. He has been advised that he may consult with an attorney of his choice before executing this Agreement.

11. Revocation. Miller may revoke this Agreement within seven calendar days after signing it. The revocation will be effective only if written notice is received by the Company before the eighth calendar day after Miller signs this Agreement. The Company's obligations under this Agreement will not take effect until the time for Miller to revoke this Agreement has expired and Miller has not revoked the Agreement.

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

If to Miller:

John P. Miller
At the address on file with the Company

If to the Company:

Power Solutions International, Inc.
201 Mittel Drive
Wood Dale, IL 60191
Attn: Donald Klein
DKlein@psiengines.com

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

13. Taxes and Deductions. All payments provided for in this Agreement will be subject to payroll tax withholding and deductions to the extent required by law. Each party will report, as may be required by law for income tax purposes, its respective payment and receipt of the payments provided for in this Agreement and will bear its respective tax liabilities, if any, arising from this Agreement. Miller agrees to indemnify and hold the Company harmless from any and all taxes, penalties, tax-related disputes and interest that might be asserted against him or the Company by reason of the payments provided for in this Agreement.

14. No Admission of Wrongdoing. Nothing in this Agreement constitutes an implication or admission of wrongdoing by Miller or the Company.

15. Section 409A.

A. The intent of the parties is that payments and benefits under this Agreement comply with Internal Revenue Code Section 409A and the regulations and guidance promulgated thereunder (collectively "Section 409A") including the exceptions thereto and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith, and any payments hereunder shall be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Any payments to be made under this Agreement in connection with a termination of employment shall only be made if such termination of employment constitutes a "separation from service" under Section 409A. The company shall be entitled to amend this Agreement to comply and/or clarify a payment's compliance with Section 409A (or an exemption therefrom), provided, however, to the extent that any provision hereof is modified, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to the Executive and the Company of the applicable provision without violating the provisions of Section 409A. Notwithstanding anything in the Agreement to the contrary, in no event whatsoever shall the Company be liable for any tax, interest or penalty that may be imposed on Miller under Section 409A or any damages for failing to comply with Section 409A.

B. Notwithstanding anything in this Agreement to the contrary, if any payment or benefit provided to Miller in connection with his separation of employment is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A and Miller is determined to be a "specified employee" as defined in Section 409A(a)(2)(b)(i), then such payment or benefit shall not be paid until the first payroll date

to occur following the six-month anniversary of the Termination Date or, if earlier, on Miller's death (the "Specified Employee Payment Date"). The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid (without interest) to Miller in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule.

C. To the extent required by Section 409A, each reimbursement or in-kind benefit provided under this Agreement shall be provided in accordance with the following: (a) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during each calendar year cannot affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year; (b) any reimbursement of an eligible expense shall be paid to Miller on or before the last day of the calendar year following the calendar year in which the expense was incurred; and (c) any right to reimbursements or in-kind benefits under this Agreement shall not be subject to liquidation or exchange for another benefit.

16. Entire Agreement. This Agreement sets forth the entire agreement of the Parties and supersedes all prior and contemporaneous agreements and understandings between the Parties, including but not limited to the Employment Agreement, except as otherwise explicitly stated herein.

17. Choice of Law/Governing Jurisdiction/Consent to Jurisdiction/Waiver of Jury Trial. This Agreement is to be construed in accordance with the laws of the State of Illinois, without regard to conflict of law principles. Any action regarding this Agreement or Miller's employment with or separation from the Company must be brought and prosecuted in the state courts of DuPage County, Illinois, or in the United States District Court for the Northern District of Illinois, Eastern Division, and the parties will not dispute that personal jurisdiction or venue is appropriate and convenient. The Company and Miller further agree that in the event that such an action is commenced, the right to a jury trial is waived.

18. Modification of this Agreement. This Agreement may not be amended or modified except in a writing signed by the Party against whom the amendment or modification is to be enforced.

19. Execution in Counterparts. This Agreement may be signed in counterparts, which together will form the original.

20. Severability. Nothing in this Agreement is to be construed as waiving rights that cannot be waived under applicable law, or as barring either Party from providing information or truthful testimony when required to do so under applicable law. Should any portion of this Agreement be ruled unenforceable by a court of competent jurisdiction, the remainder of this Agreement and the releases and covenant not to sue contained herein will remain in full force and effect as to any and all other claims; provided, however, that upon a finding by a court of competent jurisdiction that any release or agreement in Paragraph 4 above is illegal, void or unenforceable, the Parties agree to execute promptly a release and agreement that is legal and enforceable.

Accepted and Agreed To By:

JOHN P. MILLER

/s/ John P. Miller

Date: 2/15/21

POWER SOLUTIONS INTERNATIONAL, INC.

By: /s/ Kenneth J. Winemaster

Title: Executive Vice President

Date: 2/15/21

EXHIBIT A
(INDEMNIFICATION AGREEMENT)



Power Solutions International, Inc.

201 Mittel Drive
Wood Dale, Illinois 60191
www.psiengines.com

Power Solutions International Announces the Appointment of Lance Arnett as its Chief Executive Officer

John P. Miller To Retire From the Company

WOOD DALE, Ill., February 16, 2021 — Power Solutions International, Inc. (“PSI” or “the Company”) (OTC Pink: PSIX), a leader in the design, engineering and manufacture of emission-certified engines and power systems, announced that effective February 15, 2021, it has appointed current chief commercial officer Lance Arnett as its chief executive officer to succeed John P. Miller, who will be retiring from the Company following a 90-day transition period.

Shaojun Sun, chairman of the board, commented, “We are grateful for John’s contributions during a period of transformation and wish him well in his retirement. During John’s tenure at PSI, we had numerous achievements including substantial growth in the business through 2019, the successful completion of the financial restatement, the introduction of numerous engines to the Company’s product portfolio, and the buildout of the management team, among several others.”

“With the progress that we’ve made over the last several years, the board and I believe that Lance is the ideal person to build on our accomplishments. He is a seasoned business development and operational professional, who will serve us well as we continue to build out our product portfolio, expand our business and seek long-term growth.”

Lance Arnett commented, “I am excited and honored to take on the role of CEO at PSI. Working as chief commercial officer over the past year has afforded me a deep knowledge of our customer relationships, market opportunities and our advanced products and solutions.”

Arnett added, “I am optimistic about our business prospects, given our strong partnership with Weichai, as we continue to bring new engines to market and explore opportunities to expand beyond our industry leading natural gas, propane, wellhead gas, and gasoline engine solutions to include new energy products such as energy storage, fuel cell, and electrification solutions to address the complex, multifaceted needs of our customer base.”

Mr. Arnett, who has more than 25 years of sales, business development and operational experience, has served as PSI's chief commercial officer since November 18, 2019. Prior to joining the Company, from January 2009 to November 2019, he worked at Cummins Inc., a NYSE-listed global company that designs, manufactures, distributes and services a broad portfolio of power solutions. During his tenure, he served in various capacities for Cummins Central Region in Minnesota, most recently serving as director and chief of staff of their North American OEM Performance Cell. In this capacity, he oversaw direct strategy for their North American business including sales, engineering, assembly and upfit, pricing, marketing, and customer support. His previous roles at Cummins Central Region include serving as interim president, vice president of OEM business, vice president of OEM and customer care and executive director of operational effectiveness. Prior thereto, from 2006 to 2009, he worked as business development manager for PreVisor, Inc. and, from 2001 to 2006, he served as director, franchise sales and development at Mighty Distributing System of America (Mighty Auto Parts). Earlier in his career, he served in management and sales roles within the staffing industry. Mr. Arnett has a Bachelor's degree in Economics from The Ohio State University and a Master's in Business Administration from the University of St. Thomas.

About Power Solutions International, Inc.

Power Solutions International, Inc. (PSI) is a leader in the design, engineering and manufacture of a broad range of advanced, emission-certified engines and power systems. PSI provides integrated turnkey solutions to leading global original equipment manufacturers and end-user customers within the energy, industrial and transportation end markets. The Company's unique in-house design, prototyping, engineering and testing capacities allow PSI to customize clean, high-performance engines using a fuel agnostic strategy to run on a wide variety of fuels, including natural gas, propane, gasoline, diesel and biofuels.

PSI develops and delivers complete power systems that are used worldwide in stationary and mobile power generation applications supporting standby, prime, demand response, microgrid, and co-generation power (CHP) applications; and industrial applications that include forklifts, agricultural and turf, arbor care, industrial sweepers, aerial lifts, irrigation pumps, ground support, and construction equipment. In addition, PSI develops and delivers powertrains purpose-built for medium-duty trucks and buses including school and transit buses, work trucks, terminal tractors, and various other vocational vehicles. For more information on PSI, visit www.psiengines.com.

Cautionary Note Regarding Forward-Looking Statements

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

The Company cautions that the risks, uncertainties and other factors that could cause its actual results to differ materially from those expressed in, or implied by, the forward-looking statements, include, without limitation: the impact the ongoing COVID-19 pandemic could have on the Company's business and financial results; the Company's ability to continue as a going concern; the Company's ability to raise additional capital when needed and its liquidity; uncertainties around the Company's ability to meet funding conditions under its financing arrangements and access to capital thereunder; the timing of completion of steps to address, and the inability to address and remedy, material weaknesses; the identification of additional material weaknesses or significant deficiencies; risks related to complying with the terms and conditions of the settlements with the Securities and Exchange Commission (the "SEC") and 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 and the criminal division of the United States Attorney's Office for the Northern District of Illinois (the "USAO"), 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; remedial recommendations; 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; any delays and challenges in recruiting key employees consistent with the Company's plans; any negative impacts from delisting of the Company's common stock from the NASDAQ Stock Market and any delays and challenges in obtaining a re-listing on a stock exchange; and the risks and uncertainties described in reports filed by the Company with the SEC, including without limitation its Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and the Company's subsequent filings with the SEC.

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

Contact:

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Philip Kranz

Director of Investor Relations

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