Guidewire Software, Inc.
Form 4
September 17, 2013

FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

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(Print or Type Responses)

1. Name and Address of Reporting Person *
Hung Priscilla

(Last) (First) (Middle)

1001 E. HILLSDALE BLVD., SUITE 800

(Street)

FOSTER CITY, CA 94404

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Guidewire Software, Inc. [GWRE]

3. Date of Earliest Transaction (Month/Day/Year)
09/13/2013

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
SVP, Ops and Corp Dev

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	09/15/2013		M		3,750	A	$ 0	43,090	D	
Common Stock	09/15/2013		F (1)		1,409	D	$ 46.77	41,681	D	
Common Stock	09/15/2013		M		1,563	A	$ 0	43,244	D	
Common Stock	09/15/2013		F (1)		587	D	$ 46.77	42,657	D	
Common Stock	09/15/2013		M		1,875	A	$ 0	44,532	D	

Common Stock	09/15/2013		F [1]		704	D	$ 46.77	43,828	D
Common Stock	09/15/2013		M		5,000	A	$ 0	48,828	D
Common Stock	09/15/2013		F [1]		2,286	D	$ 46.77	46,542	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and An Underlying Sec (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	A o N o
Incentive Stock Option (right to buy)	$ 46.77	09/13/2013		A		1,875		[2]	09/13/2023	Common Stock	
Non-Qualified Stock Option (right to buy)	$ 46.77	09/13/2013		A		8,125		[2]	09/13/2023	Common Stock	
Restricted Stock Unit	$ 0	09/15/2013		M			3,750	[3]	12/07/2020	Common Stock	
Restricted Stock Unit	$ 0	09/15/2013		M			1,563	[4]	03/08/2021	Common Stock	
Restricted Stock Unit	$ 0	09/15/2013		M			1,875	[5]	07/20/2021	Common Stock	
Restricted Stock Unit	$ 0	09/15/2013		M			5,000	[6]	09/05/2022	Common Stock	
Restricted Stock Unit	$ 0	09/13/2013		A		10,000		[7]	09/13/2023	Common Stock	
Restricted Stock Unit	$ 0	09/13/2013		A		10,000		[8]	09/13/2023	Common Stock	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Hung Priscilla 1001 E. HILLSDALE BLVD., SUITE 800 FOSTER CITY, CA 94404			SVP, Ops and Corp Dev	

Signatures

By: Winston King, Attorney in Fact For: Priscilla Hung	09/17/2013
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Shares withheld by Issuer to cover taxes associated with settlement of Restricted Stock Units.

(2) When both ISO and NQ Stock Options granted on September 13, 2013 are combined, they vest over four years of continuous service as follows: 1/48th of the underlying shares vest monthly following the vesting commencement date of September 13, 2013.

(3) The vesting of these Restricted Stock Units is subject to the satisfaction of both a liquidity event-based condition and time-based vesting. The liquidity event-based condition was satisfied on July 22, 2012 and the time-based vesting occurs quarterly over four years from December 15, 2010, subject to the Reporting Person's continued service to the Issuer through each such vesting date.

(4) The vesting of these Restricted Stock Units is subject to the satisfaction of both a liquidity event-based condition and time-based vesting. The liquidity event-based condition was satisfied on July 22, 2012 and the time-based vesting occurs quarterly over four years from March 15, 2011, subject to the Reporting Person's continued service to the Issuer through each such vesting date.

(5) The vesting of these Restricted Stock Units is subject to the satisfaction of both a liquidity event-based condition and time-based vesting. The liquidity event-based condition was satisfied on July 22, 2012 and the time-based vesting occurs quarterly over four years from September 15, 2011, subject to the Reporting Person's continued service to the Issuer through each such vesting date.

(6) 1/4th of the total grant of these Restricted Stock Units vested on September 15, 2013, as both the performance-based condition and the time-based criteria were met on that date. The performance-based condition was contingent on meeting certain financial targets for the Issuer's fiscal year 2013, which the Issuer's Board of Directors has deemed to be satisfied. With the performance-based condition satisfied, the remaining units will vest on the following time-based criteria: 1/16th of the units vest quarterly starting on December 15, 2013, subject to the Reporting Person's continued service to the Issuer through each such vesting date, until all the units have vested.

(7) The Restricted Stock Units vest as follows: 1/16th of the units vest quarterly following the vesting commencement date of September 15, 2013, subject to the Reporting Person's continued service to the Issuer through each such vesting date.

(8) The vesting of these Restricted Stock Units is subject to the satisfaction of both performance-based conditions and time-based criteria. The performance-based conditions will be satisfied if certain financial targets, determined by the Issuer, are met over the course of the Issuer's 2014 fiscal year. If the performance-based conditions for fiscal year 2014 are not met, then none of the shares will vest. If the performance-based conditions for fiscal year 2014 are achieved, as determined by the Issuer, then units will vest as the time-based criteria are satisfied. The time-based vesting criteria are as follows: 1/4th of the units vest on the one year anniversary of the vesting commencement date of September 15, 2013 and an additional 1/16th of the units will vest quarterly thereafter, subject to (1) the previously mentioned fiscal year 2014 performance-based conditions being met, and (2) the Reporting Person's continued service to the Issuer through each such vesting date.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. same assumptions used to value the Private Placement Warrants described above, and by using the same inputs, but for its specific exercise price of $13.20 per share as adjusted for the Reverse Split. The Roth Warrant was classified as equity and was recorded as an adjustment between the Roth Warrant and the Company s preferred stock equity. Unlike the Private Placement Warrants, the Roth Warrant did

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not contain, and was not otherwise subject to, any price-based anti-dilution provisions and could only be settled by the Company with a fixed number of shares of the Company s common stock (subject to customary adjustments for non-cash dividends, distributions, stock splits or other reorganizations or reclassifications of the Company s common stock). Under ASC 815-40-25, this lack of price-based anti-dilution provisions was the distinctive attribute as compared to the warrants issued in the Private Placement that required the Roth Warrant to be classified as equity on the Company s unaudited condensed consolidated balance sheet. The valuation of the Company s preferred stock, common stock and warrants employed the Black-Scholes option pricing model and incorporated the purchase price of the Company s preferred stock and related warrants issued to investors in the Private Placement, including the warrant issued to Roth, and the Company s assessment relative to the interest rate, volatility factor, and other inputs utilized in the model. The warrant issued to Roth represented compensation for its services in its capacity as placement agent for the Private Placement, and the warrant s $0.4 million estimated fair value ($3.80 per share of common stock issuable upon exercise of this warrant as adjusted for the Reverse Split) was recorded as a reduction of capital from the preferred stock issuance.

In accordance with its terms, on September 1, 2011, Roth cashlessly exercised, in full, the Roth Warrant, receiving 62,116 shares of the Company s common stock on a net basis, with 42,884 of the 105,000 warrant shares issuable upon exercise thereof withheld by the Company in lieu of payment by Roth to the Company of an amount in cash equal to the aggregated exercise price thereof, in accordance with the provisions of the Roth Warrant.

Stock purchase agreement with management stockholder

The Company and Gary S. Winemaster, the Company s Chief Executive Officer and President, and Chairman of the Board of Directors of the Company, entered into a Stock Purchase Agreement, pursuant to which, on October 31, 2011, the Company purchased from Mr. Winemaster 830,925 shares of Company common stock for $4.25 million, or $5.11 per share. These shares were returned to the Company s treasury as authorized and issued, but not outstanding, shares of common stock of the Company.

As of June 30, 2012, the 830,925 shares of Company common stock that were repurchased by the Company as described above are available for awards pursuant to the Company s newly approved and adopted 2012 Incentive Compensation Plan (as defined in note 12, 2012 Incentive compensation plan).

Transaction costs

The transaction costs incurred in connection with the Reverse Recapitalization and the Private Placement consist of cash costs of approximately $5.7 million, and the issuance to Roth, as placement agent for the Private Placement, of the Roth Warrant (with an estimated fair value of approximately $0.4 million). The cash costs consisted of fees to the placement agent in the Private Placement, legal and accounting fees, consulting fees, fees for the repurchase of shares of Format stock from the former sole director and executive officer of Format and termination of his interest in and obligations owed by Format to him, and other expenses associated with the Reverse Recapitalization and Private Placement transactions. The cash transaction costs were required to be allocated between equity (approximately $4.9 million) for the costs allocated to the Company s preferred stock, plus subsequent registration costs of the Company s common stock, and operating results (approximately $0.8 million) for the costs allocated to the Private Placement Warrants.

Included in the transaction costs above were costs for filing registration statements with the SEC covering the resale of shares of common stock issued upon conversion of shares of preferred stock and exercise of the Roth Warrant and issuable upon exercise of the Private Placement Warrants, which totaled approximately $0.6 million as of December 31, 2011, and were recorded as a reduction of additional paid-in capital, as the Company was obligated to register all such shares of the Company s common stock pursuant to the terms of the purchase agreement for the Private Placement.

Shares reserved for specific purposes

As of June 30, 2012, 750,002 shares of Company common stock remained reserved for the exercise of the Private Placement Warrants, in accordance with the terms of the purchase agreement for the Private Placement. Contingently issuable shares, as described below, will be reserved when the conditions for their issuance have been met.

Contingently issuable securities

Pursuant to the purchase agreement for the Private Placement, additional shares of the Company s common stock and additional warrants may be issued to the investors in the Private Placement in the event that the Company issues securities in a public or private offering or in a series of related offerings, resulting in gross proceeds to the Company of at least $5.0 million at or below an effective price per share of $12.00 as adjusted for the Reverse Split, subject to further adjustment for stock splits, stock dividends or other reclassifications or combinations of the

Company s common stock. See Anti-dilutive potential common shares excluded from the diluted earnings per share computation under Note 5 above for a detailed description of this provision. The conditions under which such issuance may occur have not yet occurred as of June 30, 2012, nor were they reasonably certain to occur as of the date of issuance of the unaudited condensed consolidated financial statements presented herein.

Registration rights agreement

In connection with the Private Placement, the Company entered into a Registration Rights Agreement (the Registration Rights Agreement) with the investors in the Private Placement and Roth Capital Partners, LLC, pursuant to which it agreed to file a registration statement on Form S-1, with the SEC, covering the resale of Registrable Securities (as defined below) (which includes the shares of the Company s common stock that were issuable upon conversion of shares of the Company s preferred stock originally issued in the Private Placement and shares of the

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Company s common stock issuable upon exercise of the warrants originally issued in the Private Placement and shares of the Company s common stock that were issuable upon exercise of the Roth Warrant), on or before the date which is 30 days after the closing date of the Private Placement, and to use its commercially reasonable efforts to have such registration statement declared effective by the SEC as soon as practicable. The Company further agreed, within 30 days after it becomes eligible to use a registration statement on Form S-3 to register the Registrable Securities for resale, to file a registration statement on Form S-3 covering the Registrable Securities. Pursuant to the Private Placement Registration Rights Agreement, the holders of Registrable Securities are also entitled to certain piggyback registration rights. Registrable Securities, as contemplated by the Private Placement Registration Rights Agreement, means certain shares of the Company s common stock, including those shares that were issuable upon conversion of shares of Company preferred stock issued in the Private Placement and shares of the Company s common stock issuable upon exercise of the warrants issued with the Company preferred stock in the Private Placement and the shares of the Company s common stock that were issued upon exercise of the Roth Warrant; provided, that, any such share shall cease to be a Registrable Security upon (A) sale pursuant to the registration statement or Rule 144 under the Securities Act, (B) such share becoming eligible for sale without restriction by the selling securityholder holding such security pursuant to Rule 144 under the Securities Act or (C) such share otherwise becoming eligible for sale without restriction pursuant to Section 4(1) of the Securities Act, provided that, any restrictive legend on any certificate or other instrument representing such shares has been removed or there has been delivered to the transfer agent for such shares irrevocable documentation (including any necessary legal opinion) to the effect that, upon submission by the applicable selling securityholder of the certificate or instrument representing such security, any such restrictive legend shall be removed.

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

In addition, at any time beginning six months after the closing of the Private Placement at which the Company was required to register the shares issuable upon exercise of the warrants issued in the Private Placement, but such shares may not be freely sold to the public, the warrants may be cashlessly exercised by the holders thereof. In such circumstances, the warrant holders may cashlessly exercise the warrants by causing the Company to withhold a number of shares of its common stock otherwise issuable upon such exercise having a value, based upon the market price (such market price as defined in the purchase agreement for the Private Placement) of the Company s common stock, equal to the aggregate exercise price associated with such exercise. In other words, in such circumstances, the exercise of the Private Placement Warrants will occur without any cash being paid by the holders of the Private Placement Warrants to the Company. Because the shares issuable upon exercise of the Private Placement Warrants are currently available for resale pursuant to effective registration statements filed by the Company with the SEC, the Private Placement Warrants may not be cashlessly exercised at this time. The Roth Warrant contained a similar cashless exercise feature (and was exercised pursuant thereto), except that the Roth Warrant was not cashlessly exercisable by its holder prior to the effectiveness of the Reverse Split.

In connection with the consummation of the Reverse Recapitalization, the Company also entered into a registration rights agreement with the former stockholders of The W Group, pursuant to which it agreed to provide to such persons certain piggyback registration rights with respect to shares of the Company s capital stock, including shares issuable upon exercise, conversion or exchange of securities, held by such persons at any time on or after the closing of the Reverse Recapitalization. The piggyback registration rights under this Registration Rights Agreement are subject to customary cutbacks and are junior to the piggyback registration rights granted to investors in the Private Placement and to Roth pursuant to the Registration Rights Agreement entered into in connection with the Private Placement.

The Company had a commitment to file a registration statement with the SEC as described above. If a registration statement was not filed with the SEC on or prior to the date which was 30 days after the closing date of the Private Placement, or if (1) a registration statement covering the Registrable Securities was not declared effective by the SEC prior to the earlier of (A) five business days after the SEC informed the Company that no review of such registration statement would be made or that the SEC had no further comments on such registration statement, or (B) the 120th day after the closing of the Private Placement, or (2) after a registration statement had been declared effective by the SEC, sales could not be made pursuant to such registration statement for any reason, but excluding any period for which the use of any prospectus included in a registration statement has been suspended if and so long as certain conditions exist (which period may not be for more than 20 consecutive days or for a total of more than 45 days in any 12-month period), then the Company would have been required to pay amounts representing liquidated damages to each of the investors. Specifically, in any such case the Company would have been required to pay each investor 1.5% of the aggregate amount invested by such investor for each 30-day period (or pro rata for any portion thereof) following the date by which such registration statement should have been filed with the SEC or been declared effective, or was unavailable, as applicable. Thus, liquidated damages to investors could have amounted to approximately $0.3 million every 30 days. The terms of the Registration Rights Agreement did not specify a maximum potential amount of liquidated damages and settlement alternatives were not provided. As the payment of liquidated damages did not appear probable at inception of the Private Placement, and remained so as of the date that any subsequent financial statements were issued, the Company did not record any contingent liability as an allocation of the gross proceeds from the Private Placement, nor subsequently, as an expense in accordance with ASC 450-20, *Loss Contingencies*. A registration statement covering the Registrable Securities was declared effective on August 26, 2011 by the SEC, which resolved the contingency regarding the registration statement being declared effective.

12. 2012 Incentive compensation plan

On May 30, 2012, the Board of Directors of the Company approved and adopted the Company s 2012 Incentive Compensation Plan (the 2012 Plan), and resolved to submit the 2012 Plan for stockholder approval at the Company s 2012 annual meeting of stockholders and to

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recommend such approval. Under the 2012 Plan, the 830,925 shares of the Company s common stock currently held in treasury are available for awards pursuant to the 2012 Plan. The 2012 Plan is administered by the newly-established Compensation Committee of the Board, which consists only of independent, non-employee directors. No shares of common stock may be issued, nor may any cash payments be made, under the 2012 Plan unless and until the Company s stockholders have approved the 2012 Plan.

The 2012 Plan is a broad-based plan which allows for a variety of different types of awards, including (but not limited to) non-qualified options, incentive stock options, stock appreciation rights (SARs), restricted stock, deferred stock and performance units, to be made to the Company s executive officers, employees, consultants and directors. The 2012 Plan is intended to assist the Company in attracting and retaining exceptionally qualified employees, consultants and directors upon whom, in large measure, the sustained progress, growth and profitability of the Company depend.

SAR Award Agreement

On June 6, 2012 (the Grant Date), the Compensation Committee of the Board approved, and the Company granted, a SAR to the Company s Chief Operating Officer (Grantee) pursuant to the 2012 Plan and a Stock Appreciation Rights Award Agreement, dated as of the Grant Date. The SAR granted 543,872 shares of Company common stock to the Grantee at a price per share of $22.07 and subject to the approval of the 2012 Plan by the Company s stockholders.

The SAR granted to the Grantee will vest and become exercisable ratably on each of the first three anniversaries of the Grant Date (graded vesting). In addition, the SAR will not become exercisable until the date that is the later of (i) the date the Company s stockholders approve the 2012 Plan and (ii) the last of any seven Valuation Dates (as defined in the Award Agreement) within any period of ten or fewer consecutive Valuation Dates that commence after May 30, 2012 and prior to May 30, 2022, on each of which the market value per share of Company common stock is at least $22.07. The SAR expires on the 10th anniversary of the Grant Date.

The SAR granted is accounted for as equity, in accordance with ASC 718-10-25, *Determining Whether to Classify a Financial Instrument as a Liability or As Equity*. ASC 718-10-25-11 states options or similar instruments on shares shall be classified as liabilities if either the underlying shares are classified as liabilities or the entity can be required under any circumstances to settle the option or similar instrument by transferring cash or other assets. The Company s underlying shares are classified as equity and under the terms of the Stock Appreciation Rights Award Agreement, the Company shall settle the exercised portion of the SAR in shares of the Company s common stock. As such the Company has accounted for the SAR as equity.

As of the grant date, the fair value of the SAR was estimated using the Black-Scholes option pricing model. The inputs of the Black-Scholes option pricing model included the fair value of the Company s common stock, exercise price, risk-free interest rate, estimated price volatility, term and dividend yield.

Due to the limited trading activity in the Company s common stock, the fair value of the Company s common stock was established through multiple valuation techniques, including (a) the income approach in the form of the discounted cash flow (DCF) method and (b) the market approach in the form of (i) the guideline public company method and (ii) the merger and acquisition method. See Note 8, Fair value of financial instruments, for further details describing the valuation of the Company. The technique used in estimating equity associated solely with the SAR, was the Option Pricing Method.

In addition to that described above, other assumptions used in the Black-Scholes method included the following as of June 6, 2012: an expected term of 6.0 years, an assessment of the risk-free interest rate of 0.92%, an anticipated volatility factor of 55.0% and a zero dividend yield. The resulting valuation as of June 6, 2012, was discounted by 15% reflecting an assessment of the trading activity of the Company s common stock. The suggested value from the Black-Scholes method reflects a fully marketable security that is not burdened by limited marketability; however, the Company s common stock (and by extension the SAR) does not currently have regular trading activity. Therefore, the Company considered it necessary to incorporate a discount to reflect the limited liquidity associated with the SAR. This approach is consistent with that utilized to value the Company s private placement warrants. See Note 8, Fair value of financial instruments, for further details. The resulting fair value of the SAR granted during the second quarter of 2012 was $3.31 per share.

To determine the derived service period associated with the SAR s market condition the Company performed a Monte Carlo analysis in order to estimate the likely timeframe until the Company s public equivalent value would exceed its aggregate exercise price over a period of seven days within a period of 10 or fewer trading days (i.e. the value at which the per share value of the Company s equity exceeds $22.07). Based on the results of this analysis, the derived service period associated with the SAR s market condition was determined to be 1.78 years.

ASC Topic 718, *Compensation Stock Compensation,* was utilized in order to estimate the fair value of the SAR. The term fair value has been defined in Note 8, Fair value of financial instruments . ASC Topic 718 requires an entity to measure the cost of employee services received in exchange for an award of equity instruments based on the fair value of the award as of the grant date. That cost is then recognized over the period during which an employee is required to provide service in exchange for the award. ASC 718-10-55-72, provides that if vesting (or exercisability) of an award is based on satisfying both a market condition and a performance or service condition and it is probable that the performance or service condition will be satisfied, the initial estimate of the service period is the longest of the explicit, implicit or derived service period. The Company has computed compensation expense by applying the guidance stated in ASC 718-10-35-8, *Graded Vesting*, on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards (graded vesting attribution method). Since, as noted above, the SAR granted by the Company includes both a market and service condition, the Company used the longest of the periods to define its requisite service period in each separately vesting portion or tranche. Thus,

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compensation expense for the first tranche was computed on a straight-line basis over the derived service period of 1.78 years. The second and third tranches were computed on a straight-line basis over the explicit service period.

In the three months ended June 30, 2012, the Company recognized $56,000 of expense for the SAR granted. As of June 30, 2012 there was $1.7 million of total unrecognized compensation cost related to the SAR granted under the Plan. That cost is expected to be recognized over a period of 3 years.

The SAR entitles the Grantee to receive, upon any exercise, a number of shares of the Company s common stock equal to (i) the number of shares for which the SAR is being exercised multiplied by the value of one share of Company common stock on the date of exercise (determined as provided in the Award Agreement), (ii) less the number of shares for which the SAR is being exercised multiplied by $22.07, (iii) divided by the value of one share of common stock on the date of exercise (determined as provided in the award agreement). The exercised SAR is to be settled only in whole shares of Company common stock, and the value of any fractional share of Company common stock will be forfeited.

13. Commitments and contingencies

The Registration Rights Agreement provided that the initial registration statement that the Company filed to cover Registrable Securities need not cover the shares of the Company s common stock that were not issuable upon conversion of the Company s preferred stock or exercise of the warrants issued in the Private Placement and to Roth Capital Partners prior to the Reverse Split if the Company was to determine (upon advice of counsel), or was to be advised by the SEC, that those shares may not be covered by that initial registration statement. Accordingly, the initial registration statement only covered the shares that were issuable upon conversion of the preferred stock prior to the Reverse Split (in other words, the shares that were issuable upon conversion of the preferred stock giving effect to the pre-Reverse Split limitation on conversion) and did not cover any of the shares issuable upon exercise of the warrants issued in the Private Placement or any of the shares that were issuable upon exercise of the warrants issued to Roth. Under the Registration Rights Agreement, upon the date which was two days after the Company s stockholders approved the Migratory Merger and the Reverse Split, the Company was obligated to file a registration statement covering all of the remaining shares that were issuable upon conversion of the preferred stock and all of the shares issuable upon exercise of the warrants issued in the Private Placement and all of the shares that were issuable upon exercise of the warrants issued to Roth. The Registration Rights Agreement provided that if a registration statement covering those initial shares was not filed with the SEC on or prior to the date which was five business days after the date which was two business days after the Company s stockholders approved the Migratory Merger and the Reverse Split or if (1) a registration statement covering those additional shares was not declared effective by the SEC prior to the earlier of (A) five business days after the SEC informed the Company that no review of such registration statement would be made or that the SEC had no further comments on such registration statement, or (B) the 120th day after the deadline for the Company s filing of that registration statement, or (2) after such registration statement has been declared effective by the SEC, sales cannot be made pursuant to such registration statement for any reason, but excluding any period for which the use of any prospectus included in a registration statement has been suspended if and so long as certain conditions exist (which period may not be for more than 20 consecutive days or for a total of more than 45 days in any 12-month period), then the Company is required to pay amounts representing liquidated damages to each of the investors, on the same basis as the liquidated damages the Company could have been required to pay in connection with the initial registration statement. A registration statement covering the remaining Registrable Securities was declared effective on September 13, 2011 by the SEC, which resolved the contingency regarding the registration statement being declared effective.

The Company is involved in various legal proceedings arising in the normal course of doing business. The Company is required to record a provision for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated; however, the resolution of the legal proceedings in which the Company is currently involved, either individually or in the aggregate, is not expected to have a material effect on the Company s unaudited condensed consolidated results of operations, financial condition or cash flows based upon a review of information currently available to the Company regarding the potential impact of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to any particular case.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes included in this report and our audited consolidated financial statements and the related notes for the fiscal year ended December 31, 2011, and the related management s discussion and analysis of financial condition and results of operations, contained in our annual report on Form 10-K for the fiscal year ended December 31, 2011, filed with the Securities and Exchange Commission on March 30, 2012 (our 2011 Annual Report).

The discussion and analysis below includes forward-looking statements about our business, financial condition and results of operations, including discussions about management s expectations for our business. These statements represent projections, beliefs and expectations based on current circumstances and conditions and are in light of recent events and trends, and you should not construe these statements either as *assurances of performance or as promises of a given course of action. Instead, various known and unknown factors are likely to cause our actual performance and management s actions to vary, and the results of these variances may be both material and adverse. In evaluating such statements, you should carefully consider the various factors identified in this report and our 2011 Annual Report which could cause actual results to differ materially from those expressed in, or implied by, any forward-looking statements, including those factors set forth under the heading Cautionary Note Regarding Forward-Looking Statements at the end of this Item 2 in this Quarterly Report on Form 10-Q.*

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Overview

Organization

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

Net sales

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

Cost of sales

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

Operating expenses

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

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

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

Factors affecting comparability

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

Public company expenses

Subsequent to the reverse recapitalization on April 29, 2011, we became a public company. As a result, our general and administrative expenses have increased as we pay our employees, legal counsel and accountants to assist us in, among other things, establishing and maintaining a more comprehensive compliance and board governance function, establishing and maintaining internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act, and preparing and distributing periodic public reports under the federal securities laws. In addition, as a public company the cost of director and officer liability insurance has increased. We have also incurred additional costs associated with compensation of non-employee directors.

Stock-based and other executive compensation

Prior to the reverse recapitalization and the private placement and since the consummation thereof through the quarter ended March 31, 2012, we had not granted or issued any stock-based compensation. Accordingly, we had not recognized any stock-based compensation expense. During the three months ended June 30, 2012, we adopted an equity-based compensation plan, and we granted stock appreciation rights to one of our key employees. As a result, we have incurred and will continue to incur non-cash, stock-based compensation expenses in future periods. See Note 12, 2012 Incentive compensation plan , to our unaudited condensed consolidated financial statements in this Form 10-Q for further description of the plan and SAR.

Events affecting sales and profitability comparisons

Our quarter-to-quarter and quarter-over-quarter operating results (including our sales, gross profit and net income) and cash flows can be impacted by a variety of internal and external events associated with our business operations. Examples of such events include (1) changes in

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

Cash and cash equivalents and revolving line of credit

On March 20, 2012, we amended our credit agreement with BMO Harris Bank, N.A. As a result of the changes to our credit agreement, our cash balances are no longer automatically swept and applied against our revolving line of credit by BMO Harris Bank, N.A. Accordingly, subsequent to March 20, 2012, we may have cash recorded on our consolidated balance sheet and we have adopted an additional significant accounting policy based on this change which is described in Note 2, Basis of presentation to our condensed consolidated financial statements included in this Form 10-Q.

Results of operations

Three Months Ended June 30, 2012 Compared with the Three Months Ended June 30, 2011

Net sales

Our net sales increased $14.8 million (41.9%) to $50.1 million for the three months ended June 30, 2012, compared to $35.3 million for the three months ended June 30, 2011, of which power system sales accounted for $14.4 million of the increase with the remaining $0.4 million increase attributable to sales of aftermarket parts. Sales volume (as opposed to price increases) accounted for $13.3 million of the increase in the quarter ended June 30, 2012, as compared to the same period in 2011.

Gross profit

Our gross profit increased $2.3 million (36.2%) to $8.8 million for the three months ended June 30, 2012, from $6.5 million in the comparable period of 2011. Our gross profit increased primarily due to the previously discussed increase in sales volumes. As a percentage of net sales, gross margin was 17.6% for the three months ended June 30, 2012, compared to gross margin of 18.4% in 2011. The lower gross margin in the quarter ended June 30, 2012, as compared to the same period in 2011 was attributable to additional labor and overhead costs.

Research & development and engineering

Research & development and engineering expenses increased $0.8 million (77.9%) to $1.8 million for the three months ended June 30, 2012, from $1.0 million in the comparable period of 2011. Wages and benefits increased $0.4 million on a quarter-over-quarter basis as we increased headcount in connection with our engineering development and support activities. In addition, our research & development activities also increased $0.4 million in the three months ended June 30, 2012, as compared to the same period in 2011, in connection with our engine development projects. The changes in the other components of research & development and engineering expense totaled less than $0.1 million, none of which were significant. As a percentage of net sales, these expenses increased to 3.6% in the three months ended June 30, 2012, compared to 2.9% for the same period in 2011, for the reasons previously stated.

Selling and service

Selling and service expenses decreased $0.2 million (10.8%) to $1.6 million for the three months ended June 30, 2012, from $1.8 million in the comparable period of 2011, none of the components of which were individually significant. As a percentage of net sales, selling and service expenses decreased to 3.2% in the three months ended June 30, 2012, compared to 5.0% for the same period in 2011, as we increased sales with our existing staff.

General and administrative

General and administrative expenses increased $0.9 million (82.2%) to $2.0 million for the three months ended June 30, 2012, from $1.1 million in the comparable period of 2011. The increase was principally attributable to (i) $0.3 million for the cost of additional executive and accounting staff to support our higher sales volume and statutory filing requirements, (ii) a $0.2 million increase in professional and consulting fees, and (iii) a $0.2 million increase in public company expenses. The remaining $0.2 million increase was attributable to increases in other expense categories, none of which were individually significant. As a percentage of net sales, general and administrative expenses increased to 4.1% in the three months ended June 30, 2012, from 3.2% for the same period of 2011.

Interest expense

Interest expense was $0.3 million for each of the three month periods ended June 30, 2012 and 2011. Our average outstanding bank borrowings were $4.3 million higher for the three months ended June 30, 2012, compared to the same period in 2011. This increase was attributable to greater borrowings to support our higher level of sales in 2012. Holding all other variables constant, including our outstanding borrowings, we expect that our interest expense will decrease as a result of a lower effective interest rate pursuant to our amended credit facility. For a description of our amended credit facility, see Liquidity and Capital Resources Credit Agreement below.

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Loss on debt extinguishment

We recognized a loss on debt extinguishment of $0.5 million in the three months ended June 30, 2011, due to the write-off of remaining unamortized loan fees associated with our prior credit facility. The remaining unamortized loan fees were required to be expensed when we refinanced our prior credit facility in 2011 and repaid the balances outstanding under our prior credit agreement. See Liquidity and Capital Resources Credit Agreement below for further discussion regarding the refinancing of our prior credit facility with a new lender.

Other (income) expense, net

Other income was $1.0 million for the three months ended June 30, 2012, as compared to expense of $0.7 million for the same period in 2011. Other (income) expense includes the effect of the changes in the valuation of our Private Placement Warrants. For the three months ended June 30, 2012, other income was attributable to a decrease in the value of the Private Placement Warrants to $2.8 million from $3.8 million at March 31, 2012. In the three months ended June 30, 2011, other (income) expense included $0.8 million of transaction fees associated with a private placement which expenses were partially offset by a $0.1 million decrease in the value of the private placement warrants.

Income tax expense

Our income tax expense increased $0.5 million for the three months ended June 30, 2012, to $1.1 million, as compared to $0.6 million in 2011. Our effective tax rate for the three months ended June 30, 2012 was 27.7% compared with 54.3% for the comparable prior year quarter ended. Our stated effective tax rate for 2012 decreased primarily due to the exclusion from taxable income of the income recognized in connection with the change in the valuation of the private placement warrant in the three months ended June 30, 2012. The income or expense associated with the change in the private placement warrants is excluded from the computation of taxable income. In addition, the expenses incurred in 2011 associated with the private placement were also excluded from the computation of taxable income. Excluding the effect of the change in the valuation of the private placement warrants and the expenses associated with the private placement, our effective income tax rate would have been 37.2% and 34.3% for the three months ended June 30, 2012 and 2011, respectively. Given the subjectivity and volatility of the valuation of the private placement warrants, we are unable to estimate the annual impact of the change in the private placement warrants and the corresponding effect on our effective tax rate for the full year. Accordingly, we include the effect of the change in the valuation of the private placement warrants, when known, in the period in which it occurs.

Six Months Ended June 30, 2012 Compared with the Six Months Ended June 30, 2011

Net sales

Our net sales increased $31.5 million (47.2%) to $98.2 million for the six months ended June 30, 2012 compared to $66.7 million for the six months ended June 30, 2011, of which power system sales accounted for $30.1 million of the increase with the remaining $1.4 million increase attributable to sales of aftermarket parts. Sales volume (as opposed to price increases) accounted for $28.8 million of the increase in the six months ended June 30, 2012, as compared to the same period in 2011.

Gross profit

Our gross profit increased $4.6 million (36.9%) to $17.1 million for the six months ended June 30, 2012, from $12.5 million in the comparable period of 2011. Our gross profit increased primarily due to the previously discussed increase in sales volumes. As a percentage of net sales, gross margin was 17.4% for the six months ended June 30, 2012, compared to 18.7% in 2011. The lower gross margin in the six months ended June 30, 2012, as compared to the same period in 2011 was attributable to additional labor and overhead costs.

Research & development and engineering

Research and development and engineering expense increased $1.5 million (76.0%) to $3.5 million for the six months ended June 30, 2012, as compared to $2.0 million for the same period in 2011. Wages and benefits increased $0.8 million on a year-over-year basis as we increased headcount in connection with our engineering development and support activities which development activities increased $0.7 million in the six months ended June 30, 2012, as compared to the same period in 2011. The net change in the remaining components of research & development and engineering expense was less than $0.1 million, none of which were individually significant. As a percentage of net sales, research & development and engineering expenses increased to 3.6% in the six months ended June 30, 2012, compared to 3.0% for the same period in 2011.

Selling and service

Selling and service expenses increased $0.1 million (3.7%) to $3.3 million for the six months ended June 30, 2011, from $3.2 million in the comparable period of 2011, none of the components of which were individually significant. As a percentage of net sales, selling and service expenses decreased to 3.3% in the six months ended June 30, 2012, compared to 4.7% for the same period in 2011 as we increased sales with our existing staff.

General and administrative

General and administrative expenses increased $1.4 million (57.1%) to $3.8 million for the six months ended June 30, 2012, from $2.4 million in the comparable period of 2011. The increase was principally attributable to (i) a $0.6 million increase in wages and benefits incurred for the cost of additional executive and accounting staff to support our higher sales volume and statutory filing requirements, (ii) a $0.4 million increase in public company expenses, as we were public for the full six months in 2012 as compared to approximately two months in 2011, and (iii) a $0.3 million increase in consulting and professional fees. The remaining $0.1 million increase was attributable to a net increase in other expense categories, none of which were individually significant. As a percentage of net sales, general and administrative expenses increased to 3.9% in the six months ended June 30, 2012, from 3.6% for the same period of 2011.

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Interest expense

Interest expense decreased $0.4 million (44.4%) to $0.5 million for the six months ended June 30, 2012, as compared to $0.9 million for the same period in 2011. Our average outstanding bank borrowings were $1.5 million lower for the six months ended June 30, 2012, compared to the same period in 2011. In addition, the decrease in interest expense was attributable to a lower effective interest rate pursuant to our amended credit facility.

Loss on debt extinguishment

We recognized a loss on debt extinguishment of $0.5 million in the six months ended June 30, 2011, due to the write-off of remaining unamortized loan fees associated with our prior credit facility. The remaining unamortized loan fees were required to be expensed when we refinanced our prior credit facility and repaid the balances outstanding under our prior credit agreement. See Liquidity and Capital Resources Credit Agreement below for a further discussion regarding the refinancing of our prior credit facility with a new lender.

Other (income) expense, net

Other income was $0.4 million for the six months ended June 30, 2012, as compared to expense of $0.7 million for the same period in 2011. Other (income) expense includes the effect of the changes in the valuation of our private placement warrants. For the six months ended June 30, 2012, other income was principally attributable to a decrease in the value of the private placement warrants to $2.8 million from $3.3 million at December 31, 2011. In the six months ended June 30, 2011, other (income) expense included $0.8 million of transaction fees associated with a private placement which expenses were partially offset by a $0.1 million decrease in the value of the private placement warrants.

Income tax expense

Our income tax expense increased $1.0 million for the six months ended June 30, 2012, to $2.2 million, as compared to $1.2 million in 2011. Our effective tax rate for the six months ended June 30, 2012 was 34.5% compared with 43.5% for the comparable prior year period. Our stated effective tax rate in 2012 decreased primarily due to the exclusion of the income recognized in connection with the change in the valuation of the private placement warrant in the six months ended June 30, 2012. The income or expense associated with the change in the private placement warrants is excluded from the computation of taxable income. In addition, the expenses incurred in 2011 associated with the private placement were also excluded from the computation of taxable income. Excluding the effect of the change in the valuation of the private placement warrants and the expenses associated with the private placement, our effective income tax rate would have been 37.2% and 35.2% for the six months ended June 30, 2012 and 2011, respectively.

Liquidity and Capital Resources

Our cash requirements are dependent upon a variety of factors, foremost of which is the execution of our strategic plan. We expect to continue to devote substantial capital resources to running our business. Our primary sources of liquidity are cash flows from operations, principally collections of customer accounts receivable and borrowing capacity under our credit facility. Prior to the amendment of our credit facility with BMO Harris Bank, N.A. (formerly Harris N.A.) on March 20, 2012, our existing and historical financing arrangements required that cash received by us be applied against our revolving line of credit, and we typically did not maintain cash or cash equivalents on our consolidated balance sheet prior to this date. As a result of the amendment to our credit facility on March 20, 2012, the cash balances are no longer automatically applied against our revolving line of credit, and, as a result, from time to time, we may carry cash balances on our consolidated balance sheet.

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

As of June 30, 2012, we had working capital of $40.5 million compared to $14.2 million as of December 31, 2011. Our working capital increased $26.3 million, $19.7 million of which was attributable to the change in classification of our revolving line of credit from current liabilities at December 31, 2011 to long-term obligations effective March 20, 2012 as discussed above under Factors affecting comparability. Our inventories increased $15.8 million. The increase in inventories was primarily attributable to an increase in base engine block inventory ahead of an expected increase in demand. Inventory also increased, but to a lesser extent, as a result of additional components purchased in connection with continued growing sales demand. Offsetting these working capital increases from December 31, 2011 to June 30, 2012 were (i) a $6.8 million increase in accounts payable attributable to the timing of payments to our suppliers and the additional inventory positions taken as described above, and (ii) a $3.3 million decrease in accounts receivable due to collections received on customer accounts. Net other components of working capital increased $0.9 million from December 31, 2011 to June 30, 2012, none of which were individually significant.

A limited number of our customers have payment terms which may extend up to 150 days. As of June 30, 2012, and December 31, 2011, our trade receivables included $4.3 million and $3.0 million, respectively, of trade receivables which represented aggregate customer account balances subject to these terms. Of these amounts, $1.3 million and $0.7 million at June 30, 2012 and December 31, 2011, respectively, represented the portion of the balance outstanding beyond our normal trade terms of 30-45 days. Under our revolving line of credit which funds our working capital as needed, these receivables represent eligible collateral on the same basis as our other trade receivables and remain eligible as collateral upon which we may borrow up to their extended due date of 150 days.

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Cash Flows for the six months ended June 30, 2012

Operating activities

Net income and changes in working capital are the primary drivers of our cash flows from operations. For the six months ended June 30, 2012, we generated $0.8 million in cash from our operations. We generated cash flow from net income of $4.1 million. Non-cash adjustments decreased operating cash flow by approximately $0.1 million. Non-cash adjustments include changes in the valuation of our private placement warrants liability, depreciation and amortization, deferred income taxes, non-cash losses on the disposal of fixed assets, stock appreciation rights expense and changes in the valuation of accounts receivable allowances.

In addition to the cash generated from net income, we generated cash from a $9.7 million increase in accounts payable arising from the timing of purchases from, and payments to, our vendors. We also generated cash of $3.3 million from a decrease in our accounts receivable due to the receipt of cash from our customers in excess of our sales activity in the six months ended June 30, 2012. These increases to cash generated by operations were offset by a $15.8 million increase in our inventories, as we elected to take significant positions in certain engines in connection with our sales activities, and we also increased our component purchases in support of our sales activities for 2012. Other components of operating assets and liabilities used $0.4 million of cash, none of which were individually significant.

Investing activities

Net cash used in investing activities of $1.3 million for the six months ended June 30, 2012, related primarily to the acquisition of property, equipment and other assets.

Financing activities

We generated $1.0 million of cash in financing activities for the six months ended June 30, 2012. We generated $4.9 million of cash from advances on our revolving line of credit which was offset by a $3.8 million reduction in cash overdraft from December 31, 2011, and $0.1 million in financing fees paid in connection with the amendment to our existing credit facility on March 20, 2012.

Cash Flows for the six months ended June 30, 2011

Operating activities

For the six months ended June 30, 2011, we used $1.3 million in cash for our operations. For the six months ended June 30, 2011, we generated cash flows from net income of $2.3 million (including net $0.7 million of non-cash items, consisting primarily of depreciation and loss on debt extinguishment). The cash generated from operating results was offset by an increase in our working capital, principally driven by a $4.7 million increase in accounts receivable, a $0.6 million increase in prepaid expenses and a $0.6 million decrease in income taxes payable. The increase in accounts receivable was due to an increase in 2011 sales. The decrease in income taxes payable was principally attributable to the tax payments made for 2010 and 2011. Our prepaid expenses increased due to payments of estimated income taxes and the advance payment of insurance premiums. Offsetting these working capital increases, we decreased our inventories by $1.8 million. The change in inventories was attributable to an initiative to decrease our inventories while still supporting our higher level of sales activity. Net other cash generated from operations in the first six months of 2011 was $0.5 million, none of which was individually significant.

Investing activities

Net cash used in investing activities of $0.4 million for the six months ended June 30, 2011, related primarily to the acquisition of property, equipment and other assets.

Financing activities

We generated $1.7 million of cash for the six months ended June 30, 2011. In connection with the private placement for which we issued preferred stock and warrants to purchase our common stock, we generated proceeds of $18.0 million. In addition, we refinanced our revolving line of credit with a new bank, Harris, N.A., for net borrowings of $16.2 million for the six months ended June 30, 2011. The terms of the revolving line of credit with Harris N.A. are discussed below in Credit Agreement. The proceeds from the private placement and revolving line of credit were used to pay off our existing term loans and our revolving line of credit with our prior lender, Fifth Third Bank. We used $29.5 million in cash for the payoff of these term loans, the payoff of the prior revolving line of credit and other scheduled debt payments. We used

$3.8 million of cash to pay transaction and financing costs associated with the private placement and refinancing of our revolving line of credit. We also had a $0.8 million increase in our cash overdraft balance since December 31, 2010. Consistent with our prior revolving line of credit, until amended as described below, our revolving line of credit required that our cash be applied against our revolving line of credit. As such, we did not maintain a cash balance, and we borrowed on the revolving line of credit to fund outstanding checks as they clear our bank. Our cash overdrafts fluctuated based on the timing of checks issued which had not yet cleared our bank as of a given date.

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Credit Agreement

On April 29, 2011, in connection with the closing of the reverse recapitalization and the private placement, we entered into a loan and security agreement with certain lenders and Harris N.A. (now known as BMO Harris Bank, N.A. (BMO Bank)) (Harris Agreement), which replaced the existing loan and security agreement that we had with our senior lender (Prior Credit Agreement) prior to the closing of the reverse recapitalization. Pursuant to the Harris Agreement, among other things, the maximum loan amount was reduced from the maximum loan amount under our Prior Credit Agreement to reflect our repayment in full of our two previously outstanding term loans under the Prior Credit Agreement, and the financial covenants under the Prior Credit Agreement were replaced with a new fixed charge coverage ratio covenant. Prior to its amendment on March 20, 2012, the Harris Agreement provided for borrowings up to $35.0 million under a revolving line of credit and was scheduled to mature on April 29, 2014. The Harris Agreement was collateralized by substantially all of our assets. We were also required to meet certain financial covenants, including a minimum monthly fixed charge coverage ratio and a limitation on annual capital expenditures. The Harris Agreement contained customary covenants and restrictions, including agreements to provide financial information, comply with laws, pay taxes and maintain insurance, restrictions on the incurrence of certain indebtedness, guarantees and liens, restrictions on mergers, acquisitions and certain dispositions of assets, and restrictions on the payment of dividends and distributions. In addition, the Harris Agreement required cash accounts to be held with BMO Bank. Historically, our financing arrangements, including the Harris Agreement required that cash received be applied against our revolving line of credit. Accordingly, we did not maintain cash or cash equivalents on our consolidated balance sheet, but instead we funded our operations through borrowings under our revolving line of credit.

Under the Harris Agreement and prior to the amendment of the loan and security agreement on March 20, 2012: (a) we were a party to the Harris Agreement and pledged all of our shares of The W Group to BMO Bank as collateral for the Line of Credit; (b) there were no term loans; (c) the revolving line of credit bore interest at BMO Bank s prime rate plus an applicable margin ranging from 0% to 0.50%; or, at our option, all or a portion of the Line of Credit could have been designated to bear interest at LIBOR plus an applicable margin ranging from 2.00% to 2.50%; (d) we had a limitation on annual capital expenditures; (e) a fixed charge coverage ratio was included, except that this fixed charge coverage ratio under the Harris Agreement excluded certain historical debt service costs and certain other one-time expenses, both as defined in the Harris Agreement.

On March 20, 2012, the Harris Agreement was amended (the Harris Agreement, as amended, the Amended Agreement) to increase the total credit facility from $35.0 million to $50.0 million and to extend the maturity date to March 20, 2017. Under the terms of the Amended Agreement: (a) the revolving line of credit bears interest at BMO Bank s prime rate (3.25% at March 31, 2012) plus an applicable margin ranging from 0% to 0.50%; or, at our option, all or a portion of the revolving line of credit can be designated to bear interest at LIBOR plus an applicable margin ranging from 1.75% to 2.25%; (b) the unused line fee has been reduced to 0.25%; and (c) we are only required to report our compliance with the fixed charge coverage ratio for any month when our Excess Availability, as defined in the Amended Agreement, is less than the Liquidity Threshold. The Liquidity Threshold is defined as the greater of (i) $7,500,000 or (ii) 12.5% of the total credit facility of $50.0 million, as may be reduced from time to time pursuant to the terms of the Amended Agreement. When we are required to report our compliance with the fixed charge coverage ratio, we must continue to report our compliance with the fixed charge coverage ratio until it has exceeded the Liquidity Threshold for 60 consecutive days. Additionally, under the Amended Agreement, cash balances are no longer automatically swept by BMO Bank, and, as a result, from time to time, we may carry cash balances on our consolidated balance sheet.

As of June 30, 2012, $2.6 million of our outstanding borrowings under our revolving line of credit bore interest at the prime rate, which equated to 3.25% with the applicable margin included. The remaining outstanding balance as of June 30, 2012, of $22.0 million had been designated to bear interest at the LIBOR rate, plus an applicable margin which equated to 1.99%. The unused and available line of credit balance was $25.4 million at June 30, 2012. We were in compliance with the financial covenants under the Amended Agreement as of June 30, 2012.

As of December 31, 2011, $4.7 million of our outstanding borrowings under our revolving line of credit bore interest at the prime rate, which equated to 3.25% with the applicable margin included. The remaining outstanding balance as of December 31, 2011, of $15.0 million had been designated to bear interest at the LIBOR rate, plus an applicable margin which equated to 2.29%. The unused and available line of credit balance was $15.3 million at December 31, 2011. We were in compliance with the financial covenants under the Harris Agreement as of December 31, 2011.

Off-balance sheet arrangements

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

Impact of Recently Issued Accounting Pronouncements

We evaluate the pronouncements of various authoritative accounting organizations, including the Financial Accounting Standards Board (FASB), the SEC and the Emerging Issues Task Force (EITF), to determine the impact of new pronouncements on GAAP and the Company. There are no new accounting pronouncements that have been issued or adopted during the three months ended June 30, 2012 that are expected to have a significant effect on our consolidated financial statements.

Cautionary Note Regarding Forward-Looking Statements

This report includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act) and Section 27A of the Securities Act of 1933, as amended (the Securities Act), that reflect our expectations and projections about our future results, performance, prospects and opportunities. In this report, the words anticipate, believe, could, estimate, expect, inte may, plan, project, potential, should, will, would and similar expressions, as they relate to us, our business or our management, are inte identify forward-looking statements, but they are not the exclusive means of identifying them.

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A number of risks, uncertainties and other factors could cause our actual results, performance, financial condition, cash flows, prospects and opportunities to differ materially from those expressed in, or implied by, the forward-looking statements included in this report. These risks, uncertainties and other factors, many of which have been previously identified and described in greater detail under the heading Risk Factors in our 2011 Annual Report, include but are not limited to the following:

Risks Related to our Business and our Industry

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

New products may not achieve widespread adoption.

Our new 8.8 liter engine block is the first engine block manufactured in-house by our company, and may not be successful.

We may not succeed with the expansion of our product into the on-road market.

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

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

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

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

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

We are dependent on relationships with our OEM customers.

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

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

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

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

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

Our financial position, results of operations and cash flows have been, and may in the future be, negatively impacted by challenging global economic conditions.

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

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

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

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

Our existing debt or new debt that we incur could adversely affect our business and growth prospects.

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

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

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

We could suffer warranty claims.

We could become subject to product liability claims.

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Our telematics tool, MasterTrak, may not be successful.

We may have difficulty managing the consolidation of our facilities.

We may have difficulty managing the expansion of our operations.

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

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

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

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

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

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

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

Risks Related to the Shell Company

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

Risks Related to the Reverse Recapitalization and the Ownership of our Common Stock

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

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

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

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

Our common stock may be considered a penny stock.

A significant number of shares of our common stock were registered for sale in 2011 and have become eligible for sale, which could depress the market price for our common stock. Future sales by us or our existing stockholders could similarly depress the market price of our common stock.

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

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

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

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

Forward looking statements speak only as of the date of this report. Except as expressly required under federal securities laws and the rules and regulations of the SEC, we do not undertake any obligation to update any forward-looking statements to reflect events or circumstances arising after the date of this report, whether as a result of new information or future events or otherwise. You should not place undue reliance on the forward-looking statements included in this report or that may be made elsewhere from time to time by us, or on our behalf. Our results of operations in any past period should not be considered indicative of the results to be expected for future periods. Fluctuations in operating results may also result in fluctuations in the price of our common stock. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

Item 4. Controls and Procedures

As a result of the reverse recapitalization, Power Solutions International, Inc. has succeeded to the business of The W Group. Since the consummation of the reverse recapitalization, we have not been engaged in the business or operations conducted by Format prior to the reverse

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recapitalization. Accordingly, we do not in any way maintain the disclosure controls and procedures or the internal control over financial reporting of Format in effect prior to the reverse recapitalization, and such disclosure controls and procedures and internal control over financial reporting of Format are not relevant to us.

Prior to the consummation of the reverse recapitalization, The W Group was a private operating company and, as a result of the reverse recapitalization, we became a public company subject to public company reporting obligations. As a result, we have had to, and we currently continue to, enhance and supplement our internal accounting resources with additional accounting and finance personnel with the requisite technical and public company experience and expertise, and more generally strengthen our disclosure controls and procedures and our internal control over financial reporting to enable us to accurately and timely prepare our consolidated financial statements and otherwise satisfy these reporting obligations.

Because The W Group was a private operating company prior to the reverse recapitalization and we do not in any way maintain the internal control over financial reporting of Format in effect prior to the reverse recapitalization, we have not yet (as we are not yet required to have) performed an annual assessment of the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002. Furthermore, as a smaller reporting company, we are not subject to the requirement that we provide an attestation report of our auditors on our internal control over financial reporting, and we will not be subject to such requirement until we become either an accelerated filer or a large accelerated filer. We intend to perform an assessment of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 as of the end of our fiscal year ending December 31, 2012 and include the results in our annual report on Form 10-K for such fiscal year. Any such annual assessment could identify significant deficiencies or material weaknesses in our internal control over financial reporting, and we cannot provide any assurances that we will be successful in remediating any deficiencies or weaknesses that may be identified.

Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported accurately and within the time frames specified in the SEC s rules and forms and that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based on such evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of June 30, 2012 at the reasonable assurance level, even though, following the reverse recapitalization, we have not yet (as we are not yet required to have) consummated any annual assessment of our internal control over financial reporting procedures pursuant to Section 404 of the Sarbanes-Oxley Act of 2002. Our Chief Executive Officer and Chief Financial Officer reached this conclusion based in large part on their assessment of (1) the financial expertise of our Chief Financial Officer, and other members of our finance and accounting department and the members of our Disclosure Committee, (2) the regular communications among such persons, including the members of our Disclosure Committee, and between them and others within our relatively small organization, with respect to all material developments in our business, and (3) the overall process of preparation and review of our financial and other disclosures.

Changes in Internal Control Over Financial Reporting

There were not any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on the Effectiveness of Controls

Our management does not expect that our disclosure controls and procedures or our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, no controls can provide absolute assurance that misstatements due to error or fraud will not occur, and no evaluation of any such controls can provide absolute assurance that control issues and instances of fraud, if any, within our company have been detected.

These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies and procedures.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

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Item 6. Exhibits.

Exhibit	Description
3.1	Certificate of Incorporation of Power Solutions International, Inc., a Delaware corporation, originally filed with the Secretary of State of the State of Delaware on August 12, 2011 (incorporated by reference from Exhibit 3.4 to Amendment No. 2 to the Company s Registration Statement on Form S-1, Registration No. 333-174543, filed with the Commission on August 19, 2011).
3.2	Bylaws of Power Solutions International, Inc., a Delaware corporation, adopted August 12, 2011 (incorporated by reference from Exhibit 3.5 to Amendment No. 2 to the Company s Registration Statement on Form S-1, File No. 333-174543, filed with the Commission on August 19, 2011).
10.1	Employment Agreement, dated as of June 6, 2012, by and among Power Solutions International, Inc., Power Great Lakes, Inc. and Eric Cohen (incorporated by reference to Exhibit 10.1 to the registrant s Current Report on Form 8-K, dated June 6, 2012, filed with the Commission on June 7, 2012).
10.2	Stock Appreciation Rights Agreement, dated as of June 6, 2012, by and between Power Solutions International, Inc and Eric Cohen (incorporated by reference to Exhibit 10.2 to the registrant s Current Report on Form 8-K, dated June 6, 2012, filed with the Commission on June 7, 2012).
10.3	Power Solutions International, Inc. 2012 Incentive Compensation Plan, as adopted by the Board of Directors on May 30, 2012 (subject to stockholder approval) (incorporated by reference to Exhibit 10.3 to the registrant s Current Report on Form 8-K, dated June 6, 2012, filed with the Commission on June 7, 2012).
31.1	Certification of the Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a).
31.2	Certification of the Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a).
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.

* Pursuant to Rule 406T of Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be deemed furnished and not filed .

XBRL Taxonomy Extension Labels Linkbase Document.

SIGNATURES

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

POWER SOLUTIONS INTERNATIONAL, INC.

Date: August 14, 2012

By: /s/ Daniel P. Gorey
Daniel P. Gorey

Chief Financial Officer

(Principal Financial and Accounting Officer)

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Exhibit 31.1

CERTIFICATION

I, Gary S. Winemaster, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Power Solutions International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant s internal control over financial reporting that occurred during the registrant s most recent fiscal quarter (the registrant s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting; and

5. The registrant s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant s auditors and the audit committee of the registrant s Board of Directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal control over financial reporting.

Date: August 14, 2012

/s/ Gary S. Winemaster
Gary S. Winemaster
Chief Executive Officer

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Exhibit 31.2

CERTIFICATION

I, Daniel P. Gorey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Power Solutions International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant s internal control over financial reporting that occurred during the registrant s most recent fiscal quarter (the registrant s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting; and

5. The registrant s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant s auditors and the audit committee of the registrant s Board of Directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal control over financial reporting.

Date: August 14, 2012

/s/ Daniel P. Gorey
Daniel P. Gorey
Chief Financial Officer

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Exhibit 32.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Power Solutions International, Inc. (the Company) on Form 10-Q for the quarter ended June 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Gary S. Winemaster, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2012

/s/ Gary S. Winemaster
Gary S. Winemaster
Chief Executive Officer

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Exhibit 32.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Power Solutions International, Inc. (the Company) on Form 10-Q for the quarter ended June 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Daniel P. Gorey, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2012

/s/ Daniel P. Gorey
Daniel P. Gorey
Chief Financial Officer