

MERGENT INDUSTRIAL

NEW LISTING

September 13, 2011



This Supplemental News Reports is published as required, is part of the annual MERGENT INDUSTRIAL, OTC and OTCUNLISTED Manuals and will be included in the bound 2011 September Monthly News Reports and is published on our Website.

POWER SOLUTIONS INTERNATIONAL, INC.

History: Incorporated in Nevada on Mar. 21, 2001 as Format, Inc. Reincorporate in Delaware on Aug. 21, 2011. Present name adopted on Apr. 29, 2011.

On Apr. 29, 2011, Co. completed a reverse acquisition transaction in which PSI Merger Sub, Inc. ("PSI"), a Delaware corporation that was newly-created as a wholly-owned subsidiary of Co., merged with and into The W Group, Inc. ("The W Group") The W Group remained as the surviving corporation of the reverse acquisition transaction and became a wholly-owned subsidiary of Co. Pursuant to an agreement and plan of merger, all of the outstanding shares of common stock of The W Group held by the three stockholders of The W Group at the closing of the reverse acquisition transaction converted into, and Co. issued to the three stockholders of The W Group, an aggregate 10,000,000 shares of common stock and 95,960,90289 shares of Series A Convertible Preferred Stock. The W Group is considered the accounting acquirer in the reverse acquisition. The W Group is considered the acquirer for accounting purposes, and has accounted for the transaction as a reverse recapitalization, because (1) The W Group's former stockholders received the greater portion of the voting rights in the combined entity, (2) The W Group's senior management represents all of the senior management of the combined entity and (3) immediately prior to the transaction, Co. (Format, Inc.), was a company with nominal operations and assets. Consequently, the assets and liabilities and the historical operations that are reflected in Co.'s consolidated financial statements are those of The W Group and have been recorded at the historical cost basis of The W Group, with a recapitalization adjustment to report the issued equity of PSI. However, PSI has accounted for the reverse acquisition as a reverse recapitalization of The W Group, and no goodwill or other intangible assets has been recorded because immediately prior to, and at the time of the reverse acquisition, Co. (Format, Inc.) the accounting acquirer, was a company with nominal assets and nominal operations, engaged to a limited extent in EDGARizing corporate documents for filing with the SEC and limited commercial printing services. Concurrent with the closing of the Reverse Recapitalization, Co. and The W Group entered into a purchase agreement ("Private Placement") whereby Co. completed the sale of an aggregate of 18,000 shares of PSI preferred stock together with private placement warrants ("Private Placement Warrants") representing the right to purchase an aggregate of 24,000,007 shares of PSI common stock, subject to certain limitations on exercise. The shares of PSI preferred stock issued in the Private Placement are initially convertible into an aggregate of 48,000,007 shares of PSI common stock, subject to certain limitations. In consideration, Co. and The W Group received proceeds of \$18.0 million before estimated transaction fees, costs and expenses of approximately \$5.2 million in connection with the Reverse Recapitalization and Private Placement. In connection with the Private Placement, Co. also issued to Roth Capital Partners, LLC a warrant ("Roth Warrant") to purchase initially 3,360,000 shares of PSI common stock, subject to certain limitations on exercise set forth in the Roth Warrant.

Business Summary: Power Solutions International is a producer and distributor of a range of certified low emission, power systems for original equipment manufacturers of off-highway industrial original equipment manufacturers ("industrial OEMs"). Co. designs, manufactures, distributes and supports power system solutions for industrial OEMs across a 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.

Property: Co. maintains its principal executive office in Wood Dale, Illinois.

Subsidiary

The W Group, Inc.

Officers

Gary S. Winemaster, Chairman; President; Chief Executive Officer
Kenneth J. Winemaster, Senior Vice President; Secretary
Thomas J. Somodi, Chief Financial Officer; Chief Operating Officer

Directors

Gary S. Winemaster, Chairman
Kenneth J. Winemaster
Kenneth W. Landini
Thomas J. Somodi
H. Samuel Greenawalt

Auditors: Deloitte & Touche LLP

Shareholder Relations: Mark D. Wood, Tel.: 312-902-5493

Annual Meeting: In August

No. of Stockholders: Aug. 26, 2011, 64

No. of Employees: July 15, 2011, 248

Address: 655 Wheat Lane, Wood Dale, IL 60191
Tel.: 630 787-5335 **Fax:** 630 350-0103 **E-mail:** tsomodi@powergreatlakes.com

Income Account, years ended Dec. 31 (in \$):

	2010	(revised) 2009	2008
Rev	77,537	98,361	114,386
Wages & wage rel			
exps	30,000	40,927	58,336
Professional fees	53,076	29,150	27,470
Rent exp	14,976	14,488	15,000
Bad debt exp	10,383	5,997	
Deprec exp	2,677	4,068	5,812
Other gen & admin			
exps	2,841	5,272	25,949
Tot oper exps	103,570	104,288	138,564
Income (loss) fr			
opers	(26,033)	(5,927)	(24,178)
Recovery of bad			
debt	919		
Gain on relief of			
indebtedness		25,000	
Tot other income			
(expense)	919	25,000	
Income (loss) bef			
prov for inc tax	(25,114)	19,073	(24,178)
Prov for inc tax	800	800	800
Net income (loss)	(25,914)	18,273	(24,978)
Common shares:			
Weigh avg shares			
outstg - basic	2117,815	117,815	117,815
Weigh avg shares			
outstg - diluted	2117,815	117,815	117,815
Yr end shares			
outstg	2117,815	117,815	117,815
Net income (loss)			
per sh - basic	\$(0.31)		\$(0.32)
Net income (loss)			
per sh - diluted	\$(0.31)		\$(0.32)

No of full time employees 21
No of part time employees 1
Tot no of employees 22
No of com stkhldrs 57
[1]Reclassified to conform with 2010 presentation.
[2]Adjusted for 1-for-32 stock split, September 1, 2011.
[3]As of March 23, 2011. [4]As of March 28, 2009.
[5]Approximately. [6]As of March 4, 2011. [7]As of March 28, 2010.

Balance Sheet, as of Dec. 31 (in \$):

	2010	2009
Assets:		(revised)
Cash	47,988	56,763
Accts receivables, net		1,900
Ppd exp	1,248	1,248
Security dep	1,200	1,200
Tot curr assets	50,436	61,111
Office mach & equip	33,901	33,080
Furn & fixtures	2,011	2,011
Prop & equipment, gross	35,912	35,091
Less: accum deprec	32,579	29,902
Prop & equipment, net	3,333	5,189
Tot assets	53,769	66,300
Liabilities:		
Accts pay & accrued exps	87,285	50,081
Accrued officer compens	42,500	15,000
Inc tax pay	800	800
Due to rel party	116,656	167,977
Tot curr liabil	247,241	233,858
Tot liabil	247,241	233,858
Com stk	3,770	3,770
Addit paid-in cap	37,809	37,809
Retain earnings (accum deficit)	(235,051)	(209,137)
Tot stkhldrs' equity (deficit)	(193,472)	(167,558)

Auditor's Report: The following is an excerpt from the Report of Independent Auditors, Jonathon P. Reuben, C.P.A., as it appeared in Co.'s 2010 10-K report:

"In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Format, Inc. as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the financial statements, the Company has negative working capital, incurred significant losses, and has an accumulated deficit of \$235,051 as of December 31, 2010. As discussed in Note 1, these conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty."

NOTE: Above results are those of Power Solutions International, Inc. (formerly known as Format, Inc.)

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before its reverse acquisition of The W Group, Inc., effective April 29, 2011.

NOTE: Effective April 29, 2011, Power Solutions International, Inc. (formerly known as Format, Inc.) acquired The W Group, Inc. with The W Group becoming the surviving corporation in the reverse acquisition.

NOTE: The following results are those of The W Group, Inc. for the years ended December 31, 2010 and 2009.

NOTE: Pro forma results for Power Solutions International, Inc. (formerly known as Format, Inc.) in concurrence with the reverse merger with The W Group, Inc. follow the results of The W Group.

The W Group, Inc.

Consolidated Income statement, years ended Dec. 31 (in \$):

	2010	2009
Net sales	100,521,000	82,902,000
Cost of sales	83,894,000	66,520,000
Gross profit	16,627,000	16,382,000
Engineering	3,846,000	2,721,000
Selling & service	5,465,000	4,519,000
General & administrative	3,250,000	3,065,000
Operating expenses	12,561,000	10,305,000
Income from operations	4,066,000	6,077,000
Interest expense	2,131,000	2,303,000
Income before income taxes	1,935,000	3,774,000
Income tax provision	366,000	1,387,000
Net income	1,569,000	2,387,000
Year end common shares outstanding	1,444,444	1,444,444

Consolidated Balance Sheet, as of Dec. 31 (in \$):

	2010	2009
Accounts receivable, net	16,282,000	28,540,000
Inventories	32,168,000	31,167,000
Prepaid & other	1,028,000	495,000
Deferred income taxes	687,000	585,000
Total current assets	50,165,000	60,787,000
Property & equipment, net	2,883,000	3,330,000
Other noncurrent assets	2,305,000	1,469,000
Total assets	55,353,000	65,586,000
Cash overdraft	529,000	649,000
Income taxes payable	619,000	1,290,000
Current maturities of long-term debt & capital lease obligations	2,226,000	2,218,000
Line of credit	21,633,000	22,409,000
Accounts payable	16,681,000	25,579,000
Accrued liabilities	2,211,000	1,549,000
Total current liabilities	43,899,000	53,694,000
Deferred revenue	189,000	
Deferred income taxes	233,000	290,000
Long-term debt & capital lease obligations, net of current maturities	5,676,000	7,815,000
Total liabilities	49,997,000	61,799,000
Common stock		
Additional paid-in capital	7,000	7,000
Retained earnings	5,349,000	3,780,000
Total stockholders' equity	5,356,000	3,787,000
Total liabilities & stockholders' equity	55,353,000	65,586,000

Power Solutions International, Inc.

Pro Forma Consolidated Income Statement, year ended Dec. 31, 2010 (in \$):

Net sales	100,599,000
Cost of sales	83,894,000
Gross profit	16,705,000
Engineering	3,846,000
Selling & service	5,465,000
General administrative	3,354,000
Operating expenses	12,665,000
Operating income	4,040,000
Interest expense	648,000
Other income	1,000
Income before income taxes	3,393,000
Income tax provision	647,000
Net income	2,746,000
Earnings per share - basic	\$0.28
Earnings per share - diluted	\$0.28
Weighted average shares outstanding - basic	9,833,307
Weighted average shares outstanding - diluted	9,833,307
Year-end shares outstanding	10,770,083

Pro Forma Consolidated Balance Sheet, as of Dec. 31, 2010 (in \$):

Accounts receivable, net	16,282,000
Inventories	32,168,000
Prepaid expenses	935,000
Deferred income taxes	687,000
Total current assets	50,072,000
Property & equipment, net	2,887,000
Other noncurrent assets	2,216,000
Total assets	55,175,000
Cash overdraft	529,000
Income taxes payable	513,000
Current maturities of long-term debt & capital lease obligations	131,000
Line of credit	16,288,000
Accounts payable	16,681,000
Accrued liabilities	2,211,000
Total current liabilities	36,353,000
Deferred income taxes	233,000
Private Placement warrants	2,888,000
Long-term debt & capital lease obligations, net of current maturities	33,000
Deferred revenue	189,000
Total liabilities	39,696,000
Series A convertible preferred stock	11,201,000
Common stock	11,000
Roth Warrant	399,000
Additional paid-in capital	5,000
Retained earnings	3,863,000
Total stockholders' equity	15,479,000
Total liabilities & stockholders' equity	55,175,000

Line of Credit: Co. has a revolving credit facility with Harris, N.A. The existing and historical financing arrangements require that cash received be applied against Co.'s revolving line of credit. Accordingly, Co. does not maintain cash or cash equivalents on its balance sheet, but instead funds its operations through borrowings under its revolving line of credit.

On Apr. 29, 2011, in connection with the closing of the Reverse Recapitalization, The W Group and Power Solutions International, Inc. entered into a loan and security agreement with Harris, N.A. ("Harris Agreement"), which replaced the existing loan and security agreement that The W Group had with its 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 The W Group's Prior Credit Agreement to reflect The W

Group's repayment in full of its 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. The Harris Agreement provides for borrowings up to \$35.0 million under a Revolving Line of Credit ("Line of Credit") which is scheduled to mature on Apr. 29, 2014. The Harris Agreement is collateralized by substantially all of Co.'s assets. Co. is required to meet certain financial covenants, including a minimum monthly fixed charge coverage ratio and a limitation on annual capital expenditures. The Harris Agreement also contains 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 requires cash accounts to be held with Harris N.A. The cash deposits are swept by Harris N.A. daily and applied against the outstanding Line of Credit. The unused and available line of credit balance was \$18.4 million at June 30, 2011.

Under the Harris Agreement (in contrast to the Prior Credit Agreement): (a) Co. is a party to the Harris Agreement and pledged all of its shares of The W Group to Harris N.A. as collateral for the Line of Credit; (b) there are no term loans; (c) the Line of Credit bears interest at Harris' prime rate (3.25% at June 30, 2011) plus an applicable margin ranging from 0% to 0.50%; or, at Co.'s option, all or a portion of the Line of Credit can be designated to bear interest at LIBOR plus an applicable margin ranging from 2.00% to 2.50%; (d) the limitation on annual capital expenditures was increased from the limitation under The W Group's Prior Credit Agreement; (e) a maximum quarterly senior debt leverage ratio, which was included in the Prior Credit Agreement, was eliminated; and (f) a fixed charge coverage ratio similar to the fixed charge coverage ratio in the Prior Credit Agreement was included, except that this fixed charge coverage ratio under the Harris Agreement excludes historical debt service on the Term Loans and certain other one-time expenses. Co. was in compliance with the financial covenants under its current credit facility as of its most recent required compliance reporting period.

Co.'s Prior Credit Agreement provided borrowings up to \$29.0 million, bearing interest at the bank's prime rate (3.25% at Dec. 31, 2010), plus an applicable margin ranging from 2.25% to 2.50%. At Dec. 31, 2010, Co. had designated the entire outstanding balance of \$21,633 to bear interest at LIBOR as allowed under the Prior Credit Agreement. The unused line balance was \$7.4 million at Dec. 31, 2010, and the interest rate on the line of credit was 5.50%.

The line of credit under the Prior Credit Agreement was scheduled to mature on July 15, 2013, and was cross-defaulted with the Term Loans and collateralized by substantially all business assets. As discussed above, the revolving line of credit under the Prior Credit Agreement was repaid in full on Apr. 29, 2011 and replaced with the Line of Credit under the Harris Agreement.

Capital Stock: 1. Power Solutions International, Inc. (DE) common; par \$ 0.001.

AUTHORIZED — 50,000,000 shs.

OUTSTANDING — Dec. 31, 2010, 3,770,083 shs; par \$ 0.001.

STOCK SPLITS — \$0.001 par shares reverse split 1-for-32 September 1, 2011.

OWNERSHIP — As of Mar. 23, 2011, all directors and named executive officers as a group beneficially owned 79.5% of Co.'s outstanding common stock.

PRIMARY EXCHANGE — Over-the-Counter (OTC): PSIX D