Global Power Equipment Group Inc. and Subsidiaries

Consolidated Financial Statements

For the years ended December 31, 2009 and 2008

Global Power Equipment Group Inc. and Subsidiaries

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Independent Auditors' Report

Board of Directors
Global Power Equipment Group Inc.
Tulsa, Oklahoma

We have audited the accompanying consolidated balance sheets of Global Power Equipment Group Inc. as of December 31, 2009 and 2008 and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Global Power Equipment Group Inc. at December 31, 2009 and 2008, 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.

BDO Seidman, LLP

BDO Seidman, LLP
Dallas, Texas
March 23, 2010

GLOBAL POWER EQUIPMENT GROUP INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	December 31, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 103,220	$ 57,633
Restricted cash	2,018	3,013
Accounts receivable, net of allowance of $1,588 and $3,122	62,267	55,953
Inventories	4,659	4,963
Costs and estimated earnings in excess of billings	31,518	55,922
Other current assets	11,330	7,316
Total current assets	215,012	184,800
Property, plant and equipment, net	12,945	12,610
Goodwill	80,400	80,400
Intangible assets, net	14,749	16,509
Other assets	6,114	6,720
Total assets	$ 329,220	$ 301,039
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 40,692	$ 19,675
Accounts payable	28,913	12,337
Accrued liabilities	19,498	18,303
Billings in excess of costs and estimated earnings	34,357	36,728
Accrued warranties	10,981	11,948
Deferred revenue	3,006	8,695
Other current liabilities	11,363	7,446
Total current liabilities	148,810	115,132
Deferred tax liability	14,768	11,100
Other long-term liabilities	3,990	3,605
Long-term debt, net of current maturities	24,633	65,325
Liabilities subject to compromise	541	604
Total liabilities	192,742	195,766
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Common stock, $0.01 par value, 170,000,000 shares authorized and 137,367,594 and 134,586,541 shares issued, respectively and 136,986,534 and 134,586,541 shares outstanding, respectively	1,374	1,346
Paid-in capital	61,459	59,692
Accumulated comprehensive income	2,655	1,128
Retained earnings	70,994	43,107
Treasury stock, at cost (381,060 and 0 common shares, respectively)	(4)	-
Total stockholders' equity	136,478	105,273
Total liabilities and stockholders' equity	$ 329,220	$ 301,039

The accompanying notes are an integral part of these consolidated financial statements.

GLOBAL POWER EQUIPMENT GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)

	For the Years Ended December 31,	
	2009	**2008**
Product revenues	$ 193,150	$ 311,603
Service revenues	347,460	245,161
Total revenues	540,610	556,764
Cost of product revenues	150,137	239,447
Cost of service revenues	310,048	217,337
Cost of revenues	460,185	456,784
Gross profit	80,425	99,980
Selling and administrative expenses	46,664	50,418
Operating income	33,761	49,562
Interest expense	9,667	11,667
Income from continuing operations before reorganization items and income taxes	24,094	37,895
Reorganization items	1,030	23,574
Income from continuing operations before income taxes	23,064	14,321
Income tax expense	5,282	3,151
Income from continuing operations	17,782	11,170
Discontinued operations:		
Income from discontinued operations, net of tax	7,369	23,668
Gain on disposal, net of tax	2,736	-
Income from discontinued operations	10,105	23,668
Net income	$ 27,887	$ 34,838
Basic earnings per weighted average common share:		
Income from continuing operations	$ 0.13	$ 0.09
Income from discontinued operations	0.07	0.18
Income per common share - basic	$ 0.20	$ 0.27
Weighted average number of shares of common stock outstanding - basic	136,118,599	129,288,721
Diluted earnings per weighted average common share:		
Income from continuing operations	$ 0.13	$ 0.09
Income from discontinued operations	0.07	0.18
Income per common share - diluted	$ 0.20	$ 0.27
Weighted average number of shares of common stock outstanding - diluted	140,096,176	131,333,735

The accompanying notes are an integral part of these consolidated financial statements.

GLOBAL POWER EQUIPMENT GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share amounts)

	Common Shares $0.01 Per Share		Paid-in Capital	Accumulated Other Comprehensive	Retained	Treasury Shares		
	Shares	Amount	(Deficit)	Income	Earnings	Shares	Amount	Total
Balance, December 31, 2007 (Debtor-in-Possession)	47,353,973	$ 474	$ (14,209)	$ 5,261	$ 8,269	-	$ -	$ (205)
Cancellation of common stock	(47,353,973)	(474)	-	-	-	-	-	(474)
Issuance of common stock (exchange shares and rights offering)	133,704,202	1,338	67,854	-	-	-	-	69,192
Issuance of warrants	-	-	4,639	-	-	-	-	4,639
Stock-based compensation	882,339	8	1,408	-	-	-	-	1,416
Net income	-	-	-	-	34,838	-	-	34,838
Other comprehensive income, net of tax								
Fair value of interest rate swap	-	-	-	(810)	-	-	-	(810)
Foreign currency translation	-	-	-	(3,323)	-	-	-	(3,323)
Comprehensive income:								30,705
Balance, December 31, 2008	134,586,541	1,346	59,692	1,128	43,107	-	-	105,273
Restricted stock awards	547,796	5	107	-	-	-	-	112
Stock-based compensation	1,642,038	17	1,662	-	-	-	-	1,679
Warrants exercised	591,219	6	515	-	-	-	-	521
Warrants withheld	-	-	(517)	-	-	(377,216)	(4)	(521)
Forfeiture of restricted shares	-	-	-	-	-	(3,844)	-	-
Net income	-	-	-	-	27,887	-	-	27,887
Other comprehensive income, net of tax								
Fair value of interest rate swap	-	-	-	625	-	-	-	625
Foreign currency translation	-	-	-	902	-	-	-	902
Comprehensive income:								29,414
Balance, December 31, 2009	137,367,594	$ 1,374	$ 61,459	$ 2,655	$ 70,994	(381,060)	$ (4)	$ 136,478

The accompanying notes are an integral part of these consolidated financial statements.

GLOBAL POWER EQUIPMENT GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Years Ended December 31,	
	2009	**2008**
Operating activities:		
Net income	$ 27,887	$ 34,838
Adjustments to reconcile net income to net cash		
provided by (used in) operating activities:		
Deferred income tax provision	3,803	1,054
Depreciation and amortization	5,396	5,323
Gain on disposal of equipment	(26)	-
Gain on disposal of discontinued operations	(2,736)	-
Stock-based compensation	1,791	1,416
Changes in operating assets and liabilities:		
Receivables	(6,314)	(17,437)
Inventories	304	800
Cost and estimated earnings in excess of billings	24,404	876
Other current assets	(1,402)	1,083
Other assets	(569)	(72)
Accounts payable	16,576	(9,461)
Accrued and other liabilities	5,144	(3,699)
Billings in excess of cost and estimated earnings	(2,371)	8,864
Deferred revenue	(5,689)	(21,226)
Liabilities subject to compromise	(63)	(121,831)
Net cash provided by (used in) operating activities	66,135	(119,472)
Investing activities:		
Net transfers of restricted cash	995	(9)
Proceeds from sale of equipment	50	9
Purchase of property, plant, and equipment	(2,793)	(3,599)
Other investing activities	-	202
Net cash used in investing activities	(1,748)	(3,397)
Financing activities:		
Payments of long-term debt	(44,675)	(25,000)
Proceeds from issuance of debt	25,000	90,000
Proceeds from issuance of common stock	-	72,500
Payments of debt financing costs	(65)	(6,623)
Net cash (used in) provided by financing activities	(19,740)	130,877
Effect of exchange rate changes on cash	940	(2,051)
Net change in cash and cash equivalents	45,587	5,957
Cash and cash equivalents, beginning of year	57,633	51,676
Cash and cash equivalents, end of year	$ 103,220	$ 57,633

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 – BUSINESS AND ORGANIZATION

Global Power Equipment Group Inc. and Subsidiaries (the "Company") designs, engineers and manufactures heat recovery and auxiliary power equipment and provides routine and specialty maintenance services to customers in the utility and industrial sectors. The Company's corporate headquarters are located in Tulsa, Oklahoma, with facilities in Plymouth, Minnesota; Tulsa, Oklahoma; Auburn, Massachusetts; Atlanta, Georgia; Monterrey, Mexico; Shanghai, China; and Heerlen, The Netherlands.

On September 28, 2006, Global Power Equipment Group Inc. and all of its U.S. subsidiaries filed voluntary Chapter 11 petitions under the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware ("Bankruptcy Court"). The Company successfully exited Chapter 11 on January 22, 2008 pursuant to an approved Plan of Reorganization ("Plan of Reorganization" or "Plan").

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of Global Power Equipment Group Inc. and its wholly owned subsidiaries: All intercompany accounts and transactions have been eliminated in consolidation.

Revenue Recognition: The Company is organized in two major segments: the Products Division and the Services Division. Within these segments, the Company has three primary revenue streams: Heat Recovery Equipment (comprised of the Specialty Boiler and Heat Recovery Steam Generator ("HRSG") product lines), Auxiliary Power Equipment and Industrial Services.

Revenues and cost of revenues for the Heat Recovery Equipment product line, and fixed price contracts in the Industrial Services business, are recognized on the percentage-of-completion method based on the percentage of actual hours incurred to date in relation to total estimated hours for each contract. This method is used because management considers expended labor hours to be the best available measure of progress on these contracts. The percentage-of-completion method generally results in the recognition of reasonably consistent profit margins over the life of a contract since management has the ability to produce reasonably dependable estimates of contract billings and contract costs. The Company uses the level of profit margin that is most likely to occur on a contract. If the most likely profit margin cannot be precisely determined, the lowest probable level of profit in the range of estimates is used until the results can be estimated more precisely. The Company's estimate of the total hours to be incurred at any particular time has a significant impact on the revenue recognized for the respective period. The percentage-of-completion method is only allowed under certain circumstances in which the revenue process is long-term in nature (often in excess of one year), the products sold are highly customized and a process is in place whereby revenues, costs and margins can be reasonably estimated. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income, and the effects of such revisions are recognized in the period that the revisions are determined. Estimated losses on uncompleted contracts are recognized in the period in which they first become apparent. Under percentage-of-completion accounting, management must also make key judgments in areas such as percent complete, estimates of project revenues, costs and margin, estimates of total and remaining project hours and liquidated damages assessments. Any deviations from estimates could have a significant positive or negative impact on the Company's results of operations.

Revenues for the Auxiliary Power Equipment product line are recognized in a manner that approximates the completed-contract method due to the short-term nature of the production period. Generally, these contracts specify separate phases of work which are frequently contracted separately. Under this method, no revenue can be recognized until the contract phase is substantially complete, the customer takes risk of loss and title, and the installation is operating according to specifications or has been accepted by the customer. As with the Heat Recovery Equipment product line, changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to job costs and income amounts that are different than amounts originally estimated.

Revenues for the Industrial Services business that are not recognized on the percentage-of-completion method are primarily for routine service contracts. Under these arrangements, the Company recognizes revenue when services are performed and the customer assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement

exists and the sales price is fixed or determinable. Specifically, the revenues under these contracts are recognized as the services are performed based upon an agreed-upon price for the completed service or based upon the hours incurred and agreed upon hourly rates. On cost reimbursable contracts, revenue is recognized as costs are incurred and includes applicable fees earned through the date services are provided.

In the fourth quarter of 2006, upon approval by the Bankruptcy Court, the Company initiated a wind down of Deltak's (a subsidiary of the Company, based in Plymouth, Minnesota) large-scale HRSG product line and Deltak entered into completion agreements with certain HRSG customers to complete executory contracts for delivery of HRSG units. Certain of the HRSG contracts under completion agreements were in a positive cash position as of the Chapter 11 filing date since aggregate collections of billings exceeded aggregate project costs. The recognition of this excess is deferred until such time as the earnings process is considered completed through satisfaction of the performance milestones under the completion agreements. This amount is included in income from discontinued operations in the accompanying consolidated statements of operations, net of estimates of liquidated damage claims accrued for these contracts. Deferred amounts are reported in the accompanying consolidated balance sheets as deferred revenue. The excess of collections of billings over aggregate project costs for these contracts will be recognized as Deltak meets the performance milestones as specified for avoiding the liquidated damage claims. During the years ended December 31, 2009 and 2008, the Company recognized such excess as follows (in thousands):

	For the years ended December 31,	
	2009	2008
Deferred revenue recognized	$ 5,920	$ 22,842

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying footnotes. Actual results could vary materially from those estimates.

Cash and Cash Equivalents: Cash and cash equivalents include cash on hand and on deposit with initial maturities of three months or less. The Company maintains cash in depository accounts at various FDIC insured banks and financial institutions. Although the Company maintains cash balances in excess of the FDIC insured limits, management believes this risk is mitigated by using financial institutions that are rated investment grade according to credit rating agencies.

Accounts Receivable: Accounts receivable are reported net of allowance for doubtful accounts and discounts. The allowance is based on current market conditions, review of specific customer economics and other estimates based on the judgment of management. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not generally charge interest on outstanding amounts.

The Company has certain customers that represent more than 10 percent of consolidated accounts receivable. The balance for these customers as a percentage of the consolidated accounts receivable is as follows:

	December 31,	
Customer	2009	2008
A	35%	-
B	12%	-
C	-	21%
D	-	10%
E	-	10%

Inventories: Inventories consist primarily of raw materials and are stated at the lower of first-in, first-out cost or market, net of applicable reserves.

Property, Plant and Equipment: Property, plant and equipment are stated at historical cost, less accumulated depreciation. For financial reporting purposes, depreciation is calculated using the straight-line method over the estimated useful lives.

The Company's property, plant and equipment balances, by significant asset category, are as follows (in thousands):

	Estimated Useful Lives	December 31, 2009	2008
Land	-	$ 2,129	$ 2,133
Buildings and improvements	5-39 years	11,566	10,916
Machinery and equipment	5-12 years	13,467	11,873
Furniture and fixtures	2-10 years	8,959	9,393
		36,121	34,315
Less accumulated depreciation		(23,176)	(21,705)
Property, plant and equipment, net		$ 12,945	$ 12,610

Depreciation and amortization expense was approximately $2.4 million and $2.0 million for the years ended December 31, 2009 and 2008, respectively. Costs of significant additions, renewals and betterments are capitalized. When an asset is sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and the gain or loss on disposition is reflected in the consolidated statements of operations. Maintenance and repairs are charged to operations when incurred.

Goodwill: The Company has made acquisitions in the past that included the recognition of goodwill, which was determined based upon previous accounting principles. Pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350, *Intangibles-Goodwill and Other*, beginning January 1, 2009, the Company will record as goodwill the excess of the consideration transferred plus the fair value of any non-controlling interest in the acquiree at the acquisition date over the fair value of any non-controlling interest in the acquiree at the acquisition date over the fair values of the identifiable net assets acquired. We evaluate goodwill for impairment at least annually, or more frequently if triggering events occur or other impairment indicators arise which might impair recoverability. The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the enterprise must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation, in accordance with ASC 805, *Business Combinations*. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed.

During 2009 and 2008, the Company performed its annual impairment review of goodwill and concluded that there was no impairment.

Deferred Financing Costs*:* Deferred financing costs are amortized over the terms of the related debt facilities using the effective yield method. Total interest expense associated with the amortization of these costs was approximately $1.2 million in 2009 and $1.7 million in 2008.

Long-Lived Assets*:* In accordance with ASC 360-10-05-4, *Impairment or Disposal of Long-Lived Assets,* long-lived assets, such as property, plant, and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. No impairments were identified in 2009 and 2008.

Major Customers: The Company has certain customers that represent more than 10 percent of consolidated revenues. The revenue for these customers as a percentage of the consolidated revenues is as follows:

	For the Years Ended December 31,	
Customer	**2009**	**2008**
A	13%	20%
B	12%	10%
C	11%	-
D	11%	-

Customers for the Products Division include OEMs, engineering and construction firms, operators of power generation facilities and firms engaged across several process related industries. Customers for the Services Division are varied, but do include some major utility companies within the United States. The Company's major customers vary over time due to the relative size and duration of the Company's projects.

Warranty Costs: Estimated costs related to product warranty are accrued as the related revenue is recognized and included in cost of revenues. Estimated costs are based upon past warranty claims and sales history. Warranty terms vary by contract but generally provide for a term of three years or less. The Company manages its exposure to warranty claims by having its field service and quality assurance personnel regularly monitor projects and maintain ongoing and regular communications with the customers.

Insurance: Certain subsidiaries of the Company are self-insured for health and workers' compensation up to certain policy limits. Amounts charged to expense amounted to approximately $5.7 million and $5.2 million in 2009 and 2008, respectively, and include insurance premiums related to the excess claim coverage and claims incurred. The reserves at December 31, 2009 and 2008 consist of estimated amounts unpaid for reported and unreported claims incurred. The Company has provided $5.0 million in letters of credit at December 31, 2009, as security for possible workers' compensation claims.

Reorganization Items: The Company successfully exited Chapter 11 on January 22, 2008. The accompanying consolidated financial statements have been presented in conformity with the provisions of ASC 852, *Reorganizations*. Accordingly, all pre-petition liabilities of the debtor that are subject to compromise are segregated in the accompanying consolidated balance sheets as liabilities subject to compromise. These liabilities are recorded at amounts or claims allowed by the Bankruptcy Court. ASC 852 also requires that reorganization items (direct and incremental costs, such as professional fees incurred in Chapter 11 cases) be segregated as a separate line item in the statements of operations.

As part of the Plan of Reorganization, holders of allowed unsecured claims against Deltak are entitled to receive a pro rata share of $34.0 million in cash and various other recoveries defined in the Plan. Pursuant to the Plan, the Company transferred $34.0 million in cash to settle the Deltak liabilities. This payment exceeded the recorded amount of these claims resulting in a $14.1 million charge to operations in 2008. This amount has been included in the reorganization items as a change in estimate of liabilities subject to compromise for the year ended December 31, 2008. The Company's reorganization items are as follows (in thousands):

	For the Years Ended December 31,	
	2009	**2008**
Professional fees	$ 1,267	$ 9,448
Change in estimate of liabilities subject to compromise	(237)	14,126
Total	$ 1,030	$ 23,574

***Income from Discontinued Operations**:* During the years ended December 31, 2009 and 2008, the Company earned income from discontinued operations due to the winding down of the large scale HRSG operations (see Note 2 – revenue recognition) and operations in Italy and Brazil. The following table summarizes the income from discontinued operations (in thousands):

	For the Years Ended December 31,	
	2009	2008
Income from discontinued operations	$ 7,369	$ 23,701
Related tax expense	-	(33)
Income from discontinued operations	$ 7,369	$ 23,668

In addition, on September 30, 2009, a settlement agreement was executed outlining the release of certain escrow funds pursuant to the sale of Global Power Asia, Ltd. in October 2007 and the Company received such funds on November 10, 2009. As a result, the Company recognized an additional gain on the sale of discontinued operations during the year ended December 31, 2009 as follows:

	For the Years Ended December 31,	
	2009	2008
Gain on disposal of discontinued operations	$ 2,747	$ -
Related tax expense	(11)	-
Gain on disposal of discontinued operations, net of tax	$ 2,736	$ -

Income Taxes: The current provision for income taxes is based on current federal and state statutory rates which are adjusted based on changes in tax laws and significant fluctuations in taxable income.

Income taxes are accounted for under the asset and liability method. Under such method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Additionally, deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance must be established when management believes the realization of the benefits of deferred tax assets is not deemed to be more likely than not.

In accordance with ASC 740, *Income Taxes*, the Company recognizes the effect of income tax position only if the positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which those change in judgment occurs. The Company recognizes both interest and penalties related to uncertain tax position as part of the income tax provision.

Derivative Financial Instruments: ASC 815, *Derivatives and Hedging*, requires companies to recognize all derivative instruments as either assets or liabilities at fair value in the statement of financial position. For derivatives designated as hedges, changes in the fair value are either offset against the change in fair value, for the risk being hedged, of the assets and liabilities through earnings, or recognized in accumulated other comprehensive income until the hedged item is recognized in earnings.

The Company uses financial instruments in the management of its foreign currency exchange exposures. These financial instruments are considered derivatives under ASC 815, but do not meet hedge accounting requirements. Therefore, the Company recognizes changes in fair values of the forward agreements through cost of revenues. The following table summarizes the forward contracts at December 31, 2009; there were no forward contracts at December 31, 2008 (in thousands):

Functional Currency	Currency Hedged (bought or sold forward)	Hedged Foreign Currency Exposure (In equivalent U.S. Dollars)	Notional Amount of Forward Buy Contracts (in equivalent U.S. Dollars)	Notional Amount of Forward Sell Contracts (in equivalent U.S. Dollars)
Euro	U. S. Dollars	$ 3,258	$ 3,258	$ -
U.S. Dollars	Mexican Pesos	1,542	1,542	-
U.S. Dollars	Euro	8,175	-	8,175
U.S. Dollars	South Korean Won	3,188	-	3,188
	Total	$ 16,163	$ 4,800	$ 11,363

The notional amount provides one measure of the transaction volume outstanding as of the balance sheet date. Amounts ultimately realized upon final settlement of these financial instruments, along with the gains and losses on the underlying exposures within our forward contracts, will depend on actual market exchange rates during the remaining life of the instruments. These contracts mature during 2010.

The Company entered into an interest rate swap agreement to convert $60 million of the Credit Facility variable interest payments to a fixed rate of 2.97% which terminates in March 2010. The interest rate swap agreement constitutes a cash flow hedge and satisfies the criteria for hedge accounting prescribed by ASC 815. The Company determined that the effectiveness of the hedge would be assessed periodically by comparing the terms of the swap and the loan to assure they continue to coincide and to evaluate the counterparty's ability to honor its obligations under the swap agreements. On October 1, 2009, the Company exercised its option to change the basis for the variable interest rate used on the Credit Facility on $21.3 million to the prime rate plus a margin. The remaining $45.3 million remains based upon LIBOR plus a margin. This caused a portion of the swap to become ineffective.

The following tables show the impact of derivatives on the Company's consolidated balance sheets (in thousands):

As of	**December 31, 2009**		**December 31, 2008**	
	Balance Sheet Location	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Foreign exchange contracts	Other current liabilities	$ 570	-	$ -
Interest rate contracts	Other current liabilities	408	Other current liabilities	1,349
Loss on interest rate contract derivative (effective portion), net of tax	Other comprehensive income	185	Other comprehensive income	810

The following tables show the impact of derivatives not designated as hedging instruments on the Company's consolidated statements of operations (in thousands):

Derivatives Not Designated as Hedging Instruments under ASC 815-10	Location of Gain (Loss) Recognized on Derivatives	Amount of Loss Recognized on Derivatives for the Years Ended December 31, 2009	2008
Foreign exchange contracts	Selling and administrative expenses	$ (570)	$ -
Total		$ (570)	$ -

The following tables show the impact of derivatives designated as hedging instruments on the Company's consolidated statements of operations (in thousands):

Derivatives Designated as Hedging Instruments under ASC 815-10	Location of Gain (Loss) Recognized on Derivatives	Amount of Loss Recognized on Derivatives for the Years Ended December 31, 2009	2008
Interest rate contracts	Selling and administrative expenses	$ (99)	$ -
Total		$ (99)	$ -

Fair Value of Financial Instruments: In September 2006, the FASB issued ASC 820, *Fair Value Measurements and Disclosures*. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States, and expands disclosures about fair value measurements. The Company adopted certain of the provisions of ASC 820 on January 1, 2008. Although the adoption of ASC 820 did not materially impact its financial condition, results of operations, or cash flow, the Company is now required to provide additional disclosures as part of its financial statements. ASC 820 establishes a three-tier fair value hierarchy, which categorizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in the active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

The following table shows assets and liabilities measured at fair value as of December 31, 2009 on the Company's consolidated balance sheet, and the input categories associated with those assets and liabilities (in thousands):

		Fair Value Measurements at Reporting Date Using		
Description	Total Fair Value Assets (Liabilities) at 12/31/09	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foreign exchange contracts	$ (570)	$ -	$ (570)	$ -
Interest rate contracts	(408)	-	(408)	-
Total	$ (978)	$ -	$ (978)	$ -

The following table shows assets and liabilities measured at fair value as of December 31, 2008 on the Company's consolidated balance sheet, and the input categories associated with those assets and liabilities (in thousands):

		Fair Value Measurements at Reporting Date Using		
Description	Total Fair Value Assets (Liabilities) at 12/31/08	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate contracts	$ (1,349)	$ -	$ (1,349)	$ -
Total	$ (1,349)	$ -	$ (1,349)	$ -

The fair value of the foreign exchange contracts is calculated using the foreign exchange rate at the end of the period and the notional amounts as determined in the forward contract. The Company uses the calculated fair values to adjust the asset or liability as appropriate.

The fair value of interest rate swaps is calculated using proprietary models utilizing observable inputs as well as future assumptions related to interest rates and other applicable variables. These calculations are performed by the financial institutions which are counterparties to the applicable swap agreements and reported to the Company on a monthly basis. The Company uses these reported fair values to adjust the asset or liability as appropriate.

The Company's financial instruments consist primarily of cash and cash equivalents, receivables, payables, and debt instruments. The carrying values of these financial instruments approximate their respective fair values as they are either short-term in nature or carry interest rates which are periodically adjusted to market rates.

ASC 820 requires that companies provide a reconciliation of the beginning and ending balances for Level 3 assets and liabilities measured at fair value. Since the Company has no Level 3 assets or liabilities, no reconciliation is necessary.

Foreign Currency: Assets and liabilities of the Company's foreign operations are translated at year-end exchange rates, and revenues and expenses are translated at average exchange rates prevailing during the period. Translation adjustments are recorded as a separate component of stockholders' equity and other comprehensive income on the accompanying consolidated financial statements. Gains and losses from foreign currency transactions are included in operations.

Adoption of New Accounting Standards:

In September 2006, the FASB issued ASC 820, *Fair Value Measurements and Disclosures,* which is effective for fiscal years beginning after November 15, 2007. The Company adopted the provisions as required on January 1, 2008, except for nonfinancial assets and nonfinancial liabilities that are subject to delayed adoption until fiscal years and interim periods beginning after November 15, 2008. The Company adopted the remaining provisions as required on January 1, 2009. The adoption of these provisions did not have a material effect on the consolidated financial position, results of operations or cash flows of the Company and these provisions will be applied prospectively for the fair value measurement of non-financial assets.

In December 2007, the FASB issued new requirements for accounting for business combinations and noncontrolling interests. The requirements are in included in ASC 805, *Business Combinations* and ASC 810, *Consolidation* which are both effective for fiscal years beginning after December 15, 2008. ASC 805 requires the acquirer to recognize assets and liabilities and any noncontrolling interest in the acquiree at the acquisition date at fair value and requires the acquirer in a step-acquisition to recognize the identifiable assets and liabilities at the full amounts of their fair value. ASC 810 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and the deconsolidation of a subsidiary and changes the layout of the consolidated income statement and classifies noncontrolling interests as equity in the consolidated balance sheet. The Company adopted the provisions of ASC 805 and 810 as required on January 1, 2009. The adoption of these provisions did not have a material effect on the consolidated financial position, results of operations or cash flows of the Company.

In December 2007, the FASB issued guidance now codified as ASC 805, *Business Combinations*. ASC 805 replaces prior guidance on business combinations and establishes principles and requirements for how the acquirer: (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. Under prior guidance, changes in valuation allowances, as a result of income from acquisitions, for certain deferred tax assets would serve to reduce goodwill, whereas under ASC 805, any

changes in the valuation allowance related to income from acquisitions currently or in prior periods will serve to reduce income taxes in the period in which the allowance is reversed. Under ASC 805 transaction related expenses, which were previously capitalized as direct costs of the acquisition, will be expensed as incurred. The Company will apply the provisions of ASC 805 prospectively to business combinations consummated after January 1, 2009. The impact that ASC 805 may have on our financial condition, results of operations or cash flows will depend upon the nature, terms and size of the acquisition and changes to the valuation allowances.

In March 2008, the FASB issued ASC 815, *Derivatives and Hedging,* which is effective for fiscal years beginning after December 15, 2008. ASC 815 requires expanded disclosures related to an entity's derivative instruments and hedging activities. ASC 815 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Since ASC 815 requires only additional disclosures concerning derivatives and hedging activities (see Note 2 for disclosures and related adoption of ASC 815), the adoption effective January 1, 2009 did not affect the consolidated financial position, results of operations or cash flows of the Company.

In April 2008, the FASB issued ASC 350-30, *General Intangibles Other than Goodwill* which provides guidance on assigning useful lives to intangible assets and requires expanded disclosures related to an entity's intangible assets. The Company adopted the provisions of ASC 350-30 effective January 1, 2009. The adoption of these provisions did not have a material effect on the consolidated financial position, results of operations or cash flows of the Company.

Effective January 1, 2009, the Company adopted the provisions FASB ASC 815-40, *Derivatives and Hedging - Contracts in Entity's Own Equity*. The adoption of this provision did not have a material effect on the consolidated financial position, results of operations or cash flows of the Company.

In April 2009, the FASB issued ASC 825-10-65, *Interim Disclosures about Fair Value of Financial Instruments*, which requires disclosures about fair value of financial instruments whenever summarized financial information for interim reporting periods is presented. Entities shall disclose the methods and significant assumptions used to estimate the fair value of financial instruments and shall describe changes in methods and significant assumptions, if any, during the period. The Company adopted the provisions of ASC 825-10-65 effective April 1, 2009. The adoption of these provisions did not have a material effect on the consolidated financial position, results of operations or cash flows of the Company.

In July 2009, the FASB issued ASC 105, *The FASB Accounting Standards Codification* ™, as the single source of authoritative nongovernmental U.S. generally accepted accounting principles (GAAP). The Codification is effective for interim and annual periods ending after September 15, 2009. All existing accounting standards are superseded as described in ASC 105. All other accounting literature not included in the Codification is nonauthoritative. The Company adopted the provisions of ASC 105 effective July 1, 2009. The adoption of this provision did not have a material effect on the consolidated financial position, results of operations or cash flows of the Company.

In May 2009, the FASB issued ASC 855, Subsequent Events which establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. ASC 855 is effective for interim and annual reporting periods ending after June 15, 2009, and shall be applied prospectively. The Company adopted the provisions of ASC 855 effective April 1, 2009. The adoption of this provision did not have a material effect on the consolidated financial position, results of operations or cash flows of the Company. The Company has evaluated events and transactions occurring subsequent to the balance sheet date of December 31, 2009, for items that should potentially be recognized in these consolidated financial statements. The evaluation was conducted through March 23, 2010, the date these consolidated financial statements were available to be issued.

NOTE 3 -- EARNINGS PER SHARE

Basic and diluted earnings per common share are calculated as follows (in thousands, except for share and per share data):

	For the Years Ended December 31,	
	2009	2008
Basic Earnings Per Common Share:		
Income from continuing operations	$ 17,782	$ 11,170
Income from discontinued operations	10,105	23,668
Net income available to common shareholders	$ 27,887	$ 34,838
Weighted Average Common Shares Outstanding	136,118,599	129,288,721
Income from continuing operations	$ 0.13	$ 0.09
Income from discontinued operations	0.07	0.18
Basic earnings per common share	$ 0.20	$ 0.27
Diluted Earnings Per Common Share:		
Income from continuing operations	$ 17,782	$ 11,170
Income from discontinued operations	10,105	23,668
Net income available to common shareholders	$ 27,887	$ 34,838
Weighted Average Common Shares Outstanding	136,118,599	129,288,721
Dilutive effect of unvested RSUs to purchase common stock	2,554,941	1,833
Dilutive effect of warrants	1,422,636	2,043,181
Weighted Average Shares Outstanding Assuming Dilution	140,096,176	131,333,735
Income from continuing operations	$ 0.13	$ 0.09
Income from discontinued operations	0.07	0.18
Diluted earnings per common share	$ 0.20	$ 0.27

Diluted earnings per share include the potentially dilutive effect of outstanding warrants and restricted stock units which are convertible to common stock. For the year ended December 31, 2009 and 2008, no outstanding stock equivalents were anti-dilutive and excluded from the computations of diluted earnings per share.

NOTE 4 -- GOODWILL AND OTHER INTANGIBLE ASSETS

There were no changes in the carrying amount of goodwill during 2009 or 2008. The balances for other intangible assets as of December 31, 2009 are as follows (in thousands):

	As of December 31, 2009			
	Weighted Average Amortization Years	Gross Carrying Amount	Accumulated Amortization	Net Asset
Intangible Assets				
Backlog	1	$ 2,100	$ 2,100	$ -
Customer Relations	6	8,800	6,551	2,249
Trade Name	Infinite	12,500	-	12,500
Total Intangible Assets		$ 23,400	$ 8,651	$ 14,749

The balances for other intangible assets as of December 31, 2008 are as follows (in thousands):

	As of December 31, 2008			
	Weighted Average Amortization Years	Gross Carrying Amount	Accumulated Amortization	Net Asset
Intangible Assets				
Backlog	1	$ 2,100	$ 2,100	$ -
Customer Relations	6	8,800	4,791	4,009
Trade Name	Infinite	12,500	-	12,500
Total Intangible Assets		$ 23,400	$ 6,891	$ 16,509

Amortization expense for 2009 and 2008 was approximately $1.8 million and $1.8 million, respectively. Estimated amortization expense for the next two years is $1.8 million in 2010 and $0.5 million in 2011.

NOTE 5 -- INCOME TAXES

The following summarizes the income tax expense (in thousands):

	For the Years Ended December 31,	
	2009	2008
Current:		
Federal	$ 39	$ (5,096)
State	-	(582)
Foreign	1,452	2,577
Total current	1,491	(3,101)
Deferred:		
Federal	3,527	6,217
State	403	710
Foreign	(128)	(642)
Total deferred	3,802	6,285
Income tax expense	$ 5,293	$ 3,184

Income tax expense is allocated between continuing operations and discontinued operations as follows (in thousands):

	For the Years Ended December 31,	
	2009	2008
Continuing operations	$ 5,282	$ 3,151
Discontinued operations	11	33
Income tax expense	$ 5,293	$ 3,184

Income before income taxes was as follows (in thousands):

	For the Years Ended December 31, 2009	2008
Domestic	$ 14,483	$ 7,057
Foreign	8,581	7,264
Income from continuing operations	23,064	14,321
Income from discontinued operations	10,116	23,701
Net income	$ 33,180	$ 38,022

The components of deferred income taxes consist of the following (in thousands):

	December 31, 2009	December 31, 2008
Assets:		
Cost in excess of identifiable net assets of business acquired	$ 32,917	$ 36,585
Reserves and other accruals	7,143	9,688
Restructuring charges	19,041	18,454
Deferred revenue	818	3,122
Tax credit carryforwards	7,971	4,902
Accrued compensation and benefits	6,987	7,629
State net operating loss carryforwards	2,745	3,431
Federal net operating loss carryforwards	15,566	20,706
Foreign net operating loss carryforwards	-	160
Other	1,064	354
	94,252	105,031
Liabilities		
Indefinite life intangibles	(15,354)	(10,808)
Property and equipment	(1,281)	(2,301)
Net deferred tax assets	77,617	91,922
Valuation allowance for net deferred tax assets	(92,033)	(102,535)
Net deferred tax liability after valuation allowance	$ (14,416)	$ (10,613)

At December 31, 2009 and 2008, the Company has recorded a valuation allowance against deferred income tax assets of approximately $92.0 million and $102.5 million, respectively, representing the amount of its deferred income tax assets in excess of the Company's deferred income tax liabilities. The net change in valuation allowance for the year ended December 31, 2009 was a decrease in the amount of approximately $10.5 million, and the net change in valuation allowance for the year ended December 31, 2008 was a decrease in the amount of approximately $5.7 million. The valuation allowance was recorded because management was unable to conclude, in light of the cumulative tax loss realized by the Company for the three year period ended before December 31, 2009, that realization of the net deferred tax asset was more likely than not.

Net deferred tax assets are allocated between current and long-term as follows (in thousands):

	For the Years Ended December 31, 2009	2008
Current deferred tax asset (included in Other current assets)	$ 352	$ 487
Current deferred tax liability	-	-
Non-current deferred tax liability	(14,768)	(11,100)
Net deferred tax assets after valuation allowance	$ (14,416)	$ (10,613)

The amount of the income tax provision for the years ended December 31, 2009 and 2008 differs from the statutory federal income tax rate of 35% as follows:

	For the Years Ended December 31,			
	2009		2008	
	Amount	Percent	Amount	Percent
Tax expense computed at the maximum U.S. statutory rate	$ 11,613	35.0%	$ 13,308	35.0%
Difference resulting from				
State income taxes, net of federal income tax benefits	403	1.2%	1,521	4.0%
Foreign tax rate differences	(435)	-1.3%	(1,408)	-3.7%
Non-deductible expenses	1,644	5.0%	594	1.6%
Multi-year true-ups	(6,491)	-19.6%	(6,146)	-16.2%
Effective rate differences	1,132	3.4%	-	-
Change in valuation allowance	(2,918)	-8.8%	(5,721)	-15.0%
Other, net	345	1.0%	1,036	2.7%
Total	$ 5,293	15.9%	$ 3,184	8.4%

The Company has approximately $50.9 million of federal net operating loss carryforwards expiring in 2025 through 2027. The Company has state income tax loss carryforwards of approximately $44.6 million expiring in 2009 through 2029. The Company has approximately $7.5 million in foreign tax credit carryforwards expiring in 2015 through 2019
The Company provides income taxes on the undistributed earnings of its foreign subsidiaries except to the extent that such earnings are indefinitely reinvested outside the United States. As of December 31, 2009, all of the undistributed earnings of the foreign subsidiaries were considered to be reinvested indefinitely. Consequently, the Company has not provided for the federal and foreign withholding taxes on the foreign subsidiaries' undistributed earnings.

Effective January 1, 2007, the Company adopted ASC 740, *Income Taxes,* resulting in a cumulative effect of a change in accounting principle of $1.3 million. Currently, the Company is not under examination for income tax purposes by any taxing jurisdiction. A presentation of open tax years by jurisdiction is as follows:

Tax Jurisdiction	Examination in Progress	Open Tax Years for Examination
United States	None	2005 to Present
Mexico	None	2004 to Present
China	None	2004 to Present
The Netherlands	None	2007 to Present

The Company has elected to classify interest and penalties related to uncertain income tax positions in income tax expense. At December 31, 2009 and 2008, the Company has accrued approximately $1.7 million and $1.2 million, respectively, for potential payment of interest and penalties, respectively.

Following is a reconciliation of the total amounts of unrecognized tax benefits for the year ended December 31, 2009 (in thousands):

Unrecognized Tax Benefits at January 1, 2009	Change in Unrecognized Tax Benefits Taken During a Prior Period	Change in Unrecognized Tax Benefits During the Current Period	Decreases in Unrecognized Tax Benefits From Settlements With Taxing Authorities	Reductions to Unrecognized Tax Benefits From Lapse of Statues of Limitations	Unrecognized Tax Benefits at December 31, 2009
$ 5,225	$ -	$ 1,077	$ (456)	$ -	$ 5,846

Unrecognized Tax Benefits disclosed at January 1, 2009 differs from Unrecognized Tax Benefits at December 31, 2008 by an increase of $1.7 million. This increase results from the Company's decision to also disclose the $1.7 million in unrecognized

tax benefits related to timing differences, which have no current income tax or effective tax rate impact. This is being done to better comport with how the disclosure of unrecognized tax benefits has evolved since the passage of ASC 740. This change in disclosure has no impact on the amounts recognized in the accompanying consolidated balance sheets. As of December 31, 2009 and 2008, the total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate are approximately $1.9 million and $1.7 million, respectively.

Following is a reconciliation of the total amounts of unrecognized tax benefits for the year ended December 31, 2008 (in thousands):

Unrecognized Tax Benefits at January 1, 2008	**Change in Unrecognized Tax Benefits Taken During a Prior Period**	**Change in Unrecognized Tax Benefits During the Current Period**	**Decreases in Unrecognized Tax Benefits From Settlements With Taxing Authorities**	**Reductions to Unrecognized Tax Benefits From Lapse of Statues of Limitations**	**Unrecognized Tax Benefits at December 31, 2008**
$ 2,776	$ -	$ 714	$ -	$ -	$ 3,490

At December 31, 2008 and 2007, the total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate are approximately $1.7 million and $1.5 million, respectively.

NOTE 6 -- UNCOMPLETED CONTRACTS

Both the Products and Services Divisions enter into contracts that allow for periodic billings over the contract term. At any point in time, each project under construction could have either costs and estimated earnings in excess of billings or billings in excess of costs and estimated earnings. Within the Products Division, the Auxiliary Power Equipment business typically bills customers only at the completion of each phase of a contract and no earnings are recognized until each phase is complete.

Costs, earnings and billings related to uncompleted contracts consist of the following (in thousands):

	For the Years Ended December 31,	
	2009	**2008**
Costs incurred on uncompleted contracts	$ 435,172	$ 477,311
Earnings recognized on uncompleted contracts	(128,822)	90,703
Total	306,350	568,014
Less - billings to date	(309,189)	(548,820)
Net	$ (2,839)	$ 19,194

The net amounts are included in the accompanying consolidated balance sheets under the following headings (in thousands):

	December 31, 2009	**December 31, 2008**
Costs and estimated earnings in excess of billings	$ 31,518	$ 55,922
Billings in excess of costs and estimated earnings	(34,357)	(36,728)
Net	$ (2,839)	$ 19,194

NOTE 7 -- DEBT

Credit Facility: The Company has a $150 million Credit Facility ("Credit Facility") consisting of a $60 million revolving letter of credit facility, including a $25 million cash advance sub-facility, and a $90 million term loan facility. The Credit Facility is due and payable on January 22, 2014 and has mandatory amortization payments on the term loan facility of approximately $1.3 million per quarter and a sweep of 25 – 75% of excess cash flow, as defined in the Credit Facility. Future principle payments on the Credit Facility are expected to be $40.7 million in 2010, $5 million in 2011 through 2013 and $9.6 million in 2014.

On July14, 2009, the Company drew down the full amount of the $25 million on the cash advance sub-facility of the Credit Facility in order to secure access to the available funds. On September 30, 2009, The CIT Group / Business Credit, Inc. fully sold and assigned their interest in and all rights and obligations under the Credit Agreement to another party. This affects the Company in that all Letters of Credit will henceforth be issued through the new lender as well as any future revolver draw downs will be the proportionate obligation the new lender. The amount of the cash advance sub-facility, and related interest, was paid in full on September 30, 2009.

At December 31, 2009 and 2008, the Credit Facility consisted of the following (in thousands):

	As of December 31,	
	2009	2008
Term loan	$ 65,325	$ 85,000
Less:		
Current maturities of long-term debt		
Quarterly installments	5,000	5,000
Excess cash flow sweep	35,692	14,675
Long-term debt, net of current maturities	$ 24,633	$ 65,325

The variable interest rate on the Credit Facility was 7.75% as of December 31, 2009. The interest rate on letters of credit issued under the revolving letter of credit was 3.07% at December 31, 2009. The Company also pays an unused line fee of 0.50%. At December 31, 2009, the excess cash flow payment for 2010 is expected to be $35.7 million and is included in current maturities of long-term debt on the consolidated balance sheets.

The Credit Facility includes customary affirmative and negative covenants, such as limitations on the creation of new indebtedness and on certain liens, restrictions on certain transactions and payments and requires maintenance of a maximum consolidated leverage ratio, minimum consolidated fixed charge ratio and minimum liquidity. A default under the Credit Facility may be triggered by events such as a failure to comply with financial covenants or other covenants under the Credit Facility, a failure to make payments when due under the Credit Facility, a change of control of the Company or certain insolvency proceedings. A default under the Credit Facility would permit the participating banks to restrict the Company's ability to further access the Credit Facility for loans, require the immediate repayment of any outstanding loans with interest and require the cash collateralization of outstanding letter of credit obligations. The Credit Facility is secured by a first priority lien on substantially all assets of the Company.

On December 31, 2009, the Company amended the Credit Facility (Amendment No. 3) to accommodate operational and administrative enhancements including:

- Allow for commercial joint venture and LLC agreements under certain conditions.
- Ability to issue up to $5 million of letters of credit in support of purchase orders placed on foreign subsidiaries.
- Ability to fund up to $5 million in working capital support of foreign entity operations.

At December 31, 2009, the Company had $25.0 million of unused capacity on the cash advance sub-facility.

NOTE 8 -- LIABILITIES SUBJECT TO COMPROMISE

Liabilities subject to compromise include unsecured and under secured liabilities, including secured liabilities as to which there is uncertainty as to whether the value of the collateral securing such liabilities is less than, equals or exceeds such liabilities, incurred prior to the petition date. The amounts of the various categories of liabilities that are subject to compromise are set forth below. These amounts represent the Company's estimates of known or potential pre-petition date claims that are likely to be resolved in connection with the Chapter 11 filings. Such claims remain subject to further adjustments. Adjustments result from negotiations, actions of the Bankruptcy Court, rejection of executory contracts, the determination as to the value of any collateral securing claims, proofs of claim or other events.

The amounts of liabilities subject to compromise at December 31, 2009 consisted of the following (in thousands):

	Products Division	Services Division	Corporate	Total
Accounts payable	$ 92	$ 30	$ -	$ 122
Other accruals	109	-	310	419
Total	$ 201	$ 30	$ 310	$ 541

The amounts of liabilities subject to compromise at December 31, 2008 consisted of the following (in thousands):

	Products Division	Services Division	Corporate	Total
Accounts payable	$ 335	$ 30	$ -	$ 365
Other accruals	109	-	130	239
Total	$ 444	$ 30	$ 130	$ 604

NOTE 9 -- STOCKHOLDERS' EQUITY

Restricted Stock Awards: Pursuant to the 2008 Director's Equity Incentive Plan, the Company is permitted to award restricted stock which are shares of common stock that are issued subject to specified restrictions on transfer, forfeiture and/or such other restrictions on incidents of ownership determined by the Compensation Committee. On January 22, 2009, the Company issued 235,296 shares of restricted stock under the 2008 Director's Equity Incentive Plan at a grant date fair value of $0.64 per share which approximate the quoted market price of the common stock on that date. Vesting of this restricted stock is based on certain service conditions over a four year period. In connection with the grant, the Company recorded expense of $0.07 million for the year ended December 31, 2009 and will recognize an aggregate of $0.08 million of expense over the next three years.

On February 9, 2009, the Company issued 312,500 shares of restricted stock under the 2008 Director's Equity Incentive Plan at a grant date fair value of $0.55 per share. Vesting of this restricted stock is based on certain service conditions over a four year period. In connection with the grant, the Company recorded expense of $0.04 million for the year ended December 31, 2009 and will recognize an aggregate of $0.13 million of expense over the next four years.

Stock-based Compensation: On June 23, 2008, the Company granted 5,233,921 Restricted Stock Units (each such unit, a "RSU") under the 2008 Management Incentive Plan pursuant to RSU Award Agreements executed by each beneficiary of the grant (the "RSU Award Agreement"). On March 31, 2009, the Company issued 1,271,847 shares of Restricted Stock to the recipients of RSU awards according to the vesting requirements of the RSU Award Agreements. Additionally, on October 15, 2009, the Company issued 238,197 shares of Restricted Stock to the recipients of RSU awards according to specific separation agreements. In connection with this grant, the Company recognized $0.9 million in expense for the year ended December 31, 2009 related to these RSUs.

On February 9, 2009, the Company granted 4,860,070 RSUs with a grant date fair value of $0.55 per unit under the 2008 Management Incentive Plan. Grants of RSUs under the 2008 Management Incentive Plan are valued in terms of the fair value of the Company's common stock at date of grant, however, common stock is not issued at the time of the grant. Vesting of RSUs is based on certain performance and service conditions over a four year period. The Company recognizes compensation cost for awards with performance conditions if and when the Company concludes that it is probable that the performance condition will be achieved, net of an estimate of pre-vesting forfeitures. The Company recognizes

compensation cost for awards with service condition throughout the vesting term, net of an estimate of pre-vesting forfeitures. On October 15, 2009, the Company issued 131,994 shares of Restricted Stock to the recipients of RSU awards according to specific separation agreements. Restricted shares are issued to plan participants as vesting requirements are satisfied. In connection with this grant, the Company recognized $0.5 million of expense for the year ended December 31, 2009 related to these RSUs.

On September 14, 2009, the Company granted 750,000 RSUs with a grant date fair value of $1.20 per unit under the 2008 Management Incentive Plan. Grants of RSUs under the 2008 Management Incentive Plan are valued in terms of the fair value of the Company's common stock at date of grant, however common stock is not issued at the time of the grant. Vesting of RSUs is based on certain performance and service conditions over a four year period. The Company recognizes compensation cost for awards with performance conditions if and when the Company concludes that it is probable that the performance condition will be achieved, net of an estimate of pre-vesting forfeitures. Restricted shares are issued to plan participants as vesting requirements are satisfied. In connection with this grant, the Company recognized $0.1 million of expense for the year ended December 31, 2009 related to these RSUs.

Management Co-Investment Plan: On January 22, 2008, members of management were offered the opportunity to purchase shares of the new common stock (up to an aggregate amount of $1.5 million) at the share price of $0.85 per share. With each purchase of two shares of new common stock, an additional share of restricted stock (each an "Incentive Share") was issued. The Company recognized $0.2 million in expense related to the Incentive Shares during the year ended December 31, 2009 with the remaining compensation expense of $0.2 million to be recognized over the remaining vesting period. At December 31, 2009, 3,844 shares of common stock issued under the Management Co-Investment Plan were forfeited by members of management who terminated their employment with the Company prior to meeting the vesting requirements. These shares are held as treasury shares.

Warrants: On January 22, 2008, the Company issued warrants to purchase 16,265,005 shares of stock with an exercise price of $0.8806. The warrants vested immediately upon issuance and expire on January 22, 2013. During the year ended December 31, 2009, warrants were exercised to purchase 591,219 shares of common stock. The stock was sold in a cashless transaction whereby the Company withheld 377,216 shares of common stock, treasury shares, as payment for the exercised purchase warrants.

Fair Market Value of Interest Rate Swap: On March 28, 2008, the Company entered into a swap agreement to convert $60 million of the Credit Facility variable interest payments to fixed rates. The amount of accumulated comprehensive income associated with interest rate swaps was loss of $0.2 million at December 31, 2009 and $0.8 million at December 31, 2008. See Note 2 for a discussion of the interest rate swaps.

Foreign Currency Translation: Foreign assets and liabilities are translated using the exchange rate in effect at the balance sheet date, and results of operations are translated using an average rate for the period. Translation adjustments are accumulated and reported as a component of accumulated other comprehensive income. The amount of accumulated comprehensive income related to foreign currency translation was $2.8 million at December 31, 2009 and $1.9 million at December 31, 2008. See Note 2 for a discussion of the foreign currency translation.

NOTE 10 -- COMMITMENTS AND CONTINGENCIES

Employment Agreements: The Company entered into employment agreements with terms of two to three years with certain members of management with automatic one-year renewal periods at expiration dates. The agreements provide for, among other things, compensation, benefits and severance payments.

Litigation: The Company is involved in legal actions which arise in the ordinary course of its business. Although the outcomes of any such legal actions cannot be predicted, in the opinion of management, the resolution of any currently pending actions will not have a material adverse effect on the consolidated financial position or results of operations of the Company.

The Company is involved in a dispute with a Deltak customer involving the sale of HRSG units stemming from a purchase order dated in January 2006. In March 2007, the customer filed a proof of claim against the Company asserting claims for costs to complete the project totaling approximately $55 million. In addition, the customer filed an objection to the Company's Plan. In December 2007, the Bankruptcy Court (i) sustained the Company's objection with respect to the customer's claim and disallowed its guaranty claim against Global Power, (ii) entered an order overruling the customer's objection to the Plan and (iii) estimated its claim for the Plan voting purposes at $7 million. On December 27, 2007, the customer filed a notice of appeal. Subsequently, the customer has dropped its appeal on the overruled objection to the Company's plan. On December 16, 2008, the U.S. District Court for the District of Delaware affirmed the Bankruptcy

Court's order on all issues. On January 12, 2009, the customer filed an appeal of this ruling to the 3rd Circuit Court of Appeals, and that process is now ongoing. If the Company is successful, the customer's claim will be treated as a general unsecured claim, which under the terms of the Plan, is entitled only to share in the $34 million fund reserve. See Note 2.

Warranty: Estimated costs related to product warranty are accrued as revenue is recognized and included in cost of revenues. Estimated costs are based upon past warranty claims and sales history. Warranty terms vary by contract but generally provide for a term of three years or less. The Company manages its exposure to warranty claims by having its field service and quality assurance personnel regularly monitor projects and maintain ongoing and regular communications with the customer.

A reconciliation of the changes to the Company's warranty reserve is as follows (in thousands):

	For the Years Ended December 31,	
	2009	2008
Balance at the beginning of the period	$ 11,948	$ 5,948
Adjustments	(1,393)	-
Provision during the period	1,912	6,550
Settlements made (in cash or in kind) during the period	(1,486)	(550)
Balance at the end of the period	$ 10,981	$ 11,948

Leases: The Company leases machinery, transportation equipment and office, warehouse and manufacturing facilities, which are noncancellable and expire at various dates. Total rental expense for all operating leases for 2009 and 2008 was approximately $1.6 million and $1.9 million, respectively.

Future minimum annual lease payments under these noncancellable operating leases at December 31, 2009 are as follows (in thousands):

	December 31
2010	$ 1,399
2011	797
2012	472
2013	442
2014	355
Thereafter	-
Total	$ 3,465

None of the leases include contingent rental provisions.

Employee Benefit Plans: The Company maintains a 401(k) plan covering substantially all of the Company's employees in the United States. Expense for the Company 401(k) plan for 2009 and 2008 was approximately $1.3 million and $1.1 million, respectively.

Contingencies: At December 31, 2009 and 2008, the Company had a contingent liability for issued and outstanding stand-by letters of credit, generally issued to secure performance on customer contracts. The balance of stand-by letters of credit totaled approximately $22.2 million for the domestic entities and $13.3 million (US dollars) for foreign entities at December 31, 2009 and $19.0 million for the domestic entities and $11.6 million (US dollars) for foreign entities at December 31, 2008. Currently, there are no amounts drawn upon these letters of credit.

In addition, at December 31, 2009 and 2008, the Company had outstanding surety bonds on projects of approximately $8.5 million and $17.8 million, respectively.

In light of the recent credit market crisis, the Company evaluated its banking relationships with regard to cash and available credit. The Company maintains cash in depository accounts at various FDIC insured banks and financial institutions. Although the Company maintains cash balances in excess of the FDIC insured limits, management believes this risk is mitigated by using financial institutions that are rated investment grade according to credit rating agencies. To the extent that

the credit crisis affects the counterparties in the Credit Facility, the Company may have difficulty accessing all the available credit under this facility.

NOTE 11 – SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow disclosures are as follows (in thousands):

	For the Years Ended December 31,	
	2009	2008
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 8,848	$ 11,632
Income taxes	976	1,812
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES:		
Issuance of Common Shares for advisor success fees pursuant to the Plan of Reorganization	$ -	$ 856

NOTE 12 -- SEGMENT INFORMATION

The "Management Approach" called for by ASC 280, *Segment Reporting,* has been used by Company management to present the segment information which follows. The Company considered the way its management team makes operating decisions and assesses performance and considered which components of its enterprise have discrete financial information available. Management makes decisions using a products and services group focus and its analysis resulted in two operating segments, Products Division and Services Division. The Company evaluates performance based on net income or loss not including certain items as noted below. Intersegment revenues and transactions were not significant. Interest expense is allocated based on the amount of capital employed for each division. Corporate assets consist primarily of cash and deferred tax assets.

The following tables present information about segment income (in thousands):

	Products Division Years Ended December 31,		Services Division Years Ended December 31,	
	2009	2008	2009	2008
Revenues	$ 193,150	$ 311,603	$ 347,460	$ 245,161
Interest expense	4,713	6,744	4,954	4,923
Depreciation and amortization	1,936	1,711	2,215	2,081
Income tax provision	3,560	2,568	1,722	583
Segment income	9,088	32,976	9,724	1,768
Total Assets	$ 129,497	$ 165,739	$ 125,015	$ 94,469

The following table presents information, which reconciles segment information to consolidated totals (in thousands):

	Years ended December 31,	
	2009	2008
Net income:		
Total segment income	$ 18,812	$ 34,744
Income from discontinued operations	10,105	23,668
Reorganization expense	(1,030)	(23,574)
Consolidated net income	$ 27,887	$ 34,838

The following table presents information, which reconciles segment information to consolidated totals (in thousands):

	As of December 31,	
	2009	2008
Assets:		
Total segment assets	$ 254,512	$ 260,208
Non allocated corporate assets	74,708	40,831
Total consolidated assets	$ 329,220	$ 301,039

The following presents revenues by geographical region based on the Company's operating locations. Products are often shipped to other geographical areas but revenues are listed in the region in which the revenue is recognized (in thousands):

	Years ended December 31,			
	2009		2008	
	Revenue Recognized In	Product Shipped To	Revenue Recognized In	Product Shipped To
U.S. and Canada	$ 486,598	$ 413,791	$ 458,075	$ 372,512
Europe	38,471	31,345	80,792	20,704
Mexico	10,518	364	16,350	116
Asia	5,023	26,113	1,547	17,999
Middle East	-	63,681	-	112,374
Other	-	5,316	-	33,059
Total	$ 540,610	$ 540,610	$ 556,764	$ 556,764

NOTE 13 – SUBSEQUENT EVENTS

January 7, 2010, pursuant to Amendment No. 3 of the Credit Facility, the Company prepaid $20 million of the term note balance upon execution of the amendment without a pre-payment penalty charge. The pre-payment was comprised of $5 million payment of the 2010 quarterly amortization payments and $15 million applied against the 2009 excess cash flow payment. The prepaid amount is included under current liabilities on the consolidated balance sheet.