Global Power Equipment Group Inc. and Subsidiaries

Consolidated Financial Statements

For the years ended December 31, 2007 and 2006

Global Power Equipment Group, Inc
and Subsidiaries

Contents

Independent Auditors' Report 2

Consolidated Financial Statements

Balance Sheets 3

Statements of Operations 4

Statement of Stockholders' Equity 5

Statement of Cash Flows 6

Notes to Financial Statements 7

BDO BDO Seidman, LLP
Accountants and Consultants

700 North Pearl, Suite 2000
Dallas, Texas 75201
Telephone: 214-969-7007
Fax: 214-953-0722

Independent Auditors' Report

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

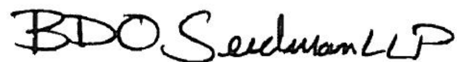
We have audited the accompanying consolidated balance sheets of Global Power Equipment Group Inc. and subsidiaries as of December 31, 2007 and 2006 (restated) and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for the years then ended. These 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. and subsidiaries at December 31, 2007 and 2006, 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.

As described in Note 2, "Summary of Significant Accounting Policies", the Company is reissuing its 2007 Consolidated Financial Statements to adopt FIN 48 "Accounting for Uncertainty in Income Taxes" as if it were a public enterprise in 2007.

As described in Note 3, "Restatement of Previously Issued Consolidated Financial Statements," the Company has restated the previously issued 2006 Consolidated Balance Sheet and the Consolidated Statement of Stockholders' Equity.



July 30, 2008, except for Notes 2, 5 and 15, as to which the date is November 14, 2008

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

	December 31, 2007	December 31, 2006
ASSETS		As restated
Current assets:		
Cash and cash equivalents	$ 51,676	$ 40,311
Restricted cash and investments	3,004	-
Accounts receivable, net of allowance of $8,001 and $3,141, respectively	37,737	51,311
Other receivables	6,268	4,139
Inventories	5,763	10,766
Costs and estimated earnings in excess of billings	56,798	29,113
Other current assets	2,423	2,956
Total current assets	163,669	138,596
Property, plant and equipment, net	12,129	20,791
Goodwill	80,400	80,400
Intangible assets, net	18,472	25,087
Other assets	1,211	4,500
Total assets	$ 275,881	$ 269,374
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities not subject to compromise		
Current liabilities:		
Current portion of long-term debt	$ 20,000	$ -
Accounts payable	21,798	22,333
Accrued compensation and employee benefits	15,117	8,420
Accrued warranties	5,948	4,974
Billings in excess of costs and estimated earnings	27,864	17,988
Deferred revenue	29,921	32,489
Deferred tax liability	2,738	146
Other current liabilities	20,599	11,785
Total current liabilities	143,985	98,135
Deferred tax liability	6,821	5,686
Long-term debt	-	20,000
Other long-term liabilities	2,845	3,587
Liabilities subject to compromise	122,435	126,452
Minority interest	-	1,568
Commitments and contingencies (Note 8 and 13)		
Stockholders' equity:		
Common stock, $0.01 par value, 100,000,000 shares authorized 47,530,829 and 47,529,067 shares issued, respectively and 47,355,735 and 47,404,197 shares outstanding, respectively	474	474
Paid-in capital deficit	(14,209)	(15,052)
Accumulated comprehensive income	5,261	3,978
Retained earnings	8,269	24,546
Treasury stock, at cost (175,094 and 124,870 shares, respectively)	-	-
Total stockholders' equity	(205)	13,946
Total liabilities and stockholders' equity	$ 275,881	$ 269,374

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

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

	For the Years Ended	
	December 31, 2007	December 31, 2006
Product revenues	$ 208,085	$ 183,536
Service revenues	195,333	173,862
Total revenues	403,418	357,398
Cost of product revenues	159,796	169,770
Cost of service revenues	171,132	150,682
Cost of revenues	330,928	320,452
Gross profit	72,490	36,946
Net activity for HRSG contracts (Note 2)	435	8,968
Selling and administrative expenses	45,179	45,365
Operating income (loss)	26,876	(17,387)
Interest expense	10,057	9,615
Income (loss) from continuing operations before reorganization items, and income taxes	16,819	(27,002)
Reorganization items	33,102	26,287
Loss from continuing operations before income taxes	(16,283)	(53,289)
Income tax expense	5,121	3,453
Loss from continuing operations	(21,404)	(56,742)
Discontinued operations:		
Income (loss) from operations of discontinued operations, net of tax expense of $0	(4,735)	595
Gain on disposal, net of tax expense of $0	11,198	-
Income from discontinued operations	6,463	595
Net loss	$ (14,941)	$ (56,147)
Basic Earning per weighted average common share:		
Loss from continuing operations	$ (0.46)	$ (1.19)
Income from discontinued operations	0.14	0.01
Loss per common share - Basic	$ (0.32)	$ (1.18)
Weighted average number of shares of common stock outstanding - basic	47,360,098	47,457,988
Diluted Earning per weighted average common share:		
Loss from continuing operations	$ (0.46)	$ (1.19)
Income from discontinued operations	0.14	0.01
Loss per common share - Diluted	$ (0.32)	$ (1.18)
Weighted average number of shares of common stock outstanding - diluted	47,360,098	47,457,988

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

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

	Common Shares		Paid-in	Accumulated Other Comprehensive	Retained	
	Shares	Amount	Deficit	Income	Earnings	Total
Balance, January, 1, 2006 (As restated)	47,519,278	$ 474	$ (15,747)	$ 2,894	$ 80,693	$ 68,314
Stock-based compensation	9,789	-	695	-	-	695
Forfeiture of restricted stock awards	(124,870)	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	1,084	-	1,084
Net loss	-	-	-	-	(56,147)	(56,147)
Balance, December 31, 2006 (As restated)	47,404,197	474	(15,052)	3,978	24,546	13,946
Cumulative effect of a change in accounting principle (Note 2 & 7)		-	-	-	(1,336)	(1,336)
Stock-based compensation	-	-	843	-	-	843
Forfeiture of restricted stock awards	(50,224)	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	1,283	-	1,283
Net loss	-	-	-		(14,941)	(14,941)
Balance, December 31, 2007	47,353,973	$ 474	$ (14,209)	$ 5,261	$ 8,269	$ (205)

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

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

	For the Years Ended	
	December 31, 2007	December 31, 2006
Operating activities:		
Net loss	$ (14,941)	$ (56,147)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Deferred income tax provision	3,727	1,961
Depreciation and amortization	7,173	5,624
Gain on disposal of equipment	(315)	(229)
Gain on sale of discontinued operations	(11,198)	-
Stock based compensation	843	695
Write off of debt financing costs	1,897	1,621
Changes in operating assets and liabilities:		
Receivables	11,445	5,809
Inventories	5,003	(1,643)
Cost and estimated earnings in excess of billings	(27,685)	16,154
Other current assets	533	(1,426)
Other assets	33	3,179
Accounts payable and other accrued liabilities	21,364	(28,014)
Billings in excess of cost and estimated earnings	9,876	(12,655)
Deferred revenue	(5,179)	35,100
Liabilities subject to compromise – operating	(1,406)	50,772
Net cash provided by operating activities	1,170	20,801
Investing activities:		
Net transfers of restricted cash	(3,004)	-
Proceeds from sale of equipment	984	483
Purchase of property, plant, and equipment	(1,566)	(1,370)
Proceeds from sale of business, net of cash sold	15,495	-
Other investing activities	(202)	-
Net cash provided by (used in) investing activities	11,707	(887)
Financing activities:		
Payment of long-term debt	-	(18,744)
Proceeds from issuance of debt	-	20,000
Payments of debt financing costs	(1,925)	(2,543)
Net cash used in financing activities	(1,925)	(1,287)
Effect of exchange rate changes on cash	413	872
Net change in cash and cash equivalents	11,365	19,499
Cash and cash equivalents, beginning of year	40,311	20,812
Cash and cash equivalents, end of year	$ 51,676	$ 40,311

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

GLOBAL POWER EQUIPMENT GROUP INC. AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, Netherlands.

On September 28, 2006, Global Power Equipment Group Inc. and all of its U.S. subsidiaries, including Williams Industrial Services Group, L.L.C., Braden Manufacturing, L.L.C. and Deltak, L.L.C. ("the Debtors"), filed voluntary Chapter 11 petitions under the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware ("Bankruptcy Court"). The Debtors operate their respective businesses and manage their respective properties as debtors and debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. As a result, the accompanying consolidated financial statements of the Company include the results of Bankruptcy Court actions, probable claims against the estate of the Debtors and professional and administrative costs related to the Chapter 11 process for the years ended December 31, 2006 and 2007. The Company successfully exited Chapter 11 on January 22, 2008, see Note 4 for further discussion regarding the Company's Chapter 11 cases.

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 and majority owned subsidiaries: Deltak, L.L.C. ("Deltak"); Deltak Construction Services, Inc.; Deltak Europe – BV; Deltak Israel, Ltd.; Braden Manufacturing, L.L.C. ("Braden"); Braden Construction Services, Inc.; Braden Europe – BV; Braden Manufacturing S.A. de C.V.; Global Power Equipment (Shanghai) Co. Ltd.; Global Power Asia, Ltd.; Deltak Power Equipment (China) Co. Ltd.("DPEC") (90% owned); Williams Industrial Services Group, L.L.C. ("WISG") and Global Power Professional Services, L.L.C. All intercompany accounts and transactions have been eliminated in consolidation.

Accounting and Reporting Requirements During Bankruptcy by the Debtor

The accompanying consolidated financial statements have been presented in conformity with the American Institute of Certified Public Accountants' Statement of Position 90-7, "Financial Reporting By Entities In Reorganization Under the Bankruptcy Code" ("SOP 90-7"). 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 the amounts allowed, or expected to be allowed, as claims by the Bankruptcy Court. SOP 90-7 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.

The Company's reorganization items are as follows (in thousands):

	For the Years Ended	
	December 31, 2007	December 31, 2006
Professional fees	$ 31,366	$ 11,578
Change in estimate of liabilities subject to compromise	1,736	-
Additional allowed amount on convertible debt	-	14,709
Total	$ 33,102	$ 26,287

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and on deposit with initial maturities of three months or less.

Inventories

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

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost, less accumulated depreciation. Depreciation is calculated using the straight-line method for financial reporting purposes 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, 2007	December 31, 2006
Land	-	$ 2,264	$ 3,631
Buildings and improvements	5-39 years	11,505	13,485
Machinery and equipment	5-12 years	13,401	16,223
Furniture and fixtures	2-10 years	6,555	8,775
		33,725	42,114
Less accumulated depreciation		(21,596)	(21,323)
Property, plant and equipment, net		12,129	20,791

Depreciation expense was approximately $2.7 and $3.0 million for 2007 and 2006, 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

Goodwill represents the excess of the aggregate purchase price over the fair value of the identifiable net assets acquired in a purchase businesses combination. Goodwill is reviewed for impairment at least annually in accordance with the provisions of Statement on Financial Accounting Standards ("SFAS") SFAS No. 142, "Goodwill and Other Intangible Assets." 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 SFAS No. 141, "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 2007 the Company performed its annual impairment review of goodwill and concluded that there was no impairment.

Deferred Financing Costs

Deferred financing costs are amortized by the effective interest method over the terms of the related debt facilities. Total interest expense associated with the amortization of these costs was approximately $3.3 million in 2007 and $3.2 million in 2006.

Long-Lived Assets

In accordance with SFAS No. 144, "Accounting for the 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 2007.

Warranty Costs

The Company typically warrants labor and fabrication for periods up to three years after delivery. Estimated costs of warranty repairs are accrued at the time the related revenue is recognized and included on the accompanying consolidated balance sheets.

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 June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS 109, "Accounting for Income Taxes." FIN 48 provides guidance on the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. For public enterprises, FIN 48 is effective for fiscal years beginning after December 15, 2006, with early adoption permitted. The effective date for FIN 48 is deferred for nonpublic entities to fiscal years beginning after December 15, 2008. The Company is reissuing its 2007 Consolidated Financial Statements to adopt FIN 48 as if it were a

public enterprise in 2007. Prior to January 1, 2007, the Company recognized income tax accruals with respect to uncertain tax positions based upon SFAS No. 5 *Accounting for Contingencies*. Under SFAS No. 5, the Company recorded a liability associated with an uncertain income tax position if the liability was both probable and estimable. The Company's liability under SFAS No. 5 included interest and penalties which were recognized as incurred within "Provision for Income Taxes" in the Consolidated Statements of Operations. Effective January 1, 2007, the Company adopted FIN 48. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. FIN 48 requires that the Company determine whether the benefits of its income tax positions are "more likely than not" of being sustained upon audit based on the technical merits of the position. For tax positions that are at least "more likely than not" or being sustained upon audit, the Company recognizes the largest amount of the benefit that is "more likely than not" of being sustained in the consolidated financial statements. For all other income tax positions, the Company does not recognize any portion of the benefit in the consolidated financial statements. The adoption of FIN 48 resulted in the following changes to the Company's consolidated financial statements for the year ended December 31, 2007:

1. A decrease in the balance of beginning retained earnings, as of January 1, 2007, of approximately $1.3 million;
2. An increase in the current tax benefit on the Consolidated Statements of Operations of approximately $161,000;
3. An increase in the liabilities for uncertain income tax positions, as of January 1, 2007, of approximately $489,000 and a decrease of liabilities for uncertain income tax positions during 2007 of approximately $161,000;
4. A reclassification of certain deferred tax assets, by approximately $1.7 million, with no impact to earnings; and an increase in deferred tax assets before valuation allowance related to foreign tax credits, and Competent Authority relief of approximately $445,000.

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 $4.7 million and $3.2 million in 2007 and 2006, respectively, and include insurance premiums for the insurance policies in effect related to the excess claim amounts and claims incurred. The reserves at December 31, 2007 and 2006 consist of amounts unpaid for reported and unreported claims incurred. The Company has provided a $4.8 million letter of credit at December 31, 2007, as security for possible workers' compensation claims.

Revenue Recognition

The Company has three primary revenue streams: Heat Recovery Equipment (comprised of the Specialty Boiler and Heat Recovery Steam Generator ("HRSG") businesses), Auxiliary Power Equipment and Industrial Services. Revenues and cost of revenues for the Heat Recovery Equipment business, and lump-sum 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 business 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. The Company has a history of providing similar products to other customers. 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 in the Heat Recovery Equipment business, 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 with the Company's customers. 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 the HRSG business and negotiated completion agreements with certain HRSG customers to complete executory contracts for delivery of HRSG units (see Note 4 for discussion). Under these agreements, the Company is subject to certain claims of liquidated damages if it fails to meet performance milestones as defined in the completion agreements. Because of escalating losses experienced on these large scale projects, the Company determined that project costs and labor hours required could not be estimated with sufficient accuracy to support the percentage-of-completion method. 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 has been deferred until such time as the earnings process is considered completed through satisfaction of the performance milestones under the completion agreements. The excess of collections of billings over aggregate project costs for these contracts will be recognized as the Company meets the performance milestones as specified for avoiding the liquidated damage claims. During 2007 and 2006, the Company recognized $0 and $2.4 million related to such excess, respectively. This amount is reported in net activity for HRSG contracts 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.

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	
Customer	**December 31, 2007**	**December 31, 2006**
A	22%	15%
B	11%	12%

Customers for the Heat Recovery Equipment business and the Auxiliary Power Equipment business include OEMs, engineering and construction firms, operators of power generation facilities and firms engaged across several process related industries. The end users of most of the Company's products are developers and operators of gas turbine power plants. Customers for the Industrial Services business are varied, but do include some major utility

companies within the United States. The Company's top ten customers vary from year to year due to the relative size and duration of the Company's projects.

Accounts Receivable

Accounts receivable are reported net of allowance for doubtful accounts and sales returns. 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.

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, accrued expenses and short-term debt approximates fair value due to the short-term nature of these instruments.

The fair value of the Company's long-term debt is estimated based on the discounted value of the future cash flows expected to be paid on the loans. The discount rate used to estimate the fair value of the loans is the rate currently available to the Company for loans with similar terms and maturities. The fair value at December 31, 2007 and 2006 approximated the carrying value.

Derivative Financial Instruments

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"), establishes accounting and reporting standards requiring that every derivative instrument be recorded on the balance sheet as either an asset or a liability measured at fair value. SFAS No. 133 requires that changes in a derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to be deferred in other comprehensive income until the transaction occurs ("cash flow hedge") or to offset related results on the hedged item in the income statement ("fair value hedge"). Hedge accounting requires that a company formally document, designate and assess the effectiveness of transactions that receive hedge accounting treatment.

Periodically, the Company uses financial instruments in the management of its foreign currency exchange and interest rate exposures. The financial instruments qualify as derivatives under SFAS No. 133, but do not meet hedge accounting requirements. The Company recognizes changes in fair values of the forward agreements through cost of revenues. As of December 31, 2007 and 2006, there were foreign currency forward exchange contracts with notional amounts totaling approximately $4.5 million and $7.3 million, respectively, with varying amounts due through December 2008. Notional value of $4.5 million and $1.7 million represented forward contracts to sell U.S. dollars in the future for a specific number of Euros at December 31, 2007 and 2006, respectively.

Stock-Based Compensation

Effective January 1, 2006, the Company adopted SFAS No. 123(R), "Share-Based Payment" ("SFAS No. 123(R)"). This statement replaces SFAS No. 123, "Accounting for Stock-Based Compensation" and supersedes APB No. 25. SFAS No.123(R) requires that all stock-based compensation be recognized as an expense in the financial statements and that such cost be measured at the fair value of the award. This statement was adopted using the modified prospective method of application, which requires the Company to recognize compensation cost on a prospective basis. In 2007 and 2006, the Company recorded stock option expense based on all unvested stock options as of the adoption date as well as all stock-based compensation awards granted subsequent to the adoption date. The Black-Scholes method is used to determine the grant date fair value for stock option awards. No stock-based awards were granted during 2006 and 2007.

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 loss on the accompanying consolidated financial statements. Gains and losses from foreign currency transactions are included in operations. Such gains and losses have not been significant in any period.

Comprehensive Income:

Comprehensive loss is comprised of the following (in thousands):

	December 31, 2007	December 31, 2006
Net loss	$ (14,941)	$ (56,147)
Foreign currency translation adjustment	1,283	1,084
Comprehensive loss	$ (13,658)	$ (55,063)

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to projected total costs of projects, including percentage of completion on contract accounting, bad debt allowances, warranty accruals, deferred tax assets, valuation allowances on deferred tax assets, accruals for uncertain tax positions and goodwill and intangible asset impairment analyses. Ultimate results could differ from those estimates.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement does not require any new fair value measurements; however, for some entities, the application of this Statement will change current practice. SFAS 157 is effective for fiscal years beginning after November 15, 2007. Management does not believe the implementation of this standard will have a significant impact on the consolidated financial statements of the Company.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations" ("SFAS 141(R)"), which establishes principles and requirements for how the acquirer: (a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; (b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and (c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141(R) requires contingent consideration to be recognized at its fair value on the acquisition date and, for certain arrangements, changes in fair value to be recognized in earnings until settled. SFAS 141(R) also requires acquisition-related transaction and restructuring costs to be expensed rather than treated as part of the cost of the acquisition. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company is currently evaluating the impact, if any, of SFAS 141(R) on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Liabilities" ("SFAS No. 159"). SFAS No. 159 provides companies with an option to report selected financial assets and liabilities at fair value, and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The new guidance is effective for fiscal years beginning after November 15, 2007. Management does not believe the implementation of this standard will have a significant impact on the consolidated financial statements of the Company.

In December 2007, the FASB issued SFAS No. 160, "Non-controlling Interests in Consolidated Financial Statements an Amendment of ARB No. 51" ("SFAS 160"), which establishes accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 also requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest. It also requires disclosure, on the face of the consolidated statement of operations, of the amounts of consolidated net income attributable to the parent and to the non-controlling interest. SFAS 160 also provides guidance when a subsidiary is deconsolidated and requires expanded disclosures in the consolidated financial statements that clearly identify and distinguish between the interests of the parent's owners and the interests of the noncontrolling owners of a subsidiary. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. . Management does not believe the implementation of this standard will have a significant impact on the consolidated financial statements of the Company.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities – an Amendment of SFAS No. 133. SFAS No. 161 enhances required disclosure regarding derivatives and hedging activities, including the objectives for using derivative instruments, fair values of derivative instruments and respective gains and losses, credit-risk-related contingent features, and cross-reference to other footnotes where derivative-related information is disclosed. The Company is currently evaluating the impact, if any, of SFAS 161 on its consolidated financial statements.

Reclassifications

Certain 2006 amounts have been reclassified to conform to the 2007 presentations.

3. RESTATEMENT OF PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS

During March of 2008, while preparing its consolidated financial statements for the year ended December 31, 2007, the Company discovered that an entry was posted in error to the December 31, 2006 consolidated financial statements. The adjustment related to reflecting costs, into 2005, regarding Costs in Excess of Billings. The amounts relating to this entry had been properly adjusted prior to the entry, making the entry unnecessary. As a result, the adjustment reflected within the 2006 consolidated financial statements was a duplicate entry. Accordingly, the Company has restated its 2006 Consolidated Balance Sheet and Statement of Stockholders’ Equity. The impact of the restatement is to increase the balance of Cost in Excess of Billings by $3.3 million with a corresponding increase to the beginning balance of Retained Earnings by $3.3 million. The restatement has no impact to the 2006 Consolidated Statement of Operations.

4. CHAPTER 11 PROCEEDINGS AND GOING CONCERN

On September 28, 2006, the Debtors filed voluntary Chapter 11 petitions under the Bankruptcy Code in the Bankruptcy Court. The Debtors are continuing to operate their businesses as debtors and debtors-in- possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure and applicable Bankruptcy Court orders, as well as other applicable laws and rules.

In general, as debtors-in-possession, each of the Debtors is authorized to continue to operate as an ongoing business, but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court. The Company believes that the Williams Industrial Services Group, L.L.C., Braden Manufacturing, L.L.C. and Deltak, L.L.C. businesses (excluding Deltak's Heat Recovery Steam Generator business) are fundamentally sound and intends to operate those businesses without interruption. The Company's foreign subsidiaries in Asia, Europe and Mexico are not included in the Chapter 11 filings. Foreign subsidiary operations will continue as usual.

The Company filed the Chapter 11 cases to reorganize its financial affairs and address an ongoing cash drain from Deltak's HRSG business. The HRSG business experienced escalating losses on several large scale projects. These losses, coupled with the Company's inability to access its credit facility, resulted in significantly constrained liquidity. As a result, the Board of Directors concluded, after consultation with its advisors, that the interests of the Company's stakeholders would be best served by reorganizing under Chapter 11 of the Bankruptcy Code.

On October 2, 2006, the Bankruptcy Court authorized the immediate use of cash collateral on an emergency and interim basis to provide liquidity for ongoing operations, subject to certain limitations. The Bankruptcy Court subsequently entered additional interim orders extending the period of time during which the Debtors could access the cash collateral until the Debtors were able to enter into a debtor-in-possession Credit Agreement ("the DIP Credit Agreement"). On January 9, 2007, the Bankruptcy Court authorized the Debtors to enter into a DIP Credit Agreement for a $20 million term loan facility and a $65 million letter of credit facility. The DIP Credit Agreement enabled the Company to refinance its existing senior indebtedness by repaying in full all obligations of the Debtors owed to interim DIP lenders and pre-petition lenders. The DIP Credit Agreement also (i) facilitated bonding and performance obligations under letters of credit; (ii) paid fees and expenses associated with entry into the DIP Credit Agreement; (iii) provided liquidity for administration of the Debtors' Chapter 11 cases and general corporate purposes; and (iv) provided needed liquidity to the Debtors to ensure the efficient operations and future growth of the Debtors' businesses and promote a successful reorganization of the Debtors. The DIP Credit Agreement, as amended, is set to mature on the earlier of March 5, 2008 or the substantial consummation of a plan of reorganization that is confirmed pursuant to an order entered by the Bankruptcy Court in any of the Chapter 11 cases. The DIP Credit Agreement was obtained pursuant to sections 364(c) and (d) of the Bankruptcy Code and is secured by superpriority liens on, and security interests in, substantially all assets of the DIP credit parties. See Note 9 for further discussion of the DIP facility and the exit credit facility in conjunction with the Company's confirmed Plan.

The Debtors, after due inquiry, concluded that given the liquidity crisis experienced by the HRSG business as of the petition date, the projected losses and the absence of a profitable prospective book of business, the HRSG business was not considered to be a going concern, at least in the absence of a substantial infusion of capital beyond its ability to raise. At the time of filing, the Company accordingly filed a motion, subsequently approved by the Bankruptcy Court, seeking authority to wind down the HRSG business, reject certain related HRSG contracts and implement procedures for the orderly completion of work in progress. Additionally, the court order authorized the Debtors to negotiate with their HRSG customers to reach accommodations for the completion of certain executory contracts for the Deltak Debtors' delivery of HRSG units to their HRSG customers in exchange for each such HRSG customer's agreement, at a minimum, to (i) fund all actual costs of completion on time and materials terms, including all outstanding costs owed to vendors and contract employees relating to the completion of such contracts, plus the HRSG customer's share of any excess costs that would be incurred in the ordinary course outside of the wind down plan; (ii) fund any contractor incentives offered to contract employees who are retained to perform on such HRSG customer's project; and (iii) waive rejection damage claims to the extent the Debtors complete such HRSG customer's project. To date, the Debtors have successfully achieved many of the performance milestones under the HRSG completion agreements. The Debtors believe they will be successful, in whole or substantial part, in achieving the remaining performance milestones, some of which are forecasted to complete in 2008. See Note 2 for discussion of revenue recognition policy applicable to the HRSG completion agreements.

Due to restrictions on the use of cash collateral and the need to preserve the going concern value of the Deltak Debtors' Specialty Boiler business segment ("SBS"), the Debtors requested and received authority from the Bankruptcy Court on November 13, 2006, to enter into completion agreements ("SBS Completion Agreements") with customers of the Specialty Boiler business to complete certain projects in progress on a cash neutral basis.

Pursuant to the SBS Completion Agreements, certain SBS customers agreed to accelerate progress payments in a manner that rendered completion of the projects self-funding. In exchange, the Debtors agreed to hold the SBS customers' payments in escrow pending utilization toward completion of the project. Similarly, the Braden Debtors received accommodations from certain of their customers to ensure the completion of ongoing projects by requiring the Braden customers to advance money owed on projects in progress and/or to pay the Braden Debtors' vendors and subcontractors directly on an ongoing basis.

In the course of administering the Chapter 11 cases, the Company assessed various courses of action that would reduce costs and potential liabilities in connection with the Company's foreign operations in an effort to maximize the value of the Debtors' estates for the benefit of the Debtors' stakeholders. Through this process, the Company identified certain foreign operations of the Debtors and certain of their non-debtor subsidiaries that have effectively ceased. The Company determined that it would be most beneficial to the Debtors, their estates and stakeholders to conduct an orderly and efficient wind down of such foreign operations. On December 21, 2006, the Bankruptcy Court authorized the Debtors to wind down operations and affairs of the following inactive subsidiary sales and marketing offices: Global Power Equipment Group Brasil Ltda. and Global Power Professional Services, L.L.C. (Florence, Italy branch office). In addition, the wind down of the Deltak Debtors' HRSG business eliminated the need for substantially all manufacturing services provided to Deltak by Deltak Power Equipment (China) Co. Ltd., other than for items remaining to fulfill HRSG completion agreements with customers. On October 17, 2007, the Company closed a transaction to sell its shares of Global Power Asia, Ltd. ("GPA"). GPA is a Hong Kong company wholly-owned by the Company. It was created in 2004 for the purpose of buying a 90% interest in Nanjing Boilerworks. Nanjing Boilerworks is located in Nanjing, China, and, upon acquisition in July 2004, its name was changed to Deltak Power Equipment (China) Co., Ltd. GPA was sold for $20 million, and the price was subject to customary working capital adjustments. After all applicable transaction costs were paid, the Company recognized a gain of approximately $11.2 million on the sale. The major assets sold included approximately $8.1 million of inventory, $7.3 million of net fixed assets and $3.7 million in net accounts receivable. The major liabilities included approximately $9.0 million in accounts payable and $6.5 million of billings in excess of costs. At the closing of the transaction, $5.5 million of the proceeds were placed into escrow. To the extent that the Company recovers amounts from escrow, additional gain on the sale will be recognized. See Note 7 for tax implications related to discontinued operations and the gain on the sale.

The net assets of GPA were not classified in the December 31, 2006 balance sheet as "held for sale" because they did not meet certain criteria set forth in SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 requires an active program to locate a buyer and other actions required to complete the plan to sell the net assets be initiated. Further, the net assets must be actively marketed for sale at a price that is reasonable in relation to their current fair value. These criteria were met subsequent to December 31, 2006.

Under the Bankruptcy Code, the Debtors have the right to assume and assign, or reject certain executory contracts and unexpired leases, subject to the approval of the Bankruptcy Court and certain other conditions. Parties to executory contracts or unexpired leases rejected, or deemed rejected, by the Debtors may file proofs of claims against that Debtor's estate for rejection damages. Parties to executory contracts that are assumed have an opportunity to assert cure amounts prior to such assumptions. During the Chapter 11 cases, the Bankruptcy Court authorized the Debtors to, among other things, (i) assume unexpired leases of nonresidential real property of office space occupied by the Company in Tulsa, Oklahoma, and office and warehouse space occupied by Braden in Tulsa, Oklahoma; (ii) assume and assign numerous HRSG project subcontracts to the Debtors' customers; and (iii) reject (a) certain employment agreements, (b) several contracts and unexpired leases of the HRSG and SBS businesses in connection with the wind down of the HRSG business, including an unexpired lease of nonresidential real property for office space in Plymouth, Minnesota and the relocation of the SBS business operations to the Deltak Debtors' manufacturing facility, (c) additional unexpired leases of nonresidential real property occupied by Deltak in Plymouth, Minnesota, and Williams Industrial Services Group, L.L.C. in Stone Mountain, Georgia, and (d) a voluntary clean-up contract associated with environmental concerns at a property formerly owned by Consolidated Fabricators Inc. Under the terms of the Plan, certain additional executory contracts were assumed and rejected.

Under the Bankruptcy Code, the Debtors have the exclusive right to file and solicit acceptances of a plan or plans of reorganization for a limited period of time specified by the Bankruptcy Code. The formulation and confirmation of a plan of reorganization is one of the primary objectives of a Chapter 11 case. The plan sets forth the means for

satisfying the holders of claims against and interests in the Debtors' estates. Unless a trustee is appointed, only the Debtors may file a plan during the first 120 days of a Chapter 11 case, and the Debtors will have 180 days to solicit acceptance of the plan, although the Bankruptcy Code permits the Bankruptcy Court to extend the deadlines upon a showing of "cause." The Bankruptcy Court approved several extensions of the filing and solicitation periods, the last of which was approved pursuant to an agreement among the Debtors, the equity and creditor committees appointed by the U.S. Trustees and the settling noteholders. Accordingly, the Debtors filed the Plan within the applicable filing period. After a plan of reorganization is filed, the holders of impaired claims against and equity interests in a debtor are permitted to vote to accept or reject the plan. Before soliciting acceptances of the proposed plan, the Bankruptcy Code requires the debtor to prepare and file a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan. The Bankruptcy Court approved the Debtors' disclosure statement on October 31, 2007, authorizing the Company to solicit votes from its shareholders and creditors to accept or reject the Plan, and scheduled a confirmation hearing for December 20, 2007. On December 21, 2007, the Bankruptcy Court entered an order confirming the Plan, determining, among other things, that (a) pursuant to section 1126(c) of the Bankruptcy Code, a majority in number and two-thirds in amount of those claims voting in each class of claims and equity interests accepted the Plan; and (b) pursuant to section 1129(a) of the Bankruptcy Code (i) the value of the consideration to be distributed to the holders of claims or equity interests under a plan may not be less than those parties would receive if the debtor were hypothetically liquidated under Chapter 7 of the Bankruptcy Code; and (ii) that the Debtors would be able to meet their obligations under the Plan without the need for further financial reorganization.

The Plan is comprised of the following key elements:

(a) The Debtors' businesses will continue to be operated in substantially their current form, with the Deltak Debtors continuing the wind down of the large scale HRSG business.

(b) Any and all pre-petition intercompany claims by and between Deltak, L.L.C. and any other Debtor shall be forever waived, discharged, released and enjoined, and the Company shall retain all of its equity interests in Deltak, L.L.C.

(c) Holders of allowed unsecured claims against Deltak, L.L.C., if they vote to accept the Plan, will receive a Pro Rata Share of (i) $34 million in cash; and (ii) various other recoveries defined in the Plan. Under the terms of the Plan, on the effective date of the Plan, the Deltak Plan Administrator will oversee the $34 million Deltak Settlement Amount, including investment of such funds and distributions to unsecured creditors.

(d) On the effective date of the Plan, the outstanding equity interests in the Company will be cancelled, and each holder thereof will receive (i) one share of new common stock in the new company for each share of common stock of the Company owned by such holder; and (ii) its Pro Rata share of rights to acquire new common stock in the new company in accordance with the rights offering described in the Plan.

(e) The Noteholders' Settlement Agreement, pursuant to which the noteholders will receive a cash payment of $86 million plus any accrued post-January 1, 2008 interest, which shall be distributed pro rata to holders of allowed subordinated noteholder claims based on the allowed amount of such claims.

(f) On or before the effective date of the Plan, the new company will enter into an exit facility (see Note 10). The proceeds of the exit facility shall be available for use by the new company and its subsidiaries to make Plan distributions to the holders of certain allowed claims against the Debtors and to satisfy general working capital requirements of the new company and its direct and indirect subsidiaries on and after the effective date of emergence from Chapter 11, including cash collateralizing, replacing or securing with new letters of credit any outstanding letters of credit issued under the DIP Credit Agreement.

The Company's ability to continue as a going concern, including its ability to meet ongoing operational obligations, is dependent upon, among other things, the following: (i) an ability to maintain adequate cash on hand; (ii) an ability to generate cash from operations; (iii) an ability to continue to comply with debt agreements; and (iv) an

ability to achieve profitability following restructuring. Additionally, because of the Company's significant relationships with both its Debtor subsidiaries and its foreign subsidiaries not included in the Chapter 11 cases, the Company is dependent upon those entities to continue as going concerns. These challenges are in addition to those operational and competitive challenges faced by the Company in connection with its businesses. Strategies to ensure that the Company maintains adequate liquidity and continues as a going concern are set forth in the Plan.

5. EARNINGS PER SHARE

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

	For the Years Ended	
	December 31, 2007	December 31, 2006
Basic (Loss) Per Common Share:		
Loss from continuing operations	$ (21,404)	$ (56,742)
Gain on discontinued operations	6,463	595
Net (loss) available to common shareholders	$ (14,941)	$ (56,147)
Weighted Average Shares Outstanding	47,360,098	47,457,988
Basic Earnings (Loss) Per Common Share:		
Loss from continuing operations	$ (0.46)	$ (1.19)
Gain on discontinued operations	0.14	0.01
Net (loss) per to common share - basic	$ (0.32)	$ (1.18)
Diluted (Loss) Per Common Share:		
Loss from continuing operations	$ (21,404)	$ (56,742)
Gain on discontinued operations	6,463	595
Net (loss) available to common shareholders	$ (14,941)	$ (56,147)
Weighted Average Shares Outstanding	47,360,098	47,457,988
Dilutive effect of options to purchase common stock	-	-
Weighted Average Shares Outstanding Assuming Dilution	47,360,098	47,457,988
Diluted Earnings (Loss) Per Common Shareholder		
Loss from continuing operations	$ (0.46)	$ (1.19)
Gain on discontinued operations	0.14	0.01
Net (loss) per to common share - diluted	$ (0.32)	$ (1.18)

There were 2,129,146 and 2,210,035 shares of anti-dilutive stock options excluded from this calculation for the years ended December 31, 2007 and 2006, respectively. The Company must also include the impact of the conversion of the convertible notes (issued in November 2004) in its earnings per share calculation, unless the effect would be anti-dilutive. As of December 31, 2007 and 2006, the $69.0 million of convertible notes are convertible into 6,503,299 common shares. The Company did not present the dilutive effect of the convertible shares for the years ended December 31, 2007 and 2006, as the effect would have been anti-dilutive.

6. GOODWILL AND OTHER INTANGIBLE ASSETS

There were no changes in the carrying amount of goodwill during 2007 or 2006. The balances for other intangible assets as of December 31, 2007 and 2006 are as follows (in thousands):

	As of December 31, 2007			
	Weighted Average Amortization Years	Gross Carrying Amount	Accumulated Amortization	Net Asset
Intangible Assets				
Backlog	1	$ 2,100	$ 2,100	$ -
Customer Relations	6	8,800	3,030	5,770
Trade Name	Infinite	12,500	-	12,500
Other	5	202	-	202
Total Intangible Assets		$ 23,602	$ 5,130	$ 18,472

	As of December 31, 2006			
	Weighted Average Amortization Years	Gross Carrying Amount	Accumulated Amortization	Net Asset
Intangible Assets				
Backlog	1	$ 2,100	$ 2,100	$ -
Customer Relations	6	8,800	1,271	7,529
Trade Name	Infinite	12,500	-	12,500
Land Use Rights	Infinite	5,342	332	5,010
Other	5	71	23	48
Total Intangible Assets		$ 28,813	$ 3,726	$ 25,087

Amortization expense for 2007 and 2006 was approximately $1.8 million and $2.0 million, respectively. Estimated amortization expense for the next four years is: $1.8 million in 2008; $1.8 million in 2009; $1.8 million in 2010; and $0.5 million in 2011.

7. INCOME TAXES

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

	For the Years Ended	
	December 31, 2007	December 31, 2006
Current:		
Federal	$ (81)	$ (34)
State	57	83
Foreign	1,420	1,443
Total current	1,396	1,492
Deferred:		
Federal	3,343	1,961
State	382	-
Foreign	-	-
Total deferred	3,725	1,961
Income tax expense	$ 5,121	$ 3,453

Income (Loss) from continuing operations before income taxes and minority interest was as follows (in thousands):

	For the Years Ended	
	December 31, 2007	December 31, 2006
Domestic	$ (20,241)	$ (56,532)
Foreign	3,958	3,243
Total	(16,283)	(53,289)

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

	December 31, 2007	December 31, 2006
Assets:		
Cost in excess of identifiable net assets of business acquired	$ 43,730	$ 43,618
Inventories	819	673
Reserves and other accruals	18,242	7,286
Restructuring charges	15,111	-
Deferred revenue	13,875	-
Tax credit carryforwards	1,579	-
Accrued compensation and benefits	3,863	2,411
State net operating loss carryforwards	4,633	4,708
Federal net operating loss carryforwards	12,826	37,265
Foreign net operating loss carryforwards	905	905
	115,583	96,866
Liabilities		
Other expenses not currently deductible	(2,875)	(473)
Indefinite life intangibles	(9,559)	(5,832)
Gain on sale of investment (DPEC)	(2,179)	-
Property and equipment	(2,272)	(2,586)
Net deferred tax assets	98,698	87,975
Valuation allowance for net deferred tax assets	(108,257)	(93,807)
Net deferred tax assets after valuation allowance	$ (9,559)	$ (5,832)

At December 31, 2007 and 2006, the Company has recorded a valuation allowance against deferred income tax assets of approximately $108.3 million and $93.8 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 allowances for the year ended December 31, 2007 and 2006 was an increase in the amount of $14.4 million and $21.8 million, respectively. The valuation allowance was recorded because management was unable to conclude, in light of the cumulative loss realized by the Company for the three year period ended December 31, 2007, that realization of the net deferred tax asset was more likely than not.

The Company's effective tax rate differs from the maximum U.S. statutory income tax rate. The following summary reconciles taxes at the maximum U.S. statutory rate with recorded taxes:

	For the Years Ended December 31,			
	2007		2006	
	Amount	Percent	Amount	Percent
Tax expense computed at the maximum U.S. statutory rate	$ (5,699)	35.0%	$ (17,784)	34.0%
Difference resulting from				
State income taxes, net of federal income tax benefits	(651)	4.0%	95	-0.2%
Foreign taxes	1,420	-8.7%	734	-1.5%
Permanent Timing Items CY Per Provision	2,232	-13.7%	-	-
Foreign Rate Differential	(2,059)	12.6%	(13)	0.0%
True-ups	(4,791)	29.4%	-	-
Incremental state taxes based on capital	220	-1.4%	-	-
Foreign net operating losses with no benefit	-	-	-	-
Change in valuation allowance	14,449	-88.7%	21,725	-41.5%
Other, net	-	-	(1,305)	2.5%
Total	$ 5,121	-31.4%	3,452	-6.6%

The Company has approximately $46.5 million of federal net operating loss carryforwards expiring in 2026 through 2027. The Company has state income tax loss carryforwards of approximately $36.3 million expiring in 2009 through 2027. Additionally, the Company has foreign net operating loss carryforwards of approximately $2.7 million expiring over differing jurisdictional carryforward periods.

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, 2007, 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.

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	2002 to Present
China	None	2002 to Present
The Netherlands	None	2006 to Present

The Company has elected to classify interest and penalties related to uncertain income tax positions in income tax expense. At January 1, 2007, the Company had accrued approximately $190,000 and $822,000 for potential payment of interest and penalties, respectively.

Following is a reconciliation of the total amounts of unrecognized tax benefits at the beginning and end of the period (in thousands):

Unrecognized Tax Benefits at 1/1/2007	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 12/31/2007
$2,937	$ -	$5	$ -	($166)	$2,776

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is $1,494,000.

In 2006, the Company settled the U.S. federal income tax audit for the 2001 through 2004 years. The tax years 2005 through 2007 remain open to examination by the major tax jurisdictions to which the Company is subject.

The Company has discontinued its operations in China and Brazil. The Company also discontinued its operations conducted by Deltak Power Equipment (China) Co. Ltd. The current operating losses from discontinued operations were approximately $4.7 million; net of zero taxes as such benefit would be subject to full valuation allowance. The gain related to the sale of Deltak Power Equipment (China) Co. Ltd. has no impact on the current provision and similarly no net impact on the deferred provision computed on a with and without method as any reduction in current losses is offset by a commensurate reduction in the valuation allowance. Brazil did not have material activity in 2007.

8. RELATED-PARTY TRANSACTIONS

Certain of the Company's investors provide consultation services to the Company, for which the Company is charged management fees. Under a management agreement with Harvest Partners ("Harvest"), the Company is contractually committed to make annual payments to Harvest of certain fees for financial advisory and strategic planning services. The annual fee is comprised of two components. First, the Company pays Harvest a fixed annual fee of approximately $0.6 million. In addition, the Company will pay Harvest an additional annual fee of between $0 and $0.6 million depending on the amount of the Company's earnings before interest, taxes, depreciation, and amortization ("EBITDA") as follows (in thousands):

	Additional Fee
EBITDA equal to or less than $20 million	$ -
EBITDA greater than $20 million but equal to or less than $30 million	125
EBITDA greater than $30 million but equal to or less than $50 million	375
EBITDA greater than $50 million	625

The management agreement term expired on February 1, 2006, but is subject to automatic renewals of additional one-year periods commencing on February 1, 2006, and continuing indefinitely thereafter, unless terminated for cause or by Harvest. The management agreement additionally terminates in the event that the affiliates of Harvest sell more than 66.6% of the shares of the Company's common stock they owned on May 23, 2001. The total Harvest management fee for the 2006 "Harvest Year" (beginning on February 1, 2006 and ending on January 31, 2007) was approximately $0.6 million. Under the terms of the Plan, the Company rejected the contract on December 21, 2007. Harvest filed a proof of claim on January 14, 2008 for approximately $1.4 million. The Company has settled this claim in 2008 for $0.6 million.

9. UNCOMPLETED CONTRACTS

The Heat Recovery Equipment and Industrial Services businesses 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. For the Auxiliary Power Equipment business the Company 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):

	December 31, 2007	December 31, 2006
Costs incurred on uncompleted contracts	$ 408,354	$ 270,500
Earnings recognized on uncompleted contracts	43,592	35,899
Total	451,946	306,399
Less - billings to date	(423,012)	(295,274)
Net	$ 28,934	$ 11,125

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

	December 31, 2007	December 31, 2006
Costs and estimated earnings in excess of billings	$ 56,798	$ 29,113
Billings in excess of costs and estimated earnings	(27,864)	(17,988)
Net	$ 28,934	$ 11,125

10. LONG-TERM DEBT

Exit Credit Facility

On December 20, 2007, the Company signed a commitment letter with Morgan Stanley Senior Funding Inc. (“Morgan Stanley”) for a $150 million exit facility (“Exit Facility”) that will be effective upon emergence from Chapter 11. The Exit Facility will consist of a $60 million revolving letter of credit facility, including a $10 million cash advance sub-facility, and a $90 million term loan facility.

At the closing of the Exit Facility on January 18, 2008, the Company borrowed $90 million under the term loan and issued $30 million of letters of credit under the revolving letter of credit facility, with no borrowings under the cash advance sub-facility. The Company paid a commitment fee of approximately $0.7 million to Morgan Stanley and an additional amount of approximately $5.8 million at closing.

Proceeds from the term loan facility were used for: (a) refinancing the Company’s existing Debtor-in-Possession facility; (b) paying claims and other obligations in connection with the Company’s emergence from bankruptcy as contemplated in the Plan of Reorganization; (c) funding working capital and other corporate needs, post-bankruptcy; and (d) paying fees and expenses associated with the financing of the facilities.

At the Company's option, amounts borrowed under the Exit Facility will bear interest at either the Eurocurrency rate or an alternate base rate, plus, in each case, an applicable margin. Letters of credit issued under the revolving letter of credit facility will bear interest at 2.75% plus an applicable margin of .33%. The applicable margin for the revolving letter of credit facility will be 2.75% for Eurocurrency rate loans and 1.75% for alternate base rate loans. The applicable margin for the term loan facility at closing will be 6.75% for Eurocurrency rate loans and 5.75% for alternate base rate loans. The Company will also pay an unused line fee of 0.50%.

The Exit Facility will be due and payable on January 18, 2014 and has mandatory amortization payments on the term loan facility of approximately $1.2 million per quarter and a sweep of 25 – 50% of excess cash flow based on the Company's total leverage ratio. Excess cash flow is determined by adjusting consolidated EBITDA for extraordinary receipts, increases in net working capital, capital expenditures paid in cash, and other items. See note 16 for additional information about the Exit Facility.

The Exit 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 maintenance of a consolidated leverage ratio, a consolidated fixed charge ratio and minimum liquidity. A default under the Exit Facility may be triggered by events such as a failure to comply with financial covenants or other covenants under the Exit Facility, a failure to make payments when due under the Exit Facility, a change of control of the Company or certain insolvency proceedings. A default under the Exit Facility would permit the participating banks to restrict the Company's ability to further access the Exit 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 Exit Facility is secured by first priority lien on substantially all assets of the Company.

Debtor- in-Possession Facility

On December 7, 2006, the Company obtained a $20 million term loan as part of its DIP Credit Agreement, with Morgan Stanley as Administrative Agent, as previously discussed in Note 4. The DIP Credit Agreement had an original maturity date of December 6, 2007 with no scheduled principal payments. The DIP Credit Agreement, as amended, was set to mature on the earlier of March 5, 2008 or the substantial consummation of a plan of reorganization that is confirmed pursuant to an order entered by the Bankruptcy Court in any of the Chapter 11 cases. In addition, the DIP Credit Agreement allowed for a $65 million "synthetic letter of credit" facility. Under the letter of the credit facility, the Company pays annual interest of 6.25% on the entire $65 million facility, irrespective of the amount of letters of credit issued.

The Company pays interest on the term loan at the Eurodollar rate plus 6.25%, which was 9.45% at December 31, 2007. Substantially all of the Company's assets are pledged as collateral on the loan, and Morgan Stanley has a super-priority lien on those assets. The DIP Credit Agreement requires the Company to meet certain financial covenants such as minimum unrestricted cash, minimum trailing 12 months revenue, minimum trailing 12 months adjusted EBITDA and maximum annual capital expenditures.

In September 2007, the DIP Credit Agreement was amended to extend the maturity date to the earlier of 1) March 5, 2008 or 2) the Company's emergence of Chapter 11. The Company emerged from Chapter 11 on January 22, 2008 and the $20 million term loan was subsequently paid in full.

11. 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. See note 4 for further information on the Chapter 11 proceedings.

The amounts of liabilities subject to compromise at December 31, 2007 consisted of the following (in thousands):

	Heat Recovery Equipment	Auxiliary Power Equipment	Industrial Services	Corporate	Total
Accounts payable	$ 20,807	$ 4,093	$ 402	$ 2,966	$ 28,268
Convertible notes	-	-	-	69,000	69,000
Additional allowed claims and accrued interest	188	103	4	17,096	17,391
Other accruals	109	202	-	7,465	7,776
Total	$ 21,104	$ 4,398	$ 406	$ 96,527	$ 122,435

The amounts of liabilities subject to compromise at December 31, 2006 consisted of the following (in thousands):

	Heat Recovery Equipment	Auxiliary Power Equipment	Industrial Services	Corporate	Total
Accounts payable	$ 27,234	$ 4,270	$ 628	$ 2,470	$ 34,602
Convertible notes	-	-	-	69,000	69,000
Additional allowed claims and accrued interest	187	47	5	17,703	17,942
Other accruals	111	626	-	4,171	4,908
Total	$ 27,532	$ 4,943	$ 633	$ 93,344	$ 126,452

12. STOCKHOLDERS' EQUITY

Stock Incentive Plans

From August 2000 through December 2005, the Company issued to various employees "non-qualified" options to purchase common stock through its 2000, 2001 and 2004 Stock Incentive Plans. The exercise prices of the stock option grants ranged from $0.36 to $14.70 per share. The exercise price represented the quoted market price of the underlying common stock on the date of grant. The Company's board of directors determined the vesting provisions for each stock option grant.

On December 14, 2005, the Compensation Committee ("the Committee") of the Company's board of directors approved accelerating the vesting of all out-of-the-money, unvested stock options, effective immediately, including options held by the executive officers and directors named in the Company's proxy statement dated April 29, 2005. The accelerated stock options were granted pursuant to the 2004 Stock Incentive Plan and the Global Power Equipment Group Inc. 2001 Stock Option Plan, under which employees, officers, directors and consultants are eligible to receive awards. As a result, options to purchase 1,212,900 shares of Company common stock became exercisable immediately. None of these options had economic value as of December 14, 2005, based on the quoted closing price of the common stock of $4.42 on that date.

In order to prevent unintended personal benefits, shares of the Company's common stock received upon exercise of an accelerated option remain subject to the original vesting period with respect to transferability of such shares and, consequently, may not be sold or otherwise transferred prior to the expiration of such original vesting period.

On December 15, 2005, the Board of Directors approved amendments to the 2004 Stock Incentive Plan ("the SIP Amendments") that were recommended by the Committee. The SIP Amendments allow the Company to award the following:

Restricted stock awards (each such award, an "RSA"). Since its adoption in 2004, the 2004 Stock

Incentive Plan has permitted the Company to award restricted stock, an award of 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 Committee. Unless otherwise specified by the Committee, shares of restricted stock may be voted by the recipient pursuant to the 2004 Stock Incentive Plan. During 2005, the Company granted 388,043 RSAs with a grant date fair value of $4.35.

Restricted stock units (each such unit, an "RSU"). A grant of RSUs under the 2004 Stock Incentive Plan would be valued in terms of the Company's common stock, but Company common stock would not be issued at the time of the grant. After the recipient of an RSU satisfies the vesting requirement of the grant, the Company will distribute shares of Company common stock. Until delivery of shares of the Company's common stock occurs, the grantee is not entitled to any stockholder rights with respect to the RSUs. During 2005, the Company granted 29,655 RSUs with a grant date fair value of $4.35.

Stock appreciation rights settled in stock (each such right, an "SAR"), pursuant to the 2004 Stock Incentive Plan, in addition to stock options, which are already authorized under the 2004 Stock Incentive Plan. During 2005, the Company granted 482,365 SARs with a grant date fair value of $1.87.

As of December 31, 2007, there were 2,271,255 exercisable stock options, 163,230 unvested RSAs, 29,655 unvested RSUs and 95,215 unvested SARs. During 2007, stock options of 448,896, RSAs of 52,612 and SARs of 51,776 were forfeited. At December 31, 2007, the intrinsic value of all awards outstanding was de minimis.

The Company's Plan called for the cancellation of all of the outstanding RSUs, SARs and all but 72,260 of the stock options ($0.36 exercise price) upon the Company's exit from Chapter 11 in January 2008. Three employees will have until 2010 to exercise these options.

When the Company issued the 388,043 RSAs in December 2005, the vesting period on a portion of the RSAs was one-third each year for three years and a 3-year cliff vesting on the remaining RSAs. In November 2007, prior to the second vesting date, the 2004 Stock Incentive Plan was amended whereby the second and third vesting dates were changed to June of 2008 and 2009, respectively. This amendment only applied to the RSAs that vested one-third each year. Subsequently, the Company's Plan called for immediate vesting of all outstanding RSAs and vested, in the money stock options to be exercised. For those RSAs impacted by the amendment and the Plan, the related compensation expense is being recognized on a prospective basis whereby the grant date fair value of the unvested RSAs will be recognized over 13 months starting in January 2007.

The Company recognized approximately $0.8 million and $0.7 million of compensation expense in 2007 and 2006, respectively for the RSAs, RSUs and SARs. Future compensation expense is expected to be de minimis due to the immediate vesting and cancellation of the RSAs, RSUs, and SARs. These amounts are computed considering an estimated forfeiture rate.

13. 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 upon 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. The appeal of the ruling on the claim is proceeding. 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 as discussed in Note 5.

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 Year Ended	
	December 31, 2007	December 31, 2006
Balance at the beginning of period	$ 4,974	$ 5,921
Adjustments	(942)	(2,776)
Provision during the period	3,066	3,361
Settlements made (in cash or in kind) during the period	(1,150)	(1,532)
Adjusted accrued warranty balance	$ 5,948	$ 4,974

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 2007 and 2006 was approximately $1.9 million and $1.8 million respectively.

Future minimum annual lease payments under these noncancellable operating leases at December 31, 2007 are as follows (in thousands):

	December 31, 2007
2008	$ 1,712
2009	1,566
2010	1,360
2011	787
2012	472
Thereafter	255
Total	$ 6,152

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 2007 and 2006 was approximately $0.9 million and $1.0 million respectively.

Contingencies

At December 31, 2007, the Company had a contingent liability for issued and outstanding stand-by letters of credit totaling approximately $28.3 million that generally were issued to secure performance on customer contracts. Currently, there are no amounts drawn upon these letters of credit. In addition, at December 31, 2007, the Company had outstanding surety bonds on projects of approximately $22.8 million.

The Bankruptcy Court established March 26, 2007 as the bar date for filing proofs of claim against the Debtors. Under certain limited circumstances, some creditors will be permitted to file claims after March 26, 2007. Differences between the amounts recorded and proofs of claim filed by the creditors will be investigated and resolved through the claims reconciliation process. Because of the number of creditors and claims, the Company expects that the claims reconciliation process will take a considerable amount of time to complete and may continue after emergence from Chapter 11. Accordingly, the ultimate number and amount of allowed claims is not presently known, nor can the ultimate recovery with respect to such allowed claims be presently determined. Notwithstanding the foregoing, the Company has recognized certain charges related to known and expected allowed claims. The Bankruptcy Court will ultimately determine liability amounts that will be allowed for claims. As claims were resolved, or where better information became available and was evaluated, the Company made adjustments to the liabilities recorded in the consolidated financial statements as appropriate. Any future adjustments could be material to the consolidated financial position and results of operations in any given period.

14. SUPPLEMENTAL CASH FLOW INFORMATION

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

	For the Years Ended	
	December 31, 2007	December 31, 2006
Cash paid (received) during the period for:		
Interest	$ 5,872	$ 3,087
Income taxes	(425)	(2,119)

15. SEGMENT INFORMATION

The “Management Approach” called for by SFAS 131, “Disclosures about Segments of an Enterprise and Related Information” 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 product group focus and its analysis resulted in three operating segments, Heat Recovery Equipment, Auxiliary Power Equipment and Industrial Services. The Company evaluates performance based on net income or loss not including certain items as noted below. Intersegment revenues and transactions were not significant. Corporate assets consist primarily of cash and deferred tax assets. Interest income has not been allocated to individual segments as cash management activities are handled at a corporate level.

The following table presents information about segment income (in thousands):

	Heat Recovery Equipment Years Ended		Auxiliary Power Equipment Years Ended		Industrial Services Years Ended	
	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
Revenues	$ 56,475	$ 64,612	$ 151,610	$ 118,924	$ 195,333	$ 173,862
Interest expense	2,057	(3)	3,600	4,851	4,400	4,769
Depreciation and amortization	1,018	1,231	1,225	1,479	195	128
Income tax provision (benefit)	806	336	2,153	2,223	2,162	893
Segment income (loss)	8,988	(20,198)	10,224	(8,854)	(1,051)	(808)

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

	Year ended	
	December 31, 2007	December 31, 2006
Net Income:		
Total Segment Income (loss)	$ 18,161	$ (29,860)
Reorganization (Expense)	(33,102)	(26,287)
Consolidated Loss	$ (14,941)	$ (56,147)

The following presents revenues by geographical region (in thousands):

	Year ended	
	December 31, 2007	December 31, 2006
U.S. and Canada:	$ 342,001	$ 292,627
Europe	40,355	38,885
Asia	1,230	11,922
Mexico	19,832	13,964
Total	$ 403,418	$ 357,398

16. SUBSEQUENT EVENTS

The Company exited Chapter 11 Bankruptcy Protection on January 22, 2008. See Note 4 and Note 9 for details relating to the execution of the plan of reorganization and exit credit facility.

Rights Offering

Pursuant to the Plan, each holder of an equity interest as of November 6, 2007 received a non-transferable, non-certificated right (a "Right") to purchase up to its Pro Rata shares of the new common stock. The applicable share price could have ranged from a low price of $.63 per share if the Company raised more than $85 million of new equity capital to a high price of $1.08 per share if the Company raised no more than $60 million. The Rights Offering commenced as of November 6, 2007 and expired on December 13, 2007. As a result, on January 22, 2008, the Company raised $71.0 million of new equity capital at an applicable share price of $.85 per share.

Management incentive plan

The Plan called for up to 10% of the new common stock to be reserved for distribution to key employees with at least 3.5% in the form of restricted stock units. In June 2008, 3.5% had been distributed to certain key employees.

In addition, the Company allowed certain members of management to purchase shares of the new common stock which was capped at $1.5 million at the applicable share price ($0.85 per share). With each purchase of two shares of new common stock, an additional share of restricted stock was issued. On January 22, 2008, the Company generated an additional $1.5 million of new equity capital and issued 882,339 restricted shares with a vesting period of three years.

Warrants

In conjunction with the rights offering, certain shareholders signed agreements to purchase additional shares of stock that was not purchased in the rights offering to ensure the Company obtained the required amount of capital. In exchange for this agreement, the Company issued warrants in consideration. Warrants to purchase 16,265,005 shares of stock with an exercise price of $0.8806 were issued. The warrants vested immediately upon issuance on January 22, 2008 and expire on January 22, 2013.

Derivative Financial Instruments

On March 28, 2008 the Company entered into swap agreements in order to convert $80 million of the variable interest payment Exit Facility to a fixed rate of 2.85%. These swap agreements are considered cash flow hedges and are expected to be effective through the termination dates in 2009 and 2010 therefore will be accounted for under the Shortcut method as described under FAS 133 "Accounting for Derivative Instruments and Hedging Activities".