Global Power Equipment Group Inc. and Subsidiaries

Consolidated Financial Statements

For the years ended December 31, 2008 and 2007

Global Power Equipment Group Inc.
and Subsidiaries

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Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Global Power Equipment Group Inc. and subsidiaries as of December 31, 2008 and 2007 and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Global Power Equipment Group Inc. and subsidiaries at December 31, 2008 and 2007, 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 5, the Company adopted FIN 48 "Accounting for Uncertainty in Income Taxes" as if it were a public enterprise in 2007.

BDO Seidman, LLP

Dallas, Texas
March 30, 2009

GLOBAL POWER EQUIPMENT GROUP INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)

	December 31	
	2008	**2007**
ASSETS		(Debtor-in-Possession)
Current assets:		
Cash and cash equivalents	$ 57,633	$ 51,676
Restricted cash	3,013	3,004
Accounts receivable, net of allowance of $3,122 and $8,001	55,953	37,737
Inventories	4,963	5,763
Costs and estimated earnings in excess of billings	55,922	56,798
Other current assets	7,316	8,691
Total current assets	184,800	163,669
Property, plant and equipment, net	12,610	12,129
Goodwill	80,400	80,400
Intangible assets, net	16,509	18,472
Other assets	6,720	1,211
Total assets	$ 301,039	$ 275,881
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 19,675	$ 20,000
Accounts payable	12,337	21,798
Accrued liabilities	18,303	15,117
Billings in excess of costs and estimated earnings	36,728	27,864
Accrued warranties	11,948	5,948
Deferred revenue	8,695	29,921
Deferred tax liability	-	2,738
Other current liabilities	7,446	20,599
Total current liabilities	115,132	143,985
Deferred tax liability	11,100	6,821
Other long-term liabilities	3,605	2,845
Long-term debt, net of current maturities	65,325	-
Liabilities subject to compromise	604	122,435
Total liabilities	195,766	276,086
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Common stock, $0.01 par value, 170,000,000 and 100,000,000 shares authorized, respectively and 134,586,541 and 47,530,829 shares issued, respectively and 134,586,541 and 47,355,735 shares outstanding, respectively	1,346	474
Paid-in capital (deficit)	59,692	(14,209)
Accumulated comprehensive income	1,128	5,261
Retained earnings	43,107	8,269
Treasury stock, at cost (0 and 175,094 shares, respectively)	-	-
Total stockholders' equity (deficit)	105,273	(205)
Total liabilities and stockholders' equity	$ 301,039	$ 275,881

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

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

	For the Years Ended December 31	
	2008	**2007**
		(Debtor-in-Possession)
Product revenues	$ 311,603	$ 208,085
Service revenues	245,161	195,333
Total revenues	556,764	403,418
Cost of product revenues	239,447	159,796
Cost of service revenues	217,337	171,132
Cost of revenues	456,784	330,928
Gross profit	99,980	72,490
Selling and administrative expenses	50,418	45,179
Operating income	49,562	27,311
Interest expense	11,667	10,057
Income from continuing operations before reorganization items and income taxes	37,895	17,254
Reorganization items	23,574	33,102
Income (loss) from continuing operations before income taxes	14,321	(15,848)
Income tax expense	3,151	5,121
Income (loss) from continuing operations	11,170	(20,969)
Discontinued operations:		
Income (loss) from discontinued operations, net of income tax expense of $33 and $0 for 2008 and 2007, respectively	23,668	(5,170)
Gain on disposal, net of tax expense of $0	-	11,198
Income from discontinued operations	23,668	6,028
Net income (loss)	$ 34,838	$ (14,941)
Basic earnings (loss) per weighted average common share:		
Income (loss) from continuing operations	$ 0.09	$ (0.45)
Income from discontinued operations	0.18	0.13
Income (loss) per common share - basic	$ 0.27	$ (0.32)
Weighted average number of shares of common stock outstanding - basic	129,288,721	47,360,098
Diluted earnings (loss) per weighted average common share:		
Income (loss) from continuing operations	$ 0.09	$ (0.45)
Income from discontinued operations	0.18	0.13
Income (loss) per common share - diluted	$ 0.27	$ (0.32)
Weighted average number of shares of common stock outstanding - diluted	131,333,735	47,360,098

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

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

	Common Shares		Paid-in Capital	Accumulated Other Comprehensive	Retained	
	Shares	Amount	(Deficit)	Income	Earnings	Total
Balance, January 1, 2007 (Debtor-in-Possession)	47,404,197	$ 474	$ (15,052)	$ 3,978	$ 24,546	$ 13,946
Cumulative effect of a change in accounting principle (Note 5)	-	-	-	-	(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 (Debtor-in-Possession)	47,353,973	474	(14,209)	5,261	8,269	(205)
Cancellation of common stock	(47,353,973)	(474)	-	-	-	(474)
Issuance of common stock (exchange shares and rights offering)	133,704,202	1,338	67,854	-	-	69,192
Issuance of warrants	-	-	4,639	-	-	4,639
Stock-based compensation	882,339	8	1,408	-	-	1,416
Fair market value of interest rate swap	-	-	-	(810)	-	(810)
Foreign currency translation adjustment	-	-	-	(3,323)	-	(3,323)
Net income	-	-	-	-	34,838	34,838
Balance, December 31, 2008	134,586,541	$ 1,346	$ 59,692	$ 1,128	$ 43,107	$ 105,273

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

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

	For the Years Ended December 31	
	2008	2007
Operating activities:		(Debtor-in-Possession)
Net income (loss)	$ 34,838	$ (14,941)
Adjustments to reconcile net income (loss) to net cash		
provided by (used in) operating activities:		
Deferred income tax provision	1,054	3,727
Depreciation and amortization	5,323	7,173
Gain on disposal of equipment	-	(315)
Gain on disposal of discontinued operations	-	(11,198)
Stock-based compensation	1,416	843
Write off of debt financing costs	-	1,897
Changes in operating assets and liabilities:		
Receivables	(17,437)	11,445
Inventories	800	5,003
Cost and estimated earnings in excess of billings	876	(27,685)
Other current assets	1,083	533
Other assets	(72)	33
Accounts payable	(9,461)	24,882
Accrued and other liabilities	(3,699)	(3,518)
Billings in excess of cost and estimated earnings	8,864	9,876
Deferred revenue	(21,226)	(5,179)
Liabilities subject to compromise	(121,831)	(1,406)
Net cash (used in) provided by operating activities	(119,472)	1,170
Investing activities:		
Net transfers of restricted cash	(9)	(3,004)
Proceeds from sale of equipment	9	984
Purchase of property, plant, and equipment	(3,599)	(1,566)
Proceeds from sale of business, net of cash sold	-	15,495
Other investing activities	202	(202)
Net cash (used in) provided by investing activities	(3,397)	11,707
Financing activities:		
Payment of long-term debt	(25,000)	-
Proceeds from issuance of debt	90,000	-
Proceeds from issuance of common stock	72,500	-
Payments of debt financing costs	(6,623)	(1,925)
Net cash provided by (used in) financing activities	130,877	(1,925)
Effect of exchange rate changes on cash	(2,051)	413
Net change in cash and cash equivalents	5,957	11,365
Cash and cash equivalents, beginning of year	51,676	40,311
Cash and cash equivalents, end of year	$ 57,633	$ 51,676

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

GLOBAL POWER EQUIPMENT GROUP INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BUSINESS AND ORGANIZATION

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

On September 28, 2006, Global Power Equipment Group Inc. and all of its U.S. subsidiaries (collectively, 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 Company successfully exited Chapter 11 on January 22, 2008 pursuant to an approved Plan of Reorganization ("Plan of Reorganization" or "Plan").

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of Global Power Equipment Group Inc. and its wholly owned subsidiaries: Deltak, L.L.C. ("Deltak"); Deltak Construction Services, Inc.; Braden Manufacturing, L.L.C. ("Braden"); Braden Europe – BV; Braden Manufacturing S.A. de C.V.; Braden Power Equipment (Shanghai) Co. Ltd.; Global Power Equipment Group, (Hong Kong), Ltd.; 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.

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

Revenues for the Auxiliary Power Equipment product line are recognized in a manner that approximates the completed-contract method due to the short-term nature of the production period. Generally, these contracts specify separate phases of work which are frequently contracted separately. Under this method, no revenue can be recognized until the contract phase is substantially complete, the customer takes risk of loss and title, and the installation is operating according to specifications or has been accepted by the customer. As with the Heat

Recovery Equipment product line, changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to job costs and income amounts that are different than amounts originally estimated.

Revenues for the Industrial Services business that are not recognized on the percentage-of-completion method are primarily for routine service contracts 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 large scale HRSG business and negotiated completion agreements with certain HRSG customers to complete executory contracts for delivery of HRSG units. 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 is 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 2008 and 2007, the Company recognized $22.8 million and $0 million related to such excess, respectively. This amount is included in income from discontinued operations in the accompanying consolidated statements of operations, net of estimates of liquidated damage claims accrued for these contracts. Deferred amounts are reported in the accompanying consolidated balance sheets as deferred revenue.

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 estimates of project revenues, costs and margins, total and remaining project hours, percent complete, and liquidated damages assessments related to long term contracts, bad debt allowances, warranty accruals, self insurance reserves, deferred tax asset, valuation allowances, accruals for uncertain tax positions, and goodwill and intangible asset impairment analyses. Any deviations from estimates could have a significant positive or negative impact on the Company's results of operations.

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

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

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

Customer	December 31, 2008	December 31, 2007
A	21%	22%
B	10%	11%
C	10%	-

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

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

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

	Estimated Useful Lives	December 31, 2008	December 31, 2007
Land	-	$ 2,133	$ 2,264
Buildings and improvements	5-39 years	10,916	11,505
Machinery and equipment	5-12 years	11,873	12,682
Furniture and fixtures	2-10 years	9,393	7,274
		34,315	33,725
Less accumulated depreciation		(21,705)	(21,596)
Property, plant and equipment, net		$ 12,610	$ 12,129

Depreciation and amortization expense was approximately $2.0 million and $2.7 million for the years ended December 31, 2008 and 2007, 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 business combination. Goodwill is reviewed for impairment at least annually in accordance with the provisions of Statement of 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 2008 the Company performed its annual impairment review of goodwill and concluded that there was no impairment.

***Deferred Financing Costs**:* Deferred financing costs are amortized over the terms of the related debt facilities using the effective yield method. Total interest expense associated with the amortization of these costs was approximately $1.7 million in 2008 and $3.3 million in 2007.

***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 2008 and 2007.

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, 2008**	**December 31, 2007**
A	20%	22%
B	10%	11%

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

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

Insurance: Certain subsidiaries of the Company are self-insured for health and workers' compensation up to certain policy limits. Amounts charged to expense amounted to approximately $5.2 million and $4.7 million in 2008 and 2007, respectively, and include insurance premiums related to the excess claim coverage and claims incurred. The reserves at December 31, 2008 and 2007 consist of amounts unpaid for reported and unreported claims incurred. The Company has provided a $2.8 million letter of credit at December 31, 2008, as security for possible workers' compensation claims.

Reorganization Items: The Company successfully exited Chapter 11 on January 22, 2008. For the year ended December 31, 2007 and thru January 22, 2008 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 amounts or claims allowed 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.

As part of the Plan of Reorganization, holders of allowed unsecured claims against Deltak, L.L.C, are entitled to receive a pro rata share of $34.0 million in cash and various other recoveries defined in the Plan. Pursuant to the Plan, the Company transferred $34.0 million in cash to settle the Deltak liabilities. This payment exceeded the recorded amount of these claims resulting in a $14.1 million charge to operations. This amount has been included in the reorganization items as a change in estimate of liabilities subject to compromise.

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

	For the Years Ended	
	December 31, 2008	December 31, 2007
Professional fees	$ 9,448	$ 31,366
Change in estimate of liabilities subject to compromise	14,126	1,736
Total	$ 23,574	$ 33,102

Income from Discontinued Operations*:* The Company experienced $23.7 million in income for the year ended December 31, 2008 and $5.2 million in loss from $13.6 million of revenue for the year ended December 31, 2007, net of tax, from discontinued operations due to the winding down of the large scale HRSG operations (see note 2 – revenue recognition) and operations in Italy and Brazil.

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.

Derivative Financial Instruments: Periodically, the Company uses financial instruments in the management of its foreign currency exchange exposures. These foreign currency financial instruments qualify as derivatives under SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities* ("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, 2008 and 2007, there were foreign currency forward exchange contracts to sell U.S. dollars for a specific number of Euros with notional amounts totaling approximately $0 and $4.5 million, respectively.

The Company is exposed to market risks, such as changes in interest rates. Consequently, the Company manages this financial exposure as part of its risk management program, by striving to reduce the potentially adverse effects that the volatility of the financial markets may have on the Company's operating results. In March 2008, the Company entered into swap agreements to convert $80 million of the Credit Facility variable interest payments to fixed rates of 2.85% and 2.97%. The swap agreements have termination dates through March 2010. The Company reflects these swaps on its balance sheet at fair market value, which totaled approximately $1.3 million at December 31, 2008 and is included in other accrued liabilities. These interest rate swap agreements constitute a cash flow hedge and satisfy the criteria for hedge accounting prescribed by SFAS No. 133.

The Company determined that the effectiveness of the hedges would be assessed periodically by comparing the terms of the swap and the loan to assure they continue to coincide and evaluating the counterparty's ability to honor its obligations under the swap agreements. At December 31, 2008, the Company determined the swap agreements to be highly effective. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash-flow hedge are recorded in accumulated other comprehensive income as a component of stockholders' equity.

Fair Value of Financial Instruments: In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, *Fair Value Measurements* ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States, and expands disclosures about fair value measurements. The Company adopted certain of the provisions of SFAS No. 157 on January 1, 2008. Although the adoption of SFAS No. 157 did not materially impact its financial condition, results of operations, or cash flow, the Company is now required to provide additional disclosures as part of its financial statements.

SFAS No. 157 establishes a three-tier fair value hierarchy, which categorizes the inputs used in measuring fair value. These categories include (in descending order of priority): Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

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

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

The fair value of derivative liabilities consists of interest rate swaps as discussed above, and is calculated using proprietary models with observable inputs as well as future assumptions related to interest rates and other applicable variables. These calculations are performed by the financial institutions which are counterparties to the applicable swap agreements and reported to the Company on a monthly basis. The Company uses these reported fair values to adjust the asset or liability as appropriate giving consideration to performance risk on the part of the Company or counterparty.

SFAS No. 157 requires that companies provide a reconciliation of the beginning and ending balances for Level 3 assets and liabilities measured at fair value. Since the Company has no Level 3 assets or liabilities, no reconciliation is necessary.

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 and recognized as expense over the required service period (generally the vesting period). SFAS No.123(R) was adopted using the modified prospective method of application, which requires the Company to recognize compensation cost on a prospective basis. The Company recognized approximately $0.2 million of compensation expense in 2008 relating to vesting of previously issued awards and will recognize expense over the next three years as performance conditions are established and as vesting occurs.

Restricted Stock Units: On June 23, 2008, the Company granted Restricted Stock Units (each such unit, an "RSU") under the 2008 Management Incentive Plan. A grant of RSUs under the 2008 Management Incentive Plan is valued in terms of the Company's common stock: however, Company common stock is not issued at the time of the grant. After the vesting requirements of the grant are satisfied, the Company will issue shares of Company's common stock. Until this issuance occurs, the grantee is not entitled to any stockholder rights with respect to the RSUs. During 2008, the Company granted 5,233,921 RSUs with a grant date fair value of $1.20 per unit. In addition, the Company recognized $1.2 million in expense related to RSUs in the year ended December 31, 2008.

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

	For the Years Ended	
	December 31, 2008	December 31, 2007
Net income (loss)	$ 34,838	$ (14,941)
Interest rate swap	(810)	-
Foreign currency translation adjustment	(3,323)	1,283
Comprehensive income (loss)	$ 30,705	$ (13,658)

Recent Accounting Pronouncements: 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 March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an Amendment of SFAS No. 133*(SFAS No. 161). 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. SFAS No. 161 is effective for fiscal years beginning after November 15, 2008. The Company is currently evaluating the impact, if any, of SFAS 161 on its consolidated financial statements.

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. The Company is currently evaluating the impact this statement will have on its financial position and results of operations.

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("FAS 162"). FAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with accounting principles generally accepted in the United States of America. Because FAS 162 applies only to establishing hierarchy, it will not have a material impact on our consolidated financial position, results of operations, or cash flows.

Reclassifications: Certain 2007 amounts have been reclassified to conform to the 2008 presentation.

NOTE 3 -- 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, 2008	December 31, 2007
Basic Earnings (Loss) Per Common Share:		
Income (loss) from continuing operations	$ 11,170	$ (20,969)
Income from discontinued operations	23,668	6,028
Net income (loss) available to common shareholders	$ 34,838	$ (14,941)
Weighted Average Common Shares Outstanding	129,288,721	47,360,098
Income (loss) from continuing operations	$ 0.09	$ (0.45)
Income from discontinued operations	0.18	0.13
Basic earnings (loss) per common share	$ 0.27	$ (0.32)
Diluted Earnings (Loss) Per Common Share:		
Income (loss) from continuing operations	$ 11,170	$ (20,969)
Income from discontinued operations	23,668	6,028
Net income (loss) available to common shareholders	$ 34,838	$ (14,941)
Weighted Average Common Shares Outstanding	129,288,721	47,360,098
Dilutive effect of options to purchase common stock	1,833	-
Dilutive effect of warrants	2,043,181	-
Weighted Average Shares Outstanding Assuming Dilution	131,333,735	47,360,098
Income (loss) from continuing operations	$ 0.09	$ (0.45)
Income from discontinued operations	0.18	0.13
Diluted earnings (loss) per common share	$ 0.27	$ (0.32)

The Company's Plan of Reorganization called for the cancellation of all outstanding RSUs, SARs and stock options upon the Company's exit from Chapter 11 in January 2008. Diluted earnings per share include the potentially dilutive effect of outstanding common stock and warrants issued since January 2008 which are convertible to common stock. Diluted loss per share is not presented if the results are anti-dilutive. There were 2,129,146 shares of anti-dilutive stock options excluded from this calculation for the year ended December 31, 2007.

For the year ended December 31, 2007, 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, the $69.0 million of convertible notes were convertible into 6,503,299 common shares. The Company did not present the dilutive effect of the convertible shares for the year ended December 31, 2007 as the effect would have been anti-dilutive. The convertible notes were paid in full upon emergence from bankruptcy in January 2008.

NOTE 4 -- GOODWILL AND OTHER INTANGIBLE ASSETS

There were no changes in the carrying amount of goodwill during 2008 or 2007. The balances for other intangible assets as of December 31, 2008 and 2007 are as follows (in thousands):

	As of December 31, 2008			
	Weighted Average Amortization Years	Gross Carrying Amount	Accumulated Amortization	Net Asset
Intangible Assets				
Backlog	1	$ 2,100	$ 2,100	$ -
Customer Relations	6	8,800	4,791	4,009
Trade Name	Infinite	12,500	-	12,500
Other	5	-	-	-
Total Intangible Assets		$ 23,400	$ 6,891	$ 16,509

	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

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

NOTE 5 -- INCOME TAXES

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

	For the Years Ended	
	December 31, 2008	December 31, 2007
Current:		
Federal	$ (5,096)	$ (81)
State	(582)	57
Foreign	2,577	1,420
Total current	(3,101)	1,396
Deferred:		
Federal	6,217	3,343
State	710	382
Foreign	(642)	-
Total deferred	6,285	3,725
Income tax expense	$ 3,184	$ 5,121

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

	For the Years Ended	
	December 31, 2008	December 31, 2007
Continuing operations	$ 3,151	$ 5,121
Discontinued operations	33	-
Income tax expense	$ 3,184	$ 5,121

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

	For the Years Ended	
	December 31, 2008	December 31, 2007
Domestic	$ 7,057	$ (19,371)
Foreign	7,264	3,523
Income (loss) from continuing operations	14,321	(15,848)
Income from discontinued operations	23,701	6,028
Net Income (loss)	$ 38,022	$ (9,820)

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

	December 31, 2008	December 31, 2007
Assets:		
Cost in excess of identifiable net assets of business acquired	$ 36,585	$ 43,730
Reserves and other accruals	9,688	19,061
Restructuring charges	18,454	15,111
Deferred revenue	3,122	13,875
Tax credit carryforwards	4,902	1,579
Accrued compensation and benefits	7,629	3,863
State net operating loss carryforwards	3,431	4,633
Federal net operating loss carryforwards	20,706	12,826
Foreign net operating loss carryforwards	160	905
Other	354	-
	105,031	115,583
Liabilities		
Other expenses not currently deductible	-	(2,875)
Indefinite life intangibles	(10,808)	(9,559)
Gain on sale of investment (DPEC)	-	(2,179)
Property and equipment	(2,301)	(2,272)
Net deferred tax assets	91,922	98,698
Valuation allowance for net deferred tax assets	(102,535)	(108,257)
Net deferred tax assets after valuation allowance	$ (10,613)	$ (9,559)

At December 31, 2008 and 2007, the Company has recorded a valuation allowance against deferred income tax assets of approximately $102.5 million and $108.3 million, respectively, representing the amount of its deferred income tax assets in excess of the Company's deferred income tax liabilities excluding indefinite life intangibles. The net change in valuation allowances for the year ended December 31, 2008 was a decrease in the amount of approximately $5.7 million and the net change in valuation allowance for the year ended December 31, 2007 was an increase in the amount of approximately $14.4 million. 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, 2008, that realization of the net deferred tax asset was more likely than not.

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

	For the Years Ended	
	December 31, 2008	December 31, 2007
Current deferred tax asset (included in Other current assets)	$ 487	$ -
Current deferred tax liability	-	(2,738)
Non-current deferred tax liability	(11,100)	(6,821)
Net deferred tax assets after valuation allowance	$ (10,613)	$ (9,559)

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,			
	2008		2007	
	Amount	Percent	Amount	Percent
Tax expense computed at the maximum U.S. statutory rate	$ 13,308	35.0%	$ (5,546)	35.0%
Difference resulting from				
State income taxes, net of federal income tax benefits	1,521	4.0%	(634)	4.0%
Foreign taxes	(1,408)	-3.7%	(639)	4.0%
Non-deductible expenses	594	1.6%	2,232	-14.1%
Multi-year true-ups	(6,146)	-16.2%	(4,793)	30.2%
Incremental state taxes based on capital	-	-	220	-1.4%
Change in valuation allowance	(5,721)	-15.0%	14,449	-91.2%
Other, net	1,036	2.7%	(168)	1.2%
Total	$ 3,184	8.4%	$ 5,121	-32.3%

The Company has approximately $59.3 million of federal net operating loss carryforwards expiring in 2025 through 2027. The Company has state income tax loss carryforwards of approximately $47.3 million expiring in 2009 through 2028. Additionally, the Company has foreign net operating loss carryforwards of approximately $0.6 million expiring over differing jurisdictional carryforward periods. The Company has approximately $4.9 million in foreign tax credit carryforwards expiring in 2015 through 2018. Also, the Company has approximately $0.3 million in Alternative Minimum Tax credit carryforwards with an indefinite life.

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, 2008, all of the undistributed earnings of the foreign subsidiaries were considered to be reinvested indefinitely. Consequently, the Company has not provided for the federal and foreign withholding taxes on the foreign subsidiaries' undistributed earnings.

Effective January 1, 2007, the Company adopted FASB Interpretation No. 48 (As Amended) *Accounting for Uncertainty in Income Taxes (*"FIN 48") resulting in a cumulative effect of a change in accounting priciple of $1.3 million. Currently, the Company is not under examination for income tax purposes by any taxing jurisdiction. A presentation of open tax years by jurisdiction is as follows:

Tax Jurisdiction	Examination in Progress	Open Tax Years for Examination
United States	None	2005 to Present
Mexico	None	2003 to Present
China	None	2003 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 December 31, 2008 and 2007, the Company has accrued approximately $1.2 million and $1.0 million, respectively, for potential payment of interest and penalties, respectively.

Following is a reconciliation of the total amounts of unrecognized tax benefits for the year ended December 31, 2007 (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

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

Unrecognized Tax Benefits at 1/1/2008	Change in Unrecognized Tax Benefits Taken During a Prior Period	Change in Unrecognized Tax Benefits During the Current Period	Decreases in Unrecognized Tax Benefits From Settlements With Taxing Authorities	Reductions to Unrecognized Tax Benefits From Lapse of Statues of Limitations	Unrecognized Tax Benefits at 12/31/2008
$ 2,776	$ -	$ 714	$ -	$ -	$ 3,490

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

NOTE 6 -- UNCOMPLETED CONTRACTS

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

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

	December 31, 2008	December 31, 2007
Costs incurred on uncompleted contracts	$ 477,311	$ 408,354
Earnings recognized on uncompleted contracts	90,703	43,592
Total	568,014	451,946
Less - billings to date	(548,820)	(423,012)
Net	$ 19,194	$ 28,934

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

	December 31, 2008	December 31, 2007
Costs and estimated earnings in excess of billings	$ 55,922	$ 56,798
Billings in excess of costs and estimated earnings	(36,728)	(27,864)
Net	$ 19,194	$ 28,934

NOTE 7 -- DEBT

On December 20, 2007, the Company signed a commitment letter for a $150 million credit facility ("Credit Facility") effective upon emergence from Chapter 11. The Credit Facility consists 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 Credit Facility on January 22, 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. Proceeds from the term loan facility were used for: (a) refinancing the Company's 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; and (d) paying fees and expenses associated with the financing of the facilities.

On April 24, 2008, the Company amended the Credit Facility (Amendment No. 1) to clarify the definition of consolidated EBITDA.

On July 30, 2008, the Credit Facility was amended (Amendment No. 2) to increase the cash advance sub-facility under the revolver to $25 million. In addition, the applicable interest rate margin for revolving loans was increased to 3.5% for LIBOR rate loans and 2.50% for alternate base rate loans. The applicable margin for the term loan facility was increased to 7.50% for LIBOR rate loans and 6.50% for alternate base rate loans. The interest rate on the term loan facility was 8.96% as of December 31, 2008.

Letters of credit issued under the revolving letter of credit facility bear interest at 3.07%. The Company also pays an unused line fee of 0.50%.

The Credit Facility is due and payable on January 22, 2014 and has mandatory amortization payments on the term loan facility of approximately $1.3 million per quarter and a sweep of 25 – 75% of excess cash flow, as defined in the Credit Facility. At December 31, 2008, the excess cash flow payment for 2009 is expected to be approximately $14.7 million and is included in current maturities of long-term debt on the consolidated balance sheets.

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

At December 31, 2008, the balance of the Credit Facility was $85.0 million consisting of $19.7 million current and $65.3 million long term debt. At December 31, 2008, the Company had $41.0 million of unused capacity on its revolving letter of credit facility.

NOTE 8 -- LIABILITIES SUBJECT TO COMPROMISE

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

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

	Products Division	Services Division	Corporate	Total
Accounts payable	$ 335	$ 30	$ -	$ 365
Convertible notes	-	-	-	-
Additional allowed claims and accrued interest	-	-	-	-
Other accruals	109	-	130	239
Total	$ 444	$ 30	$ 130	$ 604

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

	Products Division	Services Division	Corporate	Total
Accounts payable	$ 24,900	$ 402	$ 2,966	$ 28,268
Convertible notes	-	-	69,000	69,000
Additional allowed claims and accrued interest	291	4	17,096	17,391
Other accruals	311	-	7,465	7,776
Total	$ 25,502	$ 406	$ 96,527	$ 122,435

NOTE 9 -- STOCKHOLDERS' EQUITY

The following descriptions refer to items listed on the consolidated statements of stockholders' equity as shown on page 5.

***Cancellation of Common Stock*:** Pursuant to the Plan of Reorganization, all outstanding equity interests in the Company were canceled as of January 22, 2008.

Issuance of Common Stock: 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 "Rights Offering"). The Rights Offering commenced on November 6, 2007 and expired on December 13, 2007. As a result, on January 22, 2008, the Company issued 132,696,078 shares of new common stock and raised $72.5 million of new equity capital at an applicable share price of $0.85 per share. Of the $72.5 million of net cash proceeds received, $4.6 million was the value assigned to the warrants (see below) offset by $0.5 million assigned to the cancellation of 47,353,973 shares of common stock at December 31, 2007 and the remaining $68.4 million was credited to stockholders' equity.

In addition, pursuant to the Plan the Company issued 1,008,124 shares of common stock for advisor success fees related to the bankruptcy. As a result, the Company charged expense and attributed an additional $0.8 million in paid in capital at an applicable share price of $0.85 per share.

Issuance of Warrants: In conjunction with the Rights Offering, certain shareholders signed agreements to purchase additional shares of stock that were 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 to purchase 16,265,005 shares of stock with an exercise price of $0.8806. The Black-Scholes method was used to determine the Warrant fair value at the time of issuance at $0.29 per share, or $4.6 million, which was credited to additional paid in capital. The Warrants vested immediately upon issuance on January 22, 2008 and expire on January 22, 2013.

Stock-Based Compensation: Pursuant to the Plan certain members of management were offered the opportunity to purchase shares of the new common stock (up to an aggregate amount of $1.5 million) at the share price of $0.85 per share. With each purchase of two shares of new common stock, an additional share of restricted stock (each an "Incentive Share") was issued. On January 22, 2008, the Company issued 882,339 Incentive Shares with a vesting period of three years. The Company recognized $0.2 million in expense related to the Incentive Shares in the year ended December 31, 2008 with the remaining compensation expense of $0.5 million to be recognized over the remaining vesting period.

Restricted Stock Units: On June 23, 2008, the Company granted Restricted Stock Units (each such unit, a "RSU") under the 2008 Management Incentive Plan. Grants of RSUs under the 2008 Management Incentive Plan are valued in terms of the fair value of the Company's common stock at date of grant: however common stock is not issued at the time of the grant. Vesting of RSUs is based on certain performance and service conditions over a four year period. Restricted shares are issued to plan participants as vesting requirements are satisfied. During 2008, the Company granted 5,233,921 RSUs with a grant date fair value of $1.20 per unit. In connection with the grant, the Company recorded expense of $1.2 million for the year ended December 31, 2008 and will recognize expense over the next three years as performance conditions are established and as vesting occurs.

NOTE 10 -- COMMITMENTS AND CONTINGENCIES

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

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

The Company is involved in a dispute with a Deltak customer involving the sale of HRSG units stemming from a purchase order dated in January 2006. In March 2007, the customer filed a proof of claim against the Company asserting claims for costs to complete the project totaling approximately $55 million. In addition, the customer filed an objection to the Company's Plan. In December 2007, the Bankruptcy Court (i) sustained the Company's objection with respect to the customer's claim and disallowed its guaranty claim against Global Power, (ii) entered an order overruling the customer's objection to the Plan and (iii) estimated its claim for the Plan voting purposes at $7 million. On December 27, 2007, the customer filed a notice of appeal. Subsequently, the customer has dropped its appeal on the overruled objection to the Company's plan. On December 16, 2008, the U.S. District Court for the District of Delaware affirmed the Bankruptcy Court's order on all issues. On January 12, 2009, the customer filed an appeal of this ruling to the 3rd Circuit Court of Appeals, and that process is now ongoing. If the Company is successful, the customer's claim will be treated as a general unsecured claim, which under the terms of the Plan, is entitled only to share in the $34 million fund reserve. (Note 2)

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

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

	For the Years Ended	
	December 31, 2008	December 31, 2007
Balance at the beginning of the period	$ 5,948	$ 4,974
Adjustments	-	(942)
Provision during the period	6,550	3,066
Settlements made (in cash or in kind) during the period	(550)	(1,150)
Balance at the end of the period	$ 11,948	$ 5,948

Leases: The Company leases machinery, transportation equipment and office, warehouse and manufacturing facilities, which are noncancellable and expire at various dates. Total rental expense for all operating leases for 2008 and 2007 was approximately $1.9 million and $1.9 million, respectively.

Future minimum annual lease payments under these noncancellable operating leases at December 31, 2008 are as follows (in thousands):

	December 31, 2008
2009	$ 1,489
2010	1,249
2011	671
2012	344
2013	255
Thereafter	-
Total	$ 4,008

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 2008 and 2007 was approximately $1.1 million and $0.9 million, respectively.

Contingencies: At December 31, 2008 and 2007, the Company had a contingent liability for issued and outstanding stand-by letters of credit, generally issued to secure performance on customer contracts. The balance of stand-by letters of credit totaled approximately $19.0 million for the domestic entities and $11.6 million (US dollars) for foreign entities at December 31, 2008 and $28.3 million for the domestic entities and $9.9 million (US dollars) for foreign entities at December 31, 2007. Currently, there are no amounts drawn upon these letters of credit.

In addition, at December 31, 2008 and 2007, the Company had outstanding surety bonds on projects of approximately $17.8 million and $22.8 million, respectively.

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

NOTE 11 – SUPPLEMENTAL CASH FLOW INFORMATION

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

	For the Years Ended	
	December 31, 2008	December 31, 2007
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 11,632	$ 5,872
Income taxes	1,812	(425)
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES:		
Issuance of Common Shares for advisor success fees pursuant to the Plan of Reorganization	$ 856	$ -

NOTE 12 -- SEGMENT INFORMATION

The "Management Approach" called for by 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 two operating segments, Products Division and Services Division. The Company evaluates performance based on net income or loss not including certain items as noted below. Intersegment revenues and transactions were not significant. 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):

	Products Division Years Ended December 31,		Services Division Years Ended December 31,	
	2008	2007	2008	2007
Revenues	$ 311,603	$ 208,085	$ 245,161	$ 195,333
Interest expense	6,744	5,657	4,923	4,400
Depreciation and amortization	1,711	2,243	2,081	195
Income tax provision	2,568	2,959	583	2,162
Segment income (loss)	32,976	13,184	1,768	(1,051)
Total Assets	$ 165,739	$ 140,700	$ 94,469	$ 82,494

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

	Years ended December 31, 2008	Years ended December 31, 2007
Net income:		
Total segment income	$ 34,744	$ 12,133
Discontinued operations income	23,668	6,028
Reorganization (expense)	(23,574)	(33,102)
Consolidated income (loss)	$ 34,838	$ (14,941)

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

	Years ended December 31, 2008	Years ended December 31, 2007
U.S. and Canada:	$ 458,075	$ 342,001
Europe	80,792	40,355
Mexico	16,350	19,832
Asia	1,547	1,230
Total	$ 556,764	$ 403,418

NOTE 13 – SUBSEQUENT EVENTS

On January 22, 2009, the Company issued 58,824 shares of Restricted Stock to its Board of Directors under the 2008 Director's Equity Incentive Plan.