

PIONEER POWER SOLUTIONS, INC.  
Form POS AM  
June 01, 2010

As filed with the Securities and Exchange Commission on June 1, 2010.

SEC File No. 333-164504

---

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

---

POST-EFFECTIVE AMENDMENT NO. 1  
TO FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

---

PIONEER POWER SOLUTIONS, INC.  
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	3612 (Primary Standard Industrial Classification Code Number)	26-3387077 (I.R.S. Employer Identification No.)
---	---	---

One Parker Plaza  
400 Kelby Street, 9th Floor  
Fort Lee, New Jersey 07024  
(212) 867-0700  
(Address, including zip code, and telephone number,  
including area code, of registrant's principal executive offices)

Nathan J. Mazurek  
Chief Executive Officer  
Pioneer Power Solutions, Inc.  
One Parker Plaza  
400 Kelby Street, 9th Floor  
Fort Lee, New Jersey 07024  
(212) 867-0700  
(Name, address, including zip code, and telephone number,  
including area code, of agent for service)

Copies of all communications, including communications sent to agent for service, should be sent to:

Rick A. Werner, Esq.  
Haynes and Boone, LLP

Edgar Filing: PIONEER POWER SOLUTIONS, INC. - Form POS AM

1221 Avenue of the Americas, 26th Floor  
New York, New York 10020  
Tel. (212) 659-7300  
Fax (212) 884-8234

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(Do not check if a smaller reporting company)

---

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JUNE 1, 2010

PRELIMINARY PROSPECTUS

7,000,000 Shares

Pioneer Power Solutions, Inc.

Common Stock

---

This prospectus relates to the sale by the selling stockholders identified in this prospectus of up to 7,000,000 shares of our common stock, which includes:

- 5,000,000 shares of common stock issued in a private placement;
- 1,000,000 shares of common stock initially issuable upon the exercise of an outstanding warrant to purchase shares of common stock at an exercise price of \$2.00 per share; and
- 1,000,000 shares of common stock initially issuable upon the exercise of an outstanding warrant to purchase shares of common stock at an exercise price of \$3.25 per share.

The prices at which the selling stockholders may sell shares will be determined by the prevailing market price for the shares or in negotiated transactions. We will not receive any proceeds from the sale of these shares by the selling stockholders. However, we will receive the exercise price of the warrants if the warrants are exercised for cash. All expenses of registration incurred in connection with this offering are being borne by us, but all selling and other expenses incurred by the selling stockholders will be borne by the selling stockholders.

Our common stock is quoted on the regulated quotation service of the OTC Bulletin Board under the symbol "PPSI.OB". On May 28, 2010, the last reported sale price of our common stock as reported on the OTC Bulletin Board was \$3.00 per share.

Investing in our common stock is highly speculative and involves a high degree of risk. You should carefully consider the risks and uncertainties in the section entitled "Risk Factors" beginning on page 3 of this prospectus before making a decision to purchase our stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is \_\_\_\_\_, 2010



## TABLE OF CONTENTS

	Page
Prospectus Summary	1
Risk Factors	3
Special Note Regarding Forward-Looking Statements	10
Use of Proceeds	10
Market for Our Common Stock and Related Stockholder Matters	10
Dividend Policy	11
Management's Discussion and Analysis of Financial Condition and Results of Operation	11
Business	17
Management	23
Executive Compensation	25
Certain Relationships and Related Transactions	28
Security Ownership of Certain Beneficial Owners and Management	30
Selling Stockholders	31
Description of Securities	33
Plan of Distribution	36
Legal Matters	37
Experts	37
Where You Can Find Additional Information	37
Index to Financial Statements	F-1

You should rely only on the information contained in this prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

---

## PROSPECTUS SUMMARY

The following summary highlights information contained elsewhere in this prospectus. It may not contain all the information that may be important to you. You should read this entire prospectus carefully, including the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operation,” and our historical financial statements and related notes included elsewhere in this prospectus. In this prospectus, unless the context requires otherwise, references to the “Company,” “Pioneer,” “we,” “our” and “us” for periods prior to the closing of our share exchange on December 2, 2009, refer to Pioneer Transformers Ltd., a private company incorporated under the Canada Business Corporations Act that is now our wholly-owned subsidiary, and its subsidiaries and references to the “Company,” “Pioneer,” “we,” “our” and “us” for periods subsequent to the closing of the share exchange on December 2, 2009, refer to Pioneer Power Solutions, Inc., a publicly traded company, and its subsidiaries, including Pioneer Transformers Ltd. and its subsidiaries.

## Corporate History

We were organized in the State of Nevada on September 16, 2008 as Sierra Concepts, Inc. for the purpose of providing individuals with financial counseling services through the Internet. On November 30, 2009, Sierra Concepts, Inc. merged with and into Pioneer Power Solutions, Inc., a Delaware corporation and wholly owned subsidiary of Sierra Concepts, Inc., for the sole purpose of changing our state of incorporation from Nevada to Delaware and changing our name from “Sierra Concepts, Inc.” to “Pioneer Power Solutions, Inc.” On December 2, 2009, we entered into a share exchange agreement with Pioneer Transformers Ltd., a company incorporated under the Canada Business Corporations Act, and Provident Pioneer Partners, L.P., a Delaware limited partnership and the sole stockholder of Pioneer Transformers Ltd. Pursuant to the share exchange agreement, on December 2, 2009, Provident Pioneer Partners, L.P. transferred all of the issued and outstanding capital stock of Pioneer Transformers Ltd. to us in exchange for (i) 22,800,000 newly issued shares of our common stock and (ii) a five year warrant to purchase up to 1,000,000 shares of our common stock at an exercise price of \$3.25 per share. As a result of this share exchange, Pioneer Transformers Ltd. became our wholly owned subsidiary.

Immediately following the share exchange, we transferred all of our pre-share exchange operating assets and liabilities to our wholly-owned subsidiary, Sierra Concepts Holdings, Inc., a Delaware corporation, and transferred all of Sierra Concepts Holdings, Inc.’s outstanding capital stock to our then-majority stockholder in exchange for cancellation of shares of our common stock held by such stockholder.

After the share exchange and the divestiture of our pre-share exchange operating assets and liabilities we succeeded to the business of Pioneer Transformers Ltd. as our sole line of business, and all of our then-current officers and directors resigned and were replaced by Nathan J. Mazurek and four new directors. In addition, as a result of the share exchange, and after giving effect to subsequent issuances of our common stock to date, Provident Pioneer Partners, L.P., which is controlled by Mr. Mazurek, beneficially owns 77.9% of our outstanding common stock, thereby allowing Provident Pioneer Partners, L.P. and Mr. Mazurek to control all matters submitted to our stockholders for approval, including the

election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets.

Contemporaneously with the foregoing transactions, we completed a private placement of 5,000,000 shares of our common stock to certain accredited investors for aggregate gross proceeds of \$5,000,000 and sold a five year warrant to purchase up to 1,000,000 shares of our common stock at an exercise price of \$2.00 per share to an investor for \$10,000.

Our common stock was originally approved for quotation on the OTC Bulletin Board on February 2, 2009 under the symbol SRRC.OB. On January 7, 2010, as a result of our name change from Sierra Concepts, Inc. to Pioneer Power Solutions, Inc., our trading symbol on the OTC Bulletin Board was changed to PPSI.OB. To date, there has not been an active market for our common stock.

On April 30, 2010, we acquired Jefferson Electric, Inc. through a merger pursuant to which JEI Acquisition, Inc., a wholly owned subsidiary of ours, merged with and into Jefferson Electric, Inc., with Jefferson Electric, Inc. continuing as the surviving corporation and becoming a wholly owned subsidiary of ours. Upon consummation of the merger, we issued an aggregate of 486,275 shares of our common stock to Thomas Klink, Jefferson Electric, Inc.'s sole stockholder prior to the merger. Jefferson Electric, Inc. is a manufacturer and supplier of dry-type transformers for commercial, industrial and original equipment manufacturer (OEM) and brand label customers.

#### Overview

We are a North American designer, developer and manufacturer of a full line of liquid-filled, ventilated and encapsulated electrical transformers for utility, industrial and commercial applications. Through our subsidiaries we have been in the transformer business for over 90 years and distinguish ourselves by manufacturing a wide range of engineered-to-order and standard equipment for our customers. From our facilities in the U.S., Canada and Mexico, and through our distribution network across the United States, we serve customers in a variety of industries with particular emphasis on electric utilities, heavy industrial customers, commercial construction companies, original equipment manufacturers and brand label customers.

Our principal executive offices are located at One Parker Plaza, 400 Kelby Street, 9th Floor, Fort Lee, New Jersey 07024, and our telephone number is (212) 867-0700. Our website address is <http://www.pioneerpowersolutions.com>. Information on or accessed through our website is not incorporated into this prospectus and is not a part of this prospectus.

## The Offering

Common stock offered by the selling stockholders:	7,000,000 shares, consisting of 5,000,000 shares issued to investors in a private placement, 1,000,000 shares issuable upon the exercise of a warrant issued to Provident Pioneer Partners, L.P. in connection with a share exchange agreement and 1,000,000 shares issuable upon the exercise of a warrant sold to an investor.
Common stock outstanding prior to the offering:	29,536,275
Common stock outstanding after this offering:	31,536,275 (1)
Use of proceeds:	We will not receive any proceeds from the sale of shares in this offering by the selling stockholders. However, we will receive proceeds from the exercise of the warrants if the warrants are exercised for cash.
OTC Bulletin Board symbol:	PPSI.OB
Risk factors:	You should carefully consider the information set forth in this prospectus and, in particular, the specific factors set forth in the “Risk Factors” section beginning on page 3 of this prospectus before deciding whether or not to invest in shares of our common stock.

---

(1)

The number of outstanding shares of common stock after the offering is based upon 29,536,275 shares outstanding as of May 28, 2010 and assumes the full exercise of all warrants with respect to which the underlying shares are being registered pursuant to the registration statement of which this prospectus forms a part.



The number of shares of common stock outstanding after this offering excludes:

1,000,000 shares of common stock issuable upon the exercise of a five year warrant that we issued to Thomas Klink for an exercise price of \$3.25 per share;

150,000 shares of common stock issuable upon the exercise of a five year warrant that we have issued to a consultant for an exercise price of \$2.00 per share;

an aggregate of 50,000 shares of common stock issuable upon the exercise of three four year warrants that we have agreed to issue to our investor relations firm and its designees for an exercise price of \$3.25 per share;

400,000 shares of common stock issuable upon the exercise of currently outstanding options with exercise prices ranging from \$2.95 to \$3.25 and having a weighted average exercise price of \$3.06; and

1,200,000 shares of common stock available for future issuance under our 2009 Equity Incentive Plan.

## RISK FACTORS

Investing in our common stock involves a high degree of risk. Before investing in our common stock you should carefully consider the following risks, together with the financial and other information contained in this prospectus. If any of the following risks actually occurs, our business, prospects, financial condition and results of operations could be adversely affected. In that case, the trading price of our common stock would likely decline and you may lose all or a part of your investment.

### Risks Relating to Our Business

Our industry is highly competitive.

The electrical transformer industry is highly competitive. Principal competitors in our markets include ABB Ltd., Carte International, Inc., Cooper Industries plc, General Electric Company, Groupe Schneider, Howard Industries, Inc., Hammond Power Solutions Inc., Partner Technologies, Inc. and Siemens AG. A number of these competitors are significantly larger and have substantially greater resources than we do and are able to achieve greater economies of scale and lower cost structures than us and may, therefore, be able to provide their products to customers at lower prices than we are able to. Moreover, we cannot be certain that our competitors will not develop the expertise, experience and resources to offer products that are superior in both price and quality to our products. Similarly, we cannot be certain that we will be able to maintain or enhance our competitive position within our industry, maintain our customer base at current levels or increase our customer base.

Because we currently derive a significant portion of our revenues from two customers, any decrease in orders from these customers could have an adverse effect on our business, financial condition and operating results.

We depend on Hydro-Quebec Utility Company for a large portion of our business, and any change in the level of orders from Hydro-Quebec Utility Company, has, in the past, had a significant impact on our results of operations. In particular, Hydro-Quebec Utility Company represented a substantial portion of our sales, approximately 39.6% and 26.3% of net sales in the fiscal years ended December 31, 2009 and 2008, respectively. In addition, a different customer accounted for 28.9% and 13.6% of Jefferson Electric, Inc.'s net sales in the fiscal years ended December 31, 2009 and 2008, respectively. If either of these customers was to significantly cancel, delay or reduce the amount of business it does with us, there could be a material adverse effect on our business, financial condition and operating results. Our long term supply agreements for the sale of our products to Hydro-Quebec Utility Company expire in 2012 and we therefore cannot assure you that Hydro-Quebec Utility Company will continue to purchase transformers from us in quantities consistent with the past or at all. Moreover, Jefferson Electric, Inc. has no long term supply agreements for the sale of its products to its largest customer and we therefore cannot assure you that this customer will continue to purchase transformers from Jefferson Electric, Inc. in quantities consistent with the past or at all. If either of these customers were to become insolvent or otherwise unable to pay or were to delay payment for services, our business, financial condition and operating results could also be materially adversely affected.

Fluctuations in the price and supply of raw materials used to manufacture our products may reduce our profits.

Our raw material costs represented approximately 64% and 70% of our revenues for the fiscal years ended December 31, 2009 and 2008, respectively. Although we anticipate that this percentage will be lower in the future due to our acquisition of Jefferson Electric, Inc., there is no guarantee that such result will be achieved. The principal raw materials purchased by us are core steel, copper wire, aluminum strip and insulating materials including transformer oil. We also purchase certain electrical components from a variety of suppliers including bushings, switches, fuses and protectors. These raw materials and components are available from and supplied by numerous sources at competitive prices, although there are more limited sources of supply for electrical core steel and transformer oil. Unanticipated

increases in raw material prices or disruptions in supply could increase production costs and adversely affect our profitability. While we do not anticipate significant difficulty fulfilling our raw material purchase requirements and have not experienced any such difficulty in the past three years, we cannot provide any assurances that we will not experience such difficulties in the future.

We may not be able to fully realize the revenue value reported in our backlog.

We have a backlog of work to be completed on contracts. Orders included in our backlog are represented by customer purchase orders and contracts that we believe to be firm. Backlog develops as a result of new business taken, which represents the revenue value of new customer orders received by us during a given period. Backlog consists of customer orders that either (1) have not yet been started or (2) are in progress and are not yet completed. In the latter case, the revenue value reported in backlog is the remaining value associated with work that has not yet been completed. From time to time, customer orders are canceled that appeared to have a high certainty of going forward at the time they were recorded as new business taken. In the event of a customer order cancellation, we may be reimbursed for certain costs but typically have no contractual right to the total revenue reflected in our backlog. In addition to our being unable to recover certain direct costs, canceled customer orders may also result in additional unrecoverable costs due to the resulting underutilization of our assets.

We are subject to pricing pressure from our larger customers.

We face significant pricing pressures in all of our business segments from our larger customers, including Hydro-Quebec Utility Company. Because of their purchasing size, our larger customers can influence market participants to compete on price terms. Such customers also use their buying power to negotiate lower prices. If we are not able to offset pricing reductions resulting from these pressures by improved operating efficiencies and reduced expenditures, those price reductions may have an adverse impact on our financial results.

Deterioration in the credit quality of several major customers could have a material adverse effect on our operating results and financial condition.

A significant asset included in our working capital is accounts receivable from customers. If customers responsible for a significant amount of accounts receivable become insolvent or otherwise unable to pay for products and services, or become unwilling or unable to make payments in a timely manner, our operating results and financial condition could be adversely affected. A significant deterioration in the economy could have an adverse effect on the servicing of these accounts receivable, which could result in longer payment cycles, increased collection costs and defaults in excess of management's expectations. Deterioration in the credit quality of Hydro-Quebec Utility Company, or of any other major customers, could have a material adverse effect on our operating results and financial condition.

We may face impairment charges if economic environments in which our business operates and key economic and business assumptions substantially change.

Assessment of the potential impairment of property, plant and equipment, goodwill and other identifiable intangible assets is an integral part of our normal ongoing review of operations. Testing for potential impairment of long-lived assets is dependent on numerous assumptions and reflects our best estimates at a particular point in time, which may vary from testing date to testing date. The economic environments in which our business operates and key economic and business assumptions with respect to projected product selling prices and materials costs, market growth and inflation rates, can significantly affect the outcome of impairment tests. Estimates based on these assumptions may differ significantly from actual results. Changes in factors and assumptions used in assessing potential impairments can have a significant impact on both the existence and magnitude of impairments, as well as the time at which such impairments are recognized. Future changes in the economic environment and the economic outlook for the assets being evaluated could also result in additional impairment charges. Any significant asset impairments would adversely impact our financial results.

We are vulnerable to economic downturns in the residential and commercial construction markets, which may reduce the demand for some of our products and adversely affect our sales, earnings, cash flow or financial condition.

Portions of our business, in particular those of Jefferson Electric, Inc., involve sales in connection with commercial and residential real estate construction. Our sales to these segments are affected by the levels of discretionary consumer and business spending in these segments. During economic downturns in these segments, the levels of consumer and business discretionary spending may decrease. This decrease in spending will likely reduce the demand for some of our products and may adversely affect our sales, earnings, cash flow or financial condition.

During the past three years, the U.S. homebuilding industry experienced a significant and sustained decrease in demand for new homes and an oversupply of new and existing homes available for sale. During this same time period, the U.S. real estate industry also experienced a significant decrease in existing home turnover. The commercial and industrial building and maintenance sectors also began to experience a significant decline in 2008. The downturn in each of these segments has contributed to a decline in the demand for some of Jefferson Electric, Inc.'s products and adversely affected Jefferson Electric, Inc.'s sales and earnings in prior periods. We cannot predict the duration or severity of the downturn in these segments. Continued downturn in these segments could continue to reduce the demand for some of our products and may adversely impact sales, earnings and cash flow.

Our operating results may vary significantly from quarter to quarter.

Our quarterly results may be materially and adversely affected by:

- the timing and volume of work under new agreements;
- general economic conditions;
- the spending patterns of customers;
- customer orders received;
- losses experienced in our operations not otherwise covered by insurance;
- a change in the demand or production of our products caused by severe weather conditions;
- a change in the mix of our customers, contracts and business;
- increases in design and manufacturing costs; and
- the ability of customers to pay their invoices owed to us and disagreements with customers related to product performance on delivery.

Accordingly, our operating results in any particular quarter may not be indicative of the results that you can expect for any other quarter or for an entire year.

We rely on third parties whose operations are outside our control.

We rely on arrangements with third-party shippers and carriers such as independent shipping companies for timely delivery of our products to our customers. As a result, we may be subject to carrier disruptions and increased costs due to factors that are beyond our control, including labor strikes, inclement weather, natural disasters and rapidly increasing fuel costs. If the services of any of these third parties become unsatisfactory, we may experience delays in meeting our customers' product demands and we may not be able to find a suitable replacement on a timely basis or on commercially reasonable terms. Any failure to deliver products to our customers in a timely and accurate manner may damage our reputation and could cause us to lose customers.

We also utilize third party distributors and manufacturer's representatives to sell, install and service certain of our products. While we are selective in whom we choose to represent us, it is difficult for us to ensure that our distributors and manufacturer's representatives consistently act in accordance with the standards we set for them. To the extent any of our end-customers have negative experiences with any of our distributors or manufacturer's representatives, it could reflect poorly on us and damage our reputation, thereby negatively impacting our financial results

We plan to engage in acquisitions and joint ventures, and may encounter unexpected difficulties identifying, pricing or integrating those businesses.

We seek to grow, in part, through strategic acquisitions that are intended to complement or expand our business, and expect to continue to do so in the future. The success of this strategy will depend on our ability to identify, price, finance and complete these transactions or arrangements. Success will also depend on our ability to integrate the businesses acquired in these transactions. We may encounter unexpected difficulties in completing and integrating

acquisitions with our existing operations, and in managing strategic investments. Furthermore, we may not realize the degree, or timing, of benefits we anticipated when we first entered into a transaction. Any of the foregoing could adversely affect our business and results of operations.

We may be unsuccessful at generating internal growth.

Our ability to generate internal growth will be affected by, among other factors, our ability to attract new customers, increase the number or size of orders received by existing customers, hire and retain employees and increase volume utilizing our existing facilities. In addition, our customers may reduce the number or size of their orders. Many of the factors affecting our ability to generate internal growth may be beyond our control, and we cannot be certain that our strategies will be successful or that we will be able to generate cash flow sufficient to fund our operations and to support internal growth. If we are unsuccessful, we may not be able to achieve internal growth, expand our operations or grow our business.

The departure of key personnel could disrupt our business.

We depend on the continued efforts of Nathan J. Mazurek, our sole executive officer, and other senior management. We cannot be certain that any individual will continue in such capacity for any particular period of time. The loss of key personnel, or the inability to hire and retain qualified employees, could negatively impact our ability to manage our business.

Our business requires skilled labor, and we may be unable to attract and retain qualified employees.

Our ability to maintain our productivity and profitability will be limited by our ability to employ, train and retain skilled personnel necessary to meet our requirements. We may experience shortages of qualified personnel. We cannot be certain that we will be able to maintain an adequate skilled labor force necessary to operate efficiently and to support our growth strategy or that our labor expenses will not increase as a result of a shortage in the supply of skilled personnel. Labor shortages or increased labor costs could impair our ability to maintain our business or grow our revenues, and may adversely impact our profitability.

Our business operations are dependent upon our ability to engage in successful collective bargaining with our unionized workforce.

Approximately 69% of our workforce is unionized. We are currently engaged in collective bargaining negotiations with the union that represents approximately 22% of our unionized employees. Our current collective bargaining agreements with our unionized workforce in Canada expired in May 2010. Similar agreements with our workforce in Reynosa, Mexico are due to expire in July 2011. If we are unable to reach new agreements regarding the terms of these collective bargaining agreements, or if additional segments of our workforce become unionized, we may be subject to work interruptions or stoppages. Strikes or labor disputes with our employees may adversely affect our ability to conduct our business.

We carry insurance against many potential liabilities, and our risk management program may leave us exposed to unidentified or unanticipated risks.

Although we maintain insurance policies with respect to our related exposures, these policies contain deductibles and limits of coverage. We estimate our liabilities for known claims and unpaid claims and expenses based on information available as well as projections for claims incurred but not reported. However, insurance liabilities are difficult to estimate due to various factors. If any of our insurance policies or programs are not effective in mitigating our risks, we may incur losses that are not covered by our insurance policies or that exceed our accruals or that exceed our coverage limits and could adversely impact our consolidated results of operations, cash flows and financial position.

Unforeseen adverse regulatory, environmental, monetary and other governmental policies could have a material adverse effect on our profitability.

We are subject to international, federal, provincial and local laws and regulations governing environmental matters, including emissions to air, discharge to waters and the generation and handling of waste. We are also subject to laws relating to occupational health and safety. The operation of manufacturing plants involves a high level of susceptibility in these areas, and there is no assurance that we will not incur material environmental or occupational health and safety liabilities in the future. Moreover, expectations of remediation expenses could be affected by, and potentially significant expenditures could be required to comply with, environmental regulations and health and safety laws that may be adopted or imposed in the future. Future remediation technology advances could adversely impact expectations of remediation expenses.



Future litigation could impact our financial results and condition.

Our business, results of operations and financial condition could be affected by significant future litigation or claims adverse to us. Types of potential litigation cases include product liability, contract, employment-related, labor relations, personal injury or property damage, intellectual property, stockholder claims and claims arising from any injury or damage to persons, property or the environment from hazardous substances used, generated or disposed of in the conduct of our business.

Market disruptions caused by the worldwide financial crisis could affect our ability to meet our liquidity needs at reasonable cost and our ability to meet long-term commitments, which could adversely affect our financial condition and results of operations.

We rely on our credit facility with our primary lender, amongst other avenues, to satisfy our liquidity needs. Further disruptions in the credit markets or further deterioration of the banking industry's financial condition, may discourage or prevent our primary lender and other lenders from meeting their existing lending commitments, extending the terms of such commitments or agreeing to new commitments. Market disruptions may also limit our ability to issue debt securities in the capital markets. We can provide no assurances that our primary lender or any other lenders we may have will meet their existing commitments or that we will be able to access the credit markets in the future on terms acceptable to us or at all.

Longer term disruptions in the capital and credit markets as a result of uncertainty, reduced financing alternatives or failures of significant financial institutions could adversely affect our access to the liquidity needed for our business. Any disruption could require us to take measures to conserve cash until the market stabilizes or until alternative financing can be arranged. Such measures could include deferring capital expenditures and reducing other discretionary expenditures.

Continued market disruptions could cause a broad economic downturn that may lead to increased incidence of customers' failure to pay for services delivered, which could adversely affect our financial condition, results of operations and cash flow.

Continued capital market disruptions could result in increased costs related to variable rate debt. As a result, continuation of market disruptions could increase our interest expense and adversely impact our results of operations.

Disruption in the capital markets and its actual or perceived effects on particular businesses and the greater economy also adversely affects the value of the investments held within our pension plans. Significant declines in the value of the investments held within our pension plans may require us to increase contributions to those plans in order to meet future funding requirements if the actual asset returns do not recover these declines in value in the foreseeable future. These trends may also adversely impact our results of operations, net cash flows and financial positions, including our stockholders' equity.

Restrictive loan covenants may impact our ability to operate our business and to pursue our business strategies, and our failure to comply with these covenants could result in an acceleration of our indebtedness.

Our credit facilities with our primary lender contain certain covenants that restrict our ability to, among other things:

- effect an amalgamation, merger or consolidation with any legal entity;
- cause our subsidiaries to wind up, liquidate or dissolve their affairs;
- change the nature of our core business; or

· alter our capital structure in a manner that would be materially adverse to our primary lender, undergo a change of control and make investments or advancements to affiliated or related companies without our primary lender's prior written consent.

The majority of the liquidity derived from our credit facilities is based on availability determined by a borrowing base. Specifically, the availability of credit is dependent upon our eligible receivables, inventory and certain liens. We may not be able to maintain adequate levels of eligible assets to support our required liquidity.

In addition, our credit facilities requires us to meet certain financial ratios, including maintenance of a minimum debt service coverage ratio, a minimum current ratio and a maximum total debt to tangible net worth ratio. Our ability to meet these financial provisions may be affected by events beyond our control. If, as or when required, we are unable to repay, refinance or restructure our indebtedness under, or amend the covenants contained in, our credit facilities, our primary lender could institute foreclosure proceedings against the assets securing borrowings under those facilities for up to \$9.5 million, which would harm our business, financial condition and results of operations.

Jefferson Electric, Inc. may be unable to service, repay or refinance its debt and remain in compliance with its debt covenants, which could have a material adverse effect on our business.

Jefferson Electric, Inc. is highly leveraged, and its ability to repay its debt will depend on its financial and operating performance and on our ability to successfully implement our business strategy with respect to Jefferson Electric, Inc. The financial and operational performance of Jefferson Electric, Inc. will depend on numerous factors, many of which are beyond our control, such as economic conditions and governmental regulation. We cannot be certain that Jefferson Electric, Inc.'s earnings will be sufficient to allow it to pay the principal and interest on its debt and meet its other obligations. If Jefferson Electric, Inc. does not generate enough cash flow to service its debt, it may be unable to refinance all or part of the existing debt or sell assets on terms acceptable to us, if at all. Further, failing to comply with the financial and other restrictive covenants in its loan agreement could result in an event of default, which could result in acceleration of the payments due. Because Jefferson Electric, Inc.'s debt is secured by substantially all of Jefferson Electric, Inc.'s assets, if Jefferson Electric, Inc. is unable to service, repay or refinance its debt and remain in compliance with its debt covenants, we could lose all of our investment in Jefferson Electric, Inc.

Our revenue may be adversely affected by fluctuations in currency exchange rates.

A majority of our expenditures and revenue will be spent or derived in Canada. However, we report our financial condition and results of operations in U.S. dollars. As a result, fluctuations between the U.S. dollar and the Canadian dollar will impact the amount of our revenues. For example, if the Canadian dollar appreciates relative to the U.S. dollar, the fluctuation will result in a positive impact on the revenues that we report. However, if the Canadian dollar depreciates relative to the U.S. dollar, there will be a negative impact on the revenues we report due to such fluctuation. It is possible that the impact of currency fluctuations will result in a decrease in reported sales even though we have experienced an increase in sales when reported in the Canadian dollar. Conversely, the impact of currency fluctuations may result in an increase in reported sales despite declining sales when reported in the Canadian dollar. The exchange rate from the U.S. dollar to the Canadian dollar has fluctuated substantially and may continue to do so in the future. Though we may choose to hedge our exposure to foreign currency exchange rate changes in the future, there is no guarantee such hedging, if undertaken, will be successful.

## Risks Relating to the Offering

Our stock price may be volatile after this offering, which could result in substantial losses for investors.

The market price of our common stock is likely to be highly volatile and could fluctuate widely in response to various factors, many of which are beyond our control, including the following:

- technological innovations or new products and services by us or our competitors;
  - additions or departures of key personnel;
- sales of our common stock, particularly following effectiveness of the registration statement of which this prospectus forms a part, and under any registration statement for the purposes of selling any other securities, including management shares;
- limited availability of freely-tradable “unrestricted” shares of our common stock to satisfy purchase orders and demand;
  - our ability to execute our business plan;
  - operating results that fall below expectations;
  - loss of any strategic relationship;
  - industry developments;
  - economic and other external factors; and
- period-to-period fluctuations in our financial results.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also significantly affect the market price of our common stock.

There is, at present, only a limited market for our common stock and we cannot ensure investors that an active market for our common stock will ever develop or be sustained.

There is, at present, only a limited trading market for our common stock. The price at which our common stock may be sold is very unpredictable because there are very few trades in our common stock. Because our common stock is so thinly traded, a large block of shares traded can lead to a dramatic fluctuation in the share price. In addition, our common stock currently trades on the OTC Bulletin Board, which generally lacks the liquidity, research coverage and institutional investor following of a national stock exchange like the NYSE Amex Equities, the New York Stock Exchange or the Nasdaq Stock Market. While we intend to list our common stock on a national stock exchange once we satisfy the initial listing standards for such an exchange, we currently do not, and may not ever, satisfy such initial listing standards. Should we fail to satisfy the initial listing standards for a national stock exchange or should our common stock be otherwise rejected for listing and remain on the OTC Bulletin Board or be suspended from the OTC Bulletin Board, the trading price of our common stock could suffer, the trading market for our common stock may be less liquid and our common stock price may be subject to increased volatility.

Substantial sales of our common stock, or the perception that such sales are likely to occur, could cause the price of our common stock to decline.

Sales of a significant number of shares of our common stock in the public market could harm the market price of our common stock and make it more difficult for us to raise funds through future offerings of common stock. Upon the effectiveness of the registration statement of which this prospectus forms a part, 7,000,000 shares of our common stock will become freely tradable. As these shares and as additional shares of our common stock become available for resale in the public market, the supply of our common stock will increase, which could decrease its price.

In addition, if our stockholders sell substantial amounts of our common stock in the public market, or upon the expiration of any statutory holding period under Rule 144, upon expiration of lock-up periods applicable to outstanding shares, or issued upon the exercise of outstanding options or warrants, it could create a circumstance commonly referred to as an “overhang” and in anticipation of which the market price of our common stock could fall. The existence of an overhang, whether or not sales have occurred or are occurring, could also make it more difficult for us to raise additional financing through the sale of equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate.

We do not expect to pay dividends in the future. As a result, any return on investment may be limited to the value of our common stock.

We do not anticipate paying cash dividends on our common stock in the foreseeable future. The payment of dividends on our common stock will depend on our earnings, financial condition and other business and economic factors as our board of directors may consider relevant. If we do not pay dividends, our common stock may be less valuable because a return on your investment will only occur if our stock price appreciates.

#### Risks Relating to Our Organization

Our certificate of incorporation authorizes our board to create new series of preferred stock without further approval by our stockholders, which could adversely affect the rights of the holders of our common stock.

Our board of directors has the authority to fix and determine the relative rights and preferences of preferred stock. Our board of directors also has the authority to issue preferred stock without further stockholder approval. As a result, our board of directors could authorize the issuance of a series of preferred stock that would grant to holders the preferred right to our assets upon liquidation, the right to receive dividend payments before dividends are distributed to the holders of common stock and the right to the redemption of the shares, together with a premium, prior to the redemption of our common stock. In addition, our board of directors could authorize the issuance of a series of preferred stock that has greater voting power than our common stock or that is convertible into our common stock, which could decrease the relative voting power of our common stock or result in dilution to our existing stockholders.

Your ability to influence corporate decisions may be limited because Provident Pioneer Partners, L.P. owns a controlling percentage of our common stock.

Provident Pioneer Partners, L.P., which is controlled by Nathan J. Mazurek, our president, chief executive officer, chief financial officer, secretary, treasurer and chairman of the board of directors beneficially owns approximately 78% of our outstanding common stock. As a result of this stock ownership, Provident Pioneer Partners, L.P. and Mr. Mazurek can control all matters submitted to our stockholders for approval, including the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of voting power could delay or prevent an acquisition of our company on terms that other stockholders may desire. In addition, as the interests of Provident Pioneer Partners, L.P. and our minority stockholders may not always be the same, this large concentration of voting power may lead to stockholder votes that are inconsistent with the best interests of our minority stockholders or the best interest of us as a whole.

We are subject to financial reporting and other requirements for which our accounting, internal audit and other management systems and resources may not be adequately prepared.

On December 2, 2009, we became subject to reporting and other obligations under the Securities Exchange Act of 1934, as amended, including the requirements of Section 404 of the Sarbanes-Oxley Act. Section 404 will require us to conduct an annual management assessment of the effectiveness of our internal controls over financial reporting and

to obtain a report by our independent auditors addressing these assessments. These reporting and other obligations will place significant demands on our management, administrative, operational, internal audit and accounting resources. We anticipate that we will need to upgrade our systems; implement additional financial and management controls, reporting systems and procedures; implement an internal audit function; and hire additional accounting, internal audit and finance staff. If we are unable to accomplish these objectives in a timely and effective fashion, our ability to comply with our financial reporting requirements and other rules that apply to reporting companies could be impaired. Any failure to maintain effective internal controls could have a material adverse effect on our business, operating results and stock price.

Because we became public by means of a reverse merger, we may not be able to attract the attention of major brokerage firms.

There may be risks associated with us becoming public through a “reverse merger.” Securities analysts of major brokerage firms may not provide coverage of us since there is no incentive to brokerage firms to recommend the purchase of our common stock. No assurance can be given that brokerage firms will, in the future, want to conduct any secondary offerings on our behalf.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains “forward-looking statements,” which include information relating to future events, future financial performance, strategies, expectations, competitive environment and regulation. Words such as “may,” “should,” “could,” “would,” “predicts,” “potential,” “continue,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates,” and “will” are intended to identify forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results and will probably not be accurate indications of when such performance or results will be achieved. Forward-looking statements are based on information we have when those statements are made or our management’s good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to:

- We depend on Hydro-Quebec Utility Company for a large portion of our business, and any change in the level of orders from Hydro-Quebec Utility Company, has, in the past, had a significant impact on our results of operations.
- Unanticipated increases in raw material prices or disruptions in supply could increase production costs and adversely affect our profitability.
- A majority of our expenditures and revenue will be spent or derived in Canada. However, we report our financial condition and results of operations in U.S. dollars. As a result, fluctuations between the U.S. dollar and the Canadian dollar will impact the amount of our revenues.
- Many of our competitors are better established and have significantly greater resources, and may subsidize their competitive offerings with other products and services, which may make it difficult for us to attract and retain customers.
- Restrictive loan covenants under our credit facility could limit our future financing options and liquidity position and may limit our ability to grow our business.
- Our chairman controls a majority of our combined voting power, and may have, or may develop in the future, interests that may diverge from yours.
  - Future sales of large blocks of our common stock may adversely impact our stock price.

You should review carefully the section entitled “Risk Factors” beginning on page 3 of this prospectus for a discussion of these and other risks that relate to our business and investing in shares of our common stock.

## USE OF PROCEEDS

We will not receive any proceeds from the sale of common stock by the selling stockholders.

A portion of the shares covered by this prospectus are issuable upon exercise of warrants to purchase our common stock. The warrants have a cashless exercise option. If, however, a selling stockholder were to exercise its warrants for cash, the selling stockholder would pay us the exercise price of the warrants

## MARKET FOR OUR COMMON STOCK AND RELATED STOCKHOLDER MATTERS



Edgar Filing: PIONEER POWER SOLUTIONS, INC. - Form POS AM

Our common stock was originally approved for quotation on the OTC Bulletin Board on February 2, 2009 under the symbol SRRC.OB. On January 7, 2010, as a result of our name change from Sierra Concepts, Inc. to Pioneer Power Solutions, Inc., our trading symbol on the OTC Bulletin Board was changed to PPSI.OB. However, prior to January 7, 2010, our common stock did not trade regularly. The following table sets forth the high and low bid prices for our common stock for the periods indicated, as reported by the OTC Bulletin Board. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

Fiscal Year 2010	High	Low
First Quarter	\$3.40	\$1.50
Second Quarter (through May 28, 2010)	\$3.08	\$2.75

The last reported sales price of our common stock on the OTC Bulletin Board on May 28, 2010, was \$3.00 per share. As of May 28, 2010, there were 26 holders of record of our common stock.

## DIVIDEND POLICY

In the past, we have not declared or paid cash dividends on our common stock, and we do not intend to pay any cash dividends on our common stock. Rather, we intend to retain future earnings (if any) to fund the operation and expansion of our business and for general corporate purposes. Subject to legal and contractual limits, our board of directors will make any decision as to whether to pay dividends in the future. Notwithstanding the foregoing, Pioneer Transformers Ltd., our wholly-owned subsidiary, prior to our share exchange on December 2, 2009, paid cash dividends to Provident Pioneer Partners, L.P., its sole stockholder at the time, of \$450,000 during 2008 and \$2,706,000 during 2009.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

### Overview and Recent Events

We design, develop, manufacture and sell liquid-filled power, distribution and specialty electric transformers for the utility, industrial and commercial markets. Prior to December 2, 2009, we were a public shell company, as defined by the Securities and Exchange Commission, without material assets or activities. On December 2, 2009, we completed a share exchange, pursuant to which we acquired all of the capital stock of Pioneer Transformers Ltd., causing Pioneer Transformers Ltd. to become our wholly owned subsidiary. In connection with this share exchange, we discontinued our former business and succeeded to the business of Pioneer Transformers Ltd. as our sole line of business.

On April 30, 2010 we completed the acquisition of Jefferson Electric, Inc., a Wisconsin-based manufacturer and supplier of dry-type transformers, in a transaction valued at approximately \$10 million. As this transaction occurred following the completion of our fiscal quarter ended March 31, 2010, the following discussion and analysis of our financial condition and results of operations and the accompanying consolidated interim financial statements do not reflect the impact of Jefferson Electric, Inc. on our results of operations or financial condition for any periods presented.

### Accounting for the Share Exchange

The share exchange is being accounted for as a recapitalization. Pioneer Transformers Ltd. is the acquirer for accounting purposes and we are the acquired company. Accordingly, the historical financial statements presented and the discussion of financial condition and results of operations herein are those of Pioneer Transformers Ltd., retroactively restated for, and giving effect to, the number of shares received in the share exchange, and do not include the historical financial results of our former business. The accumulated earnings of Pioneer Transformers Ltd. were also carried forward after the share exchange and earnings per share have been retroactively restated to give effect to the recapitalization for all periods presented. Operations reported for periods prior to the share exchange are those of Pioneer Transformers Ltd.

### Foreign Currency Exchange Rates

In connection with our acquisition of Pioneer Transformers Ltd. and the discontinuation of our former business, we elected to report our financial results in U.S. dollars. Accordingly, all comparative financial information relating to Pioneer Transformers Ltd. contained in this discussion has been recast from Canadian dollars to U.S. dollars. We also elected to report our financial results in accordance with generally accepted accounting principles in the U.S. to improve the comparability of our financial information with our peer companies.

Although we have elected to report our results in accordance with generally accepted accounting principles in the U.S. and in U.S. dollars, our primary operating subsidiary, Pioneer Transformers Ltd., is a Canadian entity and its functional currency is the Canadian dollar. As such, our financial position, results of operations, cash flows and equity are initially consolidated in Canadian dollars. Our assets and liabilities are then translated from Canadian dollars to U.S. dollars by applying the foreign currency exchange rate in effect at the balance sheet date, while the results of our operations and cash flows are translated to U.S. dollars by applying the average foreign currency exchange rate in effect during the reporting period. The resulting translation adjustments are included in other comprehensive income or loss.

Our consolidated financial position and operating results have been translated to U.S. dollars by applying the following exchange rates, expressed as the number of Canadian dollars to one U.S. dollar for each period reported:

Quarter Ended	2010			2009			2008		
	Consolidated Balance Sheet	Consolidated Statements of Earnings and Comprehensive Income		Consolidated Balance Sheet	Consolidated Statements of Earnings and Comprehensive Income		Consolidated Balance Sheet	Consolidated Statements of Earnings and Comprehensive Income	
	End of Period	Period Average	Cumulative Average	End of Period	Period Average	Cumulative Average	End of Period	Period Average	Cumulative Average
March 31	\$1.0158	\$1.0409	1.0409	\$1.2613	\$1.2453	\$1.2453	\$1.0265	\$1.0041	\$1.0041
June 30				\$1.1630	\$1.1672	\$1.2062	\$1.0197	\$1.0100	\$1.0070
September 31				\$1.0707	\$1.0974	\$1.1700	\$1.0642	\$1.0418	\$1.0186
December 31				\$1.0510	\$1.0563	\$1.1415	\$1.2180	\$1.2125	\$1.0671

## Critical Accounting Policies

**Use of Estimates.** The preparation of financial statements in accordance with generally accepted accounting principles in the U.S. requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The financial statements include estimates based on currently available information and our judgment as to the outcome of future conditions and circumstances. Significant estimates in these financial statements include pension expense, inventory provisions, useful lives and impairment of long-lived assets, determination of fair values of warrants and allowance for doubtful accounts. Changes in the status of certain facts or circumstances could result in material changes to the estimates used in the preparation of the financial statements and actual results could differ from the estimates and assumptions.

**Revenue Recognition Policies.** Revenue is recognized when (1) persuasive evidence of an arrangement exists, (2) delivery occurs, (3) the sales price is fixed or determinable, (4) collectibility is reasonably assured and (5) customer acceptance criteria, if any, has been successfully demonstrated. Revenue is recognized on the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer upon delivery, provided that we maintain neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. There are no further obligations on our part subsequent to revenue recognition, except when customers have the right of return or when we warrant the product. We record a provision for future returns, based on historical experience at the time of shipment of products to customers. We warrant some of our products against defects in design, materials and workmanship for periods ranging from one to three years depending on the model. We record a provision for estimated future warranty costs based on the historical relationship of warranty claims to sales at the time of shipment of products to customers. We periodically review the adequacy of our product warranties and adjust, if necessary, the warranty percentage and accrued warranty reserve for actual experience.

**Foreign Currency Translation.** Our reporting currency is the U.S. dollar. The Canadian dollar is the functional currency of our Canadian operations and is translated into the U.S. dollar using the current rate method. Under this method, accounts are translated as follows:

- Assets and liabilities - at exchange rates in effect at the balance sheet date;
- Revenue and expenses - at average exchange rates prevailing during the year.

Gains and losses arising from foreign currency translation are included in other comprehensive income.

## Changes in Accounting Principles

No significant changes in accounting principles were adopted during fiscal 2008 and 2009, except for the following:

**FASB Codification.** On July 1, 2009, the Financial Accounting Standards Board (“FASB”) released the final version of its new Accounting Standards Codification (the “Codification”) as the single authoritative source for U.S. GAAP. The Codification replaces all previous U.S. GAAP accounting standards as described in FAS 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles. While not intended to change U.S. GAAP, the Codification significantly changes the way in which the accounting literature is organized. It is structured by accounting topic to help accountants and auditors more quickly identify the guidance that applies to a specific accounting issue. We have applied the Codification for the first time for our interim financial statements for the nine months ending September 30, 2009. The adoption of the Codification did not have an effect on our financial position and results of operations. However, because the Codification completely replaces existing standards, it affects the way U.S. GAAP is referenced in our consolidated financial statements and accounting policies.

Subsequent Events. FASB ASC 855, Subsequent Events (“ASC 855”), which established principles and requirements for subsequent events, is effective for interim or annual reporting periods ending after June 15, 2009. ASC 855 details the period after the balance sheet date during which we should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which we should recognize events or transactions occurring after the balance sheet date in our financial statements and the required disclosures for such events. Since ASC 855 at most requires additional disclosures, the adoption of ASC 855 did not have a material impact on our consolidated financial statements.

In February 2010, the FASB issued ASU 2010-9, “Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements” (“ASU 2010-9”). ASU 2010-9 removes the requirement for a Securities and Exchange Commission (“SEC”) filer to disclose a date through which subsequent events have been evaluated in both issued and revised financial statements. Revised financial statements include financial statements revised as a result of either correction of an error or retrospective application of U.S. GAAP. ASU 2010-9 also clarifies that if the financial statements have been revised, then an entity that is not an SEC filer should disclose both the date that the financial statements were issued or available to be issued and the date the revised financial statements were issued or available to be issued. The FASB believes these amendments remove potential conflicts with the SEC’s literature. In addition, ASU 2010-9 requires an entity that is a conduit bond obligor for conduit debt securities that are traded in a public market to evaluate subsequent events through the date of issuance of its financial statements and to disclose such date. ASU 2010-9 was effective upon issuance on February 24, 2010, except for the use of the issued date for conduit debt obligors, which is effective for interim or annual periods ending after June 15, 2010. The adoption of ASU 2010-9 except for the use of the issued date for conduit debt obligors did not have a material impact on the Company’s consolidated financial statements, and the Company does not expect the adoption of the use of the issued date for conduit debt obligors to have a material impact on its consolidated financial statements.

Fair Value Measurements and Disclosures. In January 2010, the FASB issued Accounting Standards Update (“ASU”) 2010-06, “Fair Value Measurements and Disclosures (Topic 820)” (“ASU 2010-06”). ASU 2010-06 requires reporting entities to make more robust disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in Level 3 fair value measurements including information on purchases, sales, issuances, and settlements on a gross basis and (4) the transfers between Levels 1, 2, and 3. ASU 2010-06 is effective for fiscal years beginning on or after December 15, 2009, except for the disclosure regarding Level 3 activity, which is effective for fiscal years beginning after December 15, 2010. The adoption of ASU 2010-06 for Levels 1 and 2 did not have a material impact on the Company’s consolidated financial statements, and the Company does not expect the adoption of the standard for Level 3 to have a material impact on its consolidated financial statements.

## Results of Operations

### Three Months Ended March 31, 2010 Compared to Three Months Ended March 31, 2009

**Revenue.** Total revenue increased 13.3% to \$8.3 million for the three months ended March 31, 2010, up from \$7.3 million during the three months ended March 31, 2009. Since most of our sales during the three months ended March 31, 2010 were to Canadian customers, we experienced a significant positive impact to revenue after currency translation due to the effect of a weaker U.S. dollar during the current year period (an average of 1.0409 Canadian dollars per U.S. dollar in the three months ended March 31, 2010 as compared to 1.2453 Canadian dollars per U.S. dollar during the three months ended March 31, 2009). On a constant currency exchange rate basis, our revenue decreased by approximately 5.3%. This decrease was primarily due to a lower average selling price per unit as a result of product mix, partially offset by higher unit volume shipped during the period.

**Gross Margin.** Our gross margin percentage for the three months ended March 31, 2010 increased to 21.9% of revenues compared to 20.0% during the three months ended March 31, 2009. This increase was attributable primarily to lower material costs during the three months ended March 31, 2010, particularly for those commodities purchased in U.S. dollars which typically represent approximately half of our costs of goods sold. Our gross margin also benefited from a higher average selling price per unit of transformation capacity sold during the three months ended March 31, 2010, offset by a less favorable product mix during the quarter which included more units manufactured at a smaller average size. We do not believe this shift in product mix was driven by any underlying trend, but rather was driven by the fact that we experienced a particularly favorable product mix and timing of customer orders during the three months ended March 31, 2010.

**Selling, General and Administrative Expense.** Selling, general and administrative expense increased by \$0.2 million, or 20.4%, to approximately \$1.1 million for the three months ended March 31, 2010 as compared to \$0.9 million during the three months ended March 31, 2009. This increase was primarily attributable to recurring expenses incurred in connection with becoming a public company in late 2009, which expenses did not exist during the three months ended March 31, 2009. Selling, general and administrative expense as a percentage of revenue increased to 13.4% during the three months ended March 31, 2010, up from 12.6% during the three months ended March 31, 2009.

**Foreign Exchange (Gain) Loss.** Most of our operating revenues are denominated in Canadian dollars and a material percentage of our expenses are denominated and disbursed in U.S. dollars. Historically, we have not engaged in currency hedging activities. Accordingly, fluctuations in foreign currency exchange rates between the time we initiate and then settle transactions with our customers and suppliers can have an impact on our operating results. During the three months ended March 31, 2010, the impact of these fluctuations resulted in a loss of approximately \$92,000 to operating profit, compared to a gain of approximately \$126,000 during the three months ended March 31, 2009.

**Interest and Factoring Fees.** During the three months ended March 31, 2010, interest and factoring fees were approximately \$13,000, down 84.3% from approximately \$84,000 during the three months ended March 31, 2009. The decrease was due to lower average borrowings during the three months ended March 31, 2010, resulting primarily from the repayment of all our bank indebtedness in December 2009.

**Provision for Income Taxes.** Our provision for income taxes reflects an effective tax rate on earnings before income taxes of 29.2% during the three months ended March 31, 2010, as compared to 31.6% during the three months ended March 31, 2009. The decrease in our effective tax rate is primarily a result of the tax benefit generated by the loss before income taxes of our U.S. corporate legal entity during the first quarter of 2010.

**Net Earnings.** We generated net earnings of \$390,000 during the three months ended March 31, 2010, up 4.9% from \$371,000 during the three months ended March 31, 2009. Our net earnings benefitted from higher sales and a higher gross margin percentage during the three months ended March 31, 2010, partially offset by incremental general and administrative expenses given our new status as a public company. Our net earnings grew despite the unfavorable impact of foreign exchange losses, which accounted for a \$219,000 pretax difference in our net earnings between the periods. Earnings per basic and diluted share was \$0.01 for the three months ended March 31, 2010, compared to \$0.02 for three months ended March 31, 2009. There were 6.2 million additional shares outstanding during the three months ended March 31, 2010, an amount which reflects the completion of our share exchange and private placement transactions during the fourth quarter of 2009.

**Backlog.** The order backlog at March 31, 2010 was \$16.0 million, down 3.1% from \$16.5 million at December 31, 2009 and down 27.6% from \$22.1 million at March 31, 2009. New orders placed during the three months ended March 31, 2010 totaled \$7.2 million, a decrease of 31.0% compared to new orders of \$10.4 million that were placed during the same quarter of 2009.

#### Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

**Revenue.** Total revenue decreased 7.5% to \$40.1 million in 2009 from \$43.9 million in 2008. On a constant-currency basis, which excludes the negative impact of currency translation on revenue due to the relatively stronger U.S. dollar throughout 2009, revenue decreased approximately 1% in 2009 as compared to 2008. This effect was more pronounced due to a decrease in our U.S. dollar denominated revenue during 2009 as compared to 2008, reflecting an increase in sales to the Canadian utility market. The remainder of our revenue decline in 2009 was attributable to the net effect of decreases in transformer unit volume, offset by an increase in the average price per unit.

**Gross Margin.** Our gross margin percentage for 2009 increased to 29.2% of revenues compared to 20.5% in 2008. This increase was primarily related to favorable shifts in our sales mix, particularly increased sales of larger units to the utility market. Our gross margin also benefitted from more efficient manufacturing, lower material costs and the translation effect of a strengthening in the U.S. dollar on the portion of our cost of goods sold that was denominated in Canadian dollars. While most of our operating revenues are denominated in Canadian dollars, approximately half of our costs of goods sold are based on purchases made in Canadian dollars, with the remainder based on purchases made in U.S. dollars.

The electrical transformer industry is highly competitive and requires that we expend significant resources on, among other things, design and engineering, production planning, machinery and equipment, product testing, logistics and customer service. Our profitability is dependent on a number of factors including a favorable product mix, factory configuration, manufacturing capacity and utilization and prices for various raw material commodities. Accordingly, there can be no assurance that such or other factors will not have a material effect on our gross margin in future periods.

**Selling, General and Administrative Expense.** Selling, general and administrative expense decreased 3.6% to approximately \$4.1 million in 2009, as compared to \$4.2 million in 2008. On a constant currency basis, selling, general and administrative expense increased by approximately 3%, primarily due to higher selling and engineering expenses during the year, as well as to expenses that we incurred in connection with the share exchange and becoming a public company. Selling, general and administrative expenses as a percentage of revenue increased to 10.0% of

revenue in 2009 from 9.6% in 2008.

Foreign Exchange (Gain) Loss. Most of our operating revenues are denominated in Canadian dollars and a material percentage of our expenses are denominated and disbursed in U.S. dollars. Historically, we have not engaged in currency hedging activities. Accordingly, fluctuations in foreign currency exchange rates between the time we initiate and then settle transactions with our customers and suppliers can have an impact on our operating results. During 2009, the impact of these fluctuations resulted in a gain of approximately \$272,000 to operating profit, compared to a gain of approximately \$98,000 in 2008.

Write-down of Advances to Limited Partners of a Stockholder. During the third quarter of 2008, we wrote down the entire amount of advances we made to Nathan J. Mazurek and David Landes, limited partners of Provident Pioneer Partners, L.P., our sole shareholder until December 2, 2009. These advances were made to these individuals as reimbursement for certain advances made by them in 2002 and 2003 to a switchgear manufacturing company that was owned by Provident Pioneer Partners, L.P. at the time and which was subsequently sold. This write-down resulted in the recognition of a non-operating loss of \$0.7 million in 2008.



Mr. Mazurek and Mr. Landes provided the advances to the switchgear company in order to provide it with funds at a time when neither the other limited partners of Provident Pioneer Partners, L.P. nor we desired or were capable of funding the switchgear company directly. In 2007 and 2008, when we had sufficient funds to repay Mr. Mazurek and Mr. Landes, Mr. Mazurek, as our controlling shareholder at the time, caused us to reimburse him and Mr. Landes. We recorded this reimbursement as an advance with no terms, security or requirements of repayment. Upon further review during the third quarter of 2008, our management determined that the advances were unlikely to be repaid, served no purpose in the conduct of our business and should therefore be written-off as a non-operating expense. As a consequence of the write-down, there are no longer any advances of any kind outstanding from us to any limited partners of Provident Pioneer Partners, L.P., to any of our stockholders or to third parties. We have no intention of making similar advances in the future.

**Interest and Factoring Fees.** During 2009, interest and factoring fees were approximately \$311,000 for 2009, down 39.2% from approximately \$512,000 in 2008. The decrease was primarily a result of lower average borrowings and interest rates during 2009.

**Provision for Income Taxes.** Our provision for income taxes reflects an effective tax rate on earnings before income taxes of 32.7% in 2009, as compared to 38.8% in 2008. The decrease in our effective tax rate is primarily attributable to the non-deductible write-down of advances that was recognized in the third quarter of 2008.

**Net Earnings.** We generated net earnings of \$5.1 million in 2009, or \$0.22 per basic and diluted share, compared to \$2.1 million, or \$0.09 per basic and diluted share, in 2008. The significant increase in our net earnings during 2009 was due to several factors including a favorable product mix that generated higher gross margins, relatively stable operating expenses, the absence of any significant write-downs and lower debt service costs.

**Backlog.** The order backlog at December 31, 2009 was \$16.5 million, down 16.6% (or 28.1% on a constant currency basis) as compared to \$19.8 million at December 31, 2008. New orders placed during 2009 were \$35.0 million, a decrease of 12.9% (or 6.8% on a constant currency basis) compared to new orders of \$40.1 million that were placed during 2008.

#### Liquidity and Capital Resources

**General.** At March 31, 2010, we had cash and cash equivalents of approximately \$3.1 million and no bank debt. We have historically met our cash needs through a combination of cash flows from operating activities and bank borrowings. Our cash requirements are generally for operating activities, debt repayment and capital improvements. We believe that working capital, funds available under our credit facilities, and funds generated from operations should be sufficient to finance our cash requirements for anticipated operating activities, capital improvements, repayment of debt and possible future acquisitions through the next 12 months.

Our operating activities generated cash flow of approximately \$4.3 million in 2009, compared to \$0.3 million in 2008, and approximately \$1.6 million during the three months ended March 31, 2010, compared to \$0.3 million during the three months ended March 31, 2009. The principal elements of cash flow from operations in 2009 included net income of \$5.1 million and depreciation of \$0.3 million, offset by investment in operating working capital of \$1.0 million. The principal elements of cash flow from operations during the first quarter of 2010 included net income of \$0.4 million and the net conversion of \$1.2 million of our operating working capital into cash.

Cash used in our financing activities was \$2.5 million in 2009, compared to cash generated of approximately \$0.2 million in 2008. In conjunction with the share exchange on December 2, 2009, we completed a private placement of our common stock raising gross proceeds of \$5.0 million before expenses. Our primary uses of cash for financing activities in 2009 consisted of \$4.5 million to repay debt and \$2.7 million to make dividend payments to Provident

Pioneer Partners, L.P., previously the sole stockholder of Pioneer Transformers Ltd. Cash used in our financing activities was approximately \$128,000 during the three months ended March 31, 2010, compared to cash used of \$295,000 during the three months ended March 31, 2009. Our primary use of cash for financing activities during the three months ended March 31, 2010 consisted of \$83,000 incurred in connection with our obligation to register common stock issued to investors in the private placement that we completed on December 2, 2009. Our primary uses of cash for financing activities in the three months ended March 31, 2009 consisted of \$130,000 to repay bank indebtedness and \$118,000 to make dividend payments to Provident Pioneer Partners, L.P. Repayments of other long-term debt relating to equipment loans remained relatively unchanged between the three month periods at approximately \$46,000.

Cash used in investing activities during 2009 was approximately \$334,000 which amount consisted entirely of additions to property and equipment. In 2008, cash used in investing activities was \$650,000, which amount consisted of approximately \$222,000 in additions to property and equipment and \$427,000 in advances to companies controlled by certain of the limited partners of our former sole stockholder. This \$427,000 advance constituted part of the \$700,000 in advances, as described above, that were made to certain limited partners of Provident Pioneer Partners, L.P. in 2007 and 2008 as reimbursement for certain advances made by these limited partners to a switchgear manufacturing company in 2002 and 2003 that was owned by Provident Pioneer Partners, L.P. at that time and that was subsequently sold. Cash used in investing activities during the three months ended March 31, 2010 was approximately \$45,000, as compared to \$57,000 during the three months ended March 31, 2009. Both amounts consisted entirely of additions to property and equipment.

As of March 31, 2010, current assets were more than three times current liabilities. Current assets increased by \$0.8 million during the three months ended March 31, 2010 while current liabilities increased by \$0.1 million during the same period. As a result, our working capital increased by \$0.7 million to \$9.6 million during the three months ended March 31, 2010. Current assets increased by \$2.9 million during 2009 while current liabilities were reduced by \$4.4 million during the same period. As a result, our working capital increased by \$7.2 million to \$9.0 million during the year ended December 31, 2009. This increase in working capital was due primarily to the repayment of our bank indebtedness, together with increases in our operating assets, particularly accounts receivable and inventories. The increase in accounts receivable and inventories occurred despite the fact that revenues declined approximately 1% on a constant currency basis between the periods. The significant increase in our accounts receivable and inventories was due to the change in value of the Canadian dollar relative to the U.S. dollar (from CAD 1.2180 on December 31, 2008 to 1.0510 on December 31, 2009) when translated from Canadian to U.S. dollars at the end of each period.

In the last few years, bad debt expense as a percentage of our revenue has averaged approximately 0%. However, given recent economic conditions and changes in our sales mix towards products with which we have less collections experience, we determined that it would be prudent to establish an allowance for bad debt. Based upon our history of no bad debt expense and what we know about our customers, we determined to set the amount of this allowance at approximately 1% of sales in 2009. If during future periods this allowance should prove insufficient, it could have a material effect on our results of operations and resulting liquidity. We are not currently aware of any trends or uncertainties that would lead us to believe that our current allowance for doubtful accounts is inadequate.

**Credit Facilities.** In October 2009, we entered into a financing arrangement with a new primary lender that replaced our previous credit facility. The new \$9.8 million credit agreement consists of a \$7.6 million demand revolving credit facility, a \$1.8 million term loan facility and a \$0.5 million foreign exchange settlement risk facility. The credit facilities are secured by a first-ranking lien in the amount of \$9.8 million on all of our assets, as well as a collateral mortgage of \$9.8 million on our land and buildings. As of March 31, 2010, we had no outstanding debt borrowed under our credit facilities.

The credit facilities require us to comply with various financial covenants including maintaining a minimum debt service coverage ratio of 1.25, a minimum current ratio of 1.20 and a maximum total debt to tangible net worth ratio of 2.50. The demand revolving credit facility is subject to margin criteria and borrowings bear interest at the bank's prime rate per annum on amounts borrowed in Canadian dollars, or the U.S. base rate plus 0.75% per annum on amounts borrowed in U.S. dollars. Borrowings under the term loan facility bear interest at the bank's prime rate plus 1.0% per annum.

Jefferson Electric, Inc. is also a party to a credit facility. Neither we nor any of our affiliates, other than Jefferson Electric, Inc., are responsible for, or guarantors of, or have otherwise assumed, any debts, liabilities or obligations under this facility. Borrowings under the facility are collateralized by substantially all of Jefferson Electric, Inc.'s assets. The facility includes a revolving credit facility with a borrowing base of \$5.0 million and a term credit facility. Monthly payments of accrued interest must be made under the revolving credit facility and monthly payments of principal and accrued interest must be made under the term credit facility, with a final payment of all outstanding amounts under both on October 31, 2011. Currently, approximately \$1.4 million is outstanding under the revolving credit facility and approximately \$3.3 million is outstanding under the term credit facility.

The interest rate under the revolving credit facility is equal to the greater of (a) the rate of interest announced from time to time by Johnson Bank as its reference rate for interest rate determinations (currently 3.25% annually) or (b) 6.5% annually. The interest rate under the term credit facility is 7.27% annually. The unpaid balances on the credit facilities will bear interest after default or maturity at five percentage points annually in excess of the otherwise applicable rate. The facility contains certain financial covenants, including a requirement that Jefferson Electric, Inc. achieve minimum tangible net worth targets over the next six fiscal quarters and maintain a minimum debt service

coverage ratio. The facility also restricts Jefferson Electric, Inc.'s ability to pay dividends or make distributions, advances or other transfers of assets to us.

Equipment Loans. As of March 31, 2010, we had equipment loans with an aggregate principal amount outstanding of approximately \$92,000, as compared to approximately \$134,000 outstanding as of December 31, 2009. These equipment loans bear interest at rates varying from 5.93% to 9.93% and are repayable in monthly installments. We anticipate that these equipment loans will be paid off by the end of December 2010.

Loans from Stockholders. Certain limited partners of Provident Pioneer Partners, L.P. previously advanced us an aggregate of \$150,000 at an interest rate of 12% per annum with no specific terms of repayment.

Capital Expenditures. In September 2009, we commenced a plant expansion that will increase our manufacturing facilities by approximately 6,000 square feet. The capital budget for the project is approximately \$1.7 million, including machinery and equipment, and is scheduled for completion by November 2010. The cost of the project, which commenced its next phase in May 2010, will be funded through cash flow from operations and our \$1.7 million term loan facility with our primary lender that was established for this specific purpose.

## Factors That May Affect Future Operations

We believe that our future operating results will continue to be subject to quarterly variations based upon a wide variety of factors, including the cyclical nature of the transformer industry and the markets for our products. Our operating results could also be impacted by a weakening of the Canadian dollar, changing customer requirements and exposure to fluctuations in prices of important raw supplies, such as copper, steel and aluminum. We attempt to minimize these increases through the inclusion of escalation clauses with respect to commodities in our customer contracts. In addition to these measures, we attempt to recover other cost increases through improvements to our manufacturing efficiency and through increases in prices where competitively feasible. Lastly, other economic conditions we cannot foresee may affect customer demand. We predominately sell to customers in the utility market. Accordingly, changes in the condition of any of our customers may have a greater impact than if our sales were more evenly distributed between different end markets.

## Off Balance Sheet Transactions and Related Matters

We have no off-balance sheet transactions, arrangements, obligations (including contingent obligations), or other relationships with unconsolidated entities or other persons that have, or may have, a material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

## Recent Accounting Pronouncements

In June 2009, the FASB issued FAS No. 166, Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140 as codified in FASB ASC 860, Transfer and Servicing (“ASC 860”), which amends the derecognition guidance in FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities—a replacement of FASB Statement No. 125, and eliminates the exemption from consolidation for qualifying special-purpose entities. This statement is effective for financial asset transfers occurring after the beginning of an entity’s first fiscal year that begins after November 15, 2009. The adoption of ASC 860 is not expected to have a material effect on our financial position or results of operations.

In June 2009, the FASB issued FAS No. 167, Amendments to FASB Interpretation No. 46(R), as codified in FASB ASC 810, Consolidation (“ASC 810”) which amends the consolidation guidance applicable to variable interest entities. The amendments will significantly affect the overall consolidation analysis under FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities, an interpretation of ARB No. 51. This statement is effective as of the beginning of the first fiscal year that begins after November 15, 2009. The adoption of ASC 810 is not expected to have a material effect on our financial position or results of operations.

In October 2009, the FASB issued Update No. 2009-13, Revenue Recognition (Topic 605) — Multiple-Deliverable Revenue Arrangements — a consensus of the FASB Emerging Issues Task Force (“ASU 2009-13”). ASU 2009-13 provides amendments to the criteria in ASC 605-25 for separating consideration in multiple-deliverable arrangements. As a result of those amendments, multiple-deliverable arrangements will be separated in more circumstances than under existing U.S. GAAP. ASU 2009-13: (i) establishes a selling price hierarchy for determining the selling price of a deliverable, (ii) eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method, (iii) requires that a vendor determine its best estimate of selling price in a manner that is consistent with that used to determine the price to sell the deliverable on a standalone basis and (iv) significantly expands the disclosures related to a vendor’s multiple-deliverable revenue arrangements. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. We are currently evaluating the impact of adopting ASU 2009-13.

In October 2009, the FASB issued Update No. 2009-14, Software (Topic 985) — Certain Revenue Arrangements That Include Software Elements — a consensus of the FASB Emerging Issues Task Force (“ASU 2009-14”). ASU 2009-14 changes the accounting model for revenue arrangements that include both tangible products and software elements and provides additional guidance on how to determine which software, if any, relating to tangible product would be excluded from the scope of the software revenue guidance. In addition, ASU 2009-14 provides guidance on how a vendor should allocate arrangement consideration to deliverables in an arrangement that includes both tangible products and software. ASU 2009-14 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The adoption of ASU 2009-14 is not expected to have a material effect on our financial position or results of operations.

In January 2010, the FASB issued ASU 2010-06. ASU 2010-06 requires reporting entities to make more robust disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in Level 3 fair value measurements including information on purchases, sales, issuances, and settlements on a gross basis and (4) the transfers between Levels 1, 2, and 3. ASU 2010-06 is effective for fiscal years beginning on or after December 15, 2009, except for the disclosure regarding Level 3 activity, which is effective for fiscal years beginning after December 15, 2010. The adoption of ASU 2010-06 for Levels 1 and 2 did not have a material impact on the Company’s consolidated financial statements, and the Company does not expect the adoption of the standard for Level 3 to have a material impact on its consolidated financial statements.

## BUSINESS

### Corporate History

We were organized in the State of Nevada on September 16, 2008 as Sierra Concepts, Inc. for the purpose of providing individuals with financial counseling services through the Internet. On November 30, 2009, Sierra Concepts, Inc. merged with and into Pioneer Power Solutions, Inc., a Delaware corporation and wholly owned subsidiary of Sierra Concepts, Inc., for the sole purpose of changing our state of incorporation from Nevada to Delaware and changing our name from “Sierra Concepts, Inc.” to “Pioneer Power Solutions, Inc.” On December 2, 2009, we entered into a share exchange agreement with Pioneer Transformers Ltd., a company incorporated under the Canada Business Corporations Act, and Provident Pioneer Partners, L.P., a Delaware limited partnership and the sole stockholder of Pioneer Transformers Ltd. Pursuant to the share exchange agreement, on December 2, 2009, Provident Pioneer Partners, L.P. transferred all of the issued and outstanding capital stock of Pioneer Transformers Ltd. to us in exchange for (i) 22,800,000 newly issued shares of our common stock and (ii) a five year warrant to purchase up to 1,000,000 shares of our common stock at an exercise price of \$3.25 per share. As a result of this share exchange, Pioneer Transformers Ltd. became our wholly owned subsidiary.

Immediately following the share exchange, we transferred all of our pre-share exchange operating assets and liabilities to our wholly owned subsidiary, Sierra Concepts Holdings, Inc., a Delaware corporation, and transferred all of Sierra Concepts Holdings, Inc.’s outstanding capital stock to our then-majority stockholder in exchange for cancellation of shares of our common stock held by such stockholder.

After the share exchange and the divestiture of our pre-share exchange operating assets and liabilities we succeeded to the business of Pioneer Transformers Ltd. as our sole line of business, and all of our then-current officers and directors resigned and were replaced by Nathan J. Mazurek and four new directors.

On April 30, 2010, we acquired Jefferson Electric, Inc. through a merger pursuant to which JEI Acquisition, Inc., a wholly owned subsidiary of ours, merged with and into Jefferson Electric, Inc., with Jefferson Electric, Inc. continuing as the surviving corporation and becoming a wholly owned subsidiary of ours. Upon consummation of the merger, we issued an aggregate of 486,275 shares of our common stock to Thomas Klink, Jefferson Electric, Inc.’s sole stockholder prior to the merger. Jefferson Electric, Inc. is a manufacturer and supplier of dry-type transformers for commercial, industrial and original equipment manufacturer (OEM) and brand label customers.

### Overview

We are a North American designer, developer and manufacturer of a full line of liquid-filled, ventilated and encapsulated electrical transformers for utility, industrial and commercial applications. Through our subsidiaries we have been in the transformer business for over 90 years and distinguish ourselves by manufacturing a wide range of engineered-to-order and standard equipment for our customers. From our facilities in the U.S., Canada and Mexico, and through our distribution network across the United States, we serve customers in a variety of industries with particular emphasis on electric utilities, heavy industrial customers, commercial construction companies, original equipment manufacturers and brand label customers.

An electric transformer is used to reduce or increase the voltage of electricity traveling through a wire. This is accomplished by transferring electric energy from one coil or winding to another coil through electromagnetic induction. Electric power plants use generator transformers to “step-up,” or increase, voltage that is transferred through power lines in order to transmit the electricity more efficiently and over long distances. When the high voltage electricity reaches a community, a “step-down” transformer reduces its voltage. A distribution transformer makes a final step-down in voltage by diminishing the force of the electricity to a level usable in homes and businesses. Some electrical devices, such as doorbells and small appliances, use additional step-down transformers to decrease voltage

even further.

Transformers are integral to any electrical transmission and distribution system. Electric utilities use transformers for the construction and maintenance of their power networks, industrial firms use transformers to supply factories with electricity and to distribute power to production machinery and the construction industry uses transformers to connect new homes and buildings to the electricity grid.

#### The Industry

Demand for our electrical power and distribution transformers, such as those produced by our Pioneer Transformers Ltd. subsidiary, results primarily from spending by electric utilities for replacements, expansions and efficiency improvements. Demand is also sensitive to overall economic conditions, particularly with respect to the level of industrial production and investment in commercial and residential construction. Changes in these conditions have historically had a pronounced impact on the business of our recently-acquired subsidiary, Jefferson Electric, Inc. Other market factors affecting demand for our products include voltage conversion, voltage unit upgrades, electrical equipment failures, higher energy costs and stricter environmental regulations.

According to The Freedonia Group, a market research firm, U.S. demand for electrical transmission and distribution equipment, which includes switchgear, transformers, pole/line hardware and meters, was \$20.8 billion in 2008. Of this amount, approximately 38%, or \$7.9 billion, was comprised of demand for transformers. Together with Canadian demand for transformers, we believe that the North American market currently exceeds \$8.5 billion annually. The value of transformer shipments in the U.S. has grown 10.6% per annum since 2003 due to capital spending increases by utilities and due to recent price increases of key material inputs such as steel and copper. Assuming more stable prices, The Freedonia Group expects transformer demand to increase 2.3% annually through 2013, accelerating to 3.4% per annum thereafter through 2018.



The transformer market is very fragmented due to the range of sizes, voltages and technological standards required by different categories of end-users. This diversity of manufacturers also reflects the fact that many orders are custom-engineered and tend to be very time-sensitive since other critical work is frequently being coordinated around the customer's transformer installation. As a result of these and other factors, the vast majority of North American demand for transformers is satisfied from producers in the U.S. and Canada. According to the U.S. Census Bureau, there are over 250 transformer manufacturers in the U.S.

## Products

We design, develop, manufacture and sell a wide range of liquid-filled and dry-type power, distribution and specialty electrical transformers. Within our liquid-filled product line, we make power transformers designed for utility and industrial customers to be installed in substations or commercial electric power centers for apartment complexes, shopping centers, factories and other high load users of electrical power. Our distribution transformers are used to step-down high voltage electrical transmissions to usable levels (typically to 120 or 240 volts) for use in homes, offices and factories. Distribution transformers may be mounted on utility poles, or increasingly, they are placed at ground level on a concrete pad or in underground vaults. Within our dry-type product line, we manufacture ventilated and encapsulated low voltage transformers, typically for indoor use, suitable for a wide range of commercial and industrial applications.

## Liquid-Filled Transformers

Our liquid-filled transformer products are manufactured by our wholly owned subsidiary, Pioneer Transformers Ltd., in electrical power ranges from 25 kVA (kilovolt amperes) to 10 MVA (megavolt amperes) and at up to 44 kV (kilovolts) in voltage. In recent years, we have focused primarily on the small power market, generally considered to include transformers between 1 MVA and 10 MVA, as well as on specialty transformers such as network and other highly-engineered models. We sell these products to electrical utilities, independent power providers, electrical co-ops, industrial companies, commercial users and to electric equipment wholesalers. Our primary categories of liquid-filled transformers are as follows:

Transformer Type	Range of Sizes	Applications
Small Power	300 kVA to 10 MVA	Power conversion for the utility and industrial/commercial market, typically found in substations
Network	300 kVA to 3.75 MVA	Subway and vault-type transformers designed to withstand harsh environments and typically used by utilities and municipal power authorities to ensure reliability of service
Pad-Mount	75 kVA to 10 MVA	Distribution transformers commonly used in underground power or distribution systems
Unitized Pad-Mount	Up to 5 MVA	Combines pad-mounts with other equipment in a product that can be substituted for conventional unit substations at apartment complexes, shopping centers, hospitals and similar commercial facilities
Mini-Pad	25 kVA to 167 kVA	Single phase, low profile pad-mounted distribution transformers for residential and underground distribution

Platform-Mount	250 kVA to 2.5 MVA	Single phase units from 250 kVA to 1,000 kVA, also supplied for substation installation up to 2,500 kVA
----------------	--------------------	---

The transformers we manufacture are typically shell-type, composed of steel cores surrounding wound coils and mounted inside tanks made of hot rolled steel that are filled under vacuum with oil or another liquid with similar cooling and/or dielectric properties such as silicone or FR3. We manufacture the cores from non-aging, grain-oriented silicon steel strip. Stresses that develop in cutting and forming the core are relieved by batch annealing in our nitrogen atmosphere ovens. We wind the coils on thermally upgraded heavy board forms to provide high mechanical strength and basic insulation to ground. Layer insulation consists of adhesive coated thermally upgraded paper of several different thicknesses. Our core/coil/frame mounting system is designed to assure a relatively stress free assembly resulting in consistently low core loss (i.e., high efficiency) and low sound level. Many of our products adhere to standards developed by Underwriters Laboratories Inc., the American National Standards Institute and the Canadian Standards Association.

## Dry-Type Transformers

Our dry-type transformer products are manufactured by our wholly-owned subsidiary, Jefferson Electric, Inc. Our focus is primarily on low voltage distribution transformers for commercial and industrial power applications, typically in the 15 kVA through 1 MVA size range. Our primary categories of dry-type transformers are as follows:

Transformer Type	Range of Sizes	Applications
Encapsulated Single & Three Phase	50 VA to 50 kVA 3 kVA to 75 kVA	General purpose encapsulated transformers for lighting, industrial and commercial applications. Suitable for indoor or outdoor use.
Ventilated Single & Three Phase	25 kVA to 100 kVA 15 kVA to 1 MVA	Ventilated transformers designed for general loads, indoors or out, including for lighting, industrial and commercial applications.
Floor Mount Encapsulated	30 kVA to 75 kVA	For all general loads in rugged environment areas including refineries, factories, chemical plants, marine duty, ship docks, and grain mills
Buck Boost Transformers	50 VA to 10 kVA	Single phase transformers for correcting voltage line drops, landscape lighting, low voltage lighting, international voltage adaptation and motor applications
Non-Linear Transformers	15 kVA to 300 kVA	Jefferson Plus™ line of non-linear transformers are designed to meet the load demands caused by computers and other electronic office equipment
Other Transformers	Various size ranges	Drive isolation, industrial control and custom designed transformers, lighting ballasts, reactors, filters and associated other parts

## Business Strategy

The foundation of our strategy is to build upon the core strengths that we believe have led to our growth and increasing profitability in recent years -- our engineering and manufacturing capabilities, our product quality and our highly flexible, individualized and responsive standards for customer service. The combination of these strengths enables us to consistently deliver high volumes of custom-engineered and standard transformers. Our strategy is to continually seek ways to broaden our capabilities to serve our customers more completely and directly, an approach we believe will maximize our market penetration, increase our revenues more profitably and we hope will create barriers to entry for our competitors.

We intend to expand rapidly over the next several years by adhering to this strategy in the execution of our internal growth and acquisition plans.

## Internal Growth

We intend to build our revenue and profit margins at rates exceeding industry norms primarily by continuing our sales and product mix migration towards more highly-engineered, value-added products. Within our liquid-filled transformer business, we intend to accomplish this goal by emphasizing the sale of more power, network and subsurface transformers to new and existing utility customers, particularly in the U.S. To increase our manufacturing capacity for these products, which are among the largest we produce, in September 2009 we commenced a plant expansion that will increase our facility by approximately 6,000 square feet. This plant expansion is scheduled for completion by November 2010. Within our dry-type transformer business, we intend to meet our internal growth objectives by expanding the geographic breadth and productivity of our national distribution network, as well as through continued expansion of our direct sales channel with original equipment manufacturers (OEMs) and brand label customers.

#### Acquisitions

We intend to pursue opportunities to acquire businesses that increase our market share in transformers or expand our geographic reach. We also intend to consider acquiring manufacturers of other highly engineered and customized ancillary or complementary products that will further our penetration of markets and customers served. We favor candidates that have competencies and business characteristics similar to our own, and those that we expect will benefit from some of the major trends affecting our industry.

#### China Expansion

We place a high priority on entering the Chinese market for transmission and distribution equipment, either by way of a plant or company acquisition. According to The Freedonia Group, the 2008 market for transmission and distribution equipment in China was ¥179.1 billion (\$25.8 billion), of which ¥53.2 billion (\$7.7 billion) was for transformers, a market segment that is expected to grow 10.5% annually through 2013. Based on reports by the China National Transformer Association and on our management's own knowledge and experience with respect to doing business in China, we believe the Chinese market is far more fragmented than the North American market and that there are many potential candidates for a business combination that would benefit from our experience and access to the U.S. public capital markets.

## Customers

Historically, we have sold our products principally to Canadian customers who, in the past two years, have accounted for more than 90% of our sales. These customers include a majority of Canada's electrical utilities, several U.S. utilities and municipal power systems, large industrial companies, engineering and construction firms and a number of electrical distributors. During the past five years approximately 70% of our sales have been directly to utilities, with the remainder being sold primarily to industrial companies and electrical distributors. After giving effect to our acquisition of Jefferson Electric, Inc. on April 30, 2010, we expect that our future sales will be more evenly distributed between the U.S. and Canada, with Canadian customers still representing approximately 60% of our sales. Sales to our new U.S. customers obtained through the Jefferson Electric, Inc. acquisition are comprised approximately 50% of sales to electrical distributors, with the remainder consisting of sales to Jefferson Electric, Inc.'s OEM and brand label customers.

Approximately 39.6% and 26.3% of our sales in 2009 and 2008, respectively, were made to Hydro-Quebec Utility Company, a government-owned utility in the Province of Quebec, Canada. The majority of our sales to Hydro-Quebec Utility Company are made pursuant to a long-term contract for the supply of pad-mount transformers that expired and was replaced in 2010. In 2010 we were awarded an additional contract by Hydro-Quebec Utility Company for the supply of submersible transformers. Both contracts have initial terms expiring during the second quarter of 2012 and two one-year renewal options providing for a maximum term of four years. The contracts set forth the terms, conditions and rights of the parties with respect to the supply of the subject products including: ordering and delivery procedures, required technical specifications, minimum performance standards, product pricing and price adjustment mechanisms, terms of payment and rights of termination. The contracts do not require Hydro-Quebec Utility Company to order any minimum quantity of products from us and do not grant us any form of supply exclusivity. Hydro-Quebec Utility Company has been a customer of ours and our predecessors for approximately 40 years, over which time we have been party to consecutive long-term contracts for an uninterrupted period spanning several decades. We believe the status of our business relationship with Hydro-Quebec Utility Company to be good. In 2009, no other customer accounted for 10% or more of our sales. Aside from Hydro-Quebec Utility Company, and a certain large customer of our Jefferson Electric, Inc. subsidiary that would have represented 9.6% of our sales on a pro forma combined basis in 2009, we do not believe that the loss of any specific customer would have a material adverse effect on our business.

## Competition

We experience competition from a large number of transformer manufacturers. The number and size of our competitors varies considerably by product line, with many of our competitors tending to be small, highly specialized or focused on a certain geographic market area or customer. However, several of our competitors have substantially greater financial and technical resources than us, including some of the world's largest electrical products companies such as ABB Ltd., Carte International, Inc., Cooper Industries plc, General Electric Company, Groupe Schneider, Howard Industries, Inc., Hammond Power Solutions Inc., Partner Technologies, Inc. and Siemens AG.

We believe that we compete primarily on the basis of product quality, product innovation, product availability, service and price. In our liquid-filled transformer business we have established a niche in the manufacture and design of small power and distribution electrical transformers and, in particular, custom transformers requiring specialized and complex applications. As a result of our long-time presence in the industry, we possess a number of special transformer designs that we have engineered and developed specifically for our customers. We believe these designs give us a competitive advantage and that they are a major contributor to our high frequency of repeat customer orders; repeat customers typically account for over 75% of our sales from year to year. In our dry-type transformer business we believe that we compete primarily on the basis of product quality, price, availability, on-time shipment record, and service and flexibility to provide custom-engineered solutions to satisfy customer needs.

## Raw Materials and Suppliers

The principal raw materials purchased by us are core steel, copper wire, aluminum strip and insulating materials including transformer oil. We also purchase certain electrical components from a variety of suppliers including bushings, switches, fuses and protectors. These raw materials and components are available from and supplied by numerous sources at competitive prices, although there are more limited sources of supply for electrical core steel and transformer oil. Unanticipated increases in raw material prices or disruptions in supply could increase production costs and adversely affect our profitability. We attempt to minimize the effect on our profit margins of unanticipated changes in the prices of raw materials by including escalation clauses in our customer contracts that allow us to increase or reduce our fees if the costs of raw materials unexpectedly rise or decrease. Approximately 40% of our annual sales are made pursuant to contracts that contain such escalation clauses, which, subject to various formulae and limitations, permit us to adjust the final prices we charge. We anticipate no significant difficulty fulfilling our raw material purchase requirements and have not experienced any such difficulty in the past several years. Our largest suppliers include Cogent Power, Inc., Itochu Corporation and Rea Magnet Wire Company.

## Marketing, Sales and Distribution

A substantial portion of the transformers manufactured by us are sold to customers by our direct sales force of full-time sales personnel and executive management operating either from our two offices in Canada or from our two offices in the United States. Our products are also sold through our network of independent sales agents throughout North America that sell primarily to full-line electrical distributors and to maintenance, repair and overhaul organizations. Our direct sales force markets to end users and to third parties, such as original equipment manufacturers and engineering firms, that prescribe the specifications and parameters that control the applications of our products.

## Facilities

As of April 30, 2010, we have two manufacturing facilities, one located in Granby, Quebec, Canada, and the other located in Reynosa, Mexico. Our Granby facility was built in 1962 and consists of approximately 38,000 square feet. The facility sits on approximately 25 acres in the town of Granby which is located approximately 40 miles east of Montreal. We own both the facility and the land through Granby Realty. Our Reynosa facility consists of approximately 52,000 square feet of manufacturing and office space and is leased for approximately \$22,000 per month under a lease that expires in 2013. We also lease a 22,000 square foot centralized logistics facility in Pharr, Texas for approximately \$9,000 per month under a lease that expires in 2013.

We believe our manufacturing and distribution facilities are well maintained and in proper condition to operate at current levels. Our primary lender has a collateral mortgage on the Granby facility and the land in order to secure up to \$9.5 million of indebtedness that we have the right to draw down upon under our existing credit facilities. In order to increase the manufacturing capacity of our Granby facility, in September 2009 we commenced a plan to expand its size by approximately 6,000 square feet by building onto land that we already own. We expect this expansion project to be completed in November 2010.

We lease office space for the engineering and marketing activities of our Pioneer Transformers Ltd. subsidiary in Mississauga near Toronto, Ontario, Canada. Our monthly rent is \$3,065 and the lease expires in 2011. Our Jefferson Electric, Inc. subsidiary leases office space for its management, sales, marketing, design engineering and administrative functions in Franklin, Wisconsin for a monthly rent of approximately \$3,600 under a lease that expires in December 2010. We also pay approximately \$3,900 per month to lease our executive management and sales office in Fort Lee, New Jersey.

## Sales Backlog

Backlog reflects the amount of revenue we expect to realize upon the shipment of customer orders for our liquid-filled transformer products that are not yet complete or for which work has not yet begun. Our sales backlog as of March 31, 2010 was approximately \$16.0 million, as compared to \$16.5 million at December 31, 2009. We anticipate that substantially all of our current backlog will be delivered during 2010. Orders included in our sales backlog are represented by customer purchase orders and contracts that we believe to be firm.

## Employees

At May 28, 2010, we had 205 employees consisting of 64 salaried staff and 141 hourly workers. We also had two part-time employees. Our hourly employees located at our plant in Granby are covered by a collective bargaining agreement with the United Steel Workers of America Local 9414 that expired in May 2010. The hourly employees located at our manufacturing facility in Reynosa are also covered by a collective bargaining agreement with a local labor union that expires in July 2011. We consider our relationship with our employees to be good.

## Environmental

We are subject to numerous environmental laws and regulations concerning, among other areas, air emissions, discharges into waterways and the generation, handling, storing, transportation, treatment and disposal of waste materials. These laws and regulations are constantly changing and it is impossible to predict with accuracy the effect they may have on us in the future. Like many other industrial enterprises, our manufacturing operations entail the risk of noncompliance, which may result in fines, penalties and remediation costs, and there can be no assurance that such costs will be insignificant. To our knowledge, we are in substantial compliance with all federal, state, provincial and local environmental protection provisions, and believe that the future cost of fines, penalties and remediation

protection provisions, if any, should not have a material adverse effect on our capital expenditures, earnings or competitive position. However, legal and regulatory requirements in these areas have been increasing and there can be no assurance that significant costs and liabilities will not be incurred in the future due to regulatory noncompliance.

#### Legal Proceedings

There are currently no pending legal proceedings and, as far as we are aware, no governmental authority is contemplating any proceeding to which we are a party or to which any of our properties is subject.



## MANAGEMENT

The following table sets forth information regarding the members of our board of directors and our sole executive officer. All directors hold office for one-year terms until the election and qualification of their successors. Officers are elected by the board of directors and serve at the discretion of the board.

Name	Age	Position
Nathan J. Mazurek	47	Chief Executive Officer, President, Chairman of the Board of Directors, Chief Financial Officer, Secretary and Treasurer
Yossi Cohn	31	Director
Thomas Klink	47	Director, President of Jefferson Electric, Inc.
David J. Landes	53	Director
David Tesler	36	Director
Jonathan Tulkoff	45	Director

Nathan J. Mazurek, President, Chief Executive Officer, Chairman of the Board of Directors, Chief Financial Officer, Secretary and Treasurer. Mr. Mazurek has served as our chief executive officer, president, chairman of the board of directors, chief financial officer, secretary and treasurer since December 2, 2009. Mr. Mazurek has over 20 years of experience in the electrical equipment and components industry. Mr. Mazurek has served as the chief executive officer, president, vice president, sales and marketing and chairman of the board of directors of Pioneer Transformers Ltd. since 1995. Mr. Mazurek has served as the president of American Circuit Breaker Corp., a manufacturer and distributor of circuit breakers, since 1988 and as a director of Empire Resources, Inc., a distributor of semi-finished aluminum products, since 1999. From 2002 through 2007, Mr. Mazurek served as president of Aerovox, Inc., a manufacturer of AC film capacitors. Mr. Mazurek brings to the Board extensive and unique experience with our company, Pioneer Transformers Ltd. and in our industry. Since he is responsible for, and familiar with, our day-to-day operations and implementation of our strategy, his insights into our performance and into the electrical equipment and components industry are critical to board discussions and to our success. Mr. Mazurek received his BA from Yeshiva College in 1983 and his JD from Georgetown University Law Center in 1986.

Yossi Cohn, Director. Mr. Cohn has served as a director since December 2, 2009. Mr. Cohn founded YY Capital Partners, LLC, an investment firm, in 2007 and has served as its co-managing partner since its inception. Mr. Cohn has also served as a member of L3C Partners, LLC, an investor in multi-family residential properties, since June 2009. Mr. Cohn served as a director of investor relations at IDT Corporation, a NYSE listed telecommunications company, from September 2005 through May 2007. Prior to joining IDT Corporation, Mr. Cohn was a director of research at SAGEN Asset Management, an asset manager of funds of hedge funds, from January 2005 through May 2005. Mr. Cohn began his career as an analyst in the funds-of-funds investment group of Millburn Ridgefield Corporation, where he worked from 2001 through January 2005. Our board believes Mr. Cohn's background at these and other companies, particularly in areas of capital markets, financial, strategic and investment management experience, makes him an effective member of our board.

Thomas Klink, Director, President of Jefferson Electric, Inc. Mr. Klink has served as a director since April 30, 2010. Since 1996, he has served in various positions at Jefferson Electric, Inc., including as its chief executive officer, chief financial officer, vice president, treasurer, secretary and chairman of the board of directors. Mr. Klink previously served as a controller for U.S. Music Corporation, a manufacturer of musical instruments from 1990 through 1994. Mr. Klink received his BBA in Accounting from the University of Wisconsin – Milwaukee in 1984. Mr. Klink brings extensive industry and leadership experience to our board, including over 15 years experience in the electrical equipment industry.

David J. Landes, Director. Mr. Landes has served as a director since December 2, 2009. Mr. Landes has served as president of Provident Sunnyside, LLC, and of CYMA Investments LLC, both private real estate and investment companies, for over the past five years and as president of 516 Churchill Associates, LLC, a real estate company, since 2005. Mr. Landes received a BA from Columbia University, a JD from the University of Chicago and a PhD from Princeton University. Mr. Landes practiced corporate and securities law at Shearman and Sterling in New York City. Mr. Landes's experience as a lawyer and principal provides him with significant knowledge and insight regarding corporate governance, financing and capital markets, and executive leadership. In addition, as a founding member of the managing partner of Provident Pioneer Partners, L.P., our sole shareholder until December 2009, Mr. Landes provides the board with a unique perspective on our history and performance.

David Tesler, Director. Mr. Tesler has served as a director since December 2, 2009. Mr. Tesler has served as chief executive officer of LeaseProbe, LLC, a provider of lease abstracting services, since he founded the company in 2004. In 2008, LeaseProbe, LLC acquired Real Diligence, LLC, a provider of financial due diligence services. The combined company does business as Real Diligence and operates as an integrated outsourced provider of legal and commercial due diligence services for the commercial real estate industry. Prior to 2004, Mr. Tesler practiced law at Skadden Arps Slate Meager & Flom LLP and at Jenkins & Gilchrist, Parker Chapin LLP. Mr. Tesler received his BA from Yeshiva College, a Master's degree in Medieval History from Bernard Revel Graduate School and a JD from Benjamin A. Cardozo School of Law. Mr. Tesler brings extensive legal, strategic and executive leadership experience to our board.

Jonathan Tulkoff, Director. Mr. Tulkoff has served as director since December 2, 2009. Mr. Tulkoff has served as president of Uniwire International, Ltd., a steel trading and marketing company, since 1995. Our board believes Mr. Tulkoff's extensive strategic, international and executive leadership experience, particularly in commodity markets for metal products which represent one of the largest components of our company's cost of manufacture, make him an effective member of our board.

There are no family relationships among any of our directors and executive officers.

#### Employment Agreement and Election of Mr. Klink

On April 30, 2010, in connection with our acquisition of Jefferson Electric, Inc., Jefferson Electric, Inc. entered into an employment agreement with Thomas Klink pursuant to which Mr. Klink will serve as Jefferson Electric, Inc.'s president on a full time basis, subject to the authority of our chief executive officer, Mr. Mazurek, for a term of three years, unless Mr. Klink is terminated earlier in accordance with the provisions of the employment agreement. Mr. Klink will receive an annual base salary of \$312,000. Mr. Klink's employment may be terminated upon his death or disability, upon the occurrence of certain events that constitute "cause," and without cause. If terminated without cause, Mr. Klink will be entitled to receive as severance an amount equal to his base salary for the remainder of the three year employment period, conditioned upon his execution of a release in form reasonably acceptable to counsel to Jefferson Electric, Inc.

Mr. Klink was appointed to our board of directors effective upon our acquisition of Jefferson Electric, Inc. The merger agreement pursuant to which we effected our acquisition of Jefferson Electric, Inc. provides that, with certain exceptions, including resignation, termination or removal as a director, we will cause Mr. Klink to be nominated as a director of us during the three year term of his employment agreement. In addition, on April 30, 2010, Mr. Klink entered into a voting agreement with Provident Pioneer Partners, L.P., pursuant to which Provident Pioneer Partners, L.P. agreed to vote all of its shares to elect Mr. Klink as a director of us during the three year term of his employment agreement, subject to certain exceptions, including resignation, termination or removal as a director.

#### Board Committees

**Audit Committee.** We intend to establish an audit committee of the board of directors once we have satisfied the other initial listing standards for listing our common stock on the Nasdaq Stock Market or another national exchange. The audit committee will consist of independent directors, of which at least one director will qualify as a qualified financial expert as defined in Item 407(d)(5)(ii) of Regulation S-K. The audit committee's duties will be to recommend to our board of directors the engagement of independent auditors to audit our financial statements and to review our accounting and auditing principles. The audit committee will review the scope, timing and fees for the annual audit and the results of audit examinations performed by the internal auditors and independent public accountants, including their recommendations to improve the system of accounting and internal controls. The audit committee will at all times be composed exclusively of directors who are, in the opinion of our board of directors, free from any relationship that would interfere with the exercise of independent judgment as a committee member and who possess an understanding of financial statements and generally accepted accounting principles.

**Compensation Committee.** We intend to establish a compensation committee of the board of directors once we have satisfied the other initial listing standards for listing our common stock on the Nasdaq Stock Market or another national exchange. The compensation committee will review and approve our salary and benefits policies, including compensation of executive officers. The compensation committee will also administer our stock option plans and recommend and approve grants of stock options under such plans.

#### Compensation Committee Interlocks and Insider Participation

During the fiscal year ended December 31, 2009, all executive officer compensation was determined by Nathan J. Mazurek, our chief executive officer, president, chairman of the board of directors, chief financial officer, secretary and treasurer.

#### Code of Ethics

We intend to adopt a code of ethics that applies to our officers, directors and employees, including our chief executive officer and chief financial officer, but have not done so to date due to our relatively small size.

## EXECUTIVE COMPENSATION

## Summary Compensation Table

The following table summarizes the annual and long-term compensation paid to Nathan J. Mazurek, our principal executive officer, Raymond Haddad, the vice president, operations of Pioneer Transformers Ltd. and James Wilkins, the vice president, finance of Pioneer Transformers Ltd., whom we refer to collectively in this prospectus as the “named executive officers”. During the year ended December 31, 2009, except for named executive officers, no executive officer of ours or Pioneer Transformers Ltd. received annual remuneration in excess of \$100,000.

Name and Principal Position	Year	Salary (\$)(1)	Bonus (\$)(1)	All Other Compensation (\$)(1)	Total (\$)(1)
Nathan J. Mazurek President, Chief Executive Officer, Chief Financial Officer, Chairman of the Board of Directors, Secretary and Treasurer (principal executive officer)	2009	--	--	250,000(2)	250,000
	2008	--	--	150,511(2)	150,511
Raymond Haddad Vice President, Operations of Pioneer Transformers Ltd.	2009	228,646	35,918	24,022(3)	288,459
	2008	228,345	38,422	25,209(4)	291,976
James Wilkins Vice President, Finance of Pioneer Transformers Ltd.	2009	101,037	9,636	19,530(5)	130,203
	2008	100,194	10,308	20,872(6)	131,374

(1) Compensation amounts received in non-U.S. currency have been converted into U.S. dollars using the average exchange rate for the applicable year.

(2) Represents fees earned for consulting services. Such compensation is solely comprised of payment for services rendered to us and does not include any amounts that would be considered perquisites, property, gross-ups or other personal benefits.

(3) Represents car benefits of \$14,277 and pension benefits of \$9,745.

(4) Represents car benefits of \$15,799 and pension benefits of \$9,410.

(5) Represents vacation pay of \$1,887, car benefits of \$13,349 and pension benefits of \$4,294.

(6) Represents vacation pay of \$2,441, car benefits of \$14,393 and pension benefits of \$4,038.

## Agreements with Executive Officers

Nathan J. Mazurek

We have entered into an employment agreement with Mr. Mazurek to serve as our chief executive officer and chief financial officer for a term of three years. Pursuant to this employment agreement, Mr. Mazurek is entitled to receive an annual base salary of \$250,000, which shall be increased to \$275,000 and \$300,000 on December 2, 2010 and December 2, 2011, respectively. Mr. Mazurek is entitled to receive an annual cash bonus at the discretion of our board of directors, or a committee thereof, of up to 50% of his annual base salary. The bonus shall be prorated for any fiscal year that is less than 12 months due to a change in the fiscal year. In the event that Mr. Mazurek is terminated without cause, Mr. Mazurek shall be entitled to receive his base salary for the balance of the term of this agreement. This agreement prohibits Mr. Mazurek from competing with us for a period of four years following the date of termination; provided however, that he is prohibited from competing with us for a period of two years in the event he is terminated without cause or due to disability or he voluntarily resigns following a breach by us of this agreement.

In 2008 and 2009, Mr. Mazurek provided Pioneer Transformers Ltd. with executive services and served as its chief executive officer, president and vice president, sales and marketing. Mr. Mazurek had all of the duties, authorities, powers and responsibilities commensurate with all of the duties, authorities, powers and responsibilities of a chief executive officer, a president and a vice president, sales and marketing. Pioneer Transformers Ltd. paid an aggregate of \$150,000 and \$250,000 in 2008 and 2009, respectively, to Provident Management, Inc. and Provident Canada Corp., each of which is controlled by Mr. Mazurek, as consideration for Mr. Mazurek's services.

## Outstanding Equity Awards at Fiscal Year-End

There were no outstanding equity awards held by our named executive officers as of December 31, 2009.

## 2009 Equity Incentive Plan

On December 2, 2009, our board of directors and stockholders adopted the 2009 Stock Incentive Plan, pursuant to which 1,600,000 shares of our common stock are reserved for issuance as awards to employees, directors, consultants and other service providers. The purpose of the 2009 Stock Incentive Plan is to provide an incentive to attract and retain directors, officers, consultants, advisors and employees whose services are considered valuable, to encourage a sense of proprietorship and to stimulate an active interest of such persons in our development and financial success. Under the 2009 Stock Incentive Plan, we are authorized to issue incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended, non-qualified stock options, restricted stock, stock appreciation rights, performance unit awards and stock bonus awards. The 2009 Stock Incentive Plan will be administered by our board of directors until such time as such authority has been delegated to a committee of the board of directors. As of December 31, 2009, no awards had been granted under the 2009 Stock Incentive Plan.

On March 23, 2010, we granted options to purchase common stock under the 2009 Stock Plan to the named executive officers as follows:

Name	Shares Subject to Options	Exercise Price	Vesting Schedule	Expiration
Nathan J. Mazurek	2,000(1)	\$3.25	100% on the one year anniversary of the grant date	March 23, 2020
	150,000(2)	\$3.25	One third annually in 2011, 2012 and 2013 on the anniversary of the grant date	March 23, 2020
Raymond Haddad	100,000	\$2.95	One third annually in 2011, 2012 and 2013 on the anniversary of the grant date	March 23, 2020
James Wilkins	50,000	\$2.95	One third annually in 2011, 2012 and 2013 on the anniversary of the grant date	March 23, 2020

(1) Non-qualified stock options granted for service as a director.

(2) Incentive stock options granted for service as an executive officer.

## Retirement Savings Plan

We provide retirement benefits to each of our salaried employees whom we permit to participate in our Retirement Savings Plan, which is registered as a retirement savings plan, or RSP, under the Income Tax Act (Canada). An employee must have been employed by us for a period of at least one continuous year to be eligible to participate. An employee may contribute up to 2.5% of his or her salary into an individual retirement account and we contribute 3.6% of the employee's salary into his or her account. The employees invest the monies in their respective accounts in one

or more investment funds managed by The Standard Life Assurance Company and its subsidiary, the Standard Life Assurance Company of Canada. The monies in the retirement accounts are to be used to purchase annuities or registered retirement income funds no later than the end of the year of retirement. Employees may select annuities that will continue for their lives only, for the lives of their spouses in the event they die before the spouse, or for a specific period of time.

There is no mandatory age of retirement and employees are entitled to receive their pension benefits upon retirement, without reference to the number of years of employment. If an employee dies before receiving pension benefits, a refund of the value in his funds will be paid to the employee's beneficiary or estate.

Raymond Haddad, the vice president, operations of Pioneer Transformers Ltd., received pension benefits of approximately \$9,745 and approximately \$9,410, respectively, in the fiscal years ended December 31, 2009 and 2008, respectively. James Wilkins, the vice president, finance of Pioneer Transformers Ltd., received pension benefits of approximately \$4,294 and approximately \$4,038, respectively, in the fiscal years ended December 31, 2009 and 2008.



## Pension Plan for Hourly Employees

Each of our hourly employees at our manufacturing facility located in Granby, Quebec, Canada, participates in our Pension Plan for Hourly Employees. They are typically eligible to receive retirement benefits at age 65 as set forth below:

Retirement on or After	Amount of Pension per Month of Credited Service
June 1, 2004	\$24
June 1, 2007	\$25
June 1, 2008	\$26
June 1, 2009	\$27

The maximum age of retirement is 69 and employees who are employed past age 65 receive the actuarial equivalent of the pension accrued to age 65. The pension is normally payable for the lifetime of the employee. For employees who have a spouse at retirement, the pension will continue from the date of death for the spouse's lifetime, at the rate of 60% of the employee's pension.

Assets held by our Pension Plan for Hourly Employees are invested in accordance with the provisions of our approved investment policy. The Pension Plan for Hourly Employees' strategic asset allocation was structured to reduce volatility through diversification and enhance return to approximate the amounts and timing of the expected benefit payments.

## Director Compensation

In addition to any compensation received for services performed as an executive officer, we intend to pay each director \$1,000 per meeting for each board meeting attended and reimbursement for expenses incurred in connection with their service as directors. We also intend to grant to each director annual options to purchase 2,000 shares of our common stock at an exercise price per share equal to the fair market value price per share of our common stock on the grant date. These options will vest on the one year anniversary of their grant date. As of December 31, 2009, no options had been granted to our directors and during the fiscal years ended December 31, 2009 and 2008, our directors did not receive any compensation from us for their services in such capacity.

On March 23, 2010, we granted options to purchase common stock under the 2009 Stock Plan to the directors as follows:

Name	Shares Subject to Options	Exercise Price	Vesting Schedule	Expiration
Nathan J. Mazurek	2,000(1)	\$3.25		

			100% on the one year anniversary of the grant date	March 23, 2020
	150,000(2)	\$3.25	One third annually in 2011, 2012 and 2013 on the anniversary of the grant date	March 23, 2020
Yossi Cohn	2,000	\$2.95	100% on the one year anniversary of the grant date	March 23, 2020
David J. Landes	2,000	\$2.95	100% on the one year anniversary of the grant date	March 23, 2020
David Tesler	2,000	\$2.95	100% on the one year anniversary of the grant date	March 23, 2020
Jonathan Tulkoff	2,000	\$2.95	100% on the one year anniversary of the grant date	March 23, 2020

---

(1) Non-qualified stock options granted for service as a director.

(2) Incentive stock options granted for service as an executive officer.

## Equity Compensation Plan Information

As of December 31, 2009, we had the following securities authorized for issuance under equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	--	--	1,600,000
Equity compensation plans not approved by security holders	--	--	--
Total	--	--	1,600,000

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On December 2, 2009, we entered into a share exchange agreement with Pioneer Transformers Ltd. and Provident Pioneer Partners, L.P., the sole stockholder of Pioneer Transformers Ltd. Pursuant to the share exchange agreement, on December 2, 2009, Provident Pioneer Partners, L.P. transferred all of the issued and outstanding capital stock of Pioneer Transformers Ltd. to us in exchange for (i) 22,800,000 newly issued shares of our common stock and (ii) a five year warrant to purchase up to 1,000,000 shares of our common stock at an exercise price of \$3.25 per share. Nathan J. Mazurek, our chief executive officer, president, chairman of the board of directors, chief financial officer, secretary and treasurer, is the control person of Provident Canada Corp., the general partner of Provident Pioneer Partners, L.P.

Immediately following the share exchange, we transferred all of our pre-share exchange operating assets and liabilities to our wholly owned subsidiary, Sierra Concepts Holdings, Inc. and transferred all of Sierra Concepts Holdings, Inc.'s outstanding capital stock to David Davis, our sole officer, director and majority stockholder prior to the share exchange, as consideration for Mr. Davis consenting to the cancellation of 7,200,000 shares of our common stock held by Mr. Davis. Following such cancellation, Mr. Davis, the sole stockholder of Sierra Concepts Holdings, Inc., does not hold any of our shares.

In 2008 and 2009, we paid Provident Pioneer Partners, L.P. cash dividends of \$450,000 and \$2,706,000, respectively.

In 2008 and 2009, we paid \$124,000 and \$152,000, respectively, to Provident Management, Inc., a company with respect to which Nathan J. Mazurek is the sole shareholder, as reimbursement for rent, office services, and travel and entertainment expenses. In 2008 and 2009, we paid an aggregate of \$150,000 and \$250,000, respectively, to Provident Management, Inc., and Provident Canada Corp. as consideration for Mr. Mazurek providing executive services to us, along with serving as our chief executive officer, president and vice president, sales and marketing.

During the three month period ended March 31, 2010 we paid \$65,900 to Provident Management, Inc. as reimbursement for rent, office services, and travel and entertainment expenses.

Between 1996 and 2005, each of Mr. Mazurek and David J. Landes, our director and a limited partner of Provident Pioneer Partners, L.P., made cash advances to a switchgear company that was a wholly owned subsidiary of Provident Pioneer Partners, L.P. in the aggregate principal amount of approximately \$800,000. These advances were made without any terms of repayment or interest rate. Mr. Mazurek and Mr. Landes provided the advances to the switchgear company in order to provide it with funds at a time when none of the other limited partners of Provident Pioneer Partners, L.P. nor Pioneer Transformers Ltd., which was wholly owned by Provident Pioneer Partners, L.P. at the time, desired or were capable of funding the switchgear company directly. As reimbursement for these advances to the switchgear company, between 2006 and 2008, Provident Pioneer Partners, L.P. caused Pioneer Transformers Ltd. to advance an aggregate of \$700,335 to Messrs. Mazurek and Landes. In 2008, Pioneer Transformers Ltd. forgave these advances to Messrs. Mazurek and Landes in full. We do not intend to engage in similar transactions in the future.

In 1997, two limited partners of Provident Pioneer Partners, L.P., the Isaac Landes Revocable Trust, of which our director, David J. Landes, is a trustee, and the Naomi S. Landes Revocable Trust, controlled by Ms. Landes, advanced \$100,000 and \$50,000, respectively, to us, with such amounts accruing interest at the rate of 12% per annum and no specific terms of repayment or maturity date. Since 1997, we have been paying interest on these advances, though we have not yet repaid any principal amounts.

On April 30, 2010, we acquired Jefferson Electric, Inc. through a merger pursuant to which JEI Acquisition, Inc., a wholly owned subsidiary of ours, merged with and into Jefferson Electric, Inc., with Jefferson Electric, Inc. continuing as the surviving corporation and becoming a wholly owned subsidiary of ours. Upon consummation of the merger, we issued an aggregate of 486,275 shares of our common stock to Thomas Klink, Jefferson Electric, Inc.'s sole stockholder prior to the merger.

In connection with the acquisition, on April 30, 2010, Jefferson Electric, Inc. entered into an employment agreement with Mr. Klink pursuant to which Mr. Klink will serve as Jefferson Electric, Inc.'s president on a full time basis, subject to the authority of our chief executive officer, Mr. Mazurek, for a term of three years, unless Mr. Klink is terminated earlier in accordance with the provisions of the employment agreement. Mr. Klink will receive an annual base salary of \$312,000. Mr. Klink was also appointed to our board of directors effective upon our acquisition of Jefferson Electric, Inc. Finally, on April 30, 2010, Mr. Klink entered into a voting agreement with Provident Pioneer Partners, L.P., pursuant to which Provident Pioneer Partners, L.P. agreed to vote all of its shares to elect Mr. Klink as a director of ours during the three year term of Mr. Klink's employment agreement, subject to certain exceptions, including resignation, termination or removal as a director.

In connection with our acquisition of Jefferson Electric, Inc., we advanced \$3.0 million to Jefferson Electric, Inc., which was utilized to partially repay the principal amount outstanding under Jefferson Electric, Inc.'s revolving credit facility with its bank and to partially repay the principal amount outstanding under Jefferson Electric, Inc.'s term loan facility. Mr. Klink is a guarantor under this facility, and borrowings are also collateralized by the shares of our common stock acquired by Mr. Klink in the acquisition and Mr. Klink's warrant, which is described below.

On April 30, 2010, we also sold Mr. Klink a warrant to purchase up to an aggregate of 1,000,000 shares of common stock for a price of \$0.01 per warrant share. Such warrant provides for the purchase of shares of common stock for five years at an exercise price of \$3.25 per share. This warrant contains a provision that protects its holder against dilution by adjustment of the purchase price in the event of a stock split or combination. The warrant also provides that the holder may not, subject to certain exemptions, sell or transfer any of the shares that may be purchased upon exercise of the warrant until October 30, 2011.

In accordance with the merger agreement pursuant to which we acquired Jefferson Electric, Inc., JE Mexican Holdings, Inc., a newly incorporated Delaware corporation and wholly owned subsidiary of ours, entered into a purchase agreement providing for the sale by Mr. Klink to JE Mexican Holdings, Inc. of one hundred percent of the membership interests in Jefferson Electric Mexico Holdings LLC, a Wisconsin limited liability company, for nominal consideration. Jefferson Electric Mexico Holdings LLC was the holder of a less than 0.1% minority equity interest in Nexus Magneticos de Mexico, S. de R.L. de C.V., the principal manufacturing subsidiary of Jefferson Electric, Inc., which is located in Reynosa, Mexico.

None of the transactions described above was approved pursuant to a formal policy or procedure related to the approval of related party transactions. Going forward, our board of directors intends for us not to enter into any related party transaction unless the members of the board who do not have an interest in the potential transaction have reviewed the transaction and determined that (i) we would not be able to obtain better terms by engaging in a transaction with a non-related party and (ii) the transaction is in our best interest. This policy applies generally to any transaction in which we are to be a participant and the amount involved exceeds the lesser of \$120,000 or one percent of the average of our total assets at year end for the previous two completed fiscal years, and in which any related person had or will have a direct or indirect material interest. This policy is not currently in writing. We intend to establish an audit committee of the board of directors once we have satisfied the other initial listing standards for listing our common stock on the Nasdaq Stock Market or another national exchange, and we anticipate that the audit committee will be required to pre-approve any related party transactions, either pursuant to its charter or pursuant to a separate written policy.

#### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information with respect to the beneficial ownership of our common stock as of May 28, 2010 by:

- each person known by us to beneficially own more than 5.0% of our common stock;
- each of our directors;
- each of the named executive officers; and
- all of our directors and executive officers as a group.

The percentages of common stock beneficially owned are reported on the basis of regulations of the Securities and Exchange Commission governing the determination of beneficial ownership of securities. Under the rules of the Securities and Exchange Commission, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or to direct the voting of the security, or investment power, which includes the power to dispose of or to direct the disposition of the security. Except as indicated in the footnotes to this table, each beneficial owner named in the table below has sole voting and sole investment power with respect to all shares beneficially owned and each person's address is c/o Pioneer Power Solutions, Inc., One Parker Plaza, 400 Kelby Street, 9th Floor, Fort Lee, New Jersey 07024. As of May 28, 2010, we had 29,536,275 shares outstanding.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned(1)	Percentage Beneficially Owned(1)
<b>5% Owners</b>		
Provident Pioneer Partners, L.P.	23,800,000(2)(3)	77.9%
<b>Officers and Directors</b>		
Nathan J. Mazurek	23,800,000(2)(3)	77.9%
Raymond Haddad	--	--
James Wilkins	--	--
Yossi Cohn	--	--
Thomas Klink	1,486,275(4)	4.9%
David J. Landes	--	--
David Tesler	--	--
Jonathan Tulkoff	--	--
All directors and executive officers as a group	25,286,275(2)(3)(4)	80.2%

(8 persons)

---

- (1) Shares of common stock beneficially owned and the respective percentages of beneficial ownership of common stock assumes the exercise of all options, warrants and other securities convertible into common stock beneficially owned by such person or entity currently exercisable or exercisable within 60 days of May 28, 2010. Shares issuable pursuant to the exercise of stock options and warrants exercisable within 60 days are deemed outstanding and held by the holder of such options or warrants for computing the percentage of outstanding common stock beneficially owned by such person, but are not deemed outstanding for computing the percentage of outstanding common stock beneficially owned by any other person.
- (2) Includes (i) 22,800,000 shares of common stock held by Provident Pioneer Partners, L.P. and (ii) a currently exercisable warrant to purchase up to 1,000,000 shares of common stock at an exercise price of \$3.25 per share held by Provident Pioneer Partners, L.P.
- (3) Nathan J. Mazurek is the majority stockholder and a control person of Provident Canada Corp., the general partner of Provident Pioneer Partners, L.P., and, as such, has sole voting and investment power over the 22,800,000 shares of common stock held by Provident Pioneer Partners, L.P. and the currently exercisable warrant to purchase up to 1,000,000 shares of common stock at an exercise price of \$3.25 per share held by Provident Pioneer Partners, L.P.
- (4) Includes (i) 486,275 shares of common stock and (ii) a currently exercisable warrant to purchase up to 1,000,000 shares of common stock at an exercise price of \$3.25 per share.

30

---

## SELLING STOCKHOLDERS

Up to 7,000,000 shares of common stock are being offered by this prospectus, all of which are being registered for sale for the accounts of the selling stockholders and include the following:

- 5,000,000 shares of common stock that were issued to investors in connection with a private placement on December 2, 2009;
- 1,000,000 shares of common stock underlying a five year warrant exercisable at \$2.00 per share that we allowed Genesis Capital Advisors LLC to purchase from us for \$10,000 on December 2, 2009 in consideration for WEC Partners, LLC, an affiliate of Genesis Capital Advisors LLC, serving as our lead investor in our December 2, 2009 private placement; and
- 1,000,000 shares of common stock underlying a five year warrant exercisable at \$3.25 per share that was issued to Provident Pioneer Partners, L.P. pursuant to a share exchange agreement on December 2, 2009.

Each of the transactions by which the selling stockholders acquired their securities from us was exempt under the registration provisions of the Securities Act of 1933, as amended.

The shares of common stock referred to above are being registered to permit public sales of the shares, and the selling stockholders may offer the shares for resale from time to time pursuant to this prospectus. The selling stockholders may also sell, transfer or otherwise dispose of all or a portion of their shares in transactions exempt from the registration requirements of the Securities Act of 1933, as amended, or pursuant to another effective registration statement covering those shares. We may from time to time include additional selling stockholders in supplements or amendments to this prospectus.

The table below sets forth certain information regarding the selling stockholders and the shares of our common stock offered by them in this prospectus. The selling stockholders have not had a material relationship with us within the past three years other than as described in the footnotes to the table below or as a result of their acquisition of our shares or other securities. To our knowledge, subject to community property laws where applicable, each person named in the table has sole voting and investment power with respect to the shares of common stock set forth opposite such person's name.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission. In computing the number of shares beneficially owned by a selling stockholder and the percentage of ownership of that selling stockholder, shares of common stock underlying warrants held by that selling stockholder that are exercisable within 60 days of May 28, 2010 are included. Those shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other selling stockholder. Each selling stockholder's percentage of ownership of our outstanding shares in the table below is based upon 29,536,275 shares of common stock outstanding as of May 28, 2010. With respect to the warrant held by Genesis Capital Advisors LLC, there exists a contractual provision limiting exercise to the extent such exercise would cause Genesis Capital Advisors LLC, together with its affiliates or members of a "group", to beneficially own a number of shares of common stock that would exceed 4.99% of our then outstanding shares of common stock following such exercise. The shares and percentage ownership of our outstanding shares indicated in the table below do not give effect to this limitation.



Table of Contents

Selling Stockholder	Ownership Before Offering		Ownership After Offering(1)	
	Number of shares of common stock beneficially owned	Number of shares offered	Number of shares of common stock beneficially owned	Percentage of common stock beneficially owned
A. Lawrence Carroll Trust(2)	2,100,000	2,100,000	--	--
Dene LLC(3)	130,000	130,000	--	--
Ronald Gurman	150,000	150,000	--	--
Josef Hartman	50,000	50,000	--	--
Eli Lerner	400,000	400,000	--	--
Andrew Minkow(4)	160,000	10,000	150,000	*
Jules Nordlicht	500,000	500,000	--	--
Agvania S.A.(5)	50,000	50,000	--	--
Michael Raskas	150,000	150,000	--	--
Stanley Raskas	100,000	100,000	--	--
A George Saks and Stephanie Saks JTWROS(6)	150,000	150,000	--	--
David Saks	60,000	60,000	--	--
Sami Shemtov	50,000	50,000	--	--
Stephen Sundheimer	100,000	100,000	--	--
WEC Partners LLC(7)	2,934,300(8)	750,000	1,184,300	3.76%
Dov Wiener	50,000	50,000	--	--
Margaret Y. Wong	150,000	150,000	--	--
Alex Ping Zhang	50,000	50,000	--	--
Genesis Capital Advisors, LLC(9)	2,934,300(10)	1,000,000(11)	1,184,300	3.76%
	23,800,000(13)	1,000,000(13)	22,800,000	70.08%

Provident Pioneer  
Partners, L.P.(12)

---

\* Less than 1%.

- (1) Represents the amount of shares that will be held by the selling stockholders after completion of this offering based on the assumptions that (a) all shares registered for sale by the registration statement of which this prospectus is part will be sold and (b) that no other shares of our common stock beneficially owned by the selling stockholders are acquired or are sold prior to completion of this offering by the selling stockholders. However, the selling stockholders may sell all, some or none of the shares offered pursuant to this prospectus and may sell other shares of our common stock that they may own pursuant to another registration statement under the Securities Act of 1933 or sell some or all of their shares pursuant to an exemption from the registration provisions of the Securities Act of 1933, as amended, including under Rule 144. To our knowledge there are currently no agreements, arrangements or understanding with respect to the sale of any of the shares that may be held by the selling stockholders after completion of this offering or otherwise.
- (2) A. Lawrence Carroll is the trustee of the A. Lawrence Carroll Trust and, in such capacity, has voting and dispositive power over the securities held for the account of this selling stockholder.
- (3) Naomi Saks is the managing member of Dene, LLC and, in such capacity, has voting and dispositive power over the securities held for the account of this selling stockholder.

- (4) Includes a currently exercisable warrant to purchase up to 150,000 shares of common stock at an exercise price of \$2.00 per share.
- (5) Sergio Oberlander has voting and dispositive power over the securities held for the account of this selling stockholder.
- (6) Each of A. George Saks and Stephanie Saks have voting and dispositive power over the securities held for the account of this selling stockholder.
- (7) Each of Daniel Saks, Jaime Hartman and Ethan Benovitz are principals of WEC Partners LLC and, as such may be deemed to have voting and dispositive power over the securities held for the account of this selling stockholder.
- (8) Includes 1,000,000 shares of common stock issuable upon the exercise of a warrant currently held by Genesis Capital Advisors LLC, with respect to which each of Daniel Saks, Jaime Hartman and Ethan Benovitz are principals, and 1,184,300 shares of common stock held by certain affiliates of WEC Partners LLC and Genesis Capital Advisors LLC.
- (9) Each of Daniel Saks, Jaime Hartman and Ethan Benovitz are principals of Genesis Capital Advisors LLC and, as such may be deemed to have voting and dispositive power over the securities held for the account of this selling stockholder.
- (10) Includes 750,000 shares of common stock held by WEC Partners LLC, with respect to which each of Daniel Saks, Jaime Hartman and Ethan Benovitz are principals, and 1,184,300 shares of common stock held by certain affiliates of Genesis Capital Advisors LLC and WEC Partners LLC.
- (11) Includes 1,000,000 shares of common stock issuable upon the exercise of a warrant.
- (12) Nathan J. Mazurek is the majority stockholder and a control person of Provident Canada Corp., the general partner of Provident Pioneer Partners, L.P., and, as such, has sole voting and investment power over the securities held for the account of this selling stockholder. Nathan J. Mazurek is our chief executive officer, president, chairman of the board of directors, chief financial officer, secretary and treasurer. In addition, prior to December 2, 2009, Provident Pioneer Partners, L.P. was the sole stockholder of Pioneer Transformers Ltd., our wholly owned subsidiary.
- (13) Includes 1,000,000 shares of common stock issuable upon the exercise of a warrant.

#### DESCRIPTION OF SECURITIES

We are authorized to issue 75,000,000 shares of common stock and 5,000,000 shares of preferred stock. On May 28, 2010, there were 29,536,275 shares of common stock issued and outstanding and no shares of preferred stock issued and outstanding.

#### Common Stock

The holders of common stock are entitled to one vote per share. Our certificate of incorporation does not provide for cumulative voting. The holders of our common stock are entitled to receive ratably such dividends, if any, as may be declared by the board of directors out of legally available funds. Upon liquidation, dissolution or winding-up, the holders of our common stock are entitled to share ratably in all assets that are legally available for distribution. The holders of our common stock have no preemptive, subscription, redemption or conversion rights. The rights,

preferences and privileges of holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of any series of preferred stock, which may be designated solely by action of the board of directors and issued in the future.

#### Preferred Stock

The board of directors is authorized, subject to any limitations prescribed by law, without further vote or action by the stockholders, to issue from time to time shares of preferred stock in one or more series. Each such series of preferred stock shall have such number of shares, designations, preferences, voting powers, qualifications, and special or relative rights or privileges as shall be determined by the board of directors, which may include, among others, dividend rights, voting rights, liquidation preferences, conversion rights and preemptive rights.

## Warrants

### \$2.00 Warrant

On December 2, 2009, we sold a warrant to purchase up to an aggregate of 1,000,000 shares of common stock for a price of \$0.01 per warrant share. Such warrant provides for the purchase of shares of common stock for five years at an exercise price of \$2.00 per share. We are prohibited from effecting the exercise of the warrant to the extent that as a result of such exercise the holder of the exercised warrant would beneficially own more than 4.99% (or, if such limitation is waived by the holder upon no less than 61 days prior notice to us, 9.99%) in the aggregate of our issued and outstanding shares of common stock, as calculated immediately after giving effect to the issuance of shares of our common stock upon the exercise of the warrant. The warrant contains provisions that protect its holder against dilution by adjustment of the purchase price in certain events such as stock dividends, stock splits and other similar events. If at any time after the one year anniversary of the issuance date of such warrant there is no effective registration statement, or no current prospectus available for the resale of the shares of common stock underlying the warrant, then the holder of such warrant has the right to exercise the warrant by means of a cashless exercise.

### \$3.25 Warrant

In connection with our acquisition of Pioneer Transformers Ltd., we issued a warrant to purchase up to 1,000,000 shares of common stock to Provident Pioneer Partners, L.P. Such warrant provides for the purchase of shares of common stock for five years at an exercise price of \$3.25 per share. This warrant contains a provision that protects its holder against dilution by adjustment of the purchase price in the event of a stock split or combination. If at any time after the one year anniversary of the issuance date of such warrant there is no effective registration statement registering, or no current prospectus available for, the resale of the shares of common stock underlying such warrant, then the holder shall have the right to exercise this warrant by means of a cashless exercise.

### Klink Warrant

On April 30, 2010, we sold Thomas Klink a warrant to purchase up to an aggregate of 1,000,000 shares of common stock for a price of \$0.01 per warrant share. Such warrant provides for the purchase of shares of common stock for five years at an exercise price of \$3.25 per share. This warrant contains a provision that protects its holder against dilution by adjustment of the purchase price in the event of a stock split or combination. The warrant also provides that the holder may not, subject to certain exemptions, sell or transfer any of the shares that may be purchased upon exercise of the warrant until October 30, 2011.

### Consultant Warrant

As agreed in December 2009, on April 26, 2010, we issued a five year warrant to a consultant to purchase up to an aggregate of 150,000 shares of common stock at an exercise price of \$2.00 per share. This warrant contains a provision that protects its holder against dilution by adjustment of the purchase price in the event of a stock split or combination. In addition, if at any time after the one year anniversary of the issuance date of the warrant there is no effective registration statement registering, or no current prospectus available for, the resale of the shares of common stock underlying the warrant, then the holder of this warrant will have the right to exercise the warrant by means of a cashless exercise.

### Investor Relations Warrants

We have agreed to issue four year warrants to our investor relations firm and its designees to purchase up to an aggregate of 50,000 shares of common stock at an exercise price of \$3.25 per share. These warrants contain a

provision that protects their holders against dilution by adjustment of the purchase price in the event of a stock split or combination. In addition, if at any time after the one year anniversary of the issuance date of the warrant there is no effective registration statement registering, or no current prospectus available for, the resale of the shares of common stock underlying the warrant, then the holders of these warrants will have the right to exercise the warrants by means of a cashless exercise.

#### Registration Rights

In connection with our \$5 million private placement of common stock on December 2, 2009, we agreed to use our best efforts to file a registration statement with the Securities and Exchange Commission on or before February 1, 2010 covering the resale of the shares of common stock issued in such private placement, and to cause such registration statement to be declared effective by the Securities and Exchange Commission on or before May 31, 2010. As required, we filed a registration statement on January 25, 2010, which was declared effective on April 20, 2010. On May 1, 2010, we suspended sales under the registration statement, as permitted under the applicable registration rights provisions of our agreement, in order to update the registration statement to include audited financial statements of Jefferson Electric, Inc. and pro forma financial statements giving effect to our acquisition of Jefferson Electric, Inc. However, if this amendment is not declared effective by the Securities and Exchange Commission on or before June 14, 2010, then we are subject to liquidated damage payments to the holders of the shares of common stock issued in such private placement in an amount equal to 1.0% of aggregate amount paid for the shares pro rata for every 30 trading days of delinquency.

We granted to Provident Pioneer Partners, L.P. and Genesis Capital Advisors, LLC warrant piggyback registration rights, pursuant to which we agreed to register the shares of common stock issuable upon the exercise of the warrants held by them in the event that we determined to prepare and file a registration statement with the Securities and Exchange Commission relating to an offering of any of our equity securities for our own account or the account of others under the Securities Act of 1933, as amended, subject to certain exemptions.

#### Lock-up Agreements

On December 2, 2009, Provident Pioneer Partners, L.P. entered into a lock-up agreement pursuant to which Provident Pioneer Partners, L.P. agreed not to, subject to certain exemptions, sell or transfer any of the 22,800,000 shares of common stock it received in connection with our acquisition of Pioneer Transformers Ltd. until June 3, 2011.

On April 30, 2010, Thomas Klink entered into a lock-up agreement pursuant to which he agreed not to, subject to certain exemptions, sell or transfer any of the 486,275 shares of common stock he received in connection with our acquisition of Jefferson Electric, Inc. until October 30, 2011. The warrant sold to Mr. Klink on April 30, 2010 also provides for a concurrent lock-up period that covers the shares that may be purchased upon exercise of such warrant.

#### Anti-Takeover Effect of Delaware Law, Certain Charter and Bylaw Provisions

Our certificate of incorporation and bylaws contain provisions that could have the effect of discouraging potential acquisition proposals or tender offers or delaying or preventing a change of control of our company. These provisions are as follows:

- they provide that special meetings of stockholders may be called only by our chairman, our president or by a resolution adopted by a majority of our board of directors;
- they do not include a provision for cumulative voting in the election of directors. Under cumulative voting, a minority stockholder holding a sufficient number of shares may be able to ensure the election of one or more directors. The absence of cumulative voting may have the effect of limiting the ability of minority stockholders to effect changes in our board of directors; and
- they allow us to issue, without stockholder approval, up to 5,000,000 shares of preferred stock that could adversely affect the rights and powers of the holders of our common stock.

We are subject to the provisions of Section 203 of the General Corporation Law of the State of Delaware, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. For purposes of Section 203, a “business combination” includes a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholder, and an “interested stockholder” is a person who, together with affiliates and associates, owns, or within three years prior did own, 15% or more of the voting stock of a corporation.

#### Indemnification of Directors and Officers

Section 145 of the General Corporation Law of the State of Delaware provides, in general, that a corporation incorporated under the laws of the State of Delaware, as we are, may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (other than a derivative action by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director,

officer, employee or agent of another enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. In the case of a derivative action, a Delaware corporation may indemnify any such person against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification will be made in respect of any claim, issue or matter as to which such person will have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery of the State of Delaware or any other court in which such action was brought determines such person is fairly and reasonably entitled to indemnity for such expenses.

Our certificate of incorporation and bylaws provide that we will indemnify our directors, officers, employees and agents to the extent and in the manner permitted by the provisions of the General Corporation Law of the State of Delaware, as amended from time to time, subject to any permissible expansion or limitation of such indemnification, as may be set forth in any stockholders' or directors' resolution or by contract. Any repeal or modification of these provisions approved by our stockholders will be prospective only and will not adversely affect any limitation on the liability of any of our directors or officers existing as of the time of such repeal or modification.



We are also permitted to apply for insurance on behalf of any director, officer, employee or other agent for liability arising out of his actions, whether or not the General Corporation Law of the State of Delaware would permit indemnification.

#### Disclosure of Commission Position on Indemnification for Securities Act Liabilities

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to our directors, officers and persons controlling us, we have been advised that it is the Securities and Exchange Commission's opinion that such indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is, therefore, unenforceable.

### PLAN OF DISTRIBUTION

The selling stockholders may, from time to time, sell any or all of their shares of common stock on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. The selling stockholders may use any one or more of the following methods when selling shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
  - purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
  - an exchange distribution in accordance with the rules of the applicable exchange;
    - privately negotiated transactions;
    - short sales;
- broker-dealers may agree with the selling stockholders to sell a specified number of such shares at a stipulated price per share;
  - a combination of any such methods of sale; and
  - any other method permitted pursuant to applicable law.

The selling stockholders may also sell shares under Rule 144 under the Securities Act of 1933, as amended, if available, rather than under this prospectus.

Broker-dealers engaged by the selling stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling stockholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated. The selling stockholders do not expect these commissions and discounts to exceed what is customary in the types of transactions involved. Any profits on the resale of shares of common stock by a broker-dealer acting as principal might be deemed to be underwriting discounts or commissions under the Securities Act of 1933, as amended. Discounts, concessions, commissions and similar selling expenses, if any, attributable to the sale of shares will be borne by a selling stockholder. The selling stockholders may agree to indemnify any agent, dealer or broker-dealer that participates in

transactions involving sales of the shares if liabilities are imposed on that person under the Securities Act of 1933, as amended.

The selling stockholders may from time to time pledge or grant a security interest in some or all of the shares of common stock owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the shares of common stock from time to time under this prospectus after we have filed a supplement to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act of 1933, as amended, supplementing or amending the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus.

The selling stockholders also may transfer the shares of common stock in other circumstances, in which case the transferees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus and may sell the shares of common stock from time to time under this prospectus after we have filed a supplement to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act of 1933, as amended, supplementing or amending the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus.

The selling stockholders and any broker-dealers or agents that are involved in selling the shares of common stock may be deemed to be “underwriters” within the meaning of the Securities Act of 1933, as amended, in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares of common stock purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act of 1933, as amended.

We are required to pay all fees and expenses incident to the registration of the shares of common stock. We have agreed to indemnify the selling stockholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act of 1933, as amended.

The selling stockholders have advised us that they have not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of their shares of common stock, nor is there an underwriter or coordinating broker acting in connection with a proposed sale of shares of common stock by any selling stockholder. If we are notified by any selling stockholder that any material arrangement has been entered into with a broker-dealer for the sale of shares of common stock, if required, we will file a supplement to this prospectus. If the selling stockholders use this prospectus for any sale of the shares of common stock, they will be subject to the prospectus delivery requirements of the Securities Act of 1933, as amended.

The anti-manipulation rules of Regulation M under the Securities Exchange Act of 1934, as amended, may apply to sales of our common stock and activities of the selling stockholders.

#### LEGAL MATTERS

Haynes and Boone, LLP, New York, New York, has passed upon the validity of the shares of our common stock offered by the selling stockholders under this prospectus.

#### EXPERTS

The financial statements of Pioneer Power Solutions, Inc. as of December 31, 2008 and 2009 and for the years ended December 31, 2008 and 2009 included in this prospectus have been audited by RSM Richter S.E.N.C.R.L./LLP, an independent registered public accounting firm, as stated in their report appearing herein and elsewhere in the registration statement, and are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The financial statements of Jefferson Electric, Inc. as of December 31, 2008 and 2009 and for the years ended December 31, 2008 and 2009 included in this prospectus have been audited by Vrakas/Blum, S.C., an independent audit firm, as stated in their report appearing herein and elsewhere in the registration statement, and are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

#### WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-1, together with any amendments and related exhibits, under the Securities Act of 1933, as amended, with respect to our shares of common stock offered by this prospectus. The registration statement contains additional information about us and our shares of common stock that the selling stockholders are offering in this prospectus.

We file annual, quarterly and current reports and other information with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. Our Securities and Exchange Commission filings are available to the public over the Internet at the Securities and Exchange Commission’s website at <http://www.sec.gov>.

You may also read and copy any document we file at the Securities and Exchange Commission's public reference room located at 100 F Street, N.E., Washington, D.C. 20549. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the public reference rooms and their copy charges. In addition, through our website, <http://www.pioneerpowersolutions.com>, you can access electronic copies of documents we file with the Securities and Exchange Commission, including our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K and any amendments to those reports. Information on our website is not incorporated by reference in this prospectus. Access to those electronic filings is available as soon as practicable after filing with the Securities and Exchange Commission. You may also request a copy of those filings, excluding exhibits, from us at no cost. Any such request should be addressed to us at: One Parker Plaza, 400 Kelby Street, 9th Floor, Fort Lee, New Jersey 07024, Attention: Nathan J. Mazurek, Chief Executive Officer.

## PIONEER POWER SOLUTIONS, INC.

## INDEX TO FINANCIAL STATEMENTS

Pioneer Power Solutions, Inc. Consolidated Financial Statements for the Years Ended December 31, 2009 and 2008	
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as at December 31, 2009 and 2008	F-3
Consolidated Statement of Shareholders' Equity for the Year Ended December 31, 2009 and 2008	F-5
Consolidated Statements of Earnings and Comprehensive Income for the Years Ended December 31, 2009 and 2008	F-6
Consolidated Statements of Cash Flows for the Years Ended December 31, 2009 and 2008	F-7
Notes to Consolidated Financial Statements	F-8
Pioneer Power Solutions, Inc. Unaudited Consolidated Interim Financial Statements for the Three Months Ended March 31, 2010 and 2009	
Consolidated Interim Balance Sheets as at March 31, 2010 and December 31, 2009	F-34
Consolidated Interim Statement of Shareholders' Equity for the Three Month Period Ended March 31, 2010	F-35
Consolidated Interim Statements of Earnings and Comprehensive Income for the Three Month Period Ended March 31, 2010 and 2009	F-36
Consolidated Interim Statements of Cash Flows for the Three Month Period Ended March 31, 2010 and 2009	F-37
Notes to Consolidated Interim Financial Statements	F-38
Jefferson Electric, Inc. Combined Financial Statements for the Years Ended December 31, 2009 and 2008	
Independent Auditors' Report	F-46
Combined Balance Sheets – December 31, 2009 and 2008	F-47
Combined Statements of Income for the Years Ended December 31, 2009 and 2008	F-49
Combined Statements of Equity (Deficit) for the Years Ended December 31, 2009 and 2008	F-50
Combined Statements of Cash Flows for the Years Ended December 31, 2009 and 2008	F-51
Notes to Combined Financial Statements	F-52
Jefferson Electric, Inc. Unaudited Combined Financial Statements for the Three Months Ended March 31, 2010 and 2009	
Combined Interim Balance Sheets – March 31, 2010 and December 31, 2009	F-59
Combined Interim Statements of Income for the Three Months Ended March 31, 2010 and 2009	F-60
Combined Interim Statements of Equity (Deficit) for the Three Months Ended March 31, 2010	F-61
Combined Interim Statement of Cash Flows for the Three Months Ended March 31, 2010 and 2009	F-62
Notes to Combined Financial Statements	F-63
Unaudited Pro Forma Financial Information	
Pro Forma Consolidated Balance Sheets as at March 31, 2010	F-70
Pro Forma Consolidated Statement of Earnings for the Three Month Period Ended March 31, 2010	F-71
Pro Forma Consolidated Statement of Earnings for the Year Ended December 31, 2009	F-72
Notes to Unaudited Pro Forma Consolidated Financial Statements	F-73

RSM Richter Chamberland S.E.N.C.R.L./LLP

Comptables agréés  
Chartered Accountants

2, Place Alexis Nihon  
Montréal (Québec) H3Z 3C2  
Téléphone / Telephone : 514-934-3400  
Télécopieur / Facsimile : 514-934-3408  
www.rsmrch.com

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of  
Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

We have audited the accompanying consolidated balance sheets of Pioneer Power Solutions, Inc. (Formerly Sierra Concepts Holdings, Inc.) as at December 31, 2009 and 2008 and the related consolidated statements of earnings and comprehensive income, shareholders' 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 audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations, comprehensive income and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

We were not engaged to examine management's assertion about the effectiveness of the Company's internal control over financial reporting as at December 31, 2009 and, accordingly, we do not express an opinion thereon.

Signed RSM Richter Chamberland LLP1

Chartered Accountants

Montreal, Quebec  
March 8, 2010

1CA auditor permit n\*13997



Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Consolidated Balance Sheets  
As At December 31, 2009 and 2008  
(Expressed in U.S. Funds)

	2009	2008
	\$	\$
Assets		
Current		
Cash and cash equivalents	1,560,229	367,668
Accounts receivable	5,491,886	4,837,256
Inventories (note 5)	6,432,897	5,474,384
Prepaid expenses and deposits	103,101	47,631
	13,588,113	10,726,939
Property, plant and equipment (note 6)	987,261	827,672
Deferred income tax asset (note 12)	20,171	-
	14,595,545	11,554,611

See accompanying notes

F-3

---



Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Consolidated Balance Sheets  
As At December 31, 2009 and 2008  
(Expressed in U.S. Funds)

	2009	2008
	\$	\$
Liabilities		
Current		
Bank indebtedness (note 7)	-	4,116,452
Accounts payable and accrued liabilities	2,567,715	3,880,345
Current maturity of long-term debt (note 8)	133,505	148,168
Income taxes payable	1,775,516	854,844
Advances from limited partners of a shareholder (note 16)	150,000	-
	4,626,736	8,999,809
Pension deficit (note 14)	361,751	109,442
Deferred income tax liability (note 12)	-	68,473
Long-term debt (note 8)	-	111,519
Advances from limited partners of a shareholder (note 16)	-	150,000
	4,988,487	9,439,243
Commitments (note 9)		
Shareholders' equity		
Capital stock (note 10)		
Authorized 75,000,000 common shares at \$0.001 par value and 5,000,000 preferred shares at \$0.001 par value	29,000	22,800
Additional paid-up capital (note 11)	5,364,548	567,333
Accumulated other comprehensive loss	(690,698)	(969,663)
Accumulated retained earnings	4,904,208	2,494,898
	9,607,058	2,115,368
	14,595,545	11,554,611

See accompanying notes

Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Consolidated Statement of Shareholders' Equity  
For the Years Ended December 31, 2009 and 2008  
(Expressed in U.S. Funds)

	Capital stock number	Capital stock amount \$	Additional paid-in capital \$	Accumulated other comprehensive loss \$	Retained earnings \$	Total shareholders' equity \$
Balance - December 31, 2007(adjusted to reflect the effect of the recapitalization on December 2, 2009)	22,800,000	22,800	567,333	(586,225 )	806,756	810,664
Foreign currency translation adjustment	-	-	-	(462,719 )	-	(462,719 )
Pension adjustment, net of taxes of \$34,673	-	-	-	79,281	-	79,281
Dividends paid	-	-	-	-	(449,817 )	(449,817 )
Net earnings	-	-	-	-	2,137,959	2,137,959
Balance - December 31, 2008	22,800,000	22,800	567,333	(969,663 )	2,494,898	2,115,368
Dividends paid	-	-	-	-	(2,705,882 )	(2,705,882 )
Issuance of shares net of transaction costs relating to the issuance and the recapitalization (note 1)	1,200,000	1,200	(249,125 )	-	-	(247,925 )
Issuance of shares, net of transaction costs (note 1)	5,000,000	5,000	4,729,400	-	-	4,734,400
Warrant issued for consulting services rendered (note 1)	-	-	275,600	-	-	275,600
Warrant issued for consulting services to be rendered in the future	-	-	41,340	-	-	41,340
Foreign currency translation adjustment	-	-	-	487,463	-	487,463
Pension adjustment, net of taxes of \$93,736	-	-	-	(208,498 )	-	(208,498 )
Net earnings	-	-	-	-	5,115,192	5,115,192
Balance - December 31, 2009	29,000,000	29,000	5,364,548	(690,698 )	4,904,208	9,607,058

See accompanying notes

Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Consolidated Statements of Earnings and Comprehensive Income  
For the Years Ended December 31, 2009 and 2008  
(Expressed in U.S. Funds)

	2009	2008
	\$	\$
Sales	40,598,576	43,884,261
Cost of goods sold (including depreciation of \$139,463; 2008 - \$117,566)	28,733,839	34,895,796
Gross margin	11,864,737	8,988,465
Expenses		
Selling, general and administrative	4,052,459	4,205,135
Depreciation	167,614	174,043
Foreign exchange gain	(272,026)	(98,428)
	3,948,047	4,280,750
Operating income	7,916,690	4,707,715
Interest and factoring fees	(311,498)	(512,421)
Write-down of advances to limited partners of a shareholder	-	(700,335)
Earnings before income taxes	7,605,192	3,494,959
Income taxes		
Current income taxes	2,488,000	1,265,000
Deferred income taxes	2,000	92,000
	2,490,000	1,357,000
Net earnings	5,115,192	2,137,959
Other comprehensive income		
Foreign currency translation adjustments	487,463	(462,719)
Pension adjustment, net of taxes \$93,736 (2008 - \$34,673)	(208,498)	79,281
Comprehensive income	5,394,157	1,754,521
Basic and diluted weighted average number of common shares outstanding	23,292,603	22,800,000
Basic and diluted earnings per common share	0.22	0.09

See accompanying notes

Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2009 and 2008  
(Expressed in U.S. Funds)

	2009	2008
	\$	\$
Operating activities		
Net earnings	5,115,192	2,137,959
Depreciation	307,077	291,609
Deferred income taxes	2,000	92,000
Accrued pension	(85,940)	(112,173)
Write-down of advances to limited partners of a shareholder	-	700,335
	5,338,329	3,109,730
Changes in non-cash operating elements of working capital (note 13)	(1,026,369)	(2,857,833)
	4,311,960	251,897
Financing activities		
Increase (decrease) in bank indebtedness	(4,392,325)	776,766
Dividends paid	(2,705,882)	(449,817)
Repayment of long-term debt	(154,170)	(152,736)
Advances from limited partners of a shareholder	-	31,867
Issuance of shares	5,000,000	-
Transaction costs	(247,925)	-
Issuance of warrant	10,000	-
	(2,490,302)	206,080
Investing activities		
Additions to property, plant and equipment	(333,939)	(222,213)
Advances to limited partners of a shareholder	-	(427,407)
	(333,939)	(649,620)
Increase (decrease) in cash and cash equivalents	1,487,719	(191,643)
Effect of foreign exchange on cash and cash equivalents	(295,158)	(98,857)
Cash and cash equivalents		
Beginning of year	367,668	658,168
End of year	1,560,229	367,668

See accompanying notes.

Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Notes to Consolidated Financial Statements  
December 31, 2009 and 2008  
(Expressed in U.S. Funds)

1. Organization and basis of presentation

Basis of presentation

The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States ("U.S.GAAP"). This basis of accounting involves the application of accrual accounting and consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Management has performed an evaluation of the Company's activities through the date and time these financial statements were issued and concluded that there are no additional significant events requiring recognition or disclosure.

The consolidated financial statements include the accounts of Pioneer Power Solutions, Inc. (the parent, formerly Sierra Concepts, Inc. the "Company") and Pioneer Transformers Ltd. (the Company's subsidiary "PT"). On consolidation, all material inter-entity transactions and balances have been eliminated.

The financial statements are expressed in U.S. funds.

Reorganization of the corporation

On December 2, 2009, PT entered into a share exchange agreement with the Company, an inactive public shell company, for the acquisition by the Company of all the issued and outstanding shares of PT, in a transaction that has been accounted for as a recapitalization of PT.

Under accounting principles generally accepted in the United States, the share exchange is considered to be a capital transaction in substance, rather than a business combination. That is, the share exchange is equivalent to the issuance of stock by PT for the net monetary assets of the Company accompanied by a recapitalization, and is accounted for as a change in capital structure. Accordingly, the accounting for the share exchange is identical to that resulting from a reverse acquisition, except no goodwill is recorded. Under reverse takeover accounting, the post reverse acquisition comparative historical financial statements of the legal acquirer, the Company, are those of the legal acquiree, PT, which is considered to be the accounting acquirer. Further, PT's historical shareholders' equity prior to the recapitalization has been retroactively restated for the equivalent number of shares received in the share exchange. Earnings per share calculations have also been retroactively restated to give effect to the recapitalization for all periods presented.

All of PT's shares were exchanged for 22,800,000 newly issued shares of common stock of the Company and a five year warrant to purchase up to 1,000,000 shares of common stock of the Company at an exercise price of \$3.25 per share. The five year warrant has a fair value of \$167,500 which was determined using the Black-Scholes Merton option pricing model. The transaction costs relating to the share exchange amounted to \$247,925 were charged to additional paid-in capital.

F-8

---

Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Notes to Consolidated Financial Statements  
December 31, 2009 and 2008  
(Expressed in U.S. Funds)

1. Organization and basis of presentation (continued)

Reorganization of the corporation (continued)

In conjunction with the closing of the share exchange, the Company issued 5,000,000 shares of its common stock at a purchase price of \$1.00 per share, in a private placement, resulting in aggregate gross proceeds of \$5,000,000. After allowing for transaction costs relating to the private placement, net proceeds of \$4,734,400 were credited to shareholders' equity. These transaction costs were paid by way of issuing a five year warrant to purchase an aggregate of 1,000,000 shares of common stock of the Company at an exercise price of \$2.00 per share, for aggregate gross proceeds of \$10,000. The five year warrant has a fair value of \$275,600, which was determined using the Black-Scholes Merton option pricing model.

Immediately following the closing of the share exchange and the private placement, the Company transferred all of its pre-share exchange and pre-private placement, assets and liabilities to a wholly owned subsidiary, Sierra Concepts Holdings, Inc., and immediately thereafter, transferred its investment in common stock of Sierra Concepts Holdings, Inc., to the Company's former sole officer, director and majority shareholder in exchange for him (i) indemnifying the Company against, among other things, any debt, liability or obligation of the Company for actions taken by the Company prior to the share exchange, (ii) releasing the Company from any claim he may have, of has ever had, against the Company and (iii) consenting to the cancellation of an aggregate of 7,200,000 common shares of the Company. As a result of this share cancellation, the Company's former sole officer, director and majority shareholder no longer held any shares of the Company, and the remaining shareholders of the Company prior to the share exchange held 1,200,000 common shares. In addition, in connection with the share exchange, the Company's former sole officer, director and majority shareholder resigned from all officer and director positions he previously held with the Company. This was accounted for as part of the same transaction as the recapitalization.

These financial statements reflect the accounts of the balance sheet, the results of operations and the cash flows of PT at their carrying amounts, since it is deemed to be the accounting acquirer.

The results of operations, the cash flows and the assets and liabilities of the Company have been included in these consolidated financial statements since December 2, 2009, the acquisition date. Amounts reported for the periods prior to December 2, 2009 are those of PT.

2. Nature of business

The Company is a manufacturer of liquid-filled electrical transformers ranging in various sizes and voltage selling primarily to utility companies in North America.

Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Notes to Consolidated Financial Statements  
December 31, 2009 and 2008  
(Expressed in U.S. Funds)

3. Summary of significant accounting policies

Use of estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The financial statements include estimates based on currently available information and management's judgment as to the outcome of future conditions and circumstances. Significant estimates in these financial statements include inventory provision, useful lives and impairment of long-lived assets, determination of fair values of warrants, allowance for doubtful accounts and cost of pension benefits.

Changes in the status of certain facts or circumstances could result in material changes to the estimates used in the preparation of the financial statements and actual results could differ from the estimates and assumptions.

Revenue recognition

Revenue is recognized when (1) persuasive evidence of an arrangement exists, (2) delivery occurs, (3) the sales price is fixed or determinable, (4) collectibility is reasonably assured and (5) customer acceptance criteria, if any, has been successfully demonstrated. Revenue is recognized on the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer upon delivery, provided that the Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. There are no further obligations on the part of the Company subsequent to revenue recognition, except when customers have the right of return or when the Company warrants the product. The Company records a provision for future returns, based on historical experience at the time of shipment of products to customers. The Company warrants some of its products against defects in design, materials and workmanship for periods ranging from one to three years depending on the model. The Company records a provision for estimated future warranty costs based on historical relationship of warranty claims to sales at the time of shipment of products to customers. The Company periodically reviews the adequacy of its product warranties and adjusts, if necessary, the warranty percentage and accrued warranty reserve for actual experience.



Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Notes to Consolidated Financial Statements  
December 31, 2009 and 2008  
(Expressed in U.S. Funds)

3. Summary of significant accounting policies (continued)

The following table provides the detail of the change in the Company's product warranty provision, which is a component of accrued liabilities on the consolidated balance sheets for the years ended December 31, 2009 and 2008.

	2009	2008
	\$	\$
Warranty provision, beginning of year	165,846	26,228
Charged to cost of goods sold relating to new sales	166,622	276,299
Costs of product warranty claims	(124,572)	(111,366)
Foreign exchange adjustment	29,973	(25,315)
Warranty provision, end of year	237,869	165,846

Financial instruments

The Company estimates the fair value of its financial instruments based on current interest rates, market value and pricing of financial instruments with comparable terms. Unless otherwise indicated, the carrying value of these financial instruments approximates their fair market value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and investments with an original maturity at the date of purchase of three months or less.

Accounts receivable

The Company accounts for trade receivables at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. The Company writes off trade receivables when they are deemed uncollectible. The Company records recoveries of trade receivables previously written off when they receive them. Management considers allowance for doubtful accounts of \$43,000 (2008 - \$Nil) is sufficient to cover any exposure to loss in its December 31, 2009 and 2008 accounts receivable.

Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Notes to Consolidated Financial Statements  
December 31, 2009 and 2008  
(Expressed in U.S. Funds)

3. Summary of significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are recorded at cost. Provisions for depreciation are based on their estimated useful lives using the declining balance or straight-line method as follows:

On the declining balance method –

Building	4%
Furniture and fixtures	20%

On the straight-line method –

Leasehold improvements	over the term of the lease
Machinery and equipment	20%
Computer hardware and software	33.3%

Upon retirement or disposal, the cost of the asset disposed of and the related accumulated depreciation are removed from the accounts and any gain or loss is reflected in income. Expenditures for repairs and maintenance are expensed as incurred.

Impairment of long-lived assets

Long-lived assets held and used by the Company are reviewed for possible impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the estimated undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value thereof.

Foreign currency translation

The Company's reporting currency is the United States dollar. The Canadian dollar is the functional currency of the Company's Canadian operations which is translated to the United States dollar using the current rate method. Under this method, accounts are translated as follows:

Assets and liabilities - at exchange rates in effect at the balance sheet date;

Revenue and expenses - at average exchange rates prevailing during the year.

Gains and losses arising from foreign currency translation are included in other comprehensive income.

F-12

---

Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Notes to Consolidated Financial Statements  
December 31, 2009 and 2008  
(Expressed in U.S. Funds)

3. Summary of significant accounting policies (continued)

Income taxes

The Company accounts for income taxes in accordance with FASB ASC 740 "Income Taxes". Deferred taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Unrecognized tax benefits

The Company accounts for unrecognized tax benefits in accordance with FASB ASC 740 "Income Taxes" ("ASC 740"). ASC 740 prescribes a recognition threshold that a tax position is required to meet before being recognized in the financial statements and provides guidance on de-recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition issues. ASC 740 contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon ultimate settlement with a taxing authority, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement.

Additionally, ASC 740 requires the Company to accrue interest and related penalties, if applicable, on all tax positions for which reserves have been established consistent with jurisdictional tax laws.

Sales tax

A Company should disclose the amount of those taxes that is recognized on a gross basis in interim and annual financial statements for each period for which an income statement is presented if those amounts are significant. While the amounts are not material, the Company's policy is to present such taxes on a net basis in the consolidated statements of earnings.

Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Notes to Consolidated Financial Statements  
December 31, 2009 and 2008  
(Expressed in U.S. Funds)

3. Summary of significant accounting policies (continued)

Share-based payments

The Company will account for share based payments in accordance with the provisions of FASB ASC 718 "Compensation - Stock Compensation" and accordingly will recognize in its financial statements share based payments at their fair value. In addition, it will recognize in the financial statements an expense based on the grant date fair value of stock options granted to employees. The expense will be recognized on a straight line basis over the vesting period and the offsetting credit will be recorded in additional paid-in capital. Upon exercise of options, the consideration paid together with the amount previously recorded as additional paid-in capital will be recognized as capital stock. The Company estimates its forfeiture rate in order to determine its compensation expense arising from stock based awards. The Company will use the Black-Scholes Merton option pricing model to determine the fair value of the options.

Employee benefit plan

The Company sponsors a defined benefit plan as described in note 14. The cost of pension benefits earned by employees is actuarially determined using the accumulated benefit method and a discount rate, used to measure interest cost on the accrued employee future benefit obligation, based on market interest rates on high-quality debt instruments with maturities that match the timing and benefits expected to be paid by the plan. Plan assets are valued using current market values and the expected return on plan assets is based on the fair value of the plan assets.

The costs that relate to employees' current service are charged to income annually.

The transitional obligation created upon adoption of the FASB ASC 715 "Compensation - Retirement Benefits" is amortized over the average remaining service period of employees. For a given year, unrecognized actuarial gains or losses are recognized into income if the unamortized balance at the beginning of the year is more than 10% of the greater of the plan asset or liability balance. Any unrecognized actuarial gain or loss in excess of this threshold is recognized in income over the remaining service period of the employees.

The Company reflects the funded status of its defined pension plans as a net asset or net liability in its balance sheet, with and offsetting amount in a accumulated other comprehensive income, and recognizes changes in that funded status in the year in which the changes occur through comprehensive income.

Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Notes to Consolidated Financial Statements  
December 31, 2009 and 2008  
(Expressed in U.S. Funds)

3. Summary of significant accounting policies (continued)

Inventory valuation

Inventories are priced at the lower of cost or market value. Cost is determined on a first-in first-out (FIFO) basis. Raw materials and purchased finished goods are valued at purchase cost. The cost of work-in-process and manufactured finished goods comprises materials, direct labour and attributable production overheads based on normal levels of activity.

Periodical reviews of the inventory are performed for excess inventory, obsolescence and declines in market value below cost and allowances are recorded against the inventory balance for any such declines. The Company writes down the value of ending inventory for obsolete and unmarketable inventory equal to the difference between the cost of inventory and the estimated market value. These reviews require management to estimate future demand for products and evaluate market conditions. Possible changes in these estimates could result in a write down of inventory. If actual market conditions are less favorable than those projected, additional inventory write-downs may be required.

Earnings per share

Basic earnings per share is computed by dividing the earnings for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing the earnings for the period by the weighted average number of common and common equivalent shares outstanding during the period. Potentially dilutive securities composed of incremental common shares issuable upon the exercise of warrants were excluded from the diluted earnings per share since the exercise price is not in the money.

Recent accounting pronouncements

In June 2009, the FASB issued FAS 166, "Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140" ("FAS 166") as codified in FASB ASC 860 "Transfer and Servicing", which amends the derecognition guidance in FASB Statement No. 140 and eliminates the exemption from consolidation for qualifying special-purpose entities. This statement is effective for financial asset transfers occurring after the beginning of an entity's first fiscal year that begins after November 15, 2009. The adoption of ASC 860 is not expected to have a material effect on the Company's financial position or results of operations.

Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Notes to Consolidated Financial Statements  
December 31, 2009 and 2008  
(Expressed in U.S. Funds)

3. Summary of significant accounting policies (continued)

Recent accounting pronouncements (continued)

In June 2009, the FASB issued FAS 167, "Amendments to FASB Interpretation No. 46(R)" ("FAS 167"), as codified in FASB ASC 810 "Consolidation" which amends the consolidation guidance applicable to variable interest entities. The amendments will significantly affect the overall consolidation analysis under FASB Interpretation No. 46(R). This statement is effective as of the beginning of the first fiscal year that begins after November 15, 2009. The adoption of ASC 810 is not expected to have a material effect on the Company's financial position or results of operations.

In October 2009, the FASB issued Update No. 2009-13, "Revenue Recognition (Topic 605)—Multiple-Deliverable Revenue Arrangements a consensus of the FASB Emerging Issues Task Force" ("ASU 2009-13"). ASU 2009-13 provides amendments to the criteria in ASC 605-25 for separating consideration in multiple-deliverable arrangements. As a result of those amendments, multiple-deliverable arrangements will be separated in more circumstances than under existing U.S. GAAP. ASU 2009-13: 1) establishes a selling price hierarchy for determining the selling price of a deliverable, 2) eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method, 3) requires that a vendor determine its best estimate of selling price in a manner that is consistent with that used to determine the price to sell the deliverable on a standalone basis, 4) significantly expands the disclosures related to a vendor's multiple-deliverable revenue arrangements. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The Company is currently evaluating the impact of adopting ASU 2009-13.

In October 2009, the FASB issued Update No. 2009-14, "Software (Topic 985) - Certain Revenue Arrangements That Include Software Elements a consensus of the FASB Emerging Issues Task Force" ("ASU 2009-14"). ASU 2009-14 changes the accounting model for revenue arrangements that include both tangible products and software elements and provides additional guidance on how to determine which software, if any, relating to tangible product would be excluded from the scope of the software revenue guidance. In addition, ASU 2009-14 provides guidance on how a vendor should allocate arrangement consideration to deliverables in an arrangement that includes both tangible products and software. ASU 2009-14 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The adoption of ASU 2009-14 is not expected to have a material effect on the Company's financial position or results of operations.

Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Notes to Consolidated Financial Statements  
December 31, 2009 and 2008  
(Expressed in U.S. Funds)

4. Adoption of new accounting standards

Subsequent events

FASB ASC 855, "Subsequent Events" ("ASC 855"), which established principles and requirements for subsequent events is effective for interim or annual reporting periods ending after June 15, 2009. The statement details the period after the balance sheet date during which the Company should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which the Company should recognize events or transactions occurring after the balance sheet date in its financial statements and the required disclosures for such events. Since ASC 855 at most requires additional disclosures, the adoption of ASC 855 did not have a material impact on its consolidated financial statements.

FASB Codification

On July 1, 2009, the FASB released the final version of its new Accounting Standards Codification (the "Codification") as the single authoritative source for U.S. GAAP. The Codification replaces all previous U.S. GAAP accounting standards as described in FAS 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles. While not intended to change U.S. GAAP, the Codification significantly changes the way in which the accounting literature is organized. It is structured by accounting topic to help accountants and auditors more quickly identify the guidance that applies to a specific accounting issue. The Company has applied the Codification for the first time for its interim financial statements for the nine months ending September 30, 2009. The adoption of the Codification did not have an effect on the Company's financial position and results of operations. However, because the Codification completely replaces existing standards, it affects the way U.S. GAAP is referenced in the Company's consolidated financial statements and accounting policies.

Fair value measurements

SFAS No.157 as codified in FASB ASC 820 "Fair Value Measurement and Disclosures" ("ASC 820") is effective for financial assets and liabilities in fiscal years beginning after November 15, 2007, and for non-financial assets and liabilities in fiscal years beginning after November 15, 2008. The Company adopted ASC 820 for financial assets and liabilities in the first quarter of fiscal 2008 with no material impact to the consolidated financial statements. The Company adopted ASC 820 for non-financial assets and liabilities in the first quarter of fiscal 2009 with no material impact to the consolidated financial statements.



Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Notes to Consolidated Financial Statements  
December 31, 2009 and 2008  
(Expressed in U.S. Funds)

4. Adoption of new accounting standards (continued)

Fair value measurements (continued)

ASC 820 applies to all assets and liabilities that are being measured and reported on a fair value basis. ASC 820 requires new disclosure that establishes a framework for measuring fair value in GAAP, and expands disclosure about fair value measurements. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Company performs a detailed analysis of the assets and liabilities that are subject to ASC 820. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There are no assets or liabilities measured at fair value as at December 31, 2009.

Fair value of financial instruments

The fair value represents management's best estimates based on a range of methodologies and assumptions. The carrying value of receivables and payables arising in the ordinary course of business approximate fair value because of the relatively short period of time between their origination and expected realization.

Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Notes to Consolidated Financial Statements  
December 31, 2009 and 2008  
(Expressed in U.S. Funds)

5. Inventories

	2009	2008
	\$	\$
Raw materials	2,344,010	2,713,644
Work-in-process	2,400,712	1,956,021
Finished goods	1,688,175	804,719
	6,432,897	5,474,384

Included in raw materials are goods in transit of approximately \$242,000 (2008 - \$394,000).

The write-down of inventories to their market value amounted to approximately \$89,000 (2008 - \$217,000) and related to finished goods. There were no reversals of write-down from previous year.

6. Property, plant and equipment

	Cost	Accumulated depreciation	2009 Net carrying amount	2008 Net carrying amount
	\$	\$	\$	\$
Land	7,136	-	7,136	6,158
Building	474,111	118,654	355,457	168,315
Machinery and equipment	2,527,725	2,128,324	399,401	331,754
Furniture and fixtures	126,275	113,032	13,243	7,955
Computer hardware and software	564,946	355,243	209,703	311,040
Leasehold improvements	38,135	35,814	2,321	2,450
	3,738,328	2,751,067	987,261	827,672

Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Notes to Consolidated Financial Statements  
December 31, 2009 and 2008  
(Expressed in U.S. Funds)

6. Property, plant and equipment (continued)

	Cost	Accumulated depreciation	2008 Net carrying amount	2007 Net carrying amount
	\$	\$	\$	\$
Land	6,158	-	6,158	7,566
Building	263,255	94,940	168,315	213,195
Machinery and equipment	2,049,559	1,717,805	331,754	329,487
Furniture and fixtures	103,953	95,998	7,955	8,331
Computer hardware and software	462,026	150,986	311,040	529,641
Leasehold improvements	32,906	30,456	2,450	3,436
	2,917,857	2,090,185	827,672	1,091,656

7. Credit facility

In 2008, the Company's \$5,747,000 credit facility consisted of a revolving loan bearing interest at prime plus 1.5% per annum. As part of this facility, the Company had entered into an agreement with its lender to sell its accounts receivable. At December 31 2008, substantially all of the Company's accounts receivable had been sold to the lender, but because such sales were conducted with full recourse, the Company's accounts receivable and bank indebtedness were accordingly reflected on a gross basis in the financial statements. The terms of the banking agreement required the Company to maintain minimum earnings before interest, taxes, depreciation and amortization. As at December 31, 2008, the Company was in compliance therewith. During 2009, this credit facility was fully repaid.

During 2009, the Company obtained a new \$9,500,000 credit facility which is subject to review annually consisting of an operating demand line of credit, a demand term loan, and foreign exchange contracts which are limited to \$7,375,000, \$1,650,000 and \$475,000 respectively. Borrowings under the operating demand line of credit bear interest at the bank's prime rate per annum on Canadian dollar borrowings or the US base rate plus 0.75% per annum on US dollar borrowings. Borrowings under term loans bear interest at the bank's prime rate plus 1% per annum. As at December 31, 2009, the Company had no outstanding borrowings and no contractual obligations through foreign exchange contracts under the credit facility.

As security for the credit facility, the bank has a first ranking deed on all present and future movable and immovable property of the Company for the amount of \$9,500,000. The bank also has a first ranking collateral on the land and building of the Company for the amount of \$9,500,000. The land and building of the Company have a carrying value of \$362,593 as at December 31, 2009.

The terms of the banking agreement require the Company to comply with certain financial covenants. Under the terms of the agreement, the Company is required, amongst other conditions, to maintain a minimum working capital ratio, a

minimum debt service coverage ratio and a maximum total debt to tangible net worth ratio. As at December 31, 2009, the Company was in compliance with these requirements.

F-20

---

Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Notes to Consolidated Financial Statements  
December 31, 2009 and 2008  
(Expressed in U.S. Funds)

8. Long-term debt

	2009	2008
	\$	\$
Equipment loans, bearing interest at rates varying from 5.93% to 9.93%, repayable in monthly instalments of \$14,326 including interest, with a final payment on December 10, 2010, secured by liens on specific equipment having an original cost of \$491,000 and net carrying value of \$167,000	133,505	259,687
Current maturity	133,505	148,168
	-	111,519

Interest during the year amounted to approximately \$18,000 (2008 - \$28,000).

9. Commitments

The minimum annual rental payable under the leases for the Company's premises and other operating leases expiring in 2011 are approximately as follows:

	\$
2010	31,000
2011	10,000

10. Capital stock

	2009	2008
	\$	\$
75,000,000 common shares authorized, \$0.001 par value		
5,000,000 preferred shares authorized, \$0.001 par value		
Issued -		
29,000,000 (2008 - 22,800,000 common shares)	29,000	22,800

Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Notes to Consolidated Financial Statements  
December 31, 2009 and 2008  
(Expressed in U.S. Funds)

10. Capital stock (continued)

The board of directors is authorized, subject to any limitations prescribed by law, without further vote or action by the shareholders, to issue from time to time shares of preferred stock in one or more series. Each such series of preferred stock shall have such number of shares, designations, preferences, voting powers, qualifications, and special or relative rights or privileges as shall be determined by the board of directors, which may include, among others, dividend rights, voting rights, liquidation preferences, conversion rights and preemptive rights.

11. Additional paid-in capital

Warrants

On December 2, 2009, the Company granted two five year warrants, each exercisable to purchase up to 1,000,000 shares of common stock at \$3.25 and \$2.00 per share respectively. The warrant exercisable at \$3.25 per share was issued in conjunction with the share exchange and the warrant exercisable at \$2.00 per share was issued in payment of consulting services received (see note 1). On the same day, the Company granted a five year warrant exercisable to purchase up to 150,000 shares of common stock at \$2.00 per share in payment of consulting fees to be rendered. The warrants were accounted for at their fair value amounting to \$167,500, \$275,600 and \$41,340 respectively, as determined by the Black-Scholes-Merton valuation model, using the following assumptions:

Expected volatility	51.35%
Expected life	5 years
Risk-free interest rate	2.15%
Dividend yield	Nil
Price per share	\$1.00

The fair market value of the Company's stock price on December 2, 2009 was determined based on the \$1.00 price per share paid by investors on an arms length basis, in the 5,000,000 share private placement which also occurred on December 2, 2009.

The expected life represents the period of time the options are expected to be outstanding. Furthermore, the Company cannot provide historical stock price data for a period equal to the expected life of the warrants; therefore, the expected volatility assumptions were calculated by averaging the historical volatility of a peer group of publicly-traded companies manufacturing electrical transformers. The risk-free interest rate reflects the yield on a zero-coupon U.S. Treasury bond over the expected term of the warrants granted. Using different weighted-average assumptions could significantly impact the estimated grant date fair value of the warrants.

Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Notes to Consolidated Financial Statements  
December 31, 2009 and 2008  
(Expressed in U.S. Funds)

11. Additional paid-in capital (continued)

The following table summarizes the continuity of the Company's warrants:

	Number of shares	Weighted average exercise price \$	Expiry date
Balance, December 31, 2008	-	-	
Granted -			
December 2, 2009	1,000,000	3.25	December 2, 2014
December 2, 2009	1,000,000	2.00	December 2, 2014
December 2, 2009	150,000	2.00	December 2, 2014
Balance, December 31, 2009	2,150,000	2.58	

As at December 31, 2009, the exercisable warrants amounted to 2,150,000 and none were exercised.

Stock option

On December 2, 2009, the Company adopted the 2009 Stock Incentive plan ("Plan") for the purpose of issuing incentive stock options intended to qualify under Section 422 of the Code, non-qualified stock options, restricted stock, stock appreciation rights, performance unit awards and stock bonus awards to employees, directors, consultants and other service providers. A total of 1,600,000 shares of common stock are reserved for issuance under this Plan. Options may be granted under the Plan on terms and at prices as determined by the Board of Directors or by the plan administrators appointed by the Board of Directors. As at December 31, 2009, no stock options were granted.

Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Notes to Consolidated Financial Statements  
December 31, 2009 and 2008  
(Expressed in U.S. Funds)

12. Income taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and the amounts used for income tax purposes. Significant changes of the Company's deferred tax liability and asset as at December 31, 2009 and 2008 are as follows:

	2009	2008
	\$	\$
Property, plant and equipment	(92,293)	(102,627)
Pension plan deficit	112,464	34,154
	20,171	(68,473)
Valuation allowance	-	-
Net deferred tax asset (liability)	20,171	(68,473)

The reconciliation of the effective income tax rate, to the statutory rates in effect in Canada, as the entity is subject to Canadian tax jurisdictions, for the years ended December 31, 2009 and 2008 is as follows:

	2009	2008
	\$	\$
Statutory income taxes	2,486,000	1,126,000
Write-down of advances to limited partners of a shareholder	-	248,000
Other	4,000	(17,000)
Effective income taxes	2,490,000	1,357,000

In 2007, the Company received notices of reassessments from the Federal and Provincial governments amounting to approximately \$2,030,000 including interest and penalties of approximately \$400,000. A portion of the reassessed taxes, interest and penalties, approximately \$860,000, related to withholding taxes and have been expensed in 2007. The remaining taxes, interest and penalties relate to a transfer pricing adjustment and although they have been expensed in 2007, the Company has filed a notice of objection against the said reassessments. Management believes that the success of the appeal on the transfer pricing adjustment is unknown.



Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Notes to Consolidated Financial Statements  
December 31, 2009 and 2008  
(Expressed in U.S. Funds)

12. Income taxes (continued)

Unrecognized tax benefits and interest and penalties

The Company does not expect its unrecognized tax benefits to change significantly over the next twelve months. The interest and penalties for the years ended December 31, 2009 and 2008 were \$Nil.

The Company files tax returns in each jurisdiction in which it is registered to do business. For each jurisdiction a statute of limitations period exists. After a statute of limitations period expires, the respective tax authorities may no longer assess additional income tax for the expired period. Similarly, the Company is no longer eligible to file claims for refund for any tax that it may have overpaid. The following table summarizes the Company's major tax jurisdictions and the tax years that remain subject to examination by these jurisdictions as of December 31, 2009:

Tax jurisdictions	Tax years
Federal - Canada	2006 and onward
Provincial - Quebec	2006 and onward
Provincial - Ontario	2006 and onward

13. Statement of cash flows information

	2009	2008
	\$	\$
Accounts receivable	104,955	224,142
Inventories	(81,624)	(411,218)
Prepaid expenses	(6,041)	34,691
Income taxes recoverable	722,869	-
Accounts payable and accrued liabilities	(1,766,528)	(521,244)
Income taxes payable	-	(2,184,204)
Changes in non-cash operating elements of working capital	(1,026,369)	(2,857,833)

Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Notes to Consolidated Financial Statements  
December 31, 2009 and 2008  
(Expressed in U.S. Funds)

### 13. Statement of cash flows information (continued)

	2009	2008
	\$	\$
Supplemental disclosure of cash flows information:		
Interest paid	190,797	285,373
Income taxes paid	1,765,131	3,448,911
Supplemental disclosure of non-cash financing activity		
Warrant issued in connection with the share exchange (note 1)	167,500	-
Warrant issued for consulting services rendered (note 1)	265,600	-
Warrant issued for consulting services to be rendered in the future	41,340	-

### 14. Pension plan

The Company sponsors a defined benefit pension plan in which a majority of its employees are members. The employer contributes 100% to the plan. The benefits, or the rate per year of credit service, are established by the Company and updated at its discretion.

Cost of benefits:

The components of the expense the Company incurred under the pension plan is as follows:

	2009	2008
	\$	\$
Current service cost, net of employee contributions	35,392	62,037
Interest cost on accrued benefit obligation	135,261	129,885
Expected return on plan assets	(108,979)	(133,353)
Amortization of transitional obligation	11,739	12,557
Amortization of past service costs	5,344	5,716
Amortization of net actuarial gain	20,061	16,493
Total cost of benefit	98,818	93,335

Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Notes to Consolidated Financial Statements  
December 31, 2009 and 2008  
(Expressed in U.S. Funds)

14. Pension plan (continued)

Benefit obligation:

Our obligation for the pension plan is valued annually as of the beginning of each fiscal year. The projected benefit obligation represents the present value of benefits ultimately payable to plan participants for both past and future services expected to be provided by the plan participants.

The Company's obligations pursuant to the pension plan is as follows:

	2009	2008
	\$	\$
Projected benefit obligation, at beginning of year	1,794,417	2,523,858
Current service cost	35,392	62,037
Interest cost	135,261	129,885
Impact of change in discount rate	297,328	(536,407)
Benefits paid	(169,339)	(89,776)
Amendment	-	137,850
Foreign exchange adjustment	310,842	(433,030)
Projected benefit obligation, at end of year	2,403,901	1,794,417

A summary of expected benefit payments related to the pension plan is as follows:

	Pension plan
	\$
Fiscal year 2010	100,900
Fiscal year 2011	121,900
Fiscal year 2012	137,100
Fiscal year 2013	153,900
Fiscal year 2014 - 2020	1,224,300

Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Notes to Consolidated Financial Statements  
December 31, 2009 and 2008  
(Expressed in U.S. Funds)

14. Pension plan (continued)

Other changes in plan assets and benefit obligations recognized in other comprehensive income is as follows:

	2009	2008
	\$	\$
Amortization of past service cost	5,344	5,716
Amortization of net actuarial gain	20,061	16,494
Amortization of transitional obligation	11,739	12,557
Net actuarial loss adjustment	(210,512)	79,187
Total recognized in other comprehensive income	(173,368)	113,954

The estimated net loss (gain) amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year amounts to \$16,495. The estimated prior service cost amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year amounts to \$5,715. The estimated transitional asset amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year amounts to \$12,555.

The accumulated other comprehensive loss includes of the following amounts that have not yet been recognized as components of net benefit cost:

	2009	2008
	\$	\$
Unrecognized prior service cost	90,076	95,420
Unrecognized net actuarial loss	123,532	423,425
Unrecognized transitional obligation	742,742	135,271
Deferred income taxes	(290,028)	(196,292)
	666,322	457,824

Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Notes to Consolidated Financial Statements  
December 31, 2009 and 2008  
(Expressed in U.S. Funds)

14. Pension Plan (continued)

Plan assets

Assets held by the pension plan are invested in accordance with the provisions of our approved investment policy. The pension plan's strategic asset allocation was structured to reduce volatility through diversification and enhance return to approximate the amounts and timing of the expected benefit payments. The asset allocation for the pension plan at the end of fiscal years 2009 and 2008 and the target allocation for fiscal year 2010, by asset category, are as follows:

	Pension plan		
	Allocation at December 31, 2009 %	Allocation at December 31, 2008 %	2010 Target allocation %
Equity securities	56	55	55
Fixed income securities	38	41	41
Real estate	4	4	4
Other	2	-	-
Total	100	100	100

Changes in the assets held by the pension plan in fiscal 2009 and 2008 are as follows:

	2009 \$	2008 \$
Fair value of plan asset, at beginning of year	1,564,204	2,145,970
Actual return on plan assets	195,795	(323,868)
Employer contributions	184,757	205,510
Benefits paid	(169,339)	(89,776)
Foreign exchange adjustment	266,733	(373,632)
Fair value of plan assets, at end of year	2,042,150	1,564,204

Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Notes to Consolidated Financial Statements  
December 31, 2009 and 2008  
(Expressed in U.S. Funds)

14. Pension Plan (continued)

Contributions

Our policy is to fund the pension plan at or above the minimum required by law. The Company made \$185,000 (2008 - \$205,000) of contributions to its defined benefit pension plan during the year. The Company expects to make contributions of less than \$275,000 to the defined benefit pension plan in fiscal 2010. Changes in the discount rate and actual investment returns which continue to remain lower than the long-term expected return on plan assets could result in the Company making additional contributions.

Funded status:

The funded status of the pension plan is as follows:

	2009	2008
	\$	\$
Projected benefit obligation	2,403,901	1,794,417
Fair value of plan assets	2,042,150	1,564,204
Amendment (net of foreign exchange adjustment)	-	(120,771)
Accrued obligation (long-term)	361,751	109,442

Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Notes to Consolidated Financial Statements  
December 31, 2009 and 2008  
(Expressed in U.S. Funds)

14. Pension Plan (continued)

Assumptions:

Assumptions used in accounting for the pension plan is as follows:

	2009 %	2008 %
Weighted average discount rate used to determine the accrued benefit obligations	5.85	7.25
Discount rate used to determine the net pension expense	7.25	5.50
Expected long-term rate of return on plan assets	6.50	6.50

To determine the expected long-term rate of return on pension plan assets, the Company considers the current and expected asset allocations, as well as historical and expected returns on various categories of plan assets. The Company applies the expected rate of return to a market related value of the assets which reduces the underlying variability in assets to which the Company applies that expected return. The Company amortizes gains and losses as well as the effects of changes in actuarial assumptions and plan provisions over a period no longer than the average future service of employees.

Primary actuarial assumptions are determined as follows:

The expected long-term rate of return on plan assets is based on the Company's estimate of long-term returns for equities and fixed income securities weighted by the allocation of assets in the plans. The rate is impacted by changes in general market conditions, but because it represents a long-term rate, it is not significantly impacted by short-term market swings. Changes in the allocation of plan assets would also impact this rate.

The assumed discount rate is used to discount future benefit obligations back to today's dollars. The discount rate is reflective of yield rates on U.S. long-term investment grade corporate bonds on and around the December 31 valuation date. This rate is sensitive to changes in interest rates. A decrease in the discount rate would increase the Company's obligation and expense.

Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Notes to Consolidated Financial Statements  
December 31, 2009 and 2008  
(Expressed in U.S. Funds)

15. Major customer

Sales to one customer accounted for approximately 39% of sales in 2009 (26% in 2008). Outstanding accounts receivable for this customer at December 31, 2009 accounted for 45% (22% in 2008) of total trade receivables.

16. Related party transactions

The following table summarizes the Company's related party transactions for the years measured at the exchange amount which is the amount of the consideration established and agreed to by the related parties:

	2009	2008
	\$	\$
Companies under common significant influence		
Consulting and administration fee expenses	402,000	274,000

In 2008 and 2009, the Company paid \$124,000 and \$152,000, respectively, to a company controlled by a limited partner of a shareholder of the Company, as reimbursement for rent, office services, and travel and entertainment expenses.

In 2008 and 2009, the Company paid an aggregate of \$150,000 and \$250,000, respectively, to two companies controlled by a limited partner of a shareholder as consideration for this limited partner providing executive services, along with serving as the Company's president and head of sales.

Between 2006 and 2008, the Partnership, sole shareholder of the Company before December 2, 2009, caused the Company to make non-interest bearing advances amounting to \$700,335 to limited partners of the shareholder as reimbursement for advances made by these limited partners to a company controlled by the shareholder. In 2008, the Company forgave these advances in full and the said advances were written off.

In 1997, two limited partners of a shareholder, advanced \$100,000 and \$50,000, respectively, to the Company, with such amounts accruing interest at the rate of 12% per annum and no specific terms of repayment or maturity date. Interest incurred during the year amounted to approximately \$18,000 (2008 - \$18,000).



Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Notes to Consolidated Financial Statements  
December 31, 2009 and 2008  
(Expressed in U.S. Funds)

17. Geographical information

The Company has one operating segment, being the sale of electrical transformers. Revenues are attributable to countries based on the location of the Company's customers.

	2009	2008
	\$	\$
Canada	38,625,452	37,301,622
United States	1,066,379	5,266,111
Others	906,745	1,316,528
Total	40,598,576	43,884,261

Substantially all of the Company's long-lived assets are located in Canada.

18. Comparative figures

Certain reclassifications of 2008 amounts have been made to facilitate comparison with the current year. The shareholder's equity for 2008 has been retroactively restated for the equivalent number of shares received in the share exchange resulting in a decrease of capital stock of 567,333 and an increase in additional paid-in-capital of the same amount.

F-33

---

PIONEER POWER SOLUTIONS, INC.  
Consolidated Interim Balance Sheets  
(Expressed in U.S. Funds)  
(unaudited)

	March 31, 2010	December 31, 2009
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	3,116,149	1,560,229
Accounts receivable	4,699,209	5,491,886
Inventories (note 3)	6,297,985	6,432,897
Prepaid expenses and deposits	252,253	103,101
	14,365,596	13,588,113
Property, plant and equipment	972,336	987,261
Deferred income tax asset	13,487	20,171
	15,351,419	14,595,545
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	4,291,818	2,567,715
Current maturity of long-term debt	91,879	133,505
Income taxes payable	236,366	1,775,516
Advances from limited partners of a shareholder (note 9)	150,000	150,000
	4,770,063	4,626,726
Pension deficit (note 8)	328,116	361,751
	5,098,179	4,988,487
<b>Shareholders' equity</b>		
<b>Capital stock (note 5)</b>		
Authorized 75,000,000 common shares at \$0.001 par value and 5,000,000 preferred shares at \$0.001 par value	29,000	29,000
Additional paid-in capital (note 6)	5,285,729	5,364,548
Accumulated other comprehensive loss	(355,545 )	(690,698 )
Accumulated retained earnings	5,294,056	4,904,208
	10,253,240	9,607,058
	15,351,419	14,595,545

See accompanying notes

PIONEER POWER SOLUTIONS, INC.  
 Consolidated Interim Statement of Shareholders' Equity  
 For the Three Month Period Ended March 31, 2010  
 (Expressed in U.S. Funds)  
 (unaudited)

	Capital stock number	amount \$	Additional paid-in capital \$	Accumulated other comprehensive loss \$	Accumulated retained earnings \$	Total shareholders' equity \$
Balance - December 31, 2009	29,000,000	29,000	5,364,548	(690,698)	4,904,208	9,607,058
Dividends paid						
Transaction costs	-	-	( 82,594 )	-	-	(82,594 )
Stock-based compensation (note 6)	-	-	3,775	-	-	3,775
Foreign currency translation adjustment	-	-	-	332,034	-	332,034
Pension adjustment, net of taxes of (\$1,833)	-	-	-	3,119	-	3,119
Net earnings	-	-	-	-	389,848	389,848
Balance – March 31, 2010	29,000,000	29,000	5,285,729	(355,545)	5,294,056	10,253,240

See accompanying notes

## PIONEER POWER SOLUTIONS, INC.

## Consolidated Interim Statements of Earnings and Comprehensive Income

(Expressed in U.S. Funds)

(unaudited)

	Three-Month Period Ended March 31,	
	2010	2009
	\$	\$
Sales	8,250,817	7,283,260
Cost of goods sold (including depreciation of \$43,462 and \$30,508, respectively)	6,444,382	5,828,011
Gross profit	1,806,435	1,455,249
Expenses		
Selling, general and administrative	1,103,004	916,372
Depreciation	46,999	38,251
Foreign exchange (gain) loss	92,494	(126,462 )
	1,242,497	828,161
Operating income	563,938	627,088
Interest and factoring fees	13,090	83,606
Earnings before income taxes	550,848	543,482
Income taxes		
Current income taxes	156,000	176,000
Deferred income taxes	5,000	(4,000 )
	161,000	172,000
Net earnings	389,848	371,482
Other comprehensive income		
Foreign currency translation adjustments	332,034	42,202
Pension adjustment, net of taxes (\$1,833 and \$56,768, respectively)	3,119	(126,131 )
Comprehensive income	725,001	287,553
Basic weighted average of number of common shares	29,000,000	22,800,000
Dilutive effect of warrants	66,398	-
Diluted weighted average number of common shares outstanding	29,066,398	22,800,000
Basic and diluted earnings per common share	0.01	0.02

See accompanying notes

PIONEER POWER SOLUTIONS, INC.  
Consolidated Interim Statements of Cash Flows  
(Expressed in U.S. Funds)  
(unaudited)

	Three-Month Period Ended March 31,	
	2010	2009
	\$	\$
<b>Operating activities</b>		
Net earnings	389,848	371,482
Depreciation	90,461	68,759
Deferred income taxes	5,000	(4,000 )
Accrued pension	(39,869 )	(4,657 )
Warrant issuance expense	20,670	-
Stock-based compensation	3,775	-
	469,885	431,584
Changes in non-cash operating elements of working capital (note 7)	1,177,569	(89,189 )
	1,647,454	342,395
<b>Financing activities</b>		
Increase (decrease) in bank indebtedness	-	(130,418 )
Dividends paid	-	(117,647 )
Repayment of long-term debt	(45,136 )	(46,501 )
Transaction costs	(82,594 )	-
	(127,730 )	(294,566 )
<b>Investing activities</b>		
Additions to property, plant and equipment	(44,663 )	(57,462 )
	(44,663 )	(57,462 )
Increase (decrease) in cash and cash equivalents	1,475,061	(9,633 )
Effect of foreign exchange on cash and cash equivalents	80,859	(10,074 )
<b>Cash and cash equivalents</b>		
Beginning of year	1,560,229	367,668
End of year	3,116,149	347,961

See accompanying notes

PIONEER POWER SOLUTIONS, INC.  
Notes to Consolidated Interim Financial Statements  
March 31, 2010  
(Expressed in U.S. Funds)  
(unaudited)

1. Basis of presentation

Unless the context requires otherwise, references in this Form 10-Q to the “Company,” “Pioneer,” “we,” “our” and “us” for periods prior to the closing of our share exchange on December 2, 2009, refer to Pioneer Transformers Ltd., a private company incorporated under the Canada Business Corporations Act that is now our wholly-owned subsidiary, and its subsidiaries, and references to the “Company,” “Pioneer,” “we,” “our” and “us” for periods subsequent to the closing of the share exchange on December 2, 2009, refer to Pioneer Power Solutions, Inc., a publicly traded company, and its subsidiary, Pioneer Transformers Ltd. and its subsidiaries.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles in the United States for complete consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal and recurring nature.

These financial statements should be read in conjunction with the audited consolidated financial statements at December 31, 2009. Operating results for the three months ended March 31, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States (“US GAAP”). This basis of accounting involves the application of accrual accounting and consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Management has performed an evaluation of the Company’s activities through the date and time these financial statements were issued and concluded that except for the events disclosed in note 12, there are no additional significant events requiring recognition or disclosure.

The consolidated financial statements include the accounts of the Company and its subsidiary companies. On consolidation, all inter-entity transactions and balances have been eliminated.

The financial statements are expressed in U.S. dollars.

2. Adoption of new accounting standards

Fair Value Measurements and Disclosures

In January 2010, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2010-06, “Fair Value Measurements and Disclosures (Topic 820)” (“ASU 2010-06”). ASU 2010-06 requires reporting entities to make more robust disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in Level 3 fair value measurements including information on purchases, sales, issuances, and settlements on a gross basis and (4) the transfers between Levels 1, 2, and 3. ASU 2010-06 is effective for fiscal years beginning on or after December 15, 2009, except for the disclosure regarding Level 3 activity, which is effective for fiscal years beginning after December 15, 2010. The adoption of ASU 2010-06 for Levels 1 and 2 did not have a material impact on the Company’s consolidated financial statements, and the

Company does not expect the adoption of the standard for Level 3 to have a material impact on its consolidated financial statements.

F-38

---

## Subsequent Events

In February 2010, the FASB issued ASU 2010-9, "Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements" ("ASU 2010-9"). ASU 2010-9 removes the requirement for a Securities and Exchange Commission ("SEC") filer to disclose a date through which subsequent events have been evaluated in both issued and revised financial statements. Revised financial statements include financial statements revised as a result of either correction of an error or retrospective application of U.S. GAAP. ASU 2010-9 also clarifies that if the financial statements have been revised, then an entity that is not an SEC filer should disclose both the date that the financial statements were issued or available to be issued and the date the revised financial statements were issued or available to be issued. The FASB believes these amendments remove potential conflicts with the SEC's literature. In addition, ASU 2010-9 requires an entity that is a conduit bond obligor for conduit debt securities that are traded in a public market to evaluate subsequent events through the date of issuance of its financial statements and to disclose such date. ASU 2010-9 was effective upon issuance on February 24, 2010, except for the use of the issued date for conduit debt obligors, which is effective for interim or annual periods ending after June 15, 2010. The adoption of ASU 2010-9 except for the use of the issued date for conduit debt obligors did not have a material impact on the Company's consolidated financial statements, and the Company does not expect the adoption of the use of the issued date for conduit debt obligors to have a material impact on its consolidated financial statements.

## 3. Inventories

	March 31, 2010	December 31, 2009
	\$	\$
Raw materials	2,241,947	2,344,010
Work-in-process	2,710,936	2,400,712
Finished goods	1,345,102	1,688,175
	6,297,985	6,432,897

Included in raw materials at March 31, 2010 and December 31, 2009 are goods in transit of approximately \$111,000 and \$242,000, respectively.

The provision taken on inventories to reflect their market value amounted to approximately \$83,000 and \$89,000 at March 31, 2010 and December 31, 2009, respectively, and related to finished goods. There were no reversals of provision from the previous year.

## 4. Credit facility

The Company's \$9,845,000 credit facility, which is subject to review annually, consists of an operating demand line of credit, a demand term loan, and foreign exchange contracts which are limited to \$7,580,000, \$1,772,000 and \$493,000, respectively. Borrowings under the operating demand line of credit bear interest at the bank's prime rate per annum on Canadian dollar borrowings or the US base rate plus 0.75% per annum on US dollar borrowings. Borrowings under demand term loans bear interest at the bank's prime rate plus 1% per annum.



As security for the credit facility, the bank has a first ranking deed on all present and future movable and immovable property of the Company in the amount of \$9,845,000. The bank also has a first ranking lien on the land and building of the Company in the amount of \$9,845,000. The land and building of the Company had a net carrying value of \$371,492 at March 31, 2010.

The terms of the banking agreement require the Company to comply with certain financial covenants. Under the terms of the agreement, the Company is required, among other conditions, to maintain a minimum working capital ratio, a minimum debt service coverage ratio and a maximum total debt to tangible net worth ratio. At March 31, 2010, the Company was in compliance with these requirements.

5.	Capital stock		
		March 31, 2010	December 31, 2009
		\$	\$
	Preferred shares, \$0.001 par value; 5,000,000 shares authorized; none issued		
	Common shares, \$0.001 par value; 75,000,000 shares authorized; 29,000,000 and 29,000,000 shares issued, respectively	29,000	29,000

The board of directors is authorized, subject to any limitations prescribed by law, without further vote or action by the shareholders, to issue from time to time shares of preferred stock in one or more series. Each such series of preferred stock shall have such number of shares, designations, preferences, voting powers, qualifications, and special or relative rights or privileges as shall be determined by the board of directors, which may include, among others, dividend rights, voting rights, liquidation preferences, conversion rights and preemptive rights.

6. Additional paid-in capital

Stock options

On March 23, 2010, the Company granted an aggregate of 240,000 non-qualified stock options to eleven employees to purchase common shares. The stock options are exercisable for common shares at an exercise price of \$2.95 per share, expire on March 23, 2020 and vest over three years with one third vesting on the first anniversary of the date of grant and one third vesting on each of the second and third anniversaries of the date of grant.

On March 23, 2010, the Company also granted 150,000 incentive stock options to an employee to purchase common shares. The stock options are exercisable for common shares at an exercise price of \$3.25 per share, expire on March 23, 2015 and vest over three years with one third vesting on the first anniversary of the date of grant and one third vesting on each of the second and third anniversaries of the date of grant.

On March 23, 2010, the Company granted an aggregate of 10,000 non-qualified stock options to five directors to purchase common shares. 8,000 of the stock options are exercisable for common shares at an exercise price of \$2.95 per share and 2,000 of the stock options are exercisable for common shares at an exercise price of \$3.25 per share. The stock options expire on March 23, 2020 and vest on the first anniversary of the date of grant.

The stock options were accounted for at their fair value, as determined by the Black-Scholes valuation model, using the following assumptions and based on a fair market value of \$2.95 per share, which was the last reported sales price for the Company's common shares on the day prior to the grant date:

Expected volatility	47.31% - 50.84%
Expected life	3.5 years – 6 years
Risk-free interest rate	1.77% - 2.84%
Dividend yield	Nil

The expected life represents the period of time the options are expected to be outstanding. As the Company does not have stock price trading history for a period equivalent to the expected life of the options, the Company's expected volatility assumptions were calculated by averaging the historical volatility of a peer group of publicly-traded companies that operate in the same industry as the Company. The risk-free interest rates reflect the yield to maturity of on-the-run U.S. Treasury bonds with maturities consistent with the expected terms of the options granted. Using different assumptions for these variables could significantly impact the estimated grant date fair value of the options.

Expense for stock-based compensation recorded during the three month periods ended March 31, 2009 and 2010 amounted to of \$3,775 and \$0, respectively. At March 31, 2010 and 2009, the Company had \$486,130 and \$0 of unrecognized stock-based compensation, respectively.

#### Warrants

As of March 31, 2010, the Company had 2,150,000 warrants outstanding to purchase shares of common stock with an average exercise price of \$2.58 per share. The warrants expire on December 2, 2014.

No warrants were exercised during the three months ended March 31, 2010.

#### 7. Statement of cash flows information

	2010	Three-Month Period Ended March 31, 2009
	\$	\$
Accounts receivable	959,262	141,954
Inventories	349,192	(782,799 )
Prepaid expenses	(166,409 )	(8,487 )
Accounts payable and accrued liabilities	1,599,806	959,496
Income taxes payable	(1,564,282 )	(399,353 )
Changes in non-cash operating elements of working capital	1,177,569	(89,189 )

	Three-Month Period Ended March 31,	
	2010	2009
	\$	\$
<b>Supplemental disclosure of cash flows information:</b>		
Interest paid	8,063	51,295
Income taxes paid	1,790,380	575,529

#### 8. Pension plan

The Company sponsors a defined benefit pension plan in which a majority of its employees are members. The Company contributes 100% to the plan. The benefits, or the rate per year of credit service, are established by the Company and updated at its discretion.

#### Cost of benefits:

The components of the expense the Company incurred under the pension plan for the periods indicated are as follows:

	2010	Three-Month Period Ended March 31, 2009
	\$	\$
Current service cost, net of employee contributions	10,087	8,110
Interest cost on accrued benefit obligation	35,449	31,799
Expected return on plan assets	(33,816 )	(24,894 )
Amortization of transitional obligation	3,266	2,730
Amortization of past service costs	1,441	1,205
Amortization of net actuarial gain	5,589	4,577
Total cost of pension benefit	24,016	23,527

#### Contributions

The Company's policy is to fund the pension plan at or above the minimum required by law. The Company made \$64,000 and \$28,000 of contributions to its defined benefit pension plan during the three month period ended March 31, 2010 and 2009 respectively. Changes in the discount rate and actual investment returns which continue to remain lower than the long-term expected return on plan assets could result in the Company making additional contributions.

#### 9. Related party transactions

The following table summarizes the Company's related party transactions for the periods indicated measured at the exchange amount, which is the amount of the consideration established and agreed to by the related parties:

	Three-Month Period Ended March 31,	
	2010	2009
	\$	\$
<b>Companies under common significant influence</b>		
Consulting and administration fee expenses	65,900	75,300

F-42

---

During the three month period ended March 31, 2010 and 2009, the Company paid \$65,900 and \$37,800, respectively, to a company controlled by a limited partner of a shareholder of the Company, as reimbursement for rent, office services, and travel and entertainment expenses.

The Company paid \$0 and \$37,500 during the three month period ended March 31, 2010 and 2009, respectively, to two companies controlled by a limited partner of a shareholder, as consideration for this limited partner providing executive services, along with serving as the Company's president and head of sales.

In 1997, two limited partners of a shareholder advanced \$100,000 and \$50,000, respectively, to the Company, with such amounts accruing interest at the rate of 12% per annum and no specific terms of repayment or maturity date. Interest incurred on these obligations during the three month period ended March 31, 2010 and 2009 amounted to approximately \$4,500 and \$4,500, respectively.

#### 10. Geographical information

The Company has one operating segment, the sale of electrical transformers. Revenues are attributable to countries based on the location of the Company's customers.

	2010	Three-Month Period Ended March 31, 2009
	\$	\$
Canada	7,791,846	6,735,805
United States	236,831	547,455
Others	222,140	-
Total	8,250,817	7,283,260

Substantially all of the Company's long-lived assets are located in Canada.

#### 11. Basic and diluted earnings per common share

Basic and diluted earnings per common share are calculated based on the weighted average number of shares outstanding during the period. Dilutive potential common shares consist of incremental shares issuable upon exercise of certain warrants. Stock-based compensation has been excluded from the calculation of diluted earnings per share since it is anti-dilutive.

## 12. Subsequent events

## Merger Agreement

On April 30, 2010, the Company entered into an agreement and plan of merger with Jefferson Electric, Inc., a Delaware corporation (“Jefferson”), the sole shareholder of Jefferson, and JEI Acquisition, Inc., a newly incorporated Delaware corporation and wholly owned subsidiary of the Company, pursuant to which, on such date, JEI Acquisition, Inc. merged with and into Jefferson, with Jefferson continuing as the surviving corporation.

Upon consummation of the merger, an aggregate of 2,295 shares of Jefferson’s common shares, with a par value of \$1.00 per share, issued and outstanding were cancelled and converted into the right to receive an aggregate of 486,275 common shares of the Company.

The Company also advanced \$3.0 million to Jefferson, which was utilized to partially repay the principal amount outstanding under Jefferson’s revolving credit facility with its bank and to partially repay the principal amount outstanding under Jefferson’s term loan facility.

In accordance with the merger agreement, JE Mexican Holdings, Inc. (“JEMH”), a newly incorporated Delaware corporation and wholly owned subsidiary of the Company, entered into a purchase agreement providing for the sale by the former sole shareholder of Jefferson to JEMH of one hundred percent of the membership interests in Jefferson Electric Mexico Holdings LLC (“JE Mexico”), a Wisconsin limited liability company, for nominal consideration. JE Mexico was the holder of a less than 0.1% minority equity interest in Nexus Magneticos de Mexico, S. de R.L. de C.V., the principal manufacturing subsidiary of Jefferson, which is located in Reynosa, Mexico.

## Warrant Purchase Agreement

On April 30, 2010, the Company entered into a warrant purchase agreement with the former sole shareholder of Jefferson, pursuant to which, in exchange for \$10,000, the Company sold a five-year warrant that is exercisable for up to 1 million common shares of the Company at an initial exercise price of \$3.25 per share, subject to customary anti-dilution adjustments.

JEFFERSON ELECTRIC, INC.

AND AFFILIATES

COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

WITH INDEPENDENT AUDITORS' REPORT

F-45

---

INDEPENDENT AUDITORS' REPORT

To the Boards of Directors  
Jefferson Electric, Inc. and affiliates

We have audited the accompanying combined balance sheets of JEFFERSON ELECTRIC, INC. AND AFFILIATES as of December 31, 2009 and 2008, and the related combined statements of income, equity (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the companies' 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Jefferson Electric, Inc. and affiliates as of December 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying combined financial statements have been prepared assuming that the companies will continue as a going concern. As discussed in Note 2 to the combined financial statements, the companies are in default on their loan agreement with the bank and are operating under a bank forbearance agreement. As discussed in Note 5, the companies and the shareholder have committed to transactions and agreements that would sell control of the companies to an unrelated party and extend the companies' bank debt. If these transactions are not completed, the conditions noted above raise substantial doubt about their ability to continue as a going concern. Management's plans regarding those matters are described in Note 5. The combined financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Vrakas/Blum, S.C.

Brookfield, Wisconsin  
February 15, 2010



## JEFFERSON ELECTRIC, INC. AND AFFILIATES

## COMBINED BALANCE SHEETS - DECEMBER 31, 2009 AND 2008

	2009	2008
<b>CURRENT ASSETS</b>		
Cash	\$ 121,610	\$ 38,682
Accounts receivable - trade, net	2,107,270	3,324,511
Inventories, net	2,145,558	5,315,129
Prepaid expenses and other	157,525	255,159
<b>TOTAL CURRENT ASSETS</b>	<b>4,531,963</b>	<b>8,933,481</b>
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold improvements	194,775	392,857
Machinery and equipment	2,493,545	2,713,673
Office equipment, furniture and fixtures	264,513	291,450
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>2,952,833</b>	<b>3,397,980</b>
Less - accumulated depreciation	1,751,906	1,836,507
<b>NET PROPERTY AND EQUIPMENT</b>	<b>1,200,927</b>	<b>1,561,473</b>
<b>GOODWILL</b>	<b>384,827</b>	<b>384,827</b>
<b>OTHER</b>	<b>48,236</b>	<b>133,765</b>
	<b>\$6,165,953</b>	<b>\$11,013,546</b>

The accompanying notes are an integral part of these statements.

Table of Contents

	2009	2008
<b>CURRENT LIABILITIES</b>		
Cash overdraft	\$-	\$114,875
Current portion of debt	4,883,478	4,938,519
Accounts payable	3,373,440	3,810,932
Accrued liabilities	1,023,359	616,837
<b>TOTAL CURRENT LIABILITIES</b>	<b>9,280,277</b>	<b>9,481,163</b>
<b>DEBT, less current portion</b>	<b>3,063,509</b>	<b>3,677,355</b>
<b>EQUITY (DEFICIT)</b>	<b>(6,177,833 )</b>	<b>(2,144,972 )</b>
	<b>\$6,165,953</b>	<b>\$11,013,546</b>

The accompanying notes are an integral part of these statements.

## JEFFERSON ELECTRIC, INC. AND AFFILIATES

## COMBINED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
NET SALES	\$20,185,997	\$27,156,052
COST OF SALES	18,225,578	21,502,079
GROSS PROFIT	1,960,419	5,653,973
SELLING EXPENSES	3,138,038	4,075,883
ADMINISTRATIVE EXPENSES	1,368,656	933,325
INCOME (LOSS) FROM OPERATIONS	(2,546,275 )	644,765
OTHER (INCOME) EXPENSE		
Interest expense	566,135	535,961
Facility shutdown expenses (see Note 3)	572,119	-
Transaction and bank expenses (see Note 5)	179,201	-
Other, net	96,231	(147,647 )
TOTAL OTHER (INCOME) EXPENSE	1,413,686	388,314
NET INCOME (LOSS)	\$(3,959,961 )	\$256,451

The accompanying notes are an integral part of these statements.

## JEFFERSON ELECTRIC, INC. AND AFFILIATES

## COMBINED STATEMENTS OF EQUITY (DEFICIT)

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Jefferson Electric, Inc. common stock *	Jefferson Staffing Inc. common stock **	TDK Holdings, Ltd. stock ***	Jefferson Electric, Inc. additional paid in capital	Jefferson Electric, Inc. treasury stock ****	Retained earnings	Jefferson Electric Leasing, LLC member's capital	Totals
BALANCES, DECEMBER 31, 2007	\$6,885	\$900	\$-	\$93,115	\$-	\$1,160,178	\$386,745	\$1,647,823
Merger of entities under common control	-	(900)	-	900	-	-	-	-
Purchase of 4,590 shares of treasury stock	-	-	-	-	(4,117,917)	-	-	(4,117,917)
Net income	-	-	-	-	-	253,895	2,556	256,451
Return of 2007 excess distributions	-	-	-	-	-	98,527	37,572	136,099
Distributions declared	-	-	-	-	-	(67,428)	-	(67,428)
BALANCES, DECEMBER 31, 2008	6,885	-	-	94,015	(4,117,917)	1,445,172	426,873	(2,144,972)
Merger of entities under common control	-	-	-	900	-	425,973	(426,873)	-
Formation of TDK Holdings, Ltd.	-	-	100	-	-	-	-	100
Net loss	-	-	-	-	-	(3,959,961)	-	(3,959,961)
Distributions declared	-	-	-	-	-	(73,000)	-	(73,000)
BALANCES, DECEMBER 31, 2009	\$6,885	\$-	\$100	\$94,915	\$(4,117,917)	\$(2,161,816)	\$-	\$(6,177,833)

\* \$1 par value, 9,000 shares authorized, 6,885 shares issued, 2,295 shares outstanding as of December 31, 2009 and 2008

\*\* \$1 par value, 9,000 shares authorized, 900 shares issued and outstanding as of December 31, 2007

\*\*\* \$.01 par value, 10,000 shares authorized, issued and outstanding as of December 31, 2009

\*\*\*\* 4,590 shares at cost as of December 31, 2009 and 2008

The accompanying notes are an integral part of these statements.

F-50

---

## JEFFERSON ELECTRIC, INC. AND AFFILIATES

## COMBINED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$(3,959,961 )	\$256,451
Add (deduct)		
Depreciation	431,328	350,521
Allowance for doubtful accounts provision	114,442	41,899
Obsolescence provision (credit)	359,608	(34,214 )
Loss on disposal of property and equipment	2,469	-
Increase (decrease) in cash (cash overdraft) due to changes in assets and liabilities		
Accounts receivable	1,102,799	(790,779 )
Inventories	2,809,963	(1,203,811 )
Prepaid expenses and other	97,634	(200,118 )
Other assets	85,529	28,687
Accounts payable	(437,492 )	1,232,593
Accrued liabilities	406,522	(34,225 )
<b>NET CASH FLOW - OPERATING ACTIVITIES</b>	<b>1,012,841</b>	<b>(352,996 )</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(73,251 )	(657,615 )
Purchase of membership interests of Nexus Custom Magnetics, LLC	-	(751,507 )
<b>NET CASH FLOW - INVESTING ACTIVITIES</b>	<b>(73,251 )</b>	<b>(1,409,122 )</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net borrowings (payments) on new revolving credit line	(103,633 )	4,351,465
Net payments on revolving credit line - former bank	-	(2,996,075 )
Proceeds from issuance of debt	20,498	4,488,703
Principal payments on debt	(585,752 )	(684,683 )
Equity contribution to form TDK Holdings, Ltd.	100	-
Purchase of treasury stock	-	(4,117,917 )
Return of 2007 excess distributions	-	136,099
Distributions paid	(73,000 )	(67,428 )
<b>NET CASH FLOW - FINANCING ACTIVITIES</b>	<b>(741,787 )</b>	<b>1,110,164</b>
<b>NET CHANGE IN CASH (CASH OVERDRAFT)</b>	<b>\$197,803</b>	<b>\$(651,954 )</b>
<b>CASH (CASH OVERDRAFT), NET</b>		
Beginning of year	(76,193 )	575,761
End of year	\$121,610	\$(76,193 )
<b>ADDITIONAL INFORMATION</b>		
Interest paid	\$545,000	\$512,000

The accompanying notes are an integral part of these statements.

F-51

---

JEFFERSON ELECTRIC, INC. AND AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of business - Jefferson Electric, Inc. (JEI) is a manufacturer of dry type transformers. JEI sells its products to distributors and manufacturers located nationwide. The company generated 29% of its net sales from one major customer in 2009 and 29% from two major customers in 2008. One of the 2008 customers (15% in 2008) removed the majority of its business from JEI in late 2008. Accounts receivable from these customers were \$52,000 and \$248,000 as of December 31, 2009 and 2008.

Basis of presentation - The accompanying combined financial statements include the accounts of JEI and its affiliates, which are as follows.

Jefferson Electric Staffing, Inc. (JES), which hired, trained, and supplied all employees for JEI. JES was dissolved and merged into JEI in January 2008.

TDK Holdings, Ltd. (TDK), which was formed in November 2009 to hire and supply certain management employees for JEI.

Jefferson Electric Leasing, LLC (JEL), which made all new equipment purchases and leased all equipment to JEI. JEL was dissolved and merged into JEI in July 2009.

Nexus Custom Magnetics, LLC (Nexus), a wholly-owned subsidiary of JEI as of April 2008 (see below).

Nexus Magneticos de Mexico, S. de R.L. de C.V. (Nexus Mexico), a Mexican-based entity that is a 99% owned subsidiary of Nexus. The remaining 1% minority interest has not been recorded in the financial statements due to its insignificance.

The companies are collectively known as "Jefferson". All balances and transactions between the companies are eliminated in combination.

In April 2008, JEI purchased all of the membership interests of Nexus from an unrelated party. Nexus (and subsidiary) was a contract manufacturer used by JEI which JEI now uses as its only manufacturing facility (after closing down its Brownsville, Texas facility in 2009 - see Note 3). The accompanying combined financial statements include the results of operations of Nexus and its subsidiary since April 15, 2008. The purchase price exceeded the fair value of the assets acquired by \$385,000, which was recorded as goodwill. The purchase price was allocated as follows.



Table of Contents

Property and equipment	\$349,000
Other assets	100,000
Goodwill	385,000
	\$834,000

The sellers were paid \$221,000 at closing, with an additional \$600,000 to be deferred and paid according to the terms of the purchase agreement. The remaining \$13,000 of purchase price consisted of capitalized closing costs. The \$600,000 deferred purchase price was satisfied entirely during 2008 and 2009, primarily by the payment of certain liabilities of Nexus and its subsidiary that existed prior to the purchase by JEI and were retained by the sellers. In addition, JEI has \$295,000 included in accrued liabilities as of December 31, 2009 related to contract manufacturing services provided by Nexus to JEI prior to the transaction. The parties agreed to extended payment terms related to these payables.

JEI and the sellers are currently in litigation related to the transaction, including a dispute regarding some of the amounts JEI has offset against the deferred purchase price. The ultimate outcome of this litigation is uncertain, but management believes that JEI will prevail. The financial statements do not contain any adjustments that might be needed as an outcome of this litigation.

Accounting 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 certain reported amounts and disclosures. Actual results could differ from those estimates.

Subsequent events - The financial statements include management's evaluation of the events and transactions occurring subsequent to December 31, 2009 through February 15, 2010, which is the date the financial statements were available to be issued.

Cash - JEI maintains its cash, as well as its revolving credit line and term loan at a financial institution in Wisconsin. The Federal Deposit Insurance Corporation (FDIC) provides limited insurance on cash deposits. At times JEI's cash deposits may exceed the FDIC insurance limit; however, JEI does not expect to experience any losses on its cash deposits. Nexus Mexico maintains its cash at a financial institution in Mexico.

Foreign currency - The functional currency of Nexus Mexico is the U.S. dollar, however its operating accounts are maintained in Mexican pesos. All balances maintained in Mexican pesos have been translated to U.S. dollars as of December 31, 2009 and 2008. Net foreign currency transaction gains resulting from the translations were \$63,000 in 2009 and \$17,000 in 2008, and have been included in Jefferson's determination of net income (loss) on the accompanying combined statements of income.

Accounts receivable - trade consists of the following.

	2009	2008
Accounts receivable - trade, gross	\$2,233,569	\$3,439,611
Less:		
Allowance for doubtful accounts	67,000	33,100
Allowance for cash discounts	4,000	14,000
Allowance for returns and credit memos	55,299	68,000
Accounts receivable - trade, net	\$2,107,270	\$3,324,511

Jefferson extends unsecured credit to its customers in the ordinary course of business but mitigates the associated credit risk by performing credit checks and actively pursuing past due accounts. Jefferson establishes receivable allowances based on a number of factors, including its loss history.

Inventories - Inventories are stated at cost using the first-in, first-out method which is not in excess of market. Market is generally defined as net realizable value. Inventories are set forth below.

	2009	2008
Raw materials	\$694,292	\$1,464,501
Work in process	164,284	553,695
Finished goods	1,861,218	3,511,561
	2,719,794	5,529,757
Less - obsolescence reserve	574,236	214,628
Inventories, net	\$2,145,558	\$5,315,129

Jefferson determines its obsolescence reserve by considering a number of factors, including age of the inventory and various usage tests. It is at least reasonably possible that Jefferson's estimate of the obsolescence reserve may change in the near term.

Depreciation - Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets.

Leasehold improvements	5 - 7 years
Machinery and equipment	5 - 20 years
Office equipment, furniture and fixtures	5 - 10 years

Long-lived assets - Jefferson annually considers whether indicators of impairment of long-lived assets held for use are present. If such indicators are present, Jefferson determines whether the sum of the estimated undiscounted future cash flow attributable to such assets is less than their carrying amounts, and if so, Jefferson would recognize an impairment loss based on the excess of the carrying amount of the assets over their fair value. Management has determined that no such impairment was present as of December 31, 2009 or 2008.

Goodwill - Goodwill is tested annually for impairment. After estimating the value of the goodwill using standard valuation techniques and comparing that value to the carrying cost, the company determined that there was no impairment of goodwill as of December 31, 2009 and 2008.

Revenue recognition - Sales and related cost of sales are generally recognized as finished products are shipped to customers. Sales are presented net of any sales taxes.

Shipping and handling fees and costs - Jefferson nets shipping and handling revenues and costs in selling expenses. Shipping and handling revenues were \$298,000 and \$585,000 in 2009 and 2008. Shipping and handling costs were \$1,127,000 and \$1,640,000 in 2009 and 2008.

Warranty obligations - Jefferson accrues an estimate of its exposure to warranty claims based on both current and historical product sales data and warranty costs incurred. The majority of Jefferson's products carry between a one and two year warranty. The adequacy of the warranty liability is assessed at least annually and is included in accrued liabilities in the accompanying combined balance sheets. The warranty liability was \$64,000 and \$72,000 as of December 31, 2009 and 2008.

Income taxes - By unanimous consent of its shareholder, JEI elected S Corporation status under the provisions of the Internal Revenue Code. Under those provisions and most state laws, JEI generally does not pay federal or state income taxes on its taxable income. As an S Corporation, any taxable income or loss of JEI will be includable in the individual income tax returns of the shareholder.

JES was a C Corporation prior to its merger into JEI. TDK is a C Corporation. JES and TDK had no income in 2009 and 2008 and thus no income tax provision was recorded.

JEL was a Limited Liability Company prior to its merger into JEI. Any taxable income or loss of JEL was includable in the individual income tax returns of the member.

Per terms of certain loan agreements, JEI is limited to paying distributions sufficient to allow the shareholder to pay personal income taxes attributable to the earnings of the companies. With few exceptions, JEI is no longer subject to federal income tax examinations by tax authorities for years before 2006 and state income tax examinations for years before 2005.

Nexus Mexico pays income taxes in Mexico. JEI receives a credit which would be passed through to its shareholder for any income taxes paid by Nexus Mexico. Income taxes paid were not significant in 2009 and 2008.

## 2. REVOLVING CREDIT LINE AND LONG-TERM DEBT

	2009	2008
Revolving credit line - due March 2010, interest at 8%	\$4,247,832	\$4,351,465
Term loan - monthly payments of \$72,024 including interest at 7.27%, through February 2011, balloon payment due March 2011	3,655,933	4,227,648
Other	43,222	36,761
	\$7,946,987	\$8,615,874

During 2009, Jefferson was in violation of various covenants contained in its agreement with the bank. As a result, Jefferson and the bank entered into a forbearance agreement through March 2010. The maximum amount available on the revolving credit line is \$5,000,000, and the line expires March 2010.

The forbearance agreement required Jefferson to provide the bank a copy of a letter of intent from an equity investor satisfactory to the bank by December 31, 2009 reflecting an intent to invest at least \$3,000,000 in Jefferson. This condition was satisfied in December 2009 (see Note 5). The transaction is required to be closed and the funding received by March 31, 2010.

As a result of the letter of intent received (see Note 5), subsequent to December 31, 2009 Jefferson received a commitment letter from its bank which would extend the terms of its financing through March 2011 if the pending transaction closes. The maximum amount available on the revolving credit line would be \$5,000,000 and interest on the revolving credit line would be at the greater of 6% or prime plus 2%.

The revolving credit line and term loan are secured by substantially all assets of Jefferson, the unlimited personal guaranty of the shareholder and the assignment of \$4,000,000 in life insurance policies.

Borrowings on the revolving credit line are limited to certain percentages of accounts receivable and inventories located in the United States. Under the forbearance agreement, Jefferson also has the ability to borrow up to \$700,000 on inventories located in Mexico. Draws on the \$700,000 foreign inventory portion of the line become due immediately upon the occurrence of certain events as defined in the agreement.

The related loan agreement restricts or limits, among other things, additional indebtedness, capital expenditures, distributions, acquisitions and investments, disposition of assets and changes in ownership. In addition, Jefferson must maintain certain financial covenants. Jefferson continues to be in violation of several bank covenants as of December 31, 2009.

The expected maturities of debt based on the anticipated refinancing as of December 31, 2009 are set forth below.

2010	\$ 4,883,000
2011	3,047,000
2012	13,000
2013	4,000

### 3. OPERATING LEASES

JEI leases office, warehouse and manufacturing facilities under operating leases expiring at various dates through September 2013. Under the warehouse and manufacturing facility lease agreements, JEI is generally responsible for all operating expenses, including, but not limited to, real estate taxes, utilities and insurance. Per the terms of the office lease agreement, the company is responsible for utilities and insurance. JEI also leases various equipment, software, and a vehicle.

During 2009, JEI closed down its Brownsville, Texas manufacturing facility and moved all manufacturing operations to its Reynosa, Mexico facility. Later in 2009, JEI entered into an agreement to sublease the Brownsville facility to an unrelated party under the same terms as JEI's lease. Future lease payments on the Brownsville facility lease have been excluded from the schedule of future minimum rental payments below because of the sublease.

JEI incurred expenses relating to the shutdown of its Brownsville facility, including relocation expenses, of \$572,000, which have been included in other expense on the accompanying 2009 combined statement of income.

Total rent expense was \$630,000 and \$542,000 in 2009 and 2008. Future minimum rental payments required, exclusive of inflation escalators, are presented below.

2010	\$ 568,000
2011	486,000
2012	471,000
2013	147,000

### 4. EMPLOYEES' SAVINGS PLAN

JEI and TDK have a salary deferral 401(k) plan covering substantially all employees. JEI and TDK may make matching and profit sharing contributions as determined by the boards of directors. Total employer contributions were \$82,000 and \$26,000 in 2009 and 2008.

## 5. SUBSEQUENT EVENT AND FUTURE OPERATIONS

In December 2009, the sole shareholder of JEI and TDK signed a letter of intent to sell all of the outstanding shares of JEI and TDK to an unrelated party by March 31, 2010. The offer is contingent on Jefferson extending the terms of its financing arrangements with the bank. After the transaction, the unrelated party would infuse \$3,000,000 of cash into Jefferson to reduce its bank debt by at least \$900,000, reduce accounts payable and provide additional working capital.

During 2009, JEI incurred expenses directly relating to its efforts to secure additional equity and obtaining the bank forbearance agreement (see Note 2), including legal fees and bank charges, of \$179,000, which have been included in other expense on the accompanying 2009 combined statement of income.

The ability of the shareholder and Jefferson to finalize the transaction and extend the terms of the bank financing are critical to the future of Jefferson. If the transaction and extension of the bank financing are not completed, there is substantial doubt about Jefferson's ability to continue as a going concern. The combined financial statements do not include any adjustments that would be necessary if the transaction and bank financing are not completed.

F-58

---

JEFFERSON ELECTRIC, INC. AND AFFILIATES  
COMBINED INTERIM BALANCE SHEETS  
(UNAUDITED)

	March 31, 2010	December 31, 2009
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	8,976	121,610
Accounts Receivable - Trade, net	1,882,072	2,107,270
Inventories, net	1,874,793	2,145,558
Prepaid Expenses and Other	172,271	157,525
<b>Total Current Assets</b>	<b>3,938,113</b>	<b>4,531,963</b>
Property and Equipment		
Leasehold Improvements	194,775	194,775
Machinery and Equipment	2,493,545	2,493,545
Office Equipment, Furniture and Fixtures	264,513	264,513
<b>Total Property and Equipment</b>	<b>2,952,833</b>	<b>2,952,833</b>
Less - Accumulated Depreciation	1,853,156	1,751,906
<b>Net Property and Equipment</b>	<b>1,099,677</b>	<b>1,200,927</b>
Goodwill	384,827	384,827
Other	48,236	48,236
<b>TOTAL ASSETS</b>	<b>5,470,853</b>	<b>6,165,953</b>
<b>LIABILITIES &amp; EQUITY</b>		
Current Liabilities		
Cash Overdraft	-	-
Current Portion of Debt	5,047,884	4,883,478
Accounts Payable	3,377,223	3,373,440
Accrued Liabilities	966,694	1,023,359
<b>Total Current Liabilities</b>	<b>9,391,801</b>	<b>9,280,277</b>
<b>DEBT, less current portion</b>	<b>2,693,745</b>	<b>3,063,509</b>
<b>EQUITY (DEFICIT)</b>	<b>(6,614,693 )</b>	<b>(6,177,833 )</b>

TOTAL LIABILITIES & EQUITY	5,470,853	6,165,953
----------------------------	-----------	-----------

The accompanying notes are an integral part of these statements.

F-59

---



JEFFERSON ELECTRIC, INC. AND AFFILIATES  
 COMBINED INTERIM STATEMENTS OF INCOME  
 (UNAUDITED)

	March 31, 2010	Three Months Ended March 31, 2009
Sales - Net	4,440,731	4,810,339
Cost of Sales	3,729,309	3,923,695
Gross Profit	711,422	886,644
Selling Expenses	562,707	774,306
Administrative Expenses	364,754	308,653
Income (Loss) from Operations	(216,039 )	(196,315 )
Other (Income) Expense		
Interest (Expense) / Income	(155,027 )	(125,089 )
Transaction and Bank Expenses (Note 5)	(65,400 )	-
Other (Expense) / Income	(394 )	49,710
Net Income / (Loss)	(436,860 )	(271,694 )

The accompanying notes are an integral part of these statements.

JEFFERSON ELECTRIC, INC AND AFFILIATES  
 COMBINED INTERIM STATEMENTS OF EQUITY (DEFICIT)  
 FOR THE THREE MONTHS ENDED MARCH 31, 2010  
 (UNAUDITED)

	Jefferson Electric, Inc. common stock	TDK Holdings, LTD common stock	Jefferson Electric, Inc. additional paid in capital	Jefferson Electric, Inc. treasury stock	Retained earnings	Totals
BALANCES, DECEMBER 31, 2009	\$6,885	\$100	\$94,915	\$(4,117,917 )	\$(2,161,816 )	\$(6,177,833 )
Net loss					(436,860 )	(436,860 )
BALANCES, MARCH 31, 2010	\$6,885	\$100	\$94,915	\$(4,117,917 )	\$(2,598,676 )	\$(6,614,693 )

The accompanying notes are an integral part of these statements.

JEFFERSON ELECTRIC, INC. AND AFFILIATES  
 COMBINED INTERIM STATEMENT OF CASH FLOWS  
 (UNAUDITED)

	Three Months Ended	
	March 31, 2010	March 31, 2009
Net Income	(436,860 )	(271,694 )
Add back: Non-Cash Items		
Depreciation	101,250	112,200
Changes in Working Capital		
Accounts Receivable - Trade	225,198	951,263
Inventory	270,765	91,094
Prepaid Expenses	(14,746 )	(60,290 )
Accounts Payable - Trade	3,783	(398,751 )
Accrued Liabilities	(56,665 )	(111,818 )
Cash Flow From Operations	92,724	312,004
Investing Activities		
Fixed Assets - Original Cost	(0 )	(28,758 )
Cash Flow from Investing Activities	(0 )	(28,758 )
Financing Activities		
Net Borrowings (Payments) on Revolving Credit Line	(50,316 )	40,376
Principal Payments on Debt	(155,042 )	(142,916 )
Cash Flow From Financing Activities	(205,358 )	(102,540 )
Total Cash Flows	(112,634 )	180,706
Cash Balance - Beginning of Period	121,610	(76,193 )
Cash Balance - End of Period	8,976	104,513
Additional Information		
Interest Paid	156,000	124,000

The accompanying notes are an integral part of these statements.

JEFFERSON ELECTRIC, INC. AND AFFILIATES

Notes To Combined Financial Statements  
Three Months Ended March 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of business - Jefferson Electric, Inc (JEI) is a manufacturer of dry type transformers. JEI sells its products to distributors and manufacturers located nationwide. The company generated 33% of its net sales from one major customer during the period. Accounts receivable from this customer were \$86,000 as of March 31, 2010.

Basis of presentation – The accompanying combined financial statements include the accounts of JEI and its affiliates, which are as follows.

TDK Holdings, Ltd. (TDK), which was formed in November 2009 to hire and supply certain management employees for JEI.

Nexus Custom Magnetics, LLC (Nexus), a wholly-owned subsidiary of JEI as of April 2008.

Nexus Magneticos de Mexico, S. de R.L. de C.V. (Nexus Mexico), a Mexican-based entity that is a 99% owned subsidiary of Nexus. The remaining 1% minority interest has not been recorded in the financial statements due to its insignificance.

The companies are collectively known as “Jefferson”. All balances and transactions between the companies are eliminated in combination.

Accounting 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 certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash – JEI maintains its cash, as well as its revolving credit line and term loan at a financial institution in Wisconsin. The Federal Deposit Insurance Corporation (FDIC) provides limited insurance on cash deposits. At times, JEI’s cash deposits may exceed the FDIC insurance limit; however, JEI does not expect to experience any losses on its cash deposits. Nexus Mexico maintains its cash at a financial institution in Mexico.

Foreign currency – The functional currency of Nexus Mexico is the U.S. dollar, however its operating accounts are maintained in Mexican pesos. All balances maintained in Mexican pesos have been translated to U.S. dollars as of March 31, 2010. Net foreign currency transaction losses resulting from the translations were \$2,000 for the period, and have been included in Jefferson’s determination of net income (loss) on the accompanying combined statements of income.

Accounts receivable – trade consists of the following.

	March 31, 2010	December 31, 2009
Accounts receivable – trade, gross	\$ 1,998,884	\$ 2,233,569
Less:		
Allowance for doubtful accounts	64,183	67,000
Allowance for cash discounts	4,000	4,000
Allowance for returns/credit memos	48,629	55,299
Accounts receivable – trade, net	\$ 1,882,072	\$ 2,107,270

Jefferson extends unsecured credit to its customers in the ordinary course of business but mitigates the associated credit risk by performing credit checks and actively pursuing past due accounts. Jefferson establishes receivable allowances based on a number of factors, including its loss history.

Inventories – Inventories are stated at cost using the first-in, first-out method which is not in excess of market. Market is generally defined as net realizable value.

Inventories are set forth below.

	March 31, 2010	December 31, 2009
Raw materials	\$ 749,559	\$ 1,464,501
Work in process	144,464	553,695
Finished goods	1,531,197	3,511,561
	2,429,220	5,529,757
Less – obsolescence reserve	554,427	214,628
Inventories, net	\$ 1,874,793	\$ 5,315,129

Jefferson determines its obsolescence reserve by considering a number of factors, including age of the inventory and various usage tests.

Depreciation – Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets.

Leasehold improvements	5-7 years
Machinery and equipment	5-20 years
Office equipment, furniture and fixtures	5-10 years

Long-lived assets – Jefferson annually considers whether indicators of impairment of long-lived assets held for use are present. If such indicators are present, Jefferson determines whether the sum of the estimated undiscounted future cash flow attributable to such assets is less than their carrying amounts, and if so, Jefferson would recognize an impairment loss based on the excess of the carrying amount of the assets over their fair value. Management has determined that no such impairment was present as of March 31, 2010.

Goodwill – Goodwill is tested annually for impairment. After estimating the value of the goodwill using standard valuation techniques and comparing that value to the carrying cost, the company determined that there was no impairment of goodwill as of March 31, 2010.

Revenue recognition – Sales and related cost of sales are generally recognized as finished products are shipped to customers. Sales are presented net of any sales taxes.

Shipping and handling fees and costs – Jefferson nets shipping and handling revenues and costs in selling expenses. Shipping and handling revenues were \$42,000 during the period. Shipping and handling costs were \$220,000 during the period.

Warranty obligations – Jefferson accrues an estimate of its exposure to warranty claims based on both current and historical product sales data and warranty costs incurred. The majority of Jefferson’s products carry between a one and two year warranty. The adequacy of the warranty liability is assessed at least annually and is included in accrued liabilities in the accompanying combined balance sheets. The warranty liability was \$64,000 as of March 31, 2010.

Income taxes – By unanimous consent of its shareholder, JEI elected S Corporation status under the provisions of the Internal Revenue Code. Under those provisions and most state laws, JEI generally does not pay federal or state income taxes on its taxable income. As an S Corporation, any taxable income or loss of JEI will be includable in the individual income tax returns of the shareholder.

Per terms of certain loan agreements, JEI is limited to paying distributions sufficient to allow the shareholder to pay personal income taxes attributable to the earnings of the companies. With few exceptions, JEI is no longer subject to federal income tax examinations by tax authorities for years before 2006 and state income tax examinations for years before 2005.

Nexus Mexico pays income taxes in Mexico. JEI receives a credit which would be passed through to its shareholder for any income taxes paid by Nexus Mexico.

## 2. REVOLVING CREDIT LINE AND LONG-TERM DEBT

	March 31, 2010	December 31, 2009
Revolving credit line – due April 2010, Interest at 8%	\$ 4,197,516	\$ 4,247,832
Term loan – monthly payments of \$72,024 Including interest at 7.27% through October 2011, balloon payment due October 2011	3,505,442	3,655,933
Other Debt	38,671	43,222
	\$ 7,741,629	\$ 7,946,987

During 2009, Jefferson was in violation of various covenants contained in its agreement with the bank. As a result, Jefferson and the bank entered into a forbearance agreement through April 2010. The maximum amount available on the revolving credit line is \$5,000,000 and the line expires April 2010.

The forbearance agreement required Jefferson to provide the bank a copy of a letter of intent from an equity investor satisfactory to the bank by December 31, 2009 reflecting an intent to invest at least \$3,000,000 in Jefferson. This condition was satisfied in December 2009 (see Note 5). The transaction is required to be closed and the funding received by April 30, 2010.

As a result of the letter of intent received, subsequent to December 31, 2009 Jefferson received a commitment letter from its bank which would extend the terms of its financing through October 2011 if the pending transaction closes. The maximum amount available on the revolving credit line would be \$5,000,000 and interest on the revolving credit line would be the greater of 6.5% or the banks reference rate (prime) plus 2.5%.

The revolving credit line and term loan are secured by substantially all assets of Jefferson, the unlimited personal guaranty of the shareholder and the assignment of \$4,000,000 in life insurance policies.

Borrowings on the revolving credit line are limited to certain percentages of accounts receivable and inventories located in the United States. Under the forbearance agreement, Jefferson also has the ability to borrow up to \$700,000 on inventories located in Mexico. Draws on the \$700,000 foreign inventory portion of the line become due immediately upon the occurrence of certain events as defined in the agreement.

The related loan agreement restricts or limits, among other things, additional indebtedness, capital expenditures, distributions, acquisitions, and investments, disposition of assets and changes in ownership. In addition, Jefferson must maintain certain financial covenants. Jefferson continues to be in violation of several bank covenants as of March 31, 2010.

The expected maturities of debt based on the anticipated refinancing as of March 31, 2010 are set forth below:

2011	\$5,048,000
2012	2,681,000
2013	10,000
2014	3,000

### 3. OPERATING LEASES

JEI leases office, warehouse and manufacturing facilities under operating leases expiring at various dates through September 2013. Under the warehouse and manufacturing facility lease agreements, JEI is generally responsible for all operating expenses, including, but not limited to, real estate taxes, utilities and insurance. Per the terms of the office lease agreement, the company is responsible for utilities and insurance. JEI also leases various equipment and software.

During 2009, JEI closed down its Brownsville, Texas manufacturing facility and moved all manufacturing operations to its Reynosa, Mexico facility. Later in 2009, JEI entered into an agreement to sublease the Brownsville facility to an unrelated party under the same terms as JEI's lease. Future lease payments on the Brownsville facility have been excluded from the schedule of future minimum rental payments below because of the sublease.

Total rent expense was \$122,440 for the three month period ended March 31, 2010. Future minimum rental payments required, exclusive of inflation escalators, are presented below.

9 months ended 12-31-10	\$364,000
Year ended 12-31-11	473,000
Year ended 12-31-12	471,000
Year ended 12-31-13	147,000

#### 4. EMPLOYEE'S SAVINGS PLAN

JEI and TDK have a salary deferral 401(k) plan covering substantially all employees. JEI and TDK may make matching and profit sharing contributions as determined by the boards of directors. Total employer contributions were \$21,000 for the period.

#### 5. SUBSEQUENT EVENT AND FUTURE OPERATIONS

In December 2009, the sole shareholder of JEI signed a non-binding letter of intent to sell all of the outstanding shares of JEI to an affiliate of Pioneer Power Solutions, Inc. (Pioneer) by April 30, 2010. The letter of intent was contingent on Jefferson extending the terms of its financing arrangements with its bank lender.

During the three months ended March 31, 2010, JEI incurred expenses directly related to its efforts to secure additional equity and to obtain the bank agreement, including legal fees and bank charges, of \$65,400, which have been included in other expense on the accompanying combined statement of income.

On April 30, 2010, the transaction contemplated by the non-binding letter of intent signed in December 2009 was closed. Upon consummation of the merger, all of the equity interests of the sole shareholder of JEI issued and outstanding were cancelled and converted into the right to receive an aggregate of 486,275 common shares of Pioneer.

Pioneer advanced \$3,000,000 to the successor corporation of JEI which was incorporated for the purpose of the merger, which was utilized to partially repay the principal amount outstanding under JEI's revolving credit facility with its bank and to partially repay the principal amount outstanding under Jefferson's term loan facility.



PIONEER POWER SOLUTIONS, INC.  
Unaudited Pro Forma Financial Information

### Basis of Presentation

On April 30, 2010, Pioneer Power Solutions, Inc. (“Pioneer” or the “Company”) acquired Jefferson Electric, Inc., a Delaware corporation (“Jefferson”), through a merger (the “Merger”) pursuant to which JEI Acquisition, Inc., a wholly owned subsidiary of the Company, merged with and into Jefferson, with Jefferson continuing as the surviving corporation. Upon consummation of the Merger, all 2,295 shares of Jefferson’s common stock were cancelled and converted into the right to receive an aggregate of 486,275 shares of common stock of the Company. The Company also advanced \$3.0 million to Jefferson, which was utilized to partially repay the principal amount outstanding under Jefferson’s revolving credit facility with its bank and to partially repay the principal amount outstanding under Jefferson’s term loan facility. In connection with the Merger, JE Mexican Holdings, Inc., a newly incorporated Delaware corporation and wholly owned subsidiary of the Company, purchased from Thomas Klink, the former sole stockholder of Jefferson, one hundred percent of the membership interests in Jefferson Electric Mexico Holdings LLC (“JE Mexico”), a Wisconsin limited liability company, for nominal consideration. JE Mexico was the holder of less than 0.1% of Nexus Magneticos de Mexico, S. de R.L. de C.V., the principal manufacturing subsidiary of Jefferson. Also on April 30, 2010, in exchange for \$10,000, the Company sold to Mr. Klink a five-year warrant that is exercisable for up to 1 million shares of common stock of the Company at an initial exercise price of \$3.25 per share, subject to customary anti-dilution adjustments.

The following unaudited pro forma consolidated financial statements have been prepared to give effect to the Merger. The unaudited pro forma consolidated statement of earnings for the three month period ended March 31, 2010 gives effect to the Merger as if it had occurred on January 1, 2010 and was derived from the unaudited interim financial statements of Pioneer and Jefferson as of and for the three month period ended March 31, 2010. The unaudited pro forma consolidated statement of earnings for the year ended December 31, 2009 gives effect to the Merger as if it had occurred on January 1, 2009 and is derived from the audited financial statements of Pioneer and Jefferson as of and for the year ended December 31, 2009.

The Merger was accounted for under the acquisition method of accounting. Under the acquisition method of accounting, the total estimated purchase price, calculated as described in Note 1 of the unaudited pro forma consolidated financial statements, is allocated to the tangible and intangible assets acquired and liabilities assumed in connection with the Merger, based on their estimated fair values as of the effective date of the Merger. Goodwill arising from the Merger has been determined as the excess of the purchase price over the net of the amounts assigned to acquired assets and liabilities assumed. The unaudited pro forma consolidated statements of earnings also include certain acquisition accounting adjustments that are expected to have a continuing impact on the combined results.

The preliminary allocation of the purchase price was based upon management’s preliminary valuation of the fair value of tangible and intangible assets acquired and liabilities assumed and such estimates and assumptions are subject to change. The final purchase price allocation is dependent upon the completion of the valuation of Jefferson’s assets acquired and liabilities assumed, which Pioneer expects to complete during the second quarter of fiscal 2010. The final purchase price allocation and its effect on results of operations may differ significantly from the pro forma amounts included in the pro forma unaudited consolidated financial statements, although these amounts represent management’s best estimates as of the date of this document.

The unaudited pro forma consolidated financial statements do not include any adjustments regarding liabilities incurred or cost savings achieved resulting from any operational integration of the two companies, as management is in the process of assessing what, if any, future actions it will undertake with respect to such integration.

F-68

---

The unaudited pro forma consolidated financial statements have been prepared for illustrative purposes only and are not necessarily indicative of the financial position or results of operations in future periods or that actually would have been realized had Pioneer and Jefferson been a combined company during the periods presented. The unaudited pro forma consolidated financial statements, including the notes thereto, should be read in conjunction with Pioneer's audited consolidated financial statements, including the notes thereto, included in its Annual Report on Form 10-K for the year ended December 31, 2009, filed with the Securities and Exchange Commission on April 15, 2010, and its Quarterly Report on Form 10-Q for the three month period ended March 31, 2010, filed with the Securities and Exchange Commission on May 17, 2010, as well as Jefferson's audited combined financial statements and combined interim financial statements, including the notes thereto, included in this Form S-1.

Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Pro Forma Consolidated Balance Sheets  
As at March 31, 2010  
(Unaudited)  
(Expressed in U.S. Funds)

	Pioneer Power Solutions, Inc.	Jefferson Electric, Inc.	Pro Forma Adjustments	Pro Forma Consolidated Balance Sheet
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,116,149	\$ 8,976	\$ (3,000,000)(a) 10,000 (b) (100 ) (c)	\$ 135,025
Accounts Receivable	4,699,209	1,882,072		6,581,281
Inventories	6,297,985	1,874,793	95,104 (d)	8,267,882
Prepaid Expenses and Other Assets	252,253	172,271		424,524
Current Assets	14,365,596	3,938,113		15,408,712
Property, Plant and Equipment	972,336	1,099,677	1,343,605 (d)	3,415,618
Deferred Income Tax Asset	13,487	0		13,487
Intangible Assets	0	48,236	(48,236 ) (e) 4,350,000 (e)	4,350,000
Goodwill	0	384,827	(384,827 ) (f) 5,790,132 (f)	5,790,132
Other Assets	0	0		0
<b>Total Assets</b>	<b>15,351,419</b>	<b>5,470,853</b>		<b>28,977,949</b>
<b>LIABILITIES</b>				
Current Portion of Debt	91,879	5,047,884	(3,000,000 ) (a)	2,139,763
Accounts Payable and Accrued Liabilities	4,291,818	4,343,917	250,000 (g)	8,885,735
Income Taxes Payable	236,366	0		236,366
Current Portion of Deferred Income Tax Liability	0	0	164,650 (h)	164,650
Advances from Limited Partners of a Shareholder	150,000	0		150,000
Current Liabilities	4,770,063	9,391,801		11,576,514
Pension Deficit	328,116	0		328,116
Deferred Income Tax Liability	0	0	2,105,335 (h)	2,105,335
Long-Term Debt	0	2,693,745		2,693,745
	5,098,179	12,085,546		16,703,709
<b>SHAREHOLDERS' EQUITY</b>				
Capital Stock	29,000	6,985	(6,985 ) (i) 486 (i)	29,486
Additional Paid-in Capital	5,285,729	94,915	(94,915 ) (i) 1,449,514 (i)	7,556,243

Edgar Filing: PIONEER POWER SOLUTIONS, INC. - Form POS AM

			821,000	(j)	
Treasury Stock	0	(4,117,917 )	4,117,917	(k)	0
Accumulated Other Comprehensive Loss	(355,545 )	0			(355,545 )
Accumulated Retained Earnings (Deficit)	5,294,056	(2,598,676 )	2,598,676	(l)	5,044,056
			(250,000 )	(g)	
Total Shareholders' Equity	10,253,240	(6,614,693 )			12,274,240
Total Liabilities & Shareholders' Equity	\$ 15,351,419	\$ 5,470,853			\$ 28,977,949

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

F-70

Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Pro Forma Consolidated Statements of Earnings  
For the Three Month Period Ended March 31, 2010  
(Unaudited)  
(Expressed in U.S. Funds)

	Pioneer Power Solutions, Inc.	Jefferson Electric, Inc.	Pro Forma Adjustments	Pro Forma Consolidated Statement of Earnings
Sales	\$ 8,250,817	\$ 4,440,731		\$ 12,691,548
Cost of Goods Sold	6,444,382	3,729,309	95,104 (d)	10,268,795
Gross Profit	1,806,435	711,422		2,422,753
<b>Expenses</b>				
Selling, General and Administrative	1,103,004	826,211	(60,000) (m)	1,869,215
Depreciation	46,999	101,250	39,812 (n)	188,061
Amortization of Intangibles	0	0	41,381 (o)	41,381
Foreign Exchange (Gain)/Loss	92,494	0		92,494
	1,242,497	927,461		2,191,151
Operating Income	563,938	(216,039 )		231,602
Interest and Bank Charges	13,090	155,027	(71,781) (p)	96,336
Transaction and Bank Expenses	0	65,400	(65,400) (q)	0
Other, Net	0	394		394
Earnings Before Income Taxes	550,848	(436,860 )		134,872
Provision for Income Taxes	161,000	0	(108,100) (r)	52,900
Net Earnings	389,848	(436,860 )		81,972
<b>Other Comprehensive Income</b>				
Foreign Currency Translation Adjustments	332,034	0		332,034
Pension Adjustment, Net of Taxes of \$1,833	3,119	0		3,119
Comprehensive Income	\$ 725,001	\$ (436,860 )		\$ 417,125
<b>Basic and Diluted Weighted Average Number of Common Shares Outstanding</b>				
	29,066,398	2,295	(2,295) (s)	29,552,673
			486,275 (s)	
Basic and Diluted Earnings Per Common Share	\$ 0.01			\$ 0.00

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

F-71

---

Pioneer Power Solutions, Inc.  
(Formerly Sierra Concepts, Inc.)

Pro Forma Consolidated Statements of Earnings  
For the Year Ended December 31, 2009  
(Unaudited)  
(Expressed in U.S. Funds)

	Pioneer Power Solutions, Inc.	Jefferson Electric, Inc.	Pro Forma Adjustments	Pro Forma Consolidated Statement of Earnings
Sales	\$ 40,598,576	\$ 20,185,997		\$ 60,784,573
Cost of Goods Sold	28,733,839	18,225,578	95,104 (d)	47,054,521
Gross Profit	11,864,737	1,960,419		13,730,052
<b>Expenses</b>				
Selling, General and Administrative	4,052,459	4,075,366	(240,000) (m)	7,887,825
Depreciation	167,614	431,328	159,247 (n)	758,189
Amortization of Intangibles	0	0	165,524 (o)	165,524
Foreign Exchange (Gain)/Loss	(272,026 )	0		(272,026 )
	3,948,047	4,506,694		8,539,512
Operating Income	7,916,690	(2,546,275 )		5,190,540
Interest and Bank Charges	311,498	566,135	(188,593) (p)	689,040
Facility Shutdown Expenses	0	572,119		572,119
Transaction and Bank Expenses	0	179,201	(179,201) (q)	0
Other, Net	0	96,231		96,231
Earnings Before Income Taxes	7,605,192	(3,959,961 )		3,833,150
Provision for Income Taxes	2,490,000	0	(984,000) (r)	1,506,000
Net Earnings	5,115,192	(3,959,961 )		2,327,150
<b>Other Comprehensive Income</b>				
Foreign Currency Translation Adjustments	487,463	0		487,463
Pension Adjustment, Net of Taxes of \$93,736	(208,498 )	0		(208,498 )
Comprehensive Income	\$ 5,394,157	\$ (3,959,961 )		\$ 2,606,115
<b>Basic and Diluted Weighted Average Number of Common Shares Outstanding</b>				
	23,292,603	2,295	(2,295) (s)	23,778,878
			486,275 (s)	
	\$ 0.22			\$ 0.10



Basic and Diluted Earnings Per  
Common Share

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

F-72

---

Pioneer Power Solutions, Inc.

Notes to Unaudited Pro Forma Consolidated Financial Statements

For the Three Month Period Ended March 31, 2010 and for the Year Ended December 31, 2009

1. Preliminary Purchase Price Allocation

On April 30, 2010, Pioneer completed the Merger. The unaudited pro forma consolidated financial statements reflect the total estimated purchase price for Jefferson of approximately \$10.0 million, which consists of the following (in thousands):

Consideration:

Common stock (486,275 shares)	\$1,450
Warrant issued	821
Proceeds from warrant sale	(10 )
	2,261
Debt assumed:	
Bank indebtedness	7,703
Capitalized lease obligations	39
	7,742
Total	\$10,003

F-73

---

Table of Contents

Under the acquisition method of accounting, the total estimated purchase price is allocated to Jefferson's tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of April 30, 2010, the effective date of the Merger. Based on management's preliminary valuation of the fair value of tangible and intangible assets acquired and liabilities assumed, which are based on estimates and assumptions that are subject to change, and other factors as described in the introduction to these unaudited pro forma consolidated financial statements, the preliminary estimated purchase price is allocated as follows (in thousands):

Cash and cash equivalents	\$9
Accounts receivable	1,882
Inventory	1,970
Prepaid expenses	172
Property and equipment	2,443
Accounts payable and accrued liabilities	(4,344 )
Deferred tax liabilities	(2,270 )
Net tangible liabilities acquired	(137 )
Definite-lived intangible assets acquired	4,350
Goodwill	5,790
Total Purchase Price	\$10,003

F-74

Prior to the end of the measurement period for finalizing the purchase price allocation, if information becomes available which would indicate adjustments are required to the purchase price allocation, such adjustments will be included in the purchase price allocation retrospectively.

Identifiable intangible assets having finite lives arising from the Merger are valued at \$1.9 million and will be amortized on a straight-line basis with a weighted average remaining useful life of 10.8 years. None of the definite-lived intangible assets acquired are deductible for tax purposes. The excess of the purchase price over the aggregate fair values, which was \$5.8 million, was recorded as goodwill. Goodwill has an indefinite life, is not subject to amortization and is not deductible for tax purposes. Goodwill arising from the Merger will be tested for impairment at least annually (more frequently if indicators of impairment arise). In the event that management determines that the goodwill has become impaired, Pioneer will incur an accounting charge for the amount of the impairment during the fiscal quarter in which the determination is made.

## 2. Pro Forma Adjustments

Pro forma adjustments are made to reflect the estimated purchase price, to adjust amounts related to Jefferson's tangible liabilities and tangible and intangible assets to a preliminary estimate of the fair values of those liabilities and assets, to reflect the amortization expense related to the tangible and intangible assets and to reclassify certain financial statement amounts to conform to Pioneer's financial statement presentation.

The specific pro forma adjustments included in the unaudited pro forma consolidated financial statements are as follows:

- (a) To reflect advance of \$3.0 million in cash to Jefferson which was used to partially repay Jefferson's bank indebtedness. The advance was made in the form of a subordinated note which has been eliminated upon consolidation.

- (b) To reflect proceeds received from sale of a warrant to purchase 1.0 million common shares to the former sole stockholder of Jefferson in conjunction with the Merger.
- (c) To reflect the nominal price paid to acquire the remaining 0.1% minority equity interest in Jefferson's Mexican subsidiary.
  - (d) To reflect the fair value of inventory, property and equipment acquired in the Merger.
- (e) To reflect the fair value of intangible assets acquired in the Merger consisting of the estimated value of customer relationships (\$1.8 million), acquired Underwriters Laboratory files (\$0.7 million), acquired trademarks (\$1.8 million), and non-competition agreements (\$0.1 million).
  - (f) To reflect the fair value of acquired goodwill as if the Merger occurred on March 31, 2010.
  - (g) To reflect estimated additional transaction costs resulting from the Merger.
- (h) To reflect deferred tax liabilities arising out of the difference between the carrying value and fair value of Jefferson's tangible and intangible assets.
- (i) To eliminate Jefferson's historical capital stock and additional paid-in capital balances (\$101,900) and to reflect the 486,275 shares of common stock issued to the former sole stockholder of Jefferson as consideration in the Merger.
- (j) To reflect a fair value of \$821,000, which was determined using the Black-Scholes option pricing model, for a five-year warrant to purchase 1,000,000 million common shares of the Company's common stock at an exercise price of \$3.25 per share in exchange for proceeds of \$10,000.
  - (k) To eliminate Jefferson's historical treasury stock balance.
  - (l) To eliminate Jefferson's historical stockholder's deficit balance.
- (m) To reflect the discontinuation, upon the Merger, of monthly professional service fees paid to Jefferson's former financial advisor.
- (n) To reflect incremental depreciation expense as a result of the write-up in the fair value of property and equipment acquired in the Merger.
- (o) To reflect estimated pro forma amortization expense related to the intangible assets acquired in the Merger.
- (p) To reflect interest expense savings as a result of the Merger due to the \$3.0 million paydown of Jefferson's bank debt by Pioneer.
  - (q) Adjustment to eliminate expenses in connection with extending Jefferson's bank loan agreement that would not have been incurred had the Merger been completed as of the start of the fiscal period.
- (r) To reflect the expected future tax benefit of Jefferson's reported loss during the period based on the estimated marginal tax rate to take effect following the Merger (prior to the Merger, Jefferson was an S-corporation).
  - (s) To reflect the number of shares of Pioneer's common stock issued as consideration in the Merger.

F-76

---

## PART II

## INFORMATION NOT REQUIRED IN PROSPECTUS

## Item 13. Other Expenses of Issuance and Distribution.

We are paying all of the selling stockholders' expenses related to this offering, except that the selling stockholders will pay any applicable underwriting discounts and commissions. The fees and expenses payable by us in connection with this Registration Statement are estimated as follows:

SEC Registration Fee	\$ 748.65
Accounting Fees and Expenses	20,000.00
Legal Fees and Expenses	70,000.00
Miscellaneous Fees and Expenses	4,251.35
Total	\$ 95,000.00

## Item 14. Indemnification of Directors and Officers.

Section 145 of the Delaware General Corporation Law (the "DGCL") provides, in general, that a corporation incorporated under the laws of the State of Delaware, as we are, may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (other than a derivative action by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. In the case of a derivative action, a Delaware corporation may indemnify any such person against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification will be made in respect of any claim, issue or matter as to which such person will have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery of the State of Delaware or any other court in which such action was brought determines such person is fairly and reasonably entitled to indemnity for such expenses.

Our certificate of incorporation and bylaws provide that we will indemnify our directors, officers, employees and agents to the extent and in the manner permitted by the provisions of the DGCL, as amended from time to time, subject to any permissible expansion or limitation of such indemnification, as may be set forth in any stockholders' or directors' resolution or by contract. In addition, our director and officer indemnification agreements with each of our directors and officers provide, among other things, for the indemnification to the fullest extent permitted or required by Delaware law, provided that no indemnitee will be entitled to indemnification in connection with any claim initiated by the indemnitee against us or our directors or officers unless we join or consent to the initiation of the claim, or the purchase and sale of securities by the indemnitee in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended.

Any repeal or modification of these provisions approved by our stockholders will be prospective only and will not adversely affect any limitation on the liability of any of our directors or officers existing as of the time of such repeal or modification.

We are also permitted to apply for insurance on behalf of any director, officer, employee or other agent for liability arising out of his actions, whether or not the DGCL would permit indemnification.

Item 15. Recent Sales of Unregistered Securities.

On September 25, 2008, we sold 6,000,000 shares of common stock to David Davis, our former president, chief executive officer, chief financial officer and secretary-treasurer, in exchange for \$6,000. These securities were offered and sold to Mr. Davis in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933, as amended, and Rule 506 promulgated thereunder. Mr. Davis qualified as an accredited investor (as defined by Rule 501 under the Securities Act of 1933, as amended) at the time of his acquisition of these shares.

On December 2, 2009, we consummated a private placement pursuant to which we sold an aggregate of 5,000,000 shares of common stock to 18 investors for aggregate gross proceeds of \$5,000,000. The securities were offered and sold to investors in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933, as amended, and Rule 506 promulgated thereunder. Each of the persons and/or entities receiving our securities in this private placement qualified as an accredited investor (as defined by Rule 501 under the Securities Act of 1933, as amended) at the time of the private placement.

II-1

---



On December 2, 2009, we entered into a share exchange agreement with Pioneer Transformers Ltd., a company incorporated under the Canada Business Corporations Act, and Provident Pioneer Partners, L.P., a Delaware limited partnership and the holder of all of the outstanding capital stock of Pioneer Transformers Ltd., pursuant to which Provident Pioneer Partners, L.P. transferred all of the issued and outstanding capital stock of Pioneer Transformers Ltd. to us in exchange for (i) 22,800,000 newly issued shares of our common stock and (ii) a five year warrant to purchase up to 1,000,000 shares of our common stock at an exercise price of \$3.25 per share. These securities were offered and sold to Provident Pioneer Partners, L.P. in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933, as amended, and Rule 506 promulgated thereunder. Provident Pioneer Partners, L.P. qualified as an accredited investor (as defined by Rule 501 under the Securities Act of 1933, as amended) at the time of the share exchange.

On December 2, 2009, we sold Genesis Capital Advisors LLC a five year warrant to purchase up to an aggregate of 1,000,000 shares of our common stock at an exercise price of \$2.00 per share for aggregate gross proceeds of \$10,000. This warrant was offered and sold to Genesis Capital Advisors LLC in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933, as amended, and Rule 506 promulgated thereunder. Genesis Capital Advisors LLC qualified as an accredited investor (as defined by Rule 501 under the Securities Act of 1933, as amended) at the time of this warrant purchase.

On April 26, 2010, we issued a five year warrant to a consultant to purchase up to an aggregate of 150,000 shares of common stock at an exercise price of \$2.00 per share. This warrant was issued as consideration for the provision of certain consulting services to us. This warrant was offered and sold in reliance upon an exemption from registration pursuant to Section 4(2) under the Securities Act of 1933, as amended. The holder represented to us that he was an accredited investor (as defined by Rule 501 under the Securities Act of 1933, as amended) and was acquiring the warrant and will acquire the underlying shares of common stock for investment for his own account, with no present intention of dividing his participation with others or reselling or otherwise distributing the same.

On April 30, 2010, we consummated the acquisition of Jefferson Electric, Inc., pursuant to which we issued an aggregate of 486,275 shares of our common stock to Thomas Klink, the sole stockholder of Jefferson Electric, Inc. prior to the merger. These shares were offered and sold in reliance upon an exemption from registration pursuant to Section 4(2) under the Securities Act of 1933, as amended. Mr. Klink represented to us that he was an accredited investor (as defined by Rule 501 under the Securities Act of 1933, as amended).

On April 30, 2010, we sold Thomas Klink a five year warrant for a price of \$10,000 to purchase up to an aggregate of 1,000,000 shares of common stock at an exercise price of \$2.00 per share. This warrant was offered and sold in reliance upon an exemption from registration pursuant to Section 4(2) under the Securities Act of 1933, as amended. Mr. Klink represented to us that he was an accredited investor (as defined by Rule 501 under the Securities Act of 1933, as amended) and was acquiring the warrant and will acquire the underlying shares of common stock for investment for his own account, with no present intention of dividing his participation with others or reselling or otherwise distributing the same.

On May 11, 2010, we issued an aggregate of 50,000 shares of our common stock to our investor relations investor relations firm and two of its designees. These shares were issued as consideration for the provision of certain investor relations services to us pursuant to an investor relations agreement. These shares were offered and sold in reliance upon an exemption from registration pursuant to Section 4(2) under the Securities Act of 1933, as amended. Each of the recipients represented to us that it was an accredited investor and that the shares are subject to a six month holding period.

Item 16. Exhibits and Financial Statement Schedules.

Exhibit No.	Description
2.1	Share Exchange Agreement, dated December 2, 2009, by and among Pioneer Power Solutions, Inc., Pioneer Transformers Ltd. and Provident Pioneer Partners, L.P. (Incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
2.2	Agreement and Plan of Merger, dated April 30, 2010, by and among Pioneer Power Solutions, Inc., Jefferson Electric, Inc., Thomas Klink, and JEI Acquisition, Inc. (Incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).
3.1	Certificate of Incorporation (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 2, 2009).

3.2	Bylaws (Incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 2, 2009).
4.1	Form of Securities Purchase Agreement (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
4.2	Form of \$2.00 Warrant (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
4.3	Form of \$3.25 Warrant (Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
4.4	Form of Lock-up Agreement (Incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
4.5	Warrant to Purchase Common Stock, dated April 30, 2010, issued to Thomas Klink (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).
4.6*	Warrant to Purchase Common Stock, dated April 26, 2010.
5.1	Opinion of Haynes and Boone, LLP (Incorporated by reference to Exhibit 5.1 to Amendment No. 3 to the Registration Statement on Form S-1 of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on April 15, 2010).
10.1	Form of Director and Officer Indemnification Agreement (Incorporated by reference to Exhibit 10.6 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
10.2	Employment Agreement, dated December 2, 2009, by and between Pioneer Power Solutions, Inc. and Nathan J. Mazurek (Incorporated by reference to Exhibit 10.7 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
10.3	Pioneer Power Solutions, Inc. 2009 Equity Incentive Plan (Incorporated by reference to Exhibit 10.8 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
10.4	Form of 2009 Incentive Stock Option Agreement (Incorporated by reference to Exhibit 10.9 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
10.5	

Form of 2009 Non-Qualified Stock Option Agreement (Incorporated by reference to Exhibit 10.10 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).

- 10.6 Agreement of Conveyance, Transfer and Assignment of Assets and Assumptions of Obligations, dated December 2, 2009, by and between Pioneer Power Solutions, Inc. and Sierra Concepts Holdings, Inc. (Incorporated by reference to Exhibit 10.11 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.7 Stock Purchase Agreement, dated December 2, 2009, by and between Pioneer Power Solutions, Inc. and David Davis (Incorporated by reference to Exhibit 10.12 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.8 Agreement for Authorized Sales Representatives, dated March 1, 1995 by and between Pioneer Transformers Ltd. and CHAZ Sales Corp. (Incorporated by reference to Exhibit 10.13 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.9 Agreement for Authorized Sales Representatives, dated April 1, 1996, by and between Pioneer Transformers Ltd. and Virelli & Associates, Inc. (Incorporated by reference to Exhibit 10.14 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.10 Agreement for Authorized Sales Representatives, dated September 19, 2003, by and between Pioneer Transformers Ltd. and AESCO Associates Ltd. (Incorporated by reference to Exhibit 10.15 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).

- 10.11 Collective Labour Agreement, dated June 1, 2005, by and between Pioneer Transformers Ltd. and The Steelworkers Union on behalf of Local 9414 (Incorporated by reference to Exhibit 10.16 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.12 Agreement for Authorized Sales Representatives, dated May 11, 2006, by and between Pioneer Transformers Ltd. and Techno-Contact, Inc. (Incorporated by reference to Exhibit 10.17 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.13 Lease Amending Agreement, dated August 1, 2006, by and between Pioneer Transformers Ltd. and 2600 Skymark Investments Inc. (Incorporated by reference to Exhibit 10.18 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.14\*\* Agreement dated September 1, 2006, by and among Pioneer Transformers Ltd., Newfoundland Power, Inc., Maritime Electric Company, Limited, FortisAlberta Inc. and Fortisbc Inc. (Incorporated by reference to Exhibit 10.19 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.15 License and Services Agreement, dated May 4, 2007, by and between Pioneer Transformers Ltd. and Oracle Corporation Canada Inc. (Incorporated by reference to Exhibit 10.20 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.16 ValuePlan Lease, dated September 27, 2007, by and between Pioneer Transformers Ltd. and IBM Canada Limited (Incorporated by reference to Exhibit 10.21 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.17 ValuePlan Lease, dated November 22, 2007, by and between Pioneer Transformers Ltd. and IBM Canada Limited (Incorporated by reference to Exhibit 10.22 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.18 ValuePlan Lease, dated December 11, 2007, by and between Pioneer Transformers Ltd. and IBM Canada Limited (Incorporated by reference to Exhibit 10.23 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.19 ValuePlan Lease, dated December 19, 2007, by and between Pioneer Transformers Ltd. and IBM Canada Limited (Incorporated by reference to Exhibit 10.24 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.20\*\* Agreement dated August 5, 2009, by and between Pioneer Transformers Ltd. and Toronto Hydro-Electric System Limited (Incorporated by reference to Exhibit 10.25 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and

Exchange Commission on December 7, 2009).

- 10.21\*\* Agreement dated April 1, 2006, by and between Pioneer Transformers Ltd. and Hydro-Quebec Utility Company (Incorporated by reference to Exhibit 10.26 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.28 Commitment Letter, dated July 9, 2009, by and between Pioneer Transformers Ltd. and the Bank of Montreal (Incorporated by reference to Exhibit 10.27 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.29 Indemnification Agreement, dated December 2, 2009, by and between Pioneer Power Solutions, Inc. and Nathan J. Mazurek (Incorporated by reference to Exhibit 10.29 to Amendment No. 1 to the Registration Statement on Form S-1 of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on March 10, 2010).
- 10.30 Director and Officer Indemnification Agreement, dated December 2, 2009, by and between Pioneer Power Solutions, Inc. and Yossi Cohn (Incorporated by reference to Exhibit 10.30 to Amendment No. 1 to the Registration Statement on Form S-1 of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on March 10, 2010).
- 10.31 Director and Officer Indemnification Agreement, dated December 2, 2009, by and between Pioneer Power Solutions, Inc. and David J. Landes (Incorporated by reference to Exhibit 10.31 to Amendment No. 1 to the Registration Statement on Form S-1 of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on March 10, 2010).

- 10.32 Director and Officer Indemnification Agreement, dated December 2, 2009, by and between Pioneer Power Solutions, Inc. and David Tesler (Incorporated by reference to Exhibit 10.32 to Amendment No. 1 to the Registration Statement on Form S-1 of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on March 10, 2010).
- 10.33 Director and Officer Indemnification Agreement, dated December 2, 2009, by and between Pioneer Power Solutions, Inc. and Jonathan Tulkoff (Incorporated by reference to Exhibit 10.33 to Amendment No. 1 to the Registration Statement on Form S-1 of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on March 10, 2010).
- 10.34\*\* Agreement dated January 1, 2010, by and between Pioneer Transformers Ltd. and Hydro-Quebec Utility Company (Incorporated by reference to Exhibit 10.34 to Amendment No. 1 to the Registration Statement on Form S-1 of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on March 10, 2010).
- 10.35\*\* Agreement dated January 8, 2010, by and between Pioneer Transformers Ltd. and Hydro-Quebec Utility Company (Incorporated by reference to Exhibit 10.35 to Amendment No. 1 to the Registration Statement on Form S-1 of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on March 10, 2010).
- 10.36 Description of Consulting Services Provided by Nathan J. Mazurek to Pioneer Transformers Ltd. (Incorporated by reference to Exhibit 10.36 to Amendment No. 1 to the Registration Statement on Form S-1 of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on March 10, 2010).
- 10.37 Agreement dated January 8, 2010, by and between Pioneer Transformers Ltd. and Hydro-Quebec Utility Company (Incorporated by reference to Exhibit 10.35 to Amendment No. 1 to the Registration Statement on Form S-1 of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on March 10, 2010).
- 10.37 Employment Agreement, dated April 30, 2010, by and between Jefferson Electric, Inc. and Thomas Klink (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).
- 10.38 Voting Agreement, dated April 30, 2010, by and between Provident Pioneer Partners, L.P. and Thomas Klink (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).
- 10.39 Lock-Up Agreement, dated April 30, 2010, by and among Thomas Klink, Pioneer Power Solutions, Inc. and Jefferson Electric, Inc. (Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).
- 10.40 Purchase Agreement, dated April 30, 2010, by and between Thomas Klink and JE Mexican Holdings, Inc. (Incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).

- 10.41 Warrant Purchase Agreement, dated April 30, 2010, by and between Pioneer Power Solutions, Inc. and Thomas Klink (Incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).
- 10.42 Loan and Security Agreement, dated January 2, 2008, by and between Jefferson Electric, Inc. and Johnson Bank (Incorporated by reference to Exhibit 10.6 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).
- 10.43 Amendment to Loan and Security Agreement, dated January 29, 2008, by and between Jefferson Electric, Inc. and Johnson Bank (Incorporated by reference to Exhibit 10.7 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).
- 10.44 Second Amendment to Loan and Security Agreement, dated May 2, 2008, by and between Jefferson Electric, Inc. and Johnson Bank (Incorporated by reference to Exhibit 10.8 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).
- 10.45 Third Amendment to Loan and Security Agreement, dated December 3, 2008, by and between Jefferson Electric, Inc. and Johnson Bank (Incorporated by reference to Exhibit 10.9 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).



10.46	Forbearance Agreement and Fourth Amendment to Loan Agreement, dated August 28, 2009, by and among Johnson Bank, Jefferson Electric, Inc. Thomas Klink and Diane Klink (Incorporated by reference to Exhibit 10.10 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).
10.47	First Amended and Restated Forbearance Agreement and Fourth Amendment to Loan Agreement, dated December 8, 2009, by and among Johnson Bank, Jefferson Electric, Inc. Thomas Klink and Diane Klink (Incorporated by reference to Exhibit 10.11 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).
10.48	First Amendment to First Amended and Restated Forbearance Agreement and Fourth Amendment to Loan Agreement, dated March 31, 2010, by and among Johnson Bank, Jefferson Electric, Inc. Thomas Klink and Diane Klink (Incorporated by reference to Exhibit 10.12 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).
10.49	Fifth Amendment to Loan and Security Agreement, dated April 30, 2010, by and between Jefferson Electric, Inc. and Johnson Bank (Incorporated by reference to Exhibit 10.13 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).
21.1*	List of Subsidiaries.
23.1*	Consent of RSM Richter S.E.N.C.R.L./LLP.
23.2*	Consent of Vrakas/Blum, S.C.
23.3	Consent of Haynes and Boone, LLP (Included in Exhibit 5.1).
24.1	Power of Attorney (Included on signature page of the Registration Statement on Form S-1 of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on January 25, 2010).

---

\*Filed herewith.

\*\* Confidential treatment has been granted with respect to certain portions of this exhibit.

#### Item 17. Undertakings.

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental

change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the SEC pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of the securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered that remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability of the undersigned registrant under the Securities Act to any purchaser in the initial distribution of the securities:

The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

- (i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424 (§ 230.424 of this chapter);
- (ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;
- (iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and
- (iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

For the purpose of determining liability under the Securities Act to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A (§ 230.430A of this chapter), shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Fort Lee, State of New Jersey on May 28, 2010.

## PIONEER POWER SOLUTIONS, INC.

By: /s/ Nathan J. Mazurek  
Name: Nathan J. Mazurek  
Title: Chief Executive Officer

## POWER OF ATTORNEY

In accordance with the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Nathan J. Mazurek Nathan J. Mazurek	President, Chief Executive Officer, Chief Financial Officer, Secretary, Treasurer and Chairman of the Board of Directors (Principal Executive Officer and Principal Accounting Officer)	May 28, 2010
* Yossi Cohn	Director	May 28, 2010
/s/ Thomas Klink Thomas Klink	Director	May 28, 2010
* David J. Landes	Director	May 28, 2010
* David Tesler	Director	May 28, 2010
* Jonathan Tulkoff	Director	May 28, 2010

\*Signed by Nathan J. Mazurek as agent.

## EXHIBIT INDEX

Exhibit No.	Description
2.1	Share Exchange Agreement, dated December 2, 2009, by and among Pioneer Power Solutions, Inc., Pioneer Transformers Ltd. and Provident Pioneer Partners, L.P. (Incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
2.2	Agreement and Plan of Merger, dated April 30, 2010, by and among Pioneer Power Solutions, Inc., Jefferson Electric, Inc., Thomas Klink, and JEI Acquisition, Inc. (Incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).
3.1	Certificate of Incorporation (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 2, 2009).
3.2	Bylaws (Incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 2, 2009).
4.1	Form of Securities Purchase Agreement (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
4.2	Form of \$2.00 Warrant (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
4.3	Form of \$3.25 Warrant (Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
4.4	Form of Lock-up Agreement (Incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
4.5	Warrant to Purchase Common Stock, dated April 30, 2010, issued to Thomas Klink (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).
4.6*	Warrant to Purchase Common Stock, dated April 26, 2010.
5.1	Opinion of Haynes and Boone, LLP (Incorporated by reference to Exhibit 5.1 to Amendment No. 3 to the Registration Statement on Form S-1 of Pioneer Power Solutions,

Inc. filed with the Securities and Exchange Commission on April 15, 2010).

- 10.1 Form of Director and Officer Indemnification Agreement (Incorporated by reference to Exhibit 10.6 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
  - 10.2 Employment Agreement, dated December 2, 2009, by and between Pioneer Power Solutions, Inc. and Nathan J. Mazurek (Incorporated by reference to Exhibit 10.7 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
  - 10.3 Pioneer Power Solutions, Inc. 2009 Equity Incentive Plan (Incorporated by reference to Exhibit 10.8 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
  - 10.4 Form of 2009 Incentive Stock Option Agreement (Incorporated by reference to Exhibit 10.9 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
  - 10.5 Form of 2009 Non-Qualified Stock Option Agreement (Incorporated by reference to Exhibit 10.10 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
  - 10.6 Agreement of Conveyance, Transfer and Assignment of Assets and Assumptions of Obligations, dated December 2, 2009, by and between Pioneer Power Solutions, Inc. and Sierra Concepts Holdings, Inc. (Incorporated by reference to Exhibit 10.11 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
-

- 10.7 Stock Purchase Agreement, dated December 2, 2009, by and between Pioneer Power Solutions, Inc. and David Davis (Incorporated by reference to Exhibit 10.12 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.8 Agreement for Authorized Sales Representatives, dated March 1, 1995 by and between Pioneer Transformers Ltd. and CHAZ Sales Corp. (Incorporated by reference to Exhibit 10.13 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.9 Agreement for Authorized Sales Representatives, dated April 1, 1996, by and between Pioneer Transformers Ltd. and Virelli & Associates, Inc. (Incorporated by reference to Exhibit 10.14 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.10 Agreement for Authorized Sales Representatives, dated September 19, 2003, by and between Pioneer Transformers Ltd. and AESCO Associates Ltd. (Incorporated by reference to Exhibit 10.15 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.11 Collective Labour Agreement, dated June 1, 2005, by and between Pioneer Transformers Ltd. and The Steelworkers Union on behalf of Local 9414 (Incorporated by reference to Exhibit 10.16 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.12 Agreement for Authorized Sales Representatives, dated May 11, 2006, by and between Pioneer Transformers Ltd. and Techno-Contact, Inc. (Incorporated by reference to Exhibit 10.17 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.13 Lease Amending Agreement, dated August 1, 2006, by and between Pioneer Transformers Ltd. and 2600 Skymark Investments Inc. (Incorporated by reference to Exhibit 10.18 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.14\*\* Agreement dated September 1, 2006, by and among Pioneer Transformers Ltd., Newfoundland Power, Inc., Maritime Electric Company, Limited, FortisAlberta Inc. and Fortisbc Inc. (Incorporated by reference to Exhibit 10.19 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.15 License and Services Agreement, dated May 4, 2007, by and between Pioneer Transformers Ltd. and Oracle Corporation Canada Inc. (Incorporated by reference to Exhibit 10.20 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.16 ValuePlan Lease, dated September 27, 2007, by and between Pioneer Transformers Ltd. and IBM Canada Limited (Incorporated by reference to Exhibit 10.21 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and

Exchange Commission on December 7, 2009).

- 10.17 ValuePlan Lease, dated November 22, 2007, by and between Pioneer Transformers Ltd. and IBM Canada Limited (Incorporated by reference to Exhibit 10.22 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.18 ValuePlan Lease, dated December 11, 2007, by and between Pioneer Transformers Ltd. and IBM Canada Limited (Incorporated by reference to Exhibit 10.23 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.19 ValuePlan Lease, dated December 19, 2007, by and between Pioneer Transformers Ltd. and IBM Canada Limited (Incorporated by reference to Exhibit 10.24 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.20\*\* Agreement dated August 5, 2009, by and between Pioneer Transformers Ltd. and Toronto Hydro-Electric System Limited (Incorporated by reference to Exhibit 10.25 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.21\*\* Agreement dated April 1, 2006, by and between Pioneer Transformers Ltd. and Hydro-Quebec Utility Company (Incorporated by reference to Exhibit 10.26 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
-



- 10.28 Commitment Letter, dated July 9, 2009, by and between Pioneer Transformers Ltd. and the Bank of Montreal (Incorporated by reference to Exhibit 10.27 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on December 7, 2009).
- 10.29 Indemnification Agreement, dated December 2, 2009, by and between Pioneer Power Solutions, Inc. and Nathan J. Mazurek (Incorporated by reference to Exhibit 10.29 to Amendment No. 1 to the Registration Statement on Form S-1 of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on March 10, 2010).
- 10.30 Director and Officer Indemnification Agreement, dated December 2, 2009, by and between Pioneer Power Solutions, Inc. and Yossi Cohn (Incorporated by reference to Exhibit 10.30 to Amendment No. 1 to the Registration Statement on Form S-1 of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on March 10, 2010).
- 10.31 Director and Officer Indemnification Agreement, dated December 2, 2009, by and between Pioneer Power Solutions, Inc. and David J. Landes (Incorporated by reference to Exhibit 10.31 to Amendment No. 1 to the Registration Statement on Form S-1 of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on March 10, 2010).
- 10.32 Director and Officer Indemnification Agreement, dated December 2, 2009, by and between Pioneer Power Solutions, Inc. and David Tesler (Incorporated by reference to Exhibit 10.32 to Amendment No. 1 to the Registration Statement on Form S-1 of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on March 10, 2010).
- 10.33 Director and Officer Indemnification Agreement, dated December 2, 2009, by and between Pioneer Power Solutions, Inc. and Jonathan Tulkoff (Incorporated by reference to Exhibit 10.33 to Amendment No. 1 to the Registration Statement on Form S-1 of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on March 10, 2010).
- 10.34\*\* Agreement dated January 1, 2010, by and between Pioneer Transformers Ltd. and Hydro-Quebec Utility Company (Incorporated by reference to Exhibit 10.34 to Amendment No. 1 to the Registration Statement on Form S-1 of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on March 10, 2010).
- 10.35\*\* Agreement dated January 8, 2010, by and between Pioneer Transformers Ltd. and Hydro-Quebec Utility Company (Incorporated by reference to Exhibit 10.35 to Amendment No. 1 to the Registration Statement on Form S-1 of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on March 10, 2010).
- 10.36 Description of Consulting Services Provided by Nathan J. Mazurek to Pioneer Transformers Ltd. (Incorporated by reference to Exhibit 10.36 to Amendment No. 1 to the Registration Statement on Form S-1 of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on March 10, 2010).
- 10.37 Agreement dated January 8, 2010, by and between Pioneer Transformers Ltd. and Hydro-Quebec Utility Company (Incorporated by reference to Exhibit 10.35 to Amendment No. 1 to the Registration Statement on Form S-1 of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on March 10, 2010).

- 10.37 Employment Agreement, dated April 30, 2010, by and between Jefferson Electric, Inc. and Thomas Klink (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).
- 10.38 Voting Agreement, dated April 30, 2010, by and between Provident Pioneer Partners, L.P. and Thomas Klink (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).
- 10.39 Lock-Up Agreement, dated April 30, 2010, by and among Thomas Klink, Pioneer Power Solutions, Inc. and Jefferson Electric, Inc. (Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).
- 10.40 Purchase Agreement, dated April 30, 2010, by and between Thomas Klink and JE Mexican Holdings, Inc. (Incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).
- 10.41 Warrant Purchase Agreement, dated April 30, 2010, by and between Pioneer Power Solutions, Inc. and Thomas Klink (Incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).
-

10.42	Loan and Security Agreement, dated January 2, 2008, by and between Jefferson Electric, Inc. and Johnson Bank (Incorporated by reference to Exhibit 10.6 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).
10.43	Amendment to Loan and Security Agreement, dated January 29, 2008, by and between Jefferson Electric, Inc. and Johnson Bank (Incorporated by reference to Exhibit 10.7 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).
10.44	Second Amendment to Loan and Security Agreement, dated May 2, 2008, by and between Jefferson Electric, Inc. and Johnson Bank (Incorporated by reference to Exhibit 10.8 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).
10.45	Third Amendment to Loan and Security Agreement, dated December 3, 2008, by and between Jefferson Electric, Inc. and Johnson Bank (Incorporated by reference to Exhibit 10.9 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).
10.46	Forbearance Agreement and Fourth Amendment to Loan Agreement, dated August 28, 2009, by and among Johnson Bank, Jefferson Electric, Inc. Thomas Klink and Diane Klink (Incorporated by reference to Exhibit 10.10 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).
10.47	First Amended and Restated Forbearance Agreement and Fourth Amendment to Loan Agreement, dated December 8, 2009, by and among Johnson Bank, Jefferson Electric, Inc. Thomas Klink and Diane Klink (Incorporated by reference to Exhibit 10.11 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).
10.48	First Amendment to First Amended and Restated Forbearance Agreement and Fourth Amendment to Loan Agreement, dated March 31, 2010, by and among Johnson Bank, Jefferson Electric, Inc. Thomas Klink and Diane Klink (Incorporated by reference to Exhibit 10.12 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).
10.49	Fifth Amendment to Loan and Security Agreement, dated April 30, 2010, by and between Jefferson Electric, Inc. and Johnson Bank (Incorporated by reference to Exhibit 10.13 to the Current Report on Form 8-K of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on May 4, 2010).
21.1*	List of Subsidiaries.
23.1*	Consent of RSM Richter S.E.N.C.R.L./LLP.
23.2*	Consent of Vrakas/Blum, S.C.

23.3 Consent of Haynes and Boone, LLP (Included in Exhibit 5.1).

24.1 Power of Attorney (Included on signature page of the Registration Statement on Form S-1 of Pioneer Power Solutions, Inc. filed with the Securities and Exchange Commission on January 25, 2010).

---

\*Filed herewith.

\*\* Confidential treatment has been granted with respect to certain portions of this exhibit.