

GLOBAL POWER EQUIPMENT GROUP INC.

Form 10-Q

July 31, 2014

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended June 29, 2014

or

**o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File No. 001-16501

Global Power Equipment Group Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

incorporation or organization)

73-1541378
(I.R.S. Employer

Identification No.)

400 E. Las Colinas Blvd., Suite 400

Irving, TX 75039

(Address of principal executive offices) (Zip code)

(214) 574-2700

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☒ No ☐

As of July 23, 2014 there were 17,122,735 shares of common stock of Global Power Equipment Group Inc. outstanding.

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GLOBAL POWER EQUIPMENT GROUP INC. AND SUBSIDIARIES

Form 10-Q

For the quarter ended June 30, 2014

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Table of Contents**Part I FINANCIAL INFORMATION****Item 1. Financial Statements.****GLOBAL POWER EQUIPMENT GROUP INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(\$ in thousands, except share and per share amounts)

	June 30, 2014	December 31, 2013
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,559	\$ 13,942
Restricted cash	71	120
Accounts receivable, net of allowance of \$573 and \$557, respectively	73,761	93,484
Inventories	8,456	6,476
Costs and estimated earnings in excess of billings	61,495	41,804
Deferred tax assets	3,301	3,301
Other current assets	8,475	8,215
Total current assets	171,118	167,342
Property, plant and equipment, net	19,896	20,644
Goodwill	106,884	109,930
Intangible assets, net	61,833	60,594
Deferred tax assets	7,471	7,630
Other long-term assets	980	1,258
Total assets	\$ 368,182	\$ 367,398
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 17,233	\$ 19,664
Accrued compensation and benefits	16,198	14,798
Billings in excess of costs and estimated earnings	11,323	12,757
Accrued warranties	1,683	3,261
Other current liabilities	6,852	8,483
Total current liabilities	53,289	58,963
Long-term debt	31,000	23,000
Other long-term liabilities	5,950	5,844
Total liabilities	90,239	87,807
Commitments and contingencies (Note 7)		
Stockholders' equity:	184	183

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Common stock, \$0.01 par value, 170,000,000 shares authorized and 18,386,443 and 18,294,998 shares issued, respectively, and 17,071,780 and 17,059,943 shares outstanding, respectively

Paid-in capital	70,228	69,049
Accumulated other comprehensive income	3,039	3,473
Retained earnings	204,504	206,898
Treasury stock, at par (1,263,708 and 1,235,055 common shares, respectively)	(12)	(12)
Total stockholders' equity	277,943	279,591
Total liabilities and stockholders' equity	\$ 368,182	\$ 367,398

See accompanying notes to condensed consolidated financial statements (unaudited).

Table of Contents**GLOBAL POWER EQUIPMENT GROUP INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(\$ in thousands, except share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues				
Product Solutions	\$ 59,171	\$ 35,930	\$ 98,102	\$ 74,824
Nuclear Services	41,430	66,435	98,492	131,448
Energy Services	14,138	13,600	23,027	26,403
Consolidated	114,739	115,965	219,621	232,675
Cost of Sales				
Product Solutions	47,588	27,368	76,648	60,305
Nuclear Services	35,686	58,070	85,727	114,597
Energy Services	11,203	11,724	18,506	23,004
Consolidated	94,477	97,162	180,881	197,906
Gross profit	20,262	18,803	38,740	34,769
Selling and marketing expenses	2,474	2,462	4,297	4,685
General and administrative expenses	14,179	12,812	27,933	27,366
Depreciation and amortization expense	2,141	1,559	4,455	2,632
Operating income	1,468	1,970	2,055	86
Interest expense, net	340	190	753	276
Other expense (income), net	(94)	154	176	4
Income (loss) from continuing operations before income tax	1,222	1,626	1,126	(194)
Income tax expense	358	884	334	265
Income (loss) from continuing operations	864	742	792	(459)
Discontinued operations:				
Loss from discontinued operations, net of tax	(90)	(1)	(97)	(41)
Net income (loss)	\$ 774	\$ 741	\$ 695	\$ (500)
Basic income (loss) per weighted average common share:				
Income (loss) from continuing operations	\$ 0.06	\$ 0.04	\$ 0.05	\$ (0.03)
Loss from discontinued operations	(0.01)		(0.01)	
Income (loss) per common share - basic	\$ 0.05	\$ 0.04	\$ 0.04	\$ (0.03)
	17,070,615	16,956,925	17,033,816	16,865,070

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Weighted average number of shares of common
stock outstanding - basic

Diluted income (loss) per weighted average common
share:

Income (loss) from continuing operations	\$	0.06	\$	0.04	\$	0.05	\$	(0.03)
Loss from discontinued operations		(0.01)				(0.01)		

Income (loss) per common share - diluted	\$	0.05	\$	0.04	\$	0.04	\$	(0.03)
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Weighted average number of shares of common
stock outstanding - diluted

17,075,189	16,967,356	17,040,130	16,865,070
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Cash dividends per share	\$	0.09	\$	0.09	\$	0.18	\$	0.18
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See accompanying notes to condensed consolidated financial statements (unaudited).

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GLOBAL POWER EQUIPMENT GROUP INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(\$ in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(Unaudited)		(Unaudited)	
Net income (loss)	\$ 774	\$ 741	\$ 695	\$ (500)
Foreign currency translation adjustment	(346)	825	(434)	19
Comprehensive income (loss)	\$ 428	\$ 1,566	\$ 261	\$ (481)

See accompanying notes to condensed consolidated financial statements (unaudited).

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(\$ in thousands, except share and per share amounts)

	Common Shares \$0.01 Per Share		Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Shares		Total
	Shares	Amount				Shares	Amount	
Balance, December 31, 2013	18,294,998	\$ 184	\$ 69,050	\$ 3,473	\$ 206,897	(1,235,055)	\$ (12)	\$ 279,592
Stock-based compensation	91,445		1,178			(28,653)		1,178
Dividends declared					(3,088)			(3,088)
Net income					695			695
Foreign currency translation adjustment				(434)				(434)
Balance, June 30, 2014	18,386,443	\$ 184	\$ 70,228	\$ 3,039	\$ 204,504	(1,263,708)	\$ (12)	\$ 277,943

See accompanying notes to condensed consolidated financial statements (unaudited).

Table of Contents**GLOBAL POWER EQUIPMENT GROUP INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(\$ in thousands)

	Six Months Ended June 30,	
	2014	2013
	(Unaudited)	
Operating activities:		
Net income (loss)	\$ 695	\$ (500)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Deferred income tax benefit provision	(970)	(974)
Depreciation and amortization on plant, property and equipment and intangible assets	5,044	3,281
Amortization on deferred financing costs	113	91
Stock-based compensation	1,744	2,504
Changes in operating assets and liabilities, net of businesses acquired and sold	(7,743)	23,870
Net cash (used in) provided by operating activities	(1,117)	28,272
Investing activities:		
Acquisitions, net of cash acquired		(32,970)
Net transfers of restricted cash	49	
Proceeds from sale of equipment		66
Purchase of property, plant and equipment	(1,236)	(2,489)
Net cash used in investing activities	(1,187)	(35,393)
Financing activities:		
Repurchase of stock-based awards for payment of statutory taxes due on stock-based compensation	(566)	(1,531)
Debt issuance costs	9	
Dividends paid	(3,088)	(3,141)
Proceeds from long-term debt	30,000	30,000
Payments of long-term debt	(22,000)	(10,000)
Net cash provided by financing activities	4,355	15,328
Effect of exchange rate changes on cash	(434)	(31)
Net change in cash and cash equivalents	1,617	8,176
Cash and cash equivalents, beginning of period	13,942	31,951
Cash and cash equivalents, end of period	\$ 15,559	\$ 40,127

See accompanying notes to condensed consolidated financial statements (unaudited).

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GLOBAL POWER EQUIPMENT GROUP INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 BUSINESS AND ORGANIZATION

Global Power Equipment Group Inc. (Global Power, we, us, our, or the Company) is a comprehensive provider of customer-engineered equipment, and modification and maintenance services for customers in the power generation, oil & gas, natural gas, infrastructure and process and industrial markets. Our customers are in and outside the United States (U.S.) in both developed and emerging economies.

We design, engineer and manufacture a comprehensive range of gas and steam turbine auxiliary products, control houses and generator enclosures primarily used to enhance the efficiency and facilitate the operation of gas turbine power plants, sub-base and stand-alone tanks meeting UL listings UL142, UL2085 and ULC-S 601 and for other industrial pipeline compression stations, electric power transmissions and distribution systems. With a strong competitive position in our product lines due to our technology, skilled work force and experience, we benefit from a large installed base of equipment throughout the world which provides us strong brand recognition and value.

We provide on-site specialty modification and maintenance services, outage management, facility upgrade services, specialty repair, brazed aluminum heat exchanger repair and maintenance, and other industrial and safety services to nuclear, fossil-fuel, industrial gas, and liquefied natural gas, petrochemical and other industrial operations in the U.S. We have the capability to combine our services and equipment resources to offer turn-key solutions for aftermarket repair applications for the North American gas turbine power generation, energy infrastructure, and process and cogeneration markets.

Our operations are grouped into three reportable segments: Product Solutions, Nuclear Services and Energy Services. Our Product Solutions segment is comprised of two primary product categories: Electrical Solutions and Auxiliary Products.

- Our Electrical Solutions product category is comprised of Koontz-Wagner Custom Controls Holdings, LLC (Koontz-Wagner), including, following its merger with and into Koontz-Wagner (the Merger), the former operations of IBI, LLC (IBI Power or IBI). This product category focuses on manufacturing and integrating engineered packaged control house solutions and manufacturing custom power packaging and integration solutions, including control house systems, generator enclosures, and industrial tanks, for the energy, oil & gas and electrical industries.
- Our Auxiliary Products category is comprised of Braden Manufacturing, L.L.C. (Braden) which engineers and manufactures filter houses, inlet and exhaust systems, diverter dampers, selective catalytic emission reduction systems (commonly referred to as SCR) used in the power generation market. Consolidated Fabricators Inc. (CFI), which engineers and manufactures complex equipment to support gas turbines and other power generation equipment, and, TOG Manufacturing Company, Inc. (TOG), which manufactures highly-engineered precision components for critical applications across a variety of industries including: Power Generation, U.S. Defense Department and Off-Shore Drilling.
- Our Nuclear Services segment is comprised of the operations of Williams Plant Services, LLC and Williams Specialty Services, LLC (together, the Williams business). Our Nuclear Services segment is focused on the nuclear maintenance and specialty services business.
- Our Energy Services segment is comprised Hetsco, Inc. (Hetsco) and the operations of Construction & Maintenance Professionals, LLC and Williams Industrial Services, LLC. Our Energy Services segment is focused on providing mission critical brazed aluminum heat exchanger repair, maintenance, and safety services to the industrial gas, liquefied natural gas and petrochemical industries and maintenance and specialty services to the industrial and fossil business.

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Effective as of January 1, 2013, our Board of Directors decided to change from a traditional month-end calendar close cycle to a 4-4-5 calendar close methodology during interim periods. Our fiscal year will continue to end on December 31. Under this methodology, each interim period is comprised of 13 weeks, which includes two 4-week months and one 5-week month, and begins on Monday and ends on Sunday. The 4-4-5 close methodology will change the accounting periods to month-end dates that may be different than the traditional last day of the standard month end. We will label our quarterly information using a calendar convention, that is, first quarter will be labeled as ending on March 31, second quarter as ending on June 30, and third quarter as ending on September 30. This change in methodology aligns our financial calendar to our payroll cycle, simplifying our close process. The effects of this practice are modest and only exist within a reporting year. The reporting periods and applicable reports for 2014 are:

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Fiscal Period	Reporting Period	Report to be Filed
First quarter of fiscal 2014	January 1, 2014 to March 30, 2014	Quarterly Report on Form 10-Q
Second quarter of fiscal 2014	March 31, 2014 to June 29, 2014	Quarterly Report on Form 10-Q
Third quarter of fiscal 2014	June 30, 2014 to September 28, 2014	Quarterly Report on Form 10-Q
Fourth quarter of fiscal 2014	September 29, 2014 to December 31, 2014	Annual Report on Form 10-K

Acquisitions: During 2013, we completed the following acquisitions:

Business Acquired	Date of Closing	Net Assets Acquired (in millions)	Primary Form of Consideration
IBI, LLC	July 9, 2013	\$ 18.6	Cash
Hetsco Holdings, Inc.	April 30, 2013	\$ 32.4	Cash

Each of the acquired businesses has been included in our results of operations since the date of closing. Due to the timing of these acquisitions and related operating results, our 2014 and 2013 operating results are not entirely comparable. See Note 3 *Acquisitions*.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: These unaudited condensed consolidated financial statements have been prepared by us in accordance with accounting principles generally accepted in the U.S. The information in the condensed consolidated financial statements, in the opinion of management, includes normal recurring adjustments and reflects all adjustments that are necessary for a fair presentation of such financial statements. We believe that the disclosures presented are adequate to represent materially correct interim financial statements. These condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and related notes for the year ended December 31, 2013 included in our Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission on March 17, 2014.

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

Use of Estimates: The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying footnotes. Actual results could vary materially from those estimates.

Reclassifications: Certain reclassifications have been made to prior years' consolidated balances to conform with the current year presentation.

Discontinued Operations Presentation: In August 2011, we completed the sale of substantially all of the operating assets of our Deltak L.L.C. (Deltak) business unit. Discontinued operations are presented net of tax. The following notes relate to our continuing operations only, unless otherwise noted.

Dollar Amounts: All dollar amounts (except share and per share amounts) presented in the tabulations within the notes to our consolidated financial statements are stated in thousands of dollars, unless otherwise noted.

Long-Lived Assets: Long-lived assets, such as property, plant, and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset to be tested for possible impairment, we first compare undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. We group long-lived assets by legal entity for purposes of recognition and measurement of an impairment loss as this is the lowest level for which cash flows are independent.

Goodwill and Other Intangible Assets: Goodwill is not amortized to expense, but rather, we test goodwill for impairment annually and more frequently if circumstances warrant. Impairment write-downs are charged to results of operations in the period in which the impairment is determined.

During the three months ended September 30, 2013, we changed our annual impairment testing date from December 31 to the first day of the fourth quarter, which we label as October 1.

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In 2012, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update (ASU) 2012-02, Intangibles Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment*, which provides entities with the option to assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. The Company elected to bypass the qualitative assessment option and continue performing the first step of the goodwill impairment test.

In connection with our reportable segments, we also assess our reporting units that are operating segments or one level below the operating segment for impairment testing. We consider the management of operating activities, discrete financial information, similarities of economic characteristics, and the nature of the products, production processes, customers, distribution and regulatory environments. For impairment testing of goodwill and other indefinite-lived assets we test TOG as a separate reporting unit from Product Solutions with the remainder tested as the Auxiliary Products and Electrical Solutions product lines. We test Hetsco as a separate reporting unit from Energy Solutions with the remainder tested as the Industrial Solutions reporting unit, and we test the Nuclear Solutions segment as a reporting unit.

We did not identify any impairment of our recorded goodwill from our most recent annual testing, which was performed as of October 1, 2013. If certain events occur which might indicate goodwill has been impaired, the goodwill is tested for impairment when such events occur. We have not identified any such events and, accordingly, have not tested goodwill for impairment during the six months ended June 30, 2014.

Adoption of New Accounting Pronouncements:

In March 2014, the FASB issued *ASU Update 2014-06 Technical Corrections and Improvements Related to Glossary Terms* (the Update). The amendments in the Update relate to glossary terms and cover a wide range of Topics in the Codification. These amendments are presented in four sections Deletion of Master Glossary Terms (Section A), Addition of Master Glossary Term Links (Section B), Duplicate Master Glossary Terms (Section C), and Other Technical Corrections Related to Glossary Terms (Section D). The amendments in this Update represent changes to clarify the Master Glossary of the Codification, or make improvements to the Master Glossary that are not expected to result in substantive changes to the application of existing guidance or create a significant administrative cost to most entities. Additionally, the amendments will make the Master Glossary easier to understand, as well as reduce the number of terms that appear in the Master Glossary. The amendments resulting from this Update do not have transition guidance and will be effective upon issuance for both public and private companies. The immediate adoption of this standard in March 2014 did not have an impact on our consolidated financial statements, and there was no material impact to our financial statement disclosures.

In May 2014, the FASB issued *ASU 2014-09 Revenue from Contracts with Customers* (ASU 2014-09). ASU 2014-09 takes effect in 2017 and establishes a comprehensive revenue recognition standard for virtually all industries in U.S. GAAP, including those that previously followed industry-specific guidance such as the real estate, construction and software industries. The revenue standard's core principle is built on the contract between a vendor and a customer for the provision of goods and services. It attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. To accomplish this objective, the standard requires five basic steps: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. There are three basic transition methods available: full retrospective, retrospective with certain practical expedients, and a cumulative effect approach. We are currently evaluating the impact on our consolidated financial statements and financial statement disclosures.

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In June 2014, the FASB issued *ASU 2014-12 Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could be Achieved after the Requisite Service Period* (ASU 2014-12). On June 29, 2014, the FASB issued ASU 2014-12 to clarify that a performance target in a share-based compensation award that could be achieved after an employee completes the requisite service period should be treated as a performance condition that affects the vesting of the award. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. The Company has reviewed its accounting of these types of share-based payments and has determined that we are in compliance with the stated guidelines.

NOTE 3 ACQUISITIONS

During 2013, we acquired 100% equity in two businesses, which included one products company and one industrial gas services company, both based in the U.S. These acquisitions allow us to expand our products and service offerings internationally and in the U.S. A summary of the acquisitions is as follows:

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Business Acquired	Date of Closing	Net Assets Acquired (in millions)	Segment	Primary Form of Consideration
IBI, LLC	July 9, 2013	\$ 18.6	Product Solutions	Cash
Hetsco Holdings, Inc.	April 30, 2013	\$ 32.4	Energy Services	Cash

Each of the acquired businesses has been included in our results of operations since the date of closing. Due to the timing of each acquisition and related operating results, our 2014 and 2013 operating results are not entirely comparable.

On July 9, 2013, we acquired IBI Power, a leading manufacturer of custom power packaging and integration solutions, including control house systems, generator enclosures and industrial tanks. The aggregate consideration paid consisted of \$18.6 million in cash, after final working capital adjustments and other adjustments of which \$0.7 million was paid in January, 2014. IBI merged with and into Koontz-Wagner and its financial results are included in our Product Solutions segment since the acquisition date.

On April 30, 2013, we acquired Hetsco, a global provider of mission critical brazed aluminum heat exchanger repair, maintenance and safety services to the industrial gas, liquefied natural gas and petrochemical industries. The aggregate acquisition price consisted of \$32.4 million in cash, after final working capital adjustments. The financial results of the Hetsco acquisition have been included in our Energy Services segment since the acquisition date.

We funded the purchase of the IBI Power and Hetsco acquisitions (together, the 2013 Acquisitions) through a combination of cash on hand and draws on our \$150.0 million credit facility (as amended or supplemented from time to time, the Revolving Credit Facility).

The following table summarizes the consideration paid for the 2013 Acquisitions and presents an allocation of these amounts to the net tangible and identifiable intangible assets based on the estimated fair values as of the respective acquisition dates.

	2013 Acquisition Activity		
	Hetsco Inc.	IBI Power	Total
Current assets	\$ 7,733	\$ 8,304	\$ 16,037
Property, plant and equipment	867	2,822	3,689
Identifiable intangible assets	22,800	9,300	32,100
Goodwill	12,997	4,542	17,539
Total assets acquired	44,397	24,968	69,365
Current liabilities	(2,265)	(6,327)	(8,592)
Long-term deferred tax liability	(8,645)		(8,645)
Other long-term liabilities	(1,089)		(1,089)
Net assets acquired	\$ 32,398	\$ 18,641	\$ 51,039

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The purchase price was preliminarily allocated based on estimated fair values as of each acquisition date. These allocations require the significant use of estimates and are based on the information that was available to management at the time these consolidated financial statements were prepared. The estimated fair values and useful lives acquired have been supported by third party valuation. The IBI fair values remain subject to potential adjustments including, but not limited to, assessment of income tax related assets and liabilities.

Acquired intangible assets in 2013 of \$32.1 million consisted of customer relationships, trade names and noncompete agreements. The amortization period for these intangible assets, except trade names which are indefinite, ranges from five to seven years. We recorded \$1.8 million of amortization expense related to these intangible assets during the six months ended June 30, 2014. The major classes of intangible assets are as follows:

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	Weighted Average	
(\$ in thousands)	Amortization Years	At Date of Acquisition
Customer Relationships	7	\$ 19,200
Trade Names	Indefinite	11,000
Noncompetes	5	1,900
		\$ 32,100

The estimated future aggregate amortization expense of intangible assets from the 2013 Acquisitions as of June 30, 2014 is set forth below:

(\$ in thousands)

For the Fiscal Year Ending December 31 --	
2014 (remainder of year)	\$ 1,033
2015	3,123
2016	3,123
2017	3,123
2018	2,894
Thereafter	3,814
Total	\$ 17,110

The goodwill associated with the IBI Power acquisition is deductible for tax purposes whereas the goodwill associated with the Hetsco acquisition is not deductible for tax purposes.

The following unaudited pro forma information has been provided for illustrative purposes only and is not necessarily indicative of results if the 2013 Acquisitions of IBI Power and Hetsco occurred on January 1, 2012, nor are they necessarily indicative of future results.

	Three months ended June 30, (unaudited)		Six months ended June 30, (unaudited)	
(\$ in thousands, except per share data)	2014	2013	2014	2013
Consolidated revenues	\$ 114,739	\$ 133,417	\$ 219,621	\$ 265,447
Income (loss) from continuing operations before income tax	864	(1,900)	792	(592)

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Earnings (loss) per share from continuing operations:

Basic	\$	0.06	\$	(0.11)	\$	0.05	\$	(0.04)
Diluted	\$	0.06	\$	(0.11)	\$	0.05	\$	(0.04)

The unaudited pro forma consolidated results during the three and six months ended June 30, 2014 and 2013 have been prepared by adjusting our historical results to include the 2013 Acquisitions as if they occurred on January 1, 2012. These unaudited pro forma consolidated historical results were then adjusted for the following:

- a net increase in interest expense during the three and six months ended June 30, 2013;
- an increase in amortization expense due to the incremental intangible assets recorded related to the 2013 Acquisitions;
- a change in depreciation expense relating to the net impact of adjusting acquired property and equipment to the acquisition date fair values;
- adjustments to reflect the impact of transaction costs related to the acquisition of IBI Power and Hetsco of \$0.3 million in the three months ended June 30, 2013 and \$1.0 million in the six months ended June 30, 2013;

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- adjustments to tax effect the pro forma results of the acquisition of IBI Power and Hetsco at Global Power's estimated domestic statutory tax rate of 39% for all periods and
- a net increase in stock compensation expense associated with restricted stock granted as a part of the Hetsco acquisition offset by a reduction in stock compensation expense resulting from the cancellation of Hetsco's previous stock grants.

The unaudited pro forma results do not include any adjustments to eliminate the impact of cost savings or other synergies that may have resulted from the 2013 Acquisitions. As noted above, the unaudited pro forma results of operations do not purport to be indicative of the actual results that would have been achieved by the combined company for the periods presented or that may be achieved by the combined company in the future.

NOTE 4 EARNINGS PER SHARE

Basic earnings per common share are calculated by dividing net income by the weighted average common shares outstanding during the period. Diluted earnings per common share is based on the weighted average common shares outstanding during the period, adjusted to include the incremental effect of common shares that would be issued upon the conversion of warrants and the vesting and release of restricted stock awards.

Basic and diluted earnings per common share are calculated as follows:

(\$ in thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net Income (Loss):				
Income (loss) from continuing operations	\$ 864	\$ 742	\$ 792	\$ (459)
Loss from discontinued operations	(90)	(1)	(97)	(41)
Income (loss) available to common shareholders	\$ 774	\$ 741	\$ 695	\$ (500)
Basic Earnings (Loss) Per Common Share:				
Weighted Average Common Shares Outstanding	17,070,615	16,956,925	17,033,816	16,865,070
Basic earnings (loss) per common share from continuing operations	\$ 0.06	\$ 0.04	\$ 0.05	\$ (0.03)
Basic loss per common share from discontinued operations	(0.01)		(0.01)	
Basic earnings (loss) per common share	\$ 0.05	\$ 0.04	\$ 0.04	\$ (0.03)
Diluted Earnings (Loss) Per Common Share:				
Weighted Average Common Shares Outstanding	17,070,615	16,956,925	17,033,816	16,865,070
Effect of Dilutive Securities:				
Unvested portion of restricted stock awards	4,574	10,431	6,314	
Warrants to purchase common stock				
Weighted Average Common Shares Outstanding Assuming Dilution	17,075,189	16,967,356	17,040,130	16,865,070
Diluted earnings (loss) per common share from continuing operations	\$ 0.06	\$ 0.04	\$ 0.05	\$ (0.03)
Diluted loss per common share from discontinued operations	(0.01)		(0.01)	

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Diluted earnings (loss) per common share	\$	0.05	\$	0.04	\$	0.04	\$	(0.03)
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During the three and six months ended June 30, 2014, there were 145,525 and 116,655 outstanding stock equivalents, respectively that were anti-dilutive and excluded from the computations of diluted earnings per common share. During the three and six months ended June 30, 2013, there were 179,609 and 262,404 outstanding stock equivalents, respectively that were anti-dilutive and excluded from the computations of diluted earnings per common share. Excluded from the calculation of both basic and diluted earnings per common share are the unvested performance-based, both Operating Margin and Relative TSR Performance Objective, restricted stock awards of 317,303 for which achieving performance targets had not been determined by the Board of Directors as of June 30, 2014. There were 273,959 performance-based stock awards outstanding as of June 30, 2013.

Table of Contents**NOTE 5 INCOME TAXES**

The overall effective income tax rate for continuing operations during the three and six months ended June 30, 2014 and 2013 was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Effective income tax rate	29.3%	54.4%	29.7%	-136.6%

The effective income tax rate differs from the statutory federal income tax rate of 35% primarily because of state and foreign income taxes and permanent differences. The amount of the income tax provision for continuing operations during the three months ended June 30, 2014 and 2013 differs from the statutory federal income tax rate of 35% as follows:

	Three Months Ended June 30,		2013	
	2014	2014	2013	2013
	Amount	Percent	Amount	Percent
Tax expense computed at the maximum U.S. statutory rate	\$ 428	35.0%	\$ 569	35.0%
Difference resulting from state income taxes, net of federal income tax benefits	(73)	-5.9%	36	2.2%
Foreign tax rate differences	(56)	-4.6%	(30)	-1.7%
Non-deductible business acquisition costs			309	19.0%
Non-deductible meals and entertainment	24	1.9%	15	0.9%
Non-deductible expenses, other	8	0.7%	28	1.7%
Net change in accrual for uncertain tax positions	87	7.1%	(27)	-1.7%
Tax credit carryforwards	(60)	-4.9%		
Other, net			(16)	-1.0%
Total	\$ 358	29.3%	\$ 884	54.4%

The amount of the income tax provision for continuing operations during the six months ended June 30, 2014 and 2013 differs from the statutory federal income tax rate of 35% as follows:

	Six Months Ended June 30,		2013	
	2014	2014	2013	2013
	Amount	Percent	Amount	Percent
Tax expense computed at the maximum U.S. statutory rate	\$ 394	35.0%	\$ (68)	35.0%
Difference resulting from state income taxes, net of federal income tax benefits	(75)	-6.6%	(24)	12.2%
Foreign tax rate differences	(53)	-4.7%	8	-4.0%
Non-deductible business acquisition costs			309	-159.3%
Non-deductible meals and entertainment	22	2.0%	(3)	1.4%
Non-deductible expenses, other	8	0.7%	(6)	3.1%
Net change in accrual for uncertain tax positions	98	8.6%	42	-21.6%
Tax credit carryforwards	(60)	-5.3%		
Other, net			7	-3.4%
Total	\$ 334	29.7%	\$ 265	-136.6%

As of June 30, 2014 and June 30, 2013, we would need to generate approximately \$85.8 million and \$104.1 million, respectively, of future financial taxable income to realize our deferred tax assets.

As of both June 30, 2014 and December 31, 2013, we provided for a liability of \$4.7 million and \$4.7 million, respectively, for unrecognized tax benefits related to various federal, foreign and state income tax matters, which was included in long-term deferred tax assets and other long-term liabilities. If recognized, the entire amount of the liability would affect the effective tax rate. As of June 30, 2014, we had accrued approximately \$2.6 million in other long-term liabilities for potential payment of interest and penalties related to uncertain income tax positions.

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NOTE 6 DEBT

Revolving Credit Facility. As of June 30, 2014, we had \$31.0 million outstanding under our Revolving Credit Facility and we were in compliance with all financial and other covenants under the Revolving Credit Facility. During the six months ended June 30, 2014, we borrowed \$30.0 million on our Revolving Credit and we repaid \$22.0 million. The weighted average interest rates on borrowings were 1.49%.

The Revolving Credit Facility allows for borrowings up to \$150.0 million, subject to outstanding standby letters of credit and other restrictions. The facility has a \$75.0 million revolving letter of credit facility and provides access to multi-currency funds. The Revolving Credit Facility has a maturity date of February 21, 2017.

We are subject to interest rate changes on our LIBOR-based variable interest rate under our Revolving Credit Facility. As of June 30, 2014, a maximum of \$107.2 million was available under our Revolving Credit Facility. Our ability to borrow this maximum amount is governed by a number of provisions of our Revolving Credit Facility, some of which have the effect of limiting the amount that we can borrow based upon such factors as the Company's compliance with certain leverage ratios and other financial covenants or the use of the proceeds of the relevant drawdown, in each case as of a particular date or time. In practice, these provisions of our Revolving Credit Facility mean that we may not be permitted to borrow the full \$150.0 million of our Revolving Credit Facility and the amount we are allowed to borrow under our Revolving Credit Facility will likely be materially less than the difference between our actual borrowings and \$150.0 million for the foreseeable future. As of June 30, 2014, we pay an unused line fee of 0.20% pursuant to the terms of our Revolving Credit Facility.

Letters of Credit and Bonds. In line with industry practice, we are often required to provide letters of credit, surety and performance bonds to customers. These letters of credit and bonds provide credit support and security for the customer if we fail to perform our obligations under the applicable contract with such customer.

The interest rate on letters of credit issued under the Revolving Credit Facility letter of credit was 1.25% per annum as of June 30, 2014. Should we need to borrow additional amounts against the Revolving Credit Facility, we would incur an interest rate of LIBOR or a specified base rate, plus in each case, an additional margin based on our consolidated leverage ratio. The Revolving Credit Facility includes additional margin ranges on base rate loans between 0.25% and 1.25% and between 1.25% and 2.25% on LIBOR-based loans.

As of June 30, 2014, our outstanding stand-by letters of credit totaled approximately \$11.8 million for our U.S. entities and \$11.1 million for non-U.S. entities. Currently there are no amounts drawn upon these letters of credit. In addition, as of June 30, 2014, we had outstanding surety bonds on projects of approximately \$24.7 million.

Deferred Financing Costs. As of June 30, 2014, we had unamortized deferred financing fees on our Revolving Credit Facility of \$0.6 million and interest expense associated with the amortization of \$0.1 million for the six months ending June 30, 2014 and \$0.1 million for the six months ended June 30, 2013.

NOTE 7 COMMITMENTS AND CONTINGENCIES

Litigation and Claims: We are from time to time party to various lawsuits, claims and other proceedings that arise in the ordinary course of our business. With respect to all such lawsuits, claims and proceedings, we record a reserve when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. We do not believe that the resolution of any currently pending lawsuits, claims and proceedings, either individually or in the aggregate, will have a material adverse effect on our financial position, results of operations or liquidity. However, the outcomes of any currently pending lawsuits, claims and proceedings cannot be predicted, and therefore, there can be no assurance that this will be the case.

Deltak Claims: By purchase agreement dated August 5, 2011, referred to as the 2011 Purchase Agreement, we sold substantially all of the assets of our Deltak business unit to Hamon Acquisitions, Inc. (n/k/a Hamon Deltak, Inc.) (an indirect wholly owned subsidiary of Hamon & Compagnie International SA) (the Buyer). Under the 2011 Purchase Agreement, we retained certain liabilities relating to the assets sold to the Buyer. The 2011 Purchase Agreement established escrow accounts totaling \$7.0 million set aside for contingencies, of which \$6.2 million was initially subject to a five year escrow term and \$0.8 million was subject to scheduled releases. We previously recorded \$3.1 million in short-term restricted cash and \$3.8 million, which was subject to a five year escrow term, was previously recorded in other long-term assets. During 2013, we received two claims for indemnification from the Buyer in connection with the activities of our Deltak business unit. Under the terms of the settlement agreement, \$0.1 million of the remaining escrow was classified as short-term restricted cash as of December 31, 2013. On February 4, 2014, less than \$0.1 million of the purchase price held in escrow related to the sale of the assets of Deltak was released to Global Power.

Asbestos Cases: A former operating unit of Global Power has been named as a defendant in a limited number of asbestos personal injury lawsuits. Neither we nor our predecessors ever mined, manufactured, produced or distributed asbestos fiber, the material that allegedly caused the injury underlying these actions. The bankruptcy court's discharge order issued upon emergence from bankruptcy extinguished the claims made by all plaintiffs who had filed asbestos claims against us before that time. We also believe the bankruptcy court's discharge order should serve as a bar against any later claim filed against us, including any of our subsidiaries, based on alleged injury from asbestos at any time before emergence from bankruptcy. In any event in all of the asbestos cases finalized post-bankruptcy, we have been successful in having such cases dismissed without liability. Moreover, during 2012, we secured insurance coverage that will help to reimburse the defense costs and potential indemnity obligations of our former operating unit relating to these claims. We intend to vigorously defend all currently active actions, just as we defended the other actions that have since been dismissed, all without liability, and we do not anticipate that any of these actions will have a material adverse effect on our financial position, results of operations or liquidity. However, the outcomes of any legal action cannot be predicted and, therefore, there can be no assurance that this will be the case.

Contingencies: On June 28, 2013, we announced a change in senior leadership in our Nuclear and Energy Services segments. We subsequently filed a Form 8-K disclosing anticipated separation costs of approximately \$0.5 million pursuant to a Separation Agreement relating to this change in leadership. On July 17, 2013, we rescinded the Separation Agreement and therefore have not accrued any of the previously disclosed separation costs in the consolidated balance sheet and statement of operations as of June 30, 2014 and December 31, 2013.

Table of Contents**NOTE 8 STOCKHOLDERS' EQUITY**

Dividends: In May 2012, our Board of Directors approved a quarterly cash dividend policy. The terms of our Revolving Credit Facility limit the amount of cash dividends we can pay and such terms are defined in the Revolving Credit Facility. The following table sets forth certain information relating to the Company's cash dividends declared to common stockholders of the Company during the six months ended June 30, 2014:

	Dividend Declaration Date	Dividend per Share	Date of Record for Dividend Payment	Dividend Cash Payment Date
Fiscal year 2014:	May 1, 2014	\$ 0.09	June 13, 2014	June 27, 2014
	March 7, 2014	\$ 0.09	March 18, 2014	March 28, 2014

Dividend equivalents equal to the dividends payable on the same number of shares of our common stock were accrued on unvested restricted stock awards. No dividend equivalents are paid on any unvested restricted stock awards that are forfeited prior to the vesting date. Dividend equivalents are paid out in cash at the vesting date on restricted stock awards. A non-cash accrual of \$0.2 million for unpaid dividend equivalents for unvested restricted stock awards was included in the accompanying consolidated balance sheet as of June 30, 2014. In addition, accumulated dividend equivalents of less than \$0.1 million were paid upon the vesting and release of 86,934 restricted stock awards during the six months ended June 30, 2014.

Stock Repurchase Program: In May 2012, our Board of Directors authorized a program to repurchase up to two million shares of our common stock until the earlier of June 30, 2014 or a determination by the Board of Directors to discontinue the repurchase program. We repurchased 421,731 shares of common stock during the year ended December 31, 2012 for \$6.8 million under the repurchase program. During the three and six months ended June 30, 2014 and 2013, we did not repurchase any shares of common stock. As of the date of this report, the Board of Directors has not extended this program.

Foreign Currency Translation: Foreign assets and liabilities are translated using the exchange rate in effect at the balance sheet date, and results of operations are translated using an average rate during the period. Translation adjustments are accumulated and reported as a component of accumulated other comprehensive income. We had foreign currency translation adjustments resulting in less than \$0.4 million and \$0.1 million of unrealized loss for the six months ended June 30, 2014 and 2013, respectively. Our foreign earnings are considered permanently reinvested and, therefore, we do not have any corresponding deferred taxes for our unremitted earnings.

Stock-Based Compensation: During the six months ended June 30, 2014, we vested 66,167 shares of stock-based compensation to employees and recorded a \$0.5 million non-cash accrual related to the payment of statutory taxes due on the awards that was paid as of June 30, 2014.

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We granted 110,903 shares of restricted stock awards subject only to service conditions to employees and directors during the six months ended June 30, 2014 at a weighted-average fair value price per share of \$19.66. These service-based restricted stock awards will vest ratably over one, three or four years.

We also granted 90,623 restricted stock awards subject to performance conditions during the six months ended June 30, 2014 at a weighted-average fair value price per share of \$19.89. Of these, 10,000 performance-based restricted stock awards will vest at the end of a one-year performance period subject to meeting or exceeding a \$30.0 million EBITDA target. The remaining 80,623 performance-based restricted stock awards will cliff vest at the end of a three-year performance period subject to multiple target levels of operating margin. If the minimum target set in the agreement is not met, none of the shares would vest and no compensation expense would be recognized and any previously recognized compensation expense would be reversed. The actual number of shares that will ultimately vest is dependent on achieving fixed thresholds between the minimum and maximum performance condition and ranges between 0% and 200% the number of units originally granted. We recognize stock-based compensation expense related to performance awards based upon our determination of the potential likelihood of achievement of the performance target at each reporting date, net of estimated forfeitures.

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We also granted 80,624 market-based restricted stock awards during the six months ended June 30, 2014 which, in addition to being subject to continuing employment requirements are subject to a market condition in the form of a total shareholder return (TSR) modifier. The actual number of shares that cliff vest at the end of the three-year vesting period is determined based on our TSR relative to the Russell 2000 over the related three-year performance period. Depending on the level of achievement, the actual number of shares that vest may range from 0% to 200% of the awards originally granted.

We estimate the fair value of our market-based restricted stock awards on the date of grant using a Monte Carlo simulation valuation model. This pricing model uses multiple simulations to evaluate our probability of achieving various stock price levels to determine our expected TSR performance ranking. Expense is only recorded for the number of market-based restricted stock awards granted, net of estimated forfeitures. The assumptions used to estimate the fair value of market-based restricted stock awards granted during the six months ended June 30, 2014 were as follows:

	Six Months Ended June 30, 2014
Expected term (years)	2.75
Expected volatility	34.7%
Expected dividend yield	0.0%
Risk-free interest rate	0.79%
Weighted-average grant date fair value	\$ 25.71

NOTE 9 OTHER SUPPLEMENTAL INFORMATION

Other current assets consist of the following:

	June 30, 2014	December 31, 2013
(\$ in thousands)		
Prepaid expenses	\$ 3,618	\$ 2,735
VAT receivable	3,487	3,216
Prepaid taxes	677	872
Other Receivables		55
Other	693	1,337
Total	\$ 8,475	\$ 8,215

Other long-term assets consist of the following:

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(\$ in thousands)		June 30, 2014		December 31, 2013
Debt issuance costs, net	\$	629	\$	751
Other		351		507
Total	\$	980	\$	1,258

Other current liabilities consist of the following:

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(\$ in thousands)	June 30, 2014	December 31, 2013
Accrued workers compensation	\$ 1,451	\$ 1,659
Accrued taxes	1,092	1,524
Accrued contract obligation	801	1,030
Accrued job reserves	622	1,387
Accrued legal and professional fees	537	1,036
Other	2,349	1,847
Total	\$ 6,852	\$ 8,483

Other long-term liabilities consist of the following:

(\$ in thousands)	June 30, 2014	December 31, 2013
Uncertain tax liabilities	\$ 5,151	\$ 5,054
Other	799	790
Total	\$ 5,950	\$ 5,844

Supplemental cash flow disclosures are as follows:

	Six Months Ended June 30, 2014	2013
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for the period for:		
Interest	\$ 313	\$ 233
Income taxes	\$ 217	\$ 2,470
Net effect of changes in operating activities		
Decrease in accounts receivable	\$ 19,722	\$ 37,711
Increase in inventories	(1,980)	(581)
(Increase) decrease in costs and estimated earnings in excess of billings	(19,691)	3,576
Increase in other current assets	(261)	(948)
Decrease (increase) in other assets	157	(190)
Decrease in accounts payable	(2,431)	(8,423)
Decrease in accrued and other liabilities	(247)	(819)
(Decrease) increase in accrued warranties	(1,578)	50
Decrease in billings in excess of costs and estimated earnings	(1,434)	(6,506)
Changes in operating assets and liabilities	\$ (7,743)	\$ 23,870

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

	As of	As of
	June 30,	December 31,
<u>Customer</u>	2014	2013
Siemens Energy, Inc.	15%	21%
General Electric Company	14%	25%

We have certain customers that represent more than 10 percent of consolidated revenue. The revenue for these customers as a percentage of the consolidated revenue is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
<u>Customer</u>	2014	2013	2014	2013
Southern Nuclear Operating Company	10%	13%	19%	21%
Siemens Energy, Inc.	13%	*	*	12%
Tennessee Valley Authority	17%	14%	17%	14%
General Electric Company	12%	18%	13%	14%
Energy Northwest	*	18%	*	10%
All others	48%	37%	51%	29%
Total	100%	100%	100%	100%

* Less than 10% of revenue included in All others

Customers for the Product Solutions segment include original equipment manufacturers, engineering, procurement and construction contractors, owners and operators of oil and gas pipelines, operators of power generation facilities and firms engaged across several process-related industries. Product Solutions segment customers include Siemens Energy, Inc. and General Electric Company. Customers for the Nuclear Services segment and Energy Services segment are varied, but include some major utility companies within the U.S. Our major customers vary over time due to the relative size and duration of our projects and customer outages. Nuclear Services segment and Energy Services segment customers include Southern Nuclear Operating Company, Energy Northwest and Tennessee Valley Authority.

NOTE 11 SEGMENT INFORMATION

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We follow ASC 280 *Segment Reporting*, to present segment information. We considered the way our management team, most notably our chief operating decision maker, makes operating decisions and assesses performance and considered which components of our enterprise have discrete financial information available. As management makes decisions using a products and services group focus, our analysis resulted in three reportable segments: the Product Solutions segment, the Energy Services segment, and the Nuclear Services segment. The Product Solutions segment consists of two product categories: Auxiliary Products and Electrical Solutions. The financial results of the 2013 Acquisitions have been included in their respective segment as of their respective acquisition dates.

For all periods presented, we have excluded the results of operations of our discontinued operations. As a result of our 2011 disposal of the Deltak business unit, certain corporate and other operating costs were reallocated for all periods presented to our continuing operations. In addition, management also reevaluated our primary measure of segment performance and determined that EBITDA should be used as the best measure of segment performance.

The accounting policies for our segments are the same as those described in Note 2 *Summary of Significant Accounting Policies*.

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The following tables present information about segment income:

(\$ in thousands)	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Revenues:				
Product Solutions	\$ 59,171	\$ 35,930	\$ 98,102	\$ 74,824
Nuclear Services	41,430	66,435	98,492	131,448
Energy Services	14,138	13,600	23,027	26,403
Consolidated	\$ 114,739	\$ 115,965	\$ 219,621	\$ 232,675

(\$ in thousands)	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Depreciation and Amortization: (1)				
Product Solutions	\$ 1,684	\$ 1,284	\$ 3,340	\$ 2,508
Nuclear Services	175	192	389	389
Energy Services	657	374	1,528	384
Consolidated	\$ 2,516	\$ 1,850	\$ 5,257	\$ 3,281

(\$ in thousands)	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Operating Income (Loss):				
Product Solutions	\$ 1,799	\$ 1,125	\$ 2,782	\$ (2,269)
Nuclear Services	343	2,786	1,738	4,061
Energy Services	(674)	(1,941)	(2,465)	(1,706)
Consolidated	\$ 1,468	\$ 1,970	\$ 2,055	\$ 86

(1) Depreciation and Amortization includes \$0.4 million and \$0.3 million in cost of sales for the three months ended June 30, 2014 and 2013, respectively. Depreciation and Amortization for the six months ended June 30, 2014 and 2013 included in cost of sales was \$0.8 million and \$0.6 million, respectively.

The following table presents information which reconciles segment assets to consolidated total assets:

As of
June 30, December 31,

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(\$ in thousands)

2014

2013

Assets:

Product Solutions	\$	223,062	\$	232,070
Nuclear Services		74,973		63,897
Energy Services		50,384		49,782
Non allocated corporate headquarters assets		19,763		21,649
Total consolidated assets	\$	368,182	\$	367,398

Corporate assets consist primarily of cash and deferred tax assets.

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The following presents the Product Solutions segment revenue by geographical region based on our operating locations. Products are often shipped to other geographical areas but revenue is listed in the region in which the revenue is recognized:

Three Months Ended June 30,				
	2014		2013	
	Revenue	Product	Revenue	Product
(\$ in thousands)	Recognized In	Shipped To	Recognized In	Shipped To
United States	\$ 37,820	\$ 29,624	\$ 26,663	\$ 14,560
Canada		284		79
Europe	19,676	1,280	6,735	2,280
Mexico	1,073	592	2,077	37
Asia	602	3,062	455	1,315
Middle East		14,021		14,615
South America		1,319		1,325
Other		8,989		1,719
Total	\$ 59,171	\$ 59,171	\$ 35,930	\$ 35,930

Six Months Ended June 30,				
	2014		2013	
	Revenue	Product	Revenue	Product
(\$ in thousands)	Recognized In	Shipped To	Recognized In	Shipped To
United States	\$ 66,490	\$ 53,850	\$ 54,830	\$ 35,049
Canada		907		230
Europe	25,674	3,924	14,554	3,238
Mexico	5,190	592	4,840	316
Asia	748	7,255	600	5,444
Middle East		14,387		23,680
South America		4,039		4,993
Other		13,148		1,874
Total	\$ 98,102	\$ 98,102	\$ 74,824	\$ 74,824

Our Nuclear Services segment revenue, all of which is derived in the U.S., was \$41.4 million and \$66.4 million during the three months ended June 30, 2014 and 2013, respectively and was \$98.5 million and \$131.4 million during the six months ended June 30, 2014 and 2013, respectively. Our Energy Services segment revenue, virtually all of which is derived in the U.S., was \$14.1 million and \$13.6 million during the three months ended June 30, 2014 and 2013, respectively and was \$23.0 million and \$26.4 million during the six months ended June 30, 2014 and 2013, respectively.

NOTE 12 SUBSEQUENT EVENT

On July 31, 2014, our Board of Directors declared a cash dividend of \$0.09 per share of common stock to the holders of record of our common stock as of the close of business on September 12, 2014 to be paid on or about September 26, 2014.

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Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (this "Form 10-Q") contains or incorporates by reference various forward-looking statements that express a belief, expectation or intention or are otherwise not statements of historical fact. Forward-looking statements generally use forward-looking words, such as may, will, could, project, believe, anticipate, expect, estimate, continue, potential, plan, forecast and other words that indicate uncertainty of future events or outcomes. Forward-looking statements include information concerning possible or assumed future results of our operations, including the following:

- business strategies;
- operating and growth initiatives and opportunities;
- competitive position;
- market outlook and trends in our industry;
- contract backlog and related amounts to be recognized as revenue;
- expected financial condition;
- future cash flows;
- financing plans;
- expected results of operations;

- future capital and other expenditures;
- availability of raw materials and inventories;
- plans and objectives of management;
- future exposure to currency devaluations or exchange rate fluctuations;
- future income tax payments and utilization of net operating losses and foreign tax credit carryforwards;
- future compliance with orders and agreements with regulatory agencies;
- expected outcomes of legal or regulatory proceedings and their expected effects on our results of operations; and
- any other statements regarding future growth, future cash needs, future operations, business plans and future financial results.

These forward-looking statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, including unpredictable or unanticipated factors that we have not discussed in this Form 10-Q. Many of those factors are outside of our control and could cause actual results to differ materially from the results expressed or implied by the forward-looking statements.

In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. You should consider the areas of risk and uncertainty described above, as well as those discussed in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission (SEC) on March 17, 2014, under the heading *Risk Factors*. Except as may be required by applicable law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise and we caution you not to rely upon them unduly.

The following discussion provides an analysis of the results of operations for each of our business segments, an overview of our liquidity and capital resources and other items related to our business. This discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements and notes thereto included in this Form 10-Q and our audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K, filed with the SEC on March 17, 2014.

Overview

Global Power Equipment Group Inc. (Global Power, we, us, our, or the Company) is a comprehensive provider of customer-engineered equipment, and modification and maintenance services for customers in the power generation, oil & gas, natural gas, infrastructure and process and industrial markets. Our customers are in and outside the United States (U.S.) in both developed and emerging economies.

We design, engineer and manufacture a comprehensive range of gas and steam turbine auxiliary products, control houses and generator enclosures primarily used to enhance the efficiency and facilitate the operation of gas turbine power plants, sub-base and stand-alone tanks meeting UL listings UL142, UL2085 and ULC-S 601 and for other industrial, energy and power-related applications. With a strong competitive position in our product lines due to our technology, skilled work force and experience, we benefit from a large installed base of equipment throughout the world.

We provide on-site specialty modification and maintenance services, outage management, facility upgrade services, specialty repair, brazed aluminum heat exchanger repair and maintenance, and other industrial and safety services to nuclear, fossil-fuel, industrial gas, and liquefied natural gas, petrochemical and other industrial operations in the U.S. We have the capability to combine our services and equipment resources to offer turn-key solutions for aftermarket repair applications for the North American gas turbine power generation, process and cogeneration markets.

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Our operations are grouped into three reportable segments: Product Solutions, Nuclear Services and Energy Services. Our Product Solutions segment is comprised of two primary product categories: Electrical Solutions and Auxiliary Products.

- Our Electrical Solutions product category is comprised of Koontz-Wagner Custom Controls Holdings, LLC (Koontz-Wagner), including, following its merger with and into Koontz-Wagner (the Merger), the former operations of IBI, LLC (IBI Power or IBI). This product category focuses on manufacturing and integrating engineered packaged control house solutions and manufacturing custom power packaging and integration solutions, including control house systems, generator enclosures, and industrial tanks, for the energy, oil & gas and electrical industries.
- Our Auxiliary Products category is comprised of Braden Manufacturing, L.L.C. (Braden) which engineers and manufactures filter houses, inlet and exhaust systems, diverter dampers, selective catalytic emission reduction systems (commonly referred to as SCR) used in the power generation market. Consolidated Fabricators Inc. (CFI) engineers and manufactures complex equipment to support gas turbines and other power generation equipment. TOG Manufacturing (TOG) manufactures highly engineered precision components for critical applications across a variety of industries including: power generation, U.S. Defense Department and off-shore drilling.
- Our Nuclear Services segment is comprised of the operations of Williams Plant Services, LLC and Williams Specialty Services, LLC (together, the Williams business). Our Nuclear Services segment is focused on the nuclear maintenance and specialty services business.
- Our Energy Services segment is comprised Hetsco, Inc. (Hetsco) and the operations of Construction & Maintenance Professionals, LLC and Williams Industrial Services, LLC (part of Williams business). Our Energy Services segment is focused on providing mission critical brazed aluminum heat exchanger repair, maintenance, and safety services to the industrial gas, liquefied natural gas and petrochemical industries and maintenance and specialty services to the industrial and fossil business.

For information about our segments, see Note 11 *Segment Information* to our unaudited condensed consolidated financial statements included in this Form 10-Q.

Our operations are based on discrete projects subject to contract awards of varying scopes and values. Business volume fluctuates due to many factors, including the mix of work and project schedules, which are dependent on the level and timing of customer releases of new projects. Significant fluctuations may occur from period to period in revenue, gross profit and operating results and such fluctuations are discussed below.

Acquisitions

On July 9, 2013, we acquired IBI Power, a leading manufacturer of custom power packaging and integration solutions, including control house systems, generator enclosures and industrial tanks. The addition of IBI Power's packaged control house solutions broadens our customer base to switchgear original equipment manufacturers and adds backup power and distributed power applications to our products portfolio. The aggregate consideration, following a working capital adjustment and other adjustments, consisted of \$18.6 million, of which \$17.9 million was paid in the

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third quarter of 2013, and \$0.7 million payable as of the fourth quarter of 2013 and paid in January 2014. We funded the purchase of IBI Power through a combination of cash on hand and a draw on our \$150.0 million credit facility (as amended or supplemented from time to time, the Revolving Credit Facility). Following our fiscal year end, on January 1, 2014, IBI Power merged with and into Koontz-Wagner, with Koontz-Wagner surviving the merger. IBI Power's financial results have been included in the results of our Product Solutions segment as of the acquisition date.

On April 30, 2013, we acquired Hetsco, a global provider of mission critical brazed aluminum heat exchanger repair, maintenance, and safety services to the industrial gas, liquefied natural gas (LNG) and petrochemical industries. The addition of Hetsco increases our exposure to the macro natural gas growth trend with a focus on adjacent technologies in air and gas separation, heat exchangers and LNG. Hetsco's repair and maintenance work further expands our scope of high-margin aftermarket services. The aggregate consideration paid, following a working capital adjustment, consisted of \$32.4 million. We funded the purchase of the Hetsco acquisition through a combination of cash on hand and a draw on our Revolving Credit Facility. The financial results of Hetsco have been included in the results of our Energy Services segment as of the acquisition date.

The acquisition of IBI Power and Hetsco are collectively referred to as the 2013 Acquisitions.

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Business Strategy

Product Solutions Segment:

Our Product Solutions segment designs, engineers and manufactures two primary product categories, Auxiliary Products and Electrical Solutions, for the worldwide power generation and cogeneration, oil & gas process and industrial markets. Our principal customers are utility-scale gas turbine, distributed power, switchgear and large drives OEMs, Owner/Operators (including Oil & Gas Midstream), Electric Utilities and EPC firms as well as providers and distributors of backup and distributed power. We also provide precision parts, replacement parts, filter elements and aftermarket retrofit equipment to both OEMs and end users. Our products are critical to the efficient operation of gas turbine power plants and steam turbine systems and are custom engineered to meet customer-specific requirements.

Gas Turbine Auxiliary Products. Our technical and engineering capabilities enable us to design and manufacture what we believe are among the broadest ranges of gas turbine power plant and other power-related equipment to meet each customer's specific performance requirements. We provide the following comprehensive range of products critical to the operation of gas turbine power plants:

- *Inlet Systems.* Inlet systems are comprised of filter houses and air intake ducts that condition the air that enters the turbine and provide silencing for the noise emanating from the gas turbine.
- *Exhaust Systems.* Exhaust systems and diverter dampers direct the hot exhaust from the turbine to the atmosphere in the case of simple cycle operation or into a heat recovery steam generator when the power plant is operated as a combined cycle facility and provides silencing as well.
- *Selective Catalytic Emission Reduction Systems.* SCR systems are used in gas turbine facilities and are focused on removing oxides of nitrogen and carbon monoxide from exhaust gas.
- *(PCH) Control Houses.* (PCH) control houses are comprised of fabricated metal buildings to house electrical power and control equipment, namely switchgear, motor control centers, variable frequency drives, utilities for the gas turbine Power Generation, Oil & Gas, Utility and Renewables market segments.
- *Generator Enclosures and Sub-Base Tanks.* Generator enclosures are sound attenuated, acoustical buildings fabricated from metal and sound dampening materials to meet site sound requirements. The enclosures are used to house both prime and standby diesel/natural gas generators that range from 30KW – 4000KW in a wide range of environments from desert to arctic. Offered are sub-base and stand-alone tanks meeting UL listings UL142, UL2085 and ULC-S 601.

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The contracts under which we sell our products are generally fixed-price contracts, most of which are lump sum bid contracts. Under lump sum bid contracts, we bid against other contractors based on customer or project specifications. A significant portion of our Product Solutions segment project destinations are outside of the U.S.

Supply Chain Structure. We fabricate our equipment through a combination of in-house manufacturing at our own facilities in the U.S. and Mexico and outsourced manufacturing in other countries around the world. Our network of high-quality international manufacturing partners, located in more than 20 countries, allows us to manufacture equipment worldwide and maintain a competitive cost structure. Outsourcing the majority of our gas turbine auxiliary product manufacturing enables us to meet increasing demand without being restricted by internal manufacturing capacity limitations and also reduces our capital expenditure requirements. Our employees work closely with our international manufacturing partners to supervise the fabrication of our products at their facilities to ensure high levels of quality and workmanship. Our use of manufacturing facilities around the world, whether our own or those of our manufacturing partners, allows us to respond to the particular sourcing initiatives of our customers, whether those initiatives call for global sourcing or for localized supply content. While we generally have proven long-term relationships with our subcontractors, we also routinely search for additional fabricators to enhance our ability to manufacture equipment at the lowest cost while maintaining high-quality standards and on-time delivery.

We maintain exclusivity agreements with respect to power generation auxiliary products with key third-party fabricators for OEMs. We conduct regular quality audits of our fabricators and maintain staff onsite. Fabricators can take one to several years to qualify and meet international standards and it can take one to two years to bring a new fabricator online for OEM products. We work with our international manufacturing partners to maintain their OEM certification and approved vendor status.

Our Product Solutions segment customers are utility-scale gas turbine, distributed power, switchgear and large drives OEMs, Owner/Operators (including Oil & Gas Midstream), Electric Utilities and EPC firms as well as providers and distributors of backup and distributed power. The end users of most of our products sold to OEMs and EPC firms are owners and operators of gas turbine power plants, process plants, oil & gas pipelines, refineries, data centers and other industrial and commercial facilities such as wastewater treatment plants and hospitals. We focus our sales and marketing efforts on OEMs and EPC firms engaged by end users of our products, including the developers and operators of gas turbine power plants, oil & gas pipelines, industrial and commercial facilities and data centers. We also market our products globally through a sales network consisting of employees and independent representatives in various countries including China, the Netherlands, Egypt, Italy and the U.S. Our sales initiatives focus on highly engineered solutions, excellent performance on existing projects and on-time deliveries that we believe differentiate us from our competitors.

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We believe the design and engineering expertise of our Product Solutions segment along with our global manufacturing strategy makes us an industry leader in the products we manufacture. We provide original design, retrofit and upgrade engineering, installation technical services and after-sales maintenance and repair of our products.

Our products are custom-designed and engineered to meet the specifications of our customers. We employ a number of degreed engineers specializing in structural, electrical/controls, mechanical, and other technical areas. Our engineers and designers use engineering and drafting programs such as the AutoCAD® and Solidworks® programs and other analytics applications.

Nuclear Services and Energy Services Segments

Both our Nuclear Services and Energy Services segments provide a comprehensive range of modification, maintenance and construction support services. The Nuclear Services segment supports nuclear power plants and the Energy Services segment supports a wide range of utilities and industrial customers, including fossil-fuel, industrial gas, liquefied natural gas, petrochemical and other industrial operations. We provide these services in a general contracting capacity where we manage multiple subcontractors in some cases and in other cases we are retained as a subcontractor on the project. Both our Nuclear and Energy Services segments primarily service U.S.-based plants and perform tasks designed to improve or sustain operating efficiencies; a portion of the Energy Services segment generates revenues from off-shore repairs of installed aluminum heat exchangers, primarily in the Middle East, Africa and Asia.

Services provided by the Nuclear and Energy Services segments are designed to improve or sustain operating efficiencies and extend the useful lives of process equipment in these facilities. These services are provided both on a constant presence basis and for discrete projects. Our offerings include the following specific services:

Nuclear Services Segment:

- *Nuclear Power Plant Modification, Maintenance and Construction.* We perform a full range of critical services for the nuclear facility market, including capital project, facility upgrades, routine modification and maintenance work.
- *Decontamination, Decommissioning and Demolition.* We are at the forefront of nuclear decontamination, decommissioning and demolition projects in the U. S., with experience performing major projects for both the commercial nuclear industry and the U. S. Department of Energy. Our Williams business utilizes proven methods to provide the safest, most cost-effective means to preserve and recover components and physical resources while minimizing personnel exposures.

Energy Services Segment:

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- *Fossil-fuel, Industrial Gas, Liquefied Natural Gas, and Petrochemical Operations Modification and Construction.* We provide routine maintenance, repair and capital project services designed to extend plant life cycles.
- *Specialty Welding Services.* We provide the following specialty services to manufacturers and users of aluminum heat exchangers:
 - o *Brazed Aluminum Heat Exchanger Repair, Maintenance, and Safety Services.* We routinely perform on-site repairs and associated mechanical and safety support services to users of aluminum heat exchangers used in air separation and gas or liquid processing applications.
 - o *Fabrication.* We have the demonstrated capability to fabricate and assemble complete process systems into integrated solutions for the air and gas processing industries.

Common Services by Both our Nuclear Services and Energy Services Segments:

- *Industrial Painting and Coatings.* We perform cleaning, surface preparation, coatings application, quality control and inspection testing, utilizing the Williams Insight® proprietary analysis systems to help our customers schedule and prioritize major coating projects.
- *Insulation.* We provide a variety of industrial insulation services, primarily in process-piping installations. These services are commonly packaged with industrial coating projects.
- *Asbestos and Lead Abatement.* We provide abatement services for the removal of asbestos and removal of heavy metal based coatings such as lead paint. We do not take ownership of hazardous materials and do not assume responsibility for the liability associated with the materials other than for our actions meeting applicable statutory and regulatory requirements.
- *Roofing Systems.* We routinely replace, repair and upgrade industrial facility roofing systems, primarily within the highly corrosive environments of pulp and paper manufacturing facilities. Our suspended modular floor assembly allows our employees to safely work above operational equipment on roofing projects while completely containing all refuse materials.
- *Valve Services.* We provide integrated valve and actuator services that include inspection, preventative maintenance and repair of various types of valves and actuators. We offer a full spectrum of valve services for diagnostic testing and analysis, project management, training and engineering.

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We provide these services throughout the U.S. with experienced, temporary craft labor directed and supervised by an experienced team of project managers across our network. Our flexible staffing and equipment model enables us to meet seasonal and outage demand without being restricted by internal capacity limitations, thus minimizing our fixed costs.

As of June 30, 2014, service contracts of our Nuclear Services segment consisted of approximately 96% on a cost-plus basis, which provides for reimbursement of costs incurred plus an amount of profit in the form of a mark-up, and approximately 4% on a fixed-price basis. As of June 30, 2014, service contracts of the Energy Services segment consisted of approximately 69% on a cost-plus basis and approximately 31% on a fixed-price basis.

We bid against other contractors based on customer specifications. Fixed-price contracts present certain inherent risks, including the possibility of ambiguities in the specifications received, problems with new technologies and economic and other changes that may occur over the contract period. Alternatively, because of efficiencies that may be realized during the contract term, fixed-price contracts may offer greater profit potential than cost-plus contracts.

Our Energy Services segment and Nuclear Services segment customers include major private and government-owned utilities throughout the U.S., as well as leaders in the U.S. paper and industrial sectors. We depend on a relatively small number of customers for a significant portion of our revenue. For the six months ended June 30, 2014, Southern Nuclear Operating Company and Tennessee Valley Authority accounted for approximately 19% and 17%, respectively, of our consolidated revenue. For a listing of our major customers, see Note 10 *Major Customers and Concentration of Credit Risk* included in our unaudited condensed consolidated financial statements. We market our services using dedicated sales and marketing personnel as well as our experienced on-site operations personnel. We use our safety and service track record with long-term renewable contracts to expand our services and supplement the existing contracts with small to medium sized capital projects. Both segments' sales initiatives directly seek to apply operational strengths to specific facilities within the targeted industries and customers throughout the U.S.

Through our Energy Services segment programs, we provide extensive training, certifications and ongoing safety monitoring to all of our project-based employees.

For both the Energy Services segment and the Nuclear Services segment we have maintained a safety rating in the top quartile of the industry for over 12 years, benefitting both us and our customers. We also maintain a broad range of professional certifications and memberships in national organizations relevant to the performance of many of the specialized services we provide.

Backlog

Our backlog consists of firm orders or blanket authorizations from our customers. Backlog may vary significantly from reporting period to reporting period due to the timing of customer commitments. The time between receipt of an order and actual completion, or delivery, of our products varies from a few weeks, in the case of inventoried precision parts, to a year or more, in the case of custom designed gas turbine auxiliary products, SCR system and other major plant components. We add a booking to our backlog for Product Solutions segment orders when we receive a purchase order or other written contractual commitment from a customer. We reduce Product Solutions segment backlog as revenue is recognized, or upon cancellation. The maintenance services we provide through our Nuclear Services segment and Energy Services

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segment are typically carried out under long-term contracts spanning several years. Upon signing a multi-year maintenance contract with a customer for services, we add to our backlog only the first twelve months of work that we expect to perform under the contract. Additional work that is not identified under the original contract is added to our backlog when we reach an agreement with the customer as to the scope and pricing of that additional work. Capital project awards are typically defined in terms of scope and pricing at the time of contractual commitment from the customer. Upon receipt of a customer commitment, capital project bookings are added to our backlog at full contract value regardless of the time frame anticipated to complete the project. Maintenance services and capital project bookings are removed from our backlog as work is performed and revenue is recognized, or upon cancellation.

Backlog is not a measure defined by generally accepted accounting principles, and our methodology for determining backlog may vary from the methodology used by other companies in determining their backlog amounts. Backlog may not be indicative of future operating results and projects in our backlog may be cancelled, modified or otherwise altered by our customers.

The following table shows our backlog, by segment, as of the end of the last five quarters:

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	June 30,	March 31,	December 31,	September 30,	June 30,
(\$ in thousands)	2014	2014	2013	2013	2013
Products Solutions	\$ 164,963	\$ 187,560	\$ 176,621	\$ 174,907	\$ 145,307
Nuclear Services	217,911	174,503	196,674	215,389	243,331
Energy Services	51,768	20,890	17,028	18,105	20,226
Total	\$ 434,642	\$ 382,953	\$ 390,323	\$ 408,401	\$ 408,864

Our Product Solutions segment backlog as of June 30, 2014 decreased compared to March 31, 2014 primarily due to a \$20.2 million increase in revenue compared to prior quarter and timing differences related to additional bookings. We expect an estimated \$123.0 million or approximately 75% of our current backlog to convert to revenue in 2014. Proposal activity is robust for the oil and gas segment, as well as the power generation segment; we expect a heavier mix from the oil and gas and power generation segments to ship in 2014 or later. For the three months ended June 30, 2014 the backlog was \$20.0 million higher than the same quarter last year. Product Solutions segment has in excess of 100% more in backlog booked for 2015 compared to the amount in backlog booked for the same period last year. The book-to-bill ratio was 0.6 and 0.9 for the three and six months ended June 30, 2014, respectively.

Backlog in our Nuclear Services segment as of June 30, 2014 increased compared to March 31, 2014 primarily due to successfully closing on a large fixed-price contract and inclusion of spring outage work for 2015. We expect an estimated \$104.5 million backlog as of June 30, 2014 to convert to revenue in 2014. Backlog as of June 30, 2014 compared to June 30, 2013 decreased primarily due to non-recurring projects that were completed in the latter half of 2013 and included in backlog as of June 30, 2013. The book-to-bill ratio for the three months and six months ended June 30, 2014 was 2.1 and 1.2, respectively.

Energy Services segment backlog as of June 30, 2014 increased substantially compared to March 31, 2014 primarily due to new project work awarded as the segment continues to expand the markets served, specifically the oil and gas mid-stream market. We expect an estimated \$29.4 million backlog as of June 30, 2014 to convert to revenue in 2014. Backlog as of June 30, 2014 compared to June 30, 2013 had more than doubled as the segment had been successful in winning contracts due to its focus on transforming from traditional services to value added integrated solutions in the mid-stream oil and gas and natural gas power generation industries. The book-to-bill ratio for the three and six months ended June 30, 2014 was 3.1 and 2.3, respectively.

Results of Operations

Effective as of January 1, 2013, our Board of Directors decided to change from a traditional month-end calendar close cycle to a 4-4-5 calendar close methodology during interim periods. Our fiscal year will continue to end on December 31. Under this methodology, each interim period is comprised of 13 weeks, which includes two 4-week months and one 5-week month, and begins on Monday and ends on Sunday. The 4-4-5 close methodology will change the accounting periods to month-end dates that may be different than the traditional last day of the standard month end. We will label our quarterly information using a calendar convention, that is, first quarter will be labeled as ending on March 31, second quarter as ending on June 30, and third quarter as ending on September 30. This change in methodology aligns our financial calendar to our payroll cycle simplifying our close process. The effects of this practice are modest and only exist within a reporting year. The reporting periods and applicable reports for 2014 are:

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Fiscal Period	Reporting Period	Report to be Filed
First quarter of fiscal 2014	January 1, 2014 to March 30, 2014	Quarterly Report on Form 10-Q
Second quarter of fiscal 2014	March 31, 2014 to June 29, 2014	Quarterly Report on Form 10-Q
Third quarter of fiscal 2014	June 30, 2014 to September 28, 2014	Quarterly Report on Form 10-Q
Fourth quarter of fiscal 2014	September 29, 2014 to December 31, 2014	Annual Report on Form 10-K

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Our summary financial results during the three and six months ended June 30, 2014 and 2013 were as follows:

(\$ in thousands)	Three Months Ended June 30,		Variance		Six Months Ended June 30,		Variance	
	2014	2013	\$	%	2014	2013	\$	%
Revenue								
Product Solutions	\$ 59,171	\$ 35,930	23,241	64.7	\$ 98,102	\$ 74,824	23,278	31.1
Nuclear Services	41,430	66,435	(25,005)	(37.6)	98,492	131,448	(32,956)	(25.1)
Energy Services	14,138	13,600	538	4.0	23,027	26,403	(3,376)	(12.8)
Consolidated	114,739	115,965	(1,226)	(1.1)	219,621	232,675	(13,054)	(5.6)
Cost of Sales								
Product Solutions	47,588	27,368	20,220	73.9	76,648	60,305	16,343	27.1
Nuclear Services	35,686	58,070	(22,384)	(38.5)	85,727	114,597	(28,870)	(25.2)
Energy Services	11,203	11,724	(521)	(4.4)	18,506	23,004	(4,498)	(19.6)
Consolidated	94,477	97,162	(2,685)	(2.8)	180,881	197,906	(17,025)	(8.6)
Gross profit	20,262	18,803	1,459	7.8	38,740	34,769	3,971	11.4
Gross profit percentage	17.7%	16.2%			17.6%	14.9%		
Selling and marketing expenses	2,474	2,462	12	0.5	4,297	4,685	(388)	(8.3)
General and administrative expenses	14,179	12,812	1,367	10.7	27,933	27,366	567	2.1
Depreciation and amortization expense	2,141	1,559	582	37.3	4,455	2,632	1,823	69.3
Operating income (loss)	1,468	1,970	(502)	(25.5)	2,055	86	1,969	2,289.5
Interest expense, net	340	190	150	78.9	753	276	477	172.8
Other expense (income), net	(94)	154	(248)	(161.0)	176	4	172	4,300.0
Income (loss) from continuing operations before income tax	1,222	1,626	(404)	(24.8)	1,126	(194)	1,320	(680.4)
Income tax (benefit) expense	358	884	(526)	(59.5)	334	265	69	26.0
Income (loss) from continuing operations	864	742	122	16.4	792	(459)	1,251	(272.5)
Discontinued operations:								
Loss from discontinued operations	(90)	(1)	(89)	8,900.0	(97)	(41)	(56)	136.6
Net income (loss)	\$ 774	\$ 741	33	4.5	\$ 695	\$ (500)	1,195	(239.0)

Three and six months ended June 30, 2014 compared to three and six months ended June 30, 2013:

Revenue

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(\$ in thousands)	Three Months Ended June 30,		Variance		Six Months Ended June 30,		Variance	
	2014	2013	\$	%	2014	2013	\$	%
Product Solutions	\$ 59,171	\$ 35,930	23,241	64.7	\$ 98,102	\$ 74,824	23,278	31.1
Nuclear Services	41,430	66,435	(25,005)	(37.6)	98,492	131,448	(32,956)	(25.1)
Energy Services	14,138	13,600	538	4.0	23,027	26,403	(3,376)	(12.8)
Total	\$ 114,739	\$ 115,965	(1,226)	(1.1)	\$ 219,621	\$ 232,675	(13,054)	(5.6)

Product Solutions Segment Revenue. The composition of our Product Solutions segment revenue varies from period to period based on our product mix, the strength of various geographic markets we serve and our ability to address those markets. The geographic dispersion of where products were shipped during the three and six months ended June 30, 2014 and 2013 was as follows:

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Revenue by Destination Shipped

Product Solutions Segment:

(\$ in thousands)	Three Months Ended June 30,		Variance		Six Months Ended June 30,		Variance	
	2014	2013	\$	%	2014	2013	\$	%
United States	\$ 29,624	\$ 14,560	15,064	103.5	\$ 53,850	\$ 35,049	18,801	53.6
Canada	284	79	205	259.5	907	230	677	294.3
Europe	1,280	2,280	(1,000)	(43.9)	3,924	3,238	686	21.2
Mexico	592	37	555	1,500.0	592	316	276	87.3
Asia	3,062	1,315	1,747	132.9	7,255	5,444	1,811	33.3
Middle East	14,021	14,615	(594)	(4.1)	14,387	23,680	(9,293)	(39.2)
South America	1,319	1,325	(6)	(0.5)	4,039	4,993	(954)	(19.1)
Other	8,989	1,719	7,270	422.9	13,148	1,874	11,274	601.6
Total	\$ 59,171	\$ 35,930	23,241	64.7	\$ 98,102	\$ 74,824	23,278	31.1

Revenue for the three months ended June 30, 2014 was \$23.2 million higher than the same period last year. Approximately \$10.0 million of the increase in revenue was related to acquisition and the remaining increase was a result of heavy proposal activity resulting in expected higher annual revenue to be recognized in 2014. Year-to-date revenue as of June 30, 2014 was approximately 31% higher than the same period in 2013 due to 91% of the increase or \$19.0 million being attributable to incremental revenue from prior year acquisition along with expected higher revenue in 2014, these increases were partially offset by projects that were complete but postponed to subsequent quarters by the customer prior to delivery.

Nuclear Services Segment Revenue. The decrease in Nuclear Services segment revenue for the three and six months ended June 30, 2014 was primarily due to an approximate \$30.4 million and \$36.4 million reduction in scope of outage work from major customers, respectively. A large portion of this relates to non-annual outage performed in the prior year by a major customer. The decrease was partially offset by new project work completed during the period. All revenue from this segment is U.S. based.

Energy Services Segment Revenue.

The Energy Services segment revenue increased for the three months ended June 30, 2014 in comparison to the same period in the prior year primarily due to one month incremental revenues from the Hetsco acquisition in the prior year and new project wins partially offset by a large non-recurring project in the same period in the prior year. The decrease in Energy Services segment revenue for the six months ended June 30, 2014 was primarily due to the large non-recurring project worth approximately \$12 million generated in the same period in the prior year. The decrease was partially offset by incremental revenues generated from the Hetsco acquisition and new project work.

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Gross Profit / Margin %

(\$ in thousands)	Three Months Ended June 30,		Variance		Six Months Ended June 30,		Variance	
	2014	2013	\$	%	2014	2013	\$	%
Product Solutions <i>Gross Margin %</i>	\$ 11,583 19.6%	\$ 8,562 23.8%	3,021	35.3	\$ 21,454 21.9%	\$ 14,519 19.4%	6,935	47.8
Nuclear Services <i>Gross Margin %</i>	\$ 5,744 13.9%	\$ 8,365 12.6%	(2,621)	(31.3)	\$ 12,765 13.0%	\$ 16,851 12.8%	(4,086)	(24.2)
Energy Services <i>Gross Margin %</i>	\$ 2,935 20.8%	\$ 1,876 13.8%	1,059	56.4	\$ 4,521 19.6%	\$ 3,399 12.9%	1,122	33.0
Total Gross Profit <i>Gross Margin %</i>	\$ 20,262 17.7%	\$ 18,803 16.2%	1,459	7.8	\$ 38,740 17.6%	\$ 34,769 14.9%	3,971	11.4

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Product Solutions Segment. The gross margin % in the Product Solutions segment for the three months ended June 30, 2014 decreased by a total of 420 basis points. A decrease of 60 basis points was due to the Euro to Dollar exchange rate on the Alghanim Project in Europe, by 70 basis points due to a reduction in service revenue of \$0.7 million at 44% gross margin in Europe, by 90 basis points due to \$0.5 million in credits issued by vendors and recorded against cost of sales in the second quarter 2013 for Europe and 160 basis points due to a \$0.9 million reclassification from Energy Services segment for an intercompany transaction in the first quarter period causing an increase in cost of sales. The remaining difference is attributable to product mix. The gross profit in the Product Solutions segment increased 250 basis points for the first six months of 2014 over the same period last year due primarily to product mix in the first quarter. Sales of exhaust systems, which are consistently produced at higher gross margin percentages than filter houses were unusually high compared to sales of filter houses.

Nuclear Services Segment. The change in the Nuclear Services segment gross profit was favorable for both the three and six months ended June 30, 2014 in comparison to same periods in the prior year primarily due to the higher margins on fixed price capital projects as the segment continues to lead successfully with its strong project management services.

Energy Services Segment. The Energy Services segment gross profit includes a reclassification of a \$0.9 million intercompany elimination in the first quarter that increased the gross profit for the three months ended June 30, 2014. Normalized for this adjustment, gross margin was 14.2% for the three months ended June 30, 2014. The quarter includes one month of incremental sales and gross profit from the Hetsco acquisition which was partially offset by an estimated loss of approximately \$1.1 million booked on a fixed priced contract due to scheduling and scope issues. This loss was isolated to one contract. For the six months ended June 30, 2014, gross profit increased due to incremental sales from the Hetsco acquisition and gross margin rates improved from the same period in the prior year as Hetsco generates higher margin revenues due to its specialized repairs and safety work. The increase was partially offset by the estimated contract loss described previously. The Energy Services segment has significantly grown its backlog over the last few months through expanding the markets it serves. It is anticipated that growth in revenues in future months will offset losses.

Operating Expenses

(\$ in thousands)	Three Months Ended June 30,		Variance		Six Months Ended June 30,		Variance	
	2014	2013	\$	%	2014	2013	\$	%
Selling and Marketing Expenses	\$ 2,474	\$ 2,462	12	0.5	\$ 4,297	\$ 4,685	(388)	(8.3)
General and Administrative Expenses	14,179	12,812	1,367	10.7	27,933	27,366	567	2.1
Depreciation and Amortization Expenses	2,141	1,559	582	37.3	4,455	2,632	1,823	69.3
Total	\$ 18,794	\$ 16,833	1,961	11.6	\$ 36,685	\$ 34,683	2,002	5.8

Selling and Marketing Expenses. Consolidated selling and marketing expenses include the costs associated with selling and marketing our products and services. Major components of these costs are personnel, sales commissions, sales promotion, advertising, literature, bidding, estimating and trade shows.

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General and Administrative Expenses. Consolidated general and administrative expenses include the costs associated with conducting our business, including general management, compensation and benefits of employees that are not direct costs of active projects, officers and directors, legal and professional fees and other general expenses. Consolidated general and administrative expenses for both the three and six months ended June 30, 2014 have increased compared to the prior year due to the creation of a new Logistics department, timing of promotional expenses and the use of consultants and temporary staff in the Executive, Information Technology and Finance/Accounting departments in lieu of employees due to vacancies and special initiatives.

Depreciation and Amortization Expenses. Depreciation and amortization expense consists primarily of depreciation of fixed assets and amortization of definite-lived intangible assets and excludes amounts included in cost of revenue. Depreciation and amortization expense has increased primarily due to the April, 2013 purchase of Hetsco.

Table of Contents*Operating Profit (Loss)*

(\$ in thousands)	Three Months Ended June 30,		Variance		Six Months Ended June 30,		Variance	
	2014	2013	\$	%	2014	2013	\$	%
Product Solutions	\$ 1,799	\$ 1,125	674	59.9	\$ 2,782	\$ (2,269)	5,051	(222.6)
<i>Operating Margin %</i>	3.0%	3.1%			2.8%	-3.0%		
Nuclear Services	\$ 343	\$ 2,786	(2,443)	(87.7)	\$ 1,738	\$ 4,061	(2,323)	(57.2)
<i>Operating Margin %</i>	0.8%	4.2%			1.8%	3.1%		
Energy Services	\$ (674)	\$ (1,941)	1,267	(65.3)	\$ (2,465)	\$ (1,706)	(759)	44.5
<i>Operating Margin %</i>	-4.8%	-14.3%			-10.7%	-6.5%		
Total Operating Income	\$ 1,468	\$ 1,970	(502)	(25.5)	\$ 2,055	\$ 86	1,969	2,289.5
<i>Operating Margin %</i>	1.3%	1.7%			0.9%	0.0%		

Product Solutions Segment. The operating profit for the three months ended June 30, 2014 and 2013 increased by \$0.7 million. Higher revenues and positive gross margin of \$3.0 million was primarily offset by the 4.2% decrease in the Euro to Dollar exchange rate due to the unfavorable Euro to Dollar exchange rate on the Alghanim Project in Europe, a \$0.9 million reclassification for an intercompany transaction from Energy Services caused a decrease in operating profit for the quarter and an increase in the selling, general and administrative expenses as a result of the IBI acquisition. The operating income in the Product Solutions segment increased \$5.1 million for the six months ended June 30, 2014 compared to the same period last year primarily due to higher revenues and associated gross margin and acquisition cost incurred relating to the 2013 Acquisition.

Nuclear Services Segment. Operating income for this segment decreased in the three and six months ended June 30, 2014 primarily due to lower revenues partially offset by improved gross margin rates and lower operating expenses.

Energy Services Segment. Operating loss in the three months ended June 30, 2014 decreased from same period in the prior year primarily due to the intercompany adjustment of \$0.9 million to cost of sales with Product Solutions segment. Normalized for this, operation loss improved from same period in the prior year by \$0.3 million. This change primarily due to integration costs incurred in the prior year for the Hetsco acquisition. For the six months ended June 30, 2014, operating loss was higher in comparison to the prior year due to higher amortization expense of intangibles related to the Hetsco acquisition and higher salaries and wages as the segment restructured earlier in the period to prepare to execute the increased backlog. The increased operating expenses were partially offset by a higher gross profit during the six months ended June 30, 2014 in comparison to the same period last year.

Interest Expense, net

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(\$ in thousands)	Three Months Ended June 30,		Variance		Six Months Ended June 30,		Variance	
	2014	2013	\$	%	2014	2013	\$	%
Interest expense, net	\$ 340	\$ 190	150	78.9	\$ 753	\$ 276	477	172.8

Interest expense, net consists of interest on outstanding letters of credit, interest on our unused commitment and amortization of debt issuance costs offset by interest income earned on cash balances. Interest expense, net increased for the three and six months ended June 30, 2014 compared to the corresponding periods in 2013 primarily due to increased outstanding debt during those periods.

Table of Contents*Other Expense (Income), net*

(\$ in thousands)	Three Months Ended June 30,		Variance		Six Months Ended June 30,		Variance	
	2014	2013	\$	%	2014	2013	\$	%
Other (income) expense, net	\$ (94)	\$ 154	(248)	(161.0)	\$ 176	\$ 4	172	4,300.0

The increase and decrease in other income, net for the three and six months ended June 30, 2014, respectively compared to the corresponding periods in 2013 was primarily due to foreign currency fluctuations.

Income Tax Benefit

(\$ in thousands)	Three Months Ended June 30,		Variance		Six Months Ended June 30,		Variance	
	2014	2013	\$	%	2014	2013	\$	%
Income tax benefit	\$ 358	\$ 884	(526)	(59.5)	\$ 334	\$ 265	69	26.0

Income tax benefit for the interim periods is based on estimates of the effective tax rate during the entire fiscal year. The effective income tax rate is based upon the estimated income during the calendar year, the estimated composition of the income in different jurisdictions and discrete adjustments, if any, in the applicable quarterly periods for settlements of tax audits or assessments and the resolution or identification of tax position uncertainties.

During the three months ended June 30, 2014, we recorded income tax expense of \$0.4 million, or 29.3% of pretax income, compared to \$0.9 million of income tax expenses, or 54.4% of pretax income, in the same period for 2013. The decrease in our effective tax rate was primarily due to \$0.3 million of permanent, discrete non-deductible acquisition expenses during the second quarter in 2013, and increases in tax credit carry forwards and state tax benefits generated during the same quarter in 2014. The effective tax rate in 2013 differs from the statutory rate due to U.S. state income taxes and, non-deductible expenses, including non-deductible acquisition expenses and changes in uncertain tax benefit positions.

During the six months ended June 30, 2014, we recorded income tax expense of \$0.3 million, or 29.7% of pretax income, compared to \$0.3 million of income tax expenses, or -136.6% of pretax income, in the same period for 2013. The increase in our effective tax rate was primarily due to the tax effect of the pre-tax income during the six months ended June 30, 2014 compared to the tax effect of the pre-tax loss during the six months ended June 30, 2013. The effective tax rate in 2013 differs from the statutory rate due to U.S. state income taxes and, non-deductible expenses, including non-deductible acquisition expenses and changes in uncertain tax benefit positions.

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As of June 30, 2014, we would need to generate approximately \$85.8 million of future financial taxable income to realize our deferred tax assets.

Loss from Discontinued Operations, Net of Tax

(\$ in thousands)	Three Months Ended June 30,		Variance		Six Months Ended June 30,		Variance	
	2014	2013	\$	%	2014	2013	\$	%
Loss from discontinued operations, net of tax	\$ (90)	\$ (1)	(89)	8,900.0	\$ (97)	\$ (41)	(56)	136.6

Loss from discontinued operations, net of tax during the three and six months ended June 30, 2014 and 2013 were fully comprised of the Deltak business unit, divested on August 31, 2011 and consists of costs incurred on the wind-down of in-process contracts and legal and professional fee expenses.

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Liquidity and Capital Resources

Cash and Cash Equivalents

As of June 30, 2014, our operating unrestricted cash and cash equivalents increased by 12.2%, or \$1.7 million, to \$15.6 million from \$13.9 million as of December 31, 2013. The operating cash balance of \$15.6 million as of June 30, 2014 consisted of \$5.5 million U.S. cash and \$10.1 million of non-U.S. cash; in general, these funds are not available to fund U.S. operations. Our principal use of cash is to pay for our strategic acquisitions, customer contract related material, labor and subcontract labor, operating expenses, capital assets, and payment of quarterly cash dividends. We fund our business objectives, operations, and expansion of our operations through net cash flows from operations and draws against our Revolving Credit Facility. At June 30, 2014, we had \$15.6 million in cash and cash equivalents and \$107.2 million available under our Revolving Credit Facility that can be used, along with normal cash flows from operations, to fund any unanticipated shortfalls in future cash flows.

Restricted Cash

The restricted cash balances as of June 30, 2014 and December 31, 2013 of \$0.1 million and \$0.1 million, respectively, relate to the sale of Deltak in accordance with the Deltak sale agreement. The related escrow was a funding mechanism for settlement of warranty claims and other possible contractual claims. On February 4, 2014, a portion of the amount of the purchase price held in escrow related to the sale of the assets of Deltak was released to Global Power. See Note 7 *Commitments and Contingencies* to these unaudited condensed consolidated financial statements for more information regarding the claims.

Revolving Credit Facility

Effective December 17, 2013, we exercised our rights under the accordion feature pursuant to, and in accordance with the terms of the Revolving Credit Facility and increased the revolving credit commitments available to us under the Revolving Credit Facility from \$100.0 million to \$150.0 million, subject to certain customary conditions set forth in the Revolving Credit Facility. All other terms of the Revolving Credit Facility remain unchanged.

As of June 30, 2014, we had \$31.0 million outstanding under our Revolving Credit Facility which was recorded as a long-term liability on our consolidated balance sheet as of June 30, 2014. We were in compliance with all financial and other covenants under the Revolving Credit Facility. During the six months ended June 30, 2014, we borrowed \$30.0 million on our Revolving Credit and we repaid \$22.0 million. The weighted average interest rate on borrowings was 1.49%.

The Revolving Credit Facility, while structured to support strategic growth initiatives and provide flexibility regarding return on capital alternatives, includes affirmative and negative covenants, including customary limitations on securing additional debt and liens and restrictions on transactions and payments as well as the following two financial covenants:

- Our maximum consolidated leverage ratio cannot exceed specified limits. For these purposes, our consolidated leverage ratio on any date is the ratio of our consolidated funded indebtedness to our consolidated EBITDA for the four most recent quarters. We define EBITDA as net income (loss) plus interest expense, net of interest income, income taxes, stock-based compensation, and depreciation and amortization.
- Our consolidated interest coverage ratio must be maintained at least at specified minimum levels. For these purposes, our consolidated interest coverage ratio is the ratio of (a) our consolidated EBITDA for the four most recent quarters to (b) our cash from consolidated interest expense (consisting of all Global Power interest) for that period.

We will be in default under the Revolving Credit Facility if we:

- fail to comply with any of these financial covenants;
- fail to comply with certain other customary affirmative or negative covenants;
- fail to make payments when due;
- experience a change of control; or
- become subject to insolvency proceedings.

For these purposes, a change of control will occur if any one person or group obtains control of more than 25% ownership, unless they were an investor on February 21, 2012 in which case the ownership percentage would need to be more than 40% for a change of control to occur, or if continuing directors cease to constitute at least a majority of the members of our Board of Directors.

If we default, the participating banks may restrict our ability to borrow additional funds under the Revolving Credit Facility, require that we immediately repay all outstanding loans with interest and require the cash collateralization of outstanding letter of credit obligations. We have given a first priority lien on substantially all of our assets as security for the Revolving Credit Facility.

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As of June 30, 2014, a maximum of \$107.2 million was available under our Revolving Credit Facility. Our ability to borrow this maximum amount is governed by a number of provisions of our Revolving Credit Facility, some of which have the effect of limiting the amount that we can borrow based upon such factors as the Company's compliance with certain leverage ratios and other financial covenants, or the use of the proceeds of the relevant drawdown, in each case, as of a particular date or time period. These provisions in our Revolving Credit Facility mean that we may not be permitted to borrow the full \$150.0 million of our Revolving Credit Facility and the amount we are permitted to borrow under our Revolving Credit Facility will likely result in our borrowing capacity under our Revolving Credit Facility being materially less than the difference between our actual borrowings and \$150.0 million for the foreseeable future. We pay an unused line fee of 0.20% pursuant to the terms of our Revolving Credit Facility.

Letters of Credit and Bonds. In line with industry practice, we are often required to provide letters of credit, surety and performance bonds to customers. These letters of credit and bonds provide credit support and security for the customer if we fail to perform our obligations under the applicable contract with such customer. The interest rate on letters of credit issued under the Revolving Credit Facility letter of credit was 1.25% per annum as of June 30, 2014. Should we need to borrow additional amounts against the Revolving Credit Facility, we would incur an interest rate of LIBOR or a specified base rate, plus in each case, an additional margin based on our consolidated leverage ratio. The Revolving Credit Facility includes additional margin ranges on base rate loans between 0.25% and 1.25% and between 1.25% and 2.25% on LIBOR-based loans.

As of June 30, 2014, our outstanding stand-by letters of credit totaled approximately \$11.8 million for our U.S. entities and \$11.1 million (U.S. dollars) for non-U.S. entities. Currently there are no amounts called upon these letters of credit. In addition, as of June 30, 2014, we had outstanding surety bonds on projects of approximately \$24.7 million.

We may review from time to time possible expansion and acquisition opportunities relating to our business. The timing, size or success of any acquisition effort and the associated potential capital commitments are unpredictable. We may seek to fund all or part of any such efforts with proceeds from debt and/or equity issuances. Debt or equity financing may not, however, be available to us at that time due to a variety of events, including, among others, credit rating agency downgrades of our debt, industry conditions, general economic conditions, market conditions and market perceptions of us and our industry.

Working Capital

Working capital represents total current assets less total current liabilities. At June 30, 2014, our working capital increased by \$9.4 million, or 8.70%, to \$117.8 million from \$108.4 million at December 31, 2013. Working capital has increased, primarily cost in excess of billings, to support backlog that is currently scheduled to ship in the second half of 2014.

Net Cash Flows

Discontinued Operations

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Cash flows provided by operating activities included operating cash flows from discontinued operations of less than \$0.1 million during each of the six months ended June 30, 2014 and 2013.

Our net consolidated cash flows consisted of the following, for the six months ended June 30:

	Six Months Ended June 30,	
	2014	2013
Statement of cash flow data:		
Cash flows provided by (used in):		
Operating activities	\$ (1,117)	\$ 28,272
Investing activities	(1,187)	(35,393)
Financing activities	4,355	15,328
Effect of exchange rate changes on cash	(434)	(31)
Change in cash and cash equivalents	\$ 1,617	\$ 8,176

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Our operating, investing, financing activities and effect of exchange rate changes are described in more detail below.

Operating Activities

For the six months ended June 30, 2014 and 2013, net earnings adjusted for noncash activities used cash of \$1.1 million and provided cash of \$28.3 million, respectively. See Note 9 *Other Supplemental Information* included in our unaudited condensed consolidated financial statements for more information regarding the net effect of changes in operating activities.

We expect that our net operating cash flows in 2014 and our Revolving Credit Facility will be sufficient to fund our current operations. There can be no assurance, however, that we will continue to generate cash flows at or above current levels. Certain events, such as the uncertainty of the worldwide economic environment, could impact our available cash or our ability to generate cash flows from operations.

Investing Activities

During the six months ended June 30, 2014 and 2013, we used \$1.2 million and \$2.5 million, respectively, to purchase capital assets. In addition, a use of cash of \$33.0 million paid for the Hetsco Acquisition occurred during the six months ended June 30, 2013.

Financing Activities

During the six months ended June 30, 2014, we used cash to pay dividends of \$3.1 million and \$0.6 million to repurchase stock-based awards for payment of statutory taxes due on stock-based compensation. Additionally, we borrowed \$30.0 million and repaid \$22.0 million under our Revolving Credit Facility.

During the six months ended June 30, 2013, cash flow provided primarily consisted of \$20.0 million of net cash proceeds from borrowing on our Revolving Credit Facility offset by cash used to pay dividends of \$3.1 million and \$1.5 million to repurchase stock-based awards for payment of statutory taxes due on stock-based compensation.

Effect of Exchange Rate Changes on Cash

For the six months ended June 30, 2014 and 2013, the effect of exchange rate changes decreased cash by \$0.4 million and less than \$0.1 million, respectively, primarily resulting from the strengthening of the Euro against the U.S. Dollar.

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Dividend and Stock Repurchases

In May 2012, our Board of Directors approved a dividend policy related to our common stock. On May 1, 2014 the Board declared dividends of \$0.09 per share for shareholders of record as of the close of business June 13, 2014. The Company paid \$1.5 million for this dividend on June 27, 2014. On March 7, 2014 the Board declared dividends of \$0.09 per share for shareholders of record as of the close of business March 18, 2014. The Company paid \$1.5 million of dividends on March 28, 2014.

Additionally, in May 2012, our Board of Directors authorized a program to repurchase up to two million shares of our common stock until the earlier of June 30, 2014 or a determination by the Board of Directors to discontinue the repurchase program. The repurchase program does not obligate us to acquire any specific number of shares. There were no repurchases during the three and six months ending June 30, 2014. As of June 30, 2014, there were 1,578,269 shares remaining for repurchase under the current authorization. As of the date of this report, the Board of Directors has not extended this program.

Off-Balance Sheet Transactions

Our liquidity is currently not dependent on the use of off-balance sheet transactions but, in line with industry practice, we are often required to provide performance and surety bonds to customers and may be required to provide letters of credit. If performance assurances are extended to customers, generally our maximum potential exposure is limited in the contract with our customers. We frequently obtain similar performance assurances from third party vendors and subcontractors for work performed in the ordinary course of contract execution. However, the total costs of a project could exceed our original cost estimates, and we could experience reduced gross profit or possibly a loss for a given project. In some cases, if we fail to meet certain performance standards, we may be subject to contractual liquidated damages.

As of June 30, 2014, we had a contingent liability for issued and outstanding stand-by letters of credit, generally issued to secure performance on customer contracts. As of June 30, 2014, our outstanding stand-by letters of credit totaled approximately \$11.8 million for our U.S. entities and \$11.1 million (U.S. dollars) for non-U.S. entities. Currently there are no amounts drawn upon these letters of credit. In addition, as of June 30, 2014, we had outstanding surety bonds on projects of approximately \$24.7 million. Our subsidiaries provide financial guarantees for certain contractual obligations in the ordinary course of business. As of June 30, 2014, the balance of these financial guarantees was no greater than \$27.9 million.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements and related notes requires us to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. We have based our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions and conditions.

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements. Part II Item 7 of our Annual Report on Form 10-K, filed with the SEC on May 2, 2014, addressed the accounting policies and related estimates that we believed were the most critical to understanding our consolidated financial statements, financial condition and results of operations and those that require management judgment and assumptions, or involve uncertainties. We did not have a significant change to the application of our critical

accounting policies and estimates during the first six months 2014.

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Item 3. *Quantitative and Qualitative Disclosures About Market Risk.*

We may be exposed to market risk through changes in interest rates and foreign currency exchange fluctuations. We have established policies to monitor and control these market risks.

Foreign Exchange Rate Risk. We operate in a number of international areas and are involved in transactions denominated in currencies other than the U.S. dollar, which exposes us to foreign currency exchange rate risk. We have from time-to-time used derivative instruments to hedge our foreign currency transactions. We did not enter into any such instruments as of or during the three or six months ended June 30, 2014. We do not hold or issue foreign currency forward contracts, option contracts or other derivative financial instruments for speculative purposes.

Interest Rate Risk. Our primary market risk exposure is volatility of interest rates, primarily in the U.S. We are subject to interest rate changes on our LIBOR-based variable interest rate under our Revolving Credit Facility. As of June 30, 2014, we had \$31.0 million outstanding on our Revolving Credit Facility. During the six months ended June 30, 2014, we borrowed \$30.0 million and repaid \$22.0 million on our Revolving Credit Facility.

Interest Rate Sensitivity. Based on the level of borrowings outstanding as of June 30, 2014, a 50 basis point fluctuation in short-term interest rates would have a \$0.2 million impact on our expected pre-tax income on an annual basis.

Item 4. *Controls and Procedures.*

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based on the definition of disclosure controls and procedures in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2014. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Controls over Financial Reporting

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There was no change in our internal control over financial reporting during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents**Part II OTHER INFORMATION****Item 1. Legal Proceedings.**

The information included in Note 7 *Commitments and Contingencies* to the unaudited Condensed Consolidated Financial Statements in this Form 10-Q is incorporated by reference into this Item.

Item 1A. Risk Factors.

There were no material changes to our risk factors from those reported in our Annual Report on Form 10-K as filed with the SEC on March 17, 2014.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.*Unregistered Sales of Equity Securities*

There have been no unregistered sales of equity securities during the period covered by this Form 10-Q.

Issuer Purchases of Equity Securities

The following table presents information regarding our repurchases of shares of our common stock or (adjustment to estimated shares withheld to pay income tax) on a monthly basis during the second quarter of 2014.

Period	Total Number of Shares Purchased(1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan (2)	Maximum Number of Shares That May Yet Be Purchased Under the Plan (2)
March 31 - April 30, 2014	(209)	\$ 19.89		1,578,269
May 1-31, 2014	3,798	\$ 16.23		1,578,269
June 1-29, 2014		\$		1,578,269
Total	3,589	\$ 16.02		1,578,269

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(1) Total number of shares purchased during the second quarter of 2014 were not purchased pursuant to a publicly announced plan, but were surrendered to satisfy statutory minimum tax withholding obligations in connection with the vesting of restricted stock awards issued to employees under our stockholder-approved long-term incentive plan.

(2) Our share repurchase program was approved by the Board on May 30, 2012 and allows for repurchase of up to two million shares of our common stock until the earlier of June 30, 2014 or a determination by the Board of Directors to discontinue the repurchase program. The repurchase program does not obligate us to acquire any specific number of shares. As of the date of this report, the Board of Directors has not extended this program.

Item 3. *Defaults Upon Senior Securities.*

None.

Item 4. *Mine Safety Disclosures.*

Not applicable.

Item 5. *Other Information.*

None.

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Item 6. *Exhibits.*

Exhibit	Description
14.1	Code of Business Conduct and Ethics of Global Power Equipment Group Inc., dated as of July 15, 2014 (filed as Exhibit 14.1 to our Form 8-K filed with the Commission on July 18, 2014 and incorporated herein by reference).
31.1	Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. w
31.2	Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. w
32.1	Certification by the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. w
32.2	Certification by the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. w
101.INS	XBRL Instance Documentw
101.SCH	XBRL Taxonomy Extension Schema Documentw
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Documentw
101.DEF	XBRL Taxonomy Extension Definition Linkbase Documentw
101.LAB	XBRL Taxonomy Extension Labels Linkbase Documentw
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Documentw
w	Filed herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GLOBAL POWER EQUIPMENT GROUP INC.

Date: July 31, 2014

By:

/s/ Raymond K. Guba
Raymond K. Guba,
Senior Vice President and Chief Financial Officer
As a duly authorized officer of the Registrant and as
principal
accounting officer.