PIONEER POWER SOLUTIONS, INC.
Form S-1/A
June 01, 2011

As filed with the Securities and Exchange Commission on June 1, 2011

Registration No. 333-173629

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 2 to Form S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

PIONEER POWER SOLUTIONS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**3612**	**27-1347616**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

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

Nathan J. Mazurek
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Approximate date of proposed sale to public: As soon as practicable on or after the effective date of this registration statement.

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

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

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

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

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 definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Proposed Maximum Aggregate Offering Price (1)**	**Amount of Registration Fee (1)**
Primary Offering:		
Common Stock, $0.001 par value per share	$ 17,595,000(2)	$ 2,042.78(3)
Secondary Offering:		
Common Stock, $0.001 par value per share	$ 5,256,000	$ 610.22(3)

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.
(2) Includes shares of our common stock that the underwriters have the option to purchase to cover over-allotments, if any.
(3) Filing fees of $2,002.73 and $580.50 were previously paid on April 20, 2011. The aggregate filing fee is being offset by these previously paid amounts.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Commission, acting pursuant to said section 8(a), may determine.

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

Subject to Completion, Dated June 1, 2011

2,284,000 Shares

Pioneer Power Solutions, Inc.

Common Stock
$ per share

Pioneer Power Solutions, Inc. and the selling stockholders are offering an aggregate of 2,284,000 shares of our common stock. Pioneer Power Solutions, Inc. is offering 1,700,000 shares and the selling stockholders identified in this prospectus are offering 584,000 shares. Pioneer Power Solutions, Inc. will not receive any of the proceeds from the sale of the shares being sold by the selling stockholders.
Our common stock is quoted on the OTC Bulletin Board under the symbol PPSI.OB. The last reported market price of the common stock on the OTC Bulletin Board on May 31, 2011 was $3.00 per share. This does not reflect a one-for-five reverse stock split that is expected to occur immediately prior to the effectiveness of the registration statement of which this prospectus is a part.

We anticipate that the offering price per share of our common stock will be between $8.00 and $10.00. There is presently a limited market for our common stock, and the shares are being offered in anticipation of development of a secondary trading market. We have applied to list our shares of common stock for quotation on the Nasdaq Capital Market under the symbol PPSI.

Investing in the common stock is highly speculative and involves a high degree of risk. See Risk Factors beginning on page 10 of this prospectus before making a decision to purchase our common stock.

	Per Share	Total
Price to the public	$	$
Underwriting discount	$	$
Proceeds to us, before expenses	$	$
Proceeds to the selling stockholders	$	$

Subject to compliance with FINRA Rule 5110(f)(2)(D), we have agreed to reimburse the underwriter s accountable expenses for up to a maximum amount of $425,000 (subject to our approval for expenses over $225,000). We have also granted the underwriters an option to purchase up to 255,000 additional shares of common stock from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to purchasers in the offering against payment in New York, New York on or about , 2011.

Sole Bookrunner
Oppenheimer & Co.

Houlihan Lokey **Sidoti & Company, LLC**

The date of this prospectus is , 2011

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

Unless otherwise indicated, all information in this prospectus reflects a one-for-five reverse stock split of our common stock that is expected to occur immediately prior to the effectiveness of the registration statement of which this prospectus is a part, other than share and per share information in our consolidated financial statements and the related notes included in this prospectus.

For investors outside the United States: We have not, the selling stockholders have not and the underwriters have not done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus.

Industry and Market Data

In this prospectus, we rely on and refer to information and statistics regarding our industry. We obtained this statistical, market and other industry data and forecasts from publicly available information. While we believe that the statistical data, market data and other industry data and forecasts are reliable, we have not independently verified the data.

Prospectus Artwork

The photograph on the inside back cover of this prospectus is published pursuant to a license available at creativecommons.org/licenses/by/2.0/deed.en

Prospectus Summary

This summary highlights information contained in other parts of this prospectus. Because it is a summary, it does not contain all of the information that you should consider in making your investment decision. Before investing in our common stock, you should read the entire prospectus carefully, including our consolidated financial statements and the related notes included in this prospectus and the information set forth under the headings Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations.

When used herein, unless the context requires otherwise, references to the Company, Pioneer, we, our and us for periods prior to the closing of our share exchange on December 2, 2009 refer to Pioneer Transformers Ltd., a company incorporated under the Canada Business Corporations Act that is now our wholly-owned subsidiary, and its subsidiaries. For periods subsequent to the closing of the share exchange on December 2, 2009, references to the Company, Pioneer, we, our and us refer to Pioneer Power Solutions, Inc., a *publicly traded company, and its subsidiaries, including Pioneer Transformers Ltd., Jefferson Electric, Inc., and Pioneer Wind Energy Systems Inc.*

Unless otherwise indicated, all information in this prospectus reflects a one-for-five reverse stock split of our common stock that is expected to occur immediately prior to the effectiveness of the registration statement of which this prospectus is a part, other than share and per share information in our consolidated financial statements and the related notes included in this prospectus.

The Company

Overview

We are an owner and operator of specialty electrical equipment and service businesses which provide highly-engineered solutions for niche markets in the utility, industrial, commercial and wind energy sectors of the electrical transmission and distribution industry. Our products include liquid-filled and dry-type transformers and, more recently, wind energy equipment and services. We intend to grow our business by increasing our portfolio of specialty solutions for the markets we serve, both through acquisitions and internal product development. Our management team has extensive industry experience and a significant track record of acquiring, integrating and operating companies.

We primarily serve the North American market and our broad customer base includes a number of recognized national and regional utility and industrial companies. We currently have five locations in the U.S., Canada and Mexico for manufacturing, centralized distribution, engineering, sales and administration. In addition, we utilize a network of 21 independently-operated stocking locations in the U.S., including two regional distribution centers.

Pending Acquisition

On May 13, 2011, we entered into a definitive agreement to acquire Transformateur Bemag Inc. in a transaction that will also include its U.S. affiliate, Vermont Transformer, Inc. These businesses are engaged in the design and manufacture of low and medium voltage dry-type transformers and custom magnetics, generating approximately $15 million of revenue annually on a combined basis. We value the transaction at approximately $9.5 million, consisting of $6.5 million of cash consideration plus the assumption of debt. The acquisitions will be funded through new bank credit facilities to be provided by our Canadian bank, which will replace our existing credit facilities with our

Canadian bank and are expected to close at the start of our third quarter in July 2011.

Financial Results and Guidance

We generated net revenue of $47.2 million and net earnings per diluted share of $0.50 in the year ended December 31, 2010 (as adjusted for the anticipated one-for-five reverse stock split). During the three month period ended March 31, 2011, our revenue and net earnings per diluted share grew to $15.7 million and $0.16, respectively, as compared to revenue of $8.3 million and net earnings per diluted share of $0.07 in the three month period ended March 31, 2010.

We expect that our net revenue will increase to between $74 and $85 million in the year ending December 31, 2011, and that our non-GAAP net earnings per diluted share will be between $0.80 and $0.95. Including the additional shares to be outstanding after this offering of our common stock, and our anticipated use of the net proceeds, we expect that our non-GAAP net earnings per diluted share will be between $0.72 and $0.88. For an explanation of non-GAAP net earnings per share, a reconciliation of GAAP net earnings to non-GAAP net earnings and a description of how management uses non-GAAP measures, please see page 9 of this prospectus. With respect to factors that could impact our expected operating results, please see Cautionary Note Regarding Forward-Looking Statements beginning on page 24 of this prospectus.

Electrical Transmission and Distribution Equipment

Our electrical transformers segment designs and manufactures a full line of custom and standard liquid-filled, encapsulated and ventilated electrical transformers used in the control and conditioning of electrical current for critical processes. Our operating companies within this segment, Pioneer Transformers Ltd. and Jefferson Electric, Inc., specialize in liquid-filled and dry-type transformers, respectively. Each business offers a wide range of engineered-to-order and standard equipment, sold either directly to end users, through engineering and construction firms, or through wholesale distributors. These operating companies serve customers in a variety of industries including electric utilities, industrial customers, commercial construction companies and renewable energy producers.

Wind Energy Equipment and Services

We are developing our wind energy business segment to target community and industrial wind customers seeking wind turbines with generation capacities of one to two megawatts (MW). We believe this market is underserved by our larger wind industry competitors. For this market, we intend to provide project integration solutions, including equipment sales, procurement, after-sales services and financing to customers. Our wind energy operating company, Pioneer Wind Energy Systems Inc., was established through acquisitions that we completed in 2010. Its predecessors have a 10-year history of developing, manufacturing, commissioning and servicing advanced wind turbine designs, principally the P-1650, which is a 1.65 MW wind turbine generator. Although Pioneer Wind Energy Systems Inc. has generated immaterial revenue for us to date, the business previously completed power projects encompassing five wind turbine units commissioned between 2008 and 2010 in the Northeast U.S., California and for the U.S. military. We intend to rely on Pioneer Wind Energy Systems Inc. s portfolio of licensed technologies and expertise in engineering, procurement and field services to meet the specific challenges of each wind energy project. In situations where the site characteristics and investment constraints of a project are not conducive to the deployment of our P-1650 unit, we intend to acquire and resell comparable units from other manufacturers that meet the project owner s requirements. We also intend to stimulate growth in this segment by offering customers equipment financing arrangements with extended payment terms and revenue-sharing features. We intend to implement this strategy on a small number of projects using a portion of the proceeds of this offering.

Key Industry Trends

We believe that we are well positioned to capitalize on projected power transmission and distribution infrastructure related expenditures in the North American electric grid and on the projected expansion of North American wind power generation capacity. We expect to benefit from the following industry trends:

Electrical Transmission and Distribution Equipment

Aging and Overburdened North American Power Grid The aging and overburdened North American power grid is expected to require significant capital expenditures to upgrade the existing infrastructure over the next several years to maintain adequate levels of reliability and efficiency. According to the North American Electric Reliability Corp. (NERC), Level 5 Transmission Load Relief (TLR) events, which are triggered when power outages are imminent or in progress, have grown at a 63% compounded annual growth rate from 1999 to 2010. These events demonstrate the current power grid s inadequate transmission capacity to accommodate all requests for reliable power. Significant capital investment will be required over the next several decades to relieve congestion, accommodate growth and replace components of the U.S. power grid operating at, near or past their planned service lives. According to the consulting firm The Brattle Group, 70% of all power transformers in the U.S. are currently over 25 years old and $900 billion of capital investment will be required for transmission and distribution equipment by 2030 in order to meet growing demand and achieve targets for efficiency, emissions, renewable sources and infrastructure replacement.

Increasing Demand for Reliably Delivered Electricity Increasing demand for reliably delivered electricity in North America will require substantial investment in the electric grid to expand capacity and improve efficiency. The Department of Energy s Energy Information Administration, or EIA, forecasts that total electricity use in the U.S. will increase by approximately 30% from 2008 to 2035. This increase is driven by population growth, economic expansion, increasing dependence on computing power throughout the economy and the increased use of electrical devices in the home. As an example, the power consumption of servers and data centers, one of the larger uses of electricity in the U.S., doubled between 2000 and 2006 and is expected to double again by 2011 according to estimates by the U.S. Environmental Protection Agency. Electric vehicles are another example of a demand source that has the potential to significantly increase U.S. power consumption. The expected increase in electricity demand will require considerable investment in the North American electric transmission and distribution infrastructure as well as specialized equipment to ensure the reliability and quality of electricity for critical applications such as servers and data centers.

Strong Legislative Support The U.S. government has directed significant resources towards the modernization and improvement of the U.S. electric grid. The legislative developments continue to promote growth and investment in electric transmission and distribution infrastructure by encouraging electricity providers to expand capacity and relieve grid congestion. The Energy Policy Act of 2005 established mandatory grid reliability standards and created incentives to increase electric transmission and distribution infrastructure investments. Incentives associated with such law ensured that utilities (who represent our largest customer segment) are better positioned to finance and realize system enhancement projects. In addition, the American Recovery and Reinvestment Act of 2009 allocated $4.5 billion to improve electricity delivery and energy reliability through modernization of the electric transmission and distribution infrastructure.

Mandates for Renewable Power Sources Leading to Grid Expansion North American federal, state, provincial, and local governments have enacted and are considering legislation and regulations aimed at increasing energy efficiency and encouraging expansion of renewable energy generation. We believe that the increased focus on renewable energy will drive investment growth in the electric transmission and distribution grid as additional infrastructure is developed to integrate renewable energy sources such as wind and solar with the existing electric power grid. Many sources of renewable energy are not near key demand centers, and according to NERC and the Edison Electric Institute (EEI), significant infrastructure investments will be required to reliably transport and integrate electricity with the grid. Power transformers will be a critical component of the additional infrastructure. We also expect that the general upward trend in energy demand will push power suppliers toward renewable power sources, driving investment in new plant construction and significantly contributing to growth in the transmission and distribution industry over the next several years. Renewable power development also benefits from strong regulatory support, with 29 states and the District of Columbia having adopted mandatory renewable portfolio standards, or RPS. Seven other states have enacted non-binding RPS-like goals and the U.S. Congress is evaluating national renewable generation targets.

Wind Energy Equipment and Services

Wind Power Leading the Growth in Renewable Generation Capacity Wind power generation is one of the more mature renewable energy technologies and one of the fastest growing renewable energy sources according to the Institute of Electrical and Electronics Engineers and the Global Wind Energy Council. U.S. wind power generation capacity increased by 15% in 2010 and, according to the Department of Energy (DOE), U.S. wind power generation capacity has the potential to grow at a compounded annual rate in excess of 15% through 2020. The 2008 DOE report, 20% Wind Energy by 2030 , published in a joint effort with industry and the nation s leading laboratories, provides a potential framework for large scale integration of wind power in the U.S. Among other considerations, this report stipulates that reaching the 20% wind energy level in the U.S. will require expansion of the nation s transmission infrastructure to integrate wind energy into the grid.

Continued Support for Wind Power from Federal and State Governments Wind power enjoys broad public support and can be a fundamental part of federal and state economic development strategies. In the U.S., a number of federal and state legislative and regulatory activities influence the wind industry s ability to compete in the electric market. A federal-level income tax credit, the Production Tax Credit (PTC), is allowed for the production of electricity from utility-scale wind turbines. Congress acted in 2009 to provide a three-year extension of the PTC through the end of 2012. At the state level, a renewable portfolio standard is a policy that sets hard targets for renewable energy in the near- and long-term to diversify electricity supply, stimulate local economic development, reduce pollution and cut water consumption.

Competitive Strengths

We believe we are well positioned for significant growth in the niche markets within the electrical transmission and distribution equipment industry in which we compete. Our competitive strengths include:

Recurring Customer Base We believe that our established, long-standing customer relationships provide us with a stable and recurring revenue base. Approximately 90% of our electrical transformer revenue in each of 2010 and 2009, adjusted to include revenue from Jefferson Electric, Inc. during periods prior to its 2010 acquisition by us, originated from customers who had also ordered from us in the prior year. We believe this customer continuity is a direct result of our deeply-rooted culture of uncompromising attention to detail, design and engineering expertise and consistently high customer service levels. Our commitment to service is evident in our high supplier scorecard ratings with several of our largest customers. We have found that our customers are typically reluctant to switch suppliers once a favorable service track record has been established, even in cases where orders for our products are routinely released for competitive bidding.

Focus on Attractive Niche Markets We focus on niche markets in the utility, industrial, commercial and wind energy market sectors of the electrical transmission and distribution industry that we believe are underserved by our larger competitors and have either attractive growth or profitability characteristics. Our key target markets are characterized by specialty applications of often customized products with particular electrical and mechanical attributes, which we frequently manufacture in low quantity production runs. The transformer market we serve is very fragmented due to the range of sizes, voltages and technological standards required by different categories of end users. We have developed a number of designs for specialty applications in niche markets, including: utility network failsafe planning, wind energy, elevators, and more recently, data centers. Many orders are custom-engineered and tend to be time-sensitive as other critical work is frequently coordinated with the customer s transformer installation schedule, or because our transformers are a key sub-component of the customer s overall products being sold to end users. We believe that the historical growth of our product range, end-markets and revenues is due in large part to close relationships with our customers. Our strong customer relationships enable us to anticipate customers needs and collaborate with our customers to identify new, often highly-engineered applications.

Integration of Strategic Acquisitions Our management team has a long track record of acquiring and integrating companies. Our recent and pending acquisitions have and will provide us with new products and services, additional sales channels and markets, manufacturing facilities, technical expertise, purchasing economies and administrative efficiencies. We believe that our management s ability to identify and integrate acquisitions will allow us to implement our growth plans and compete more effectively in the markets we serve.

Experienced Management Team Our management team has extensive experience in the electrical equipment and components industry and has consummated a significant number of acquisitions, divestitures and joint ventures. Our senior management team includes seasoned professionals with industry, finance, transaction and operational experience that averages over 20 years per person. The prior companies owned and operated by our chief executive officer, Nathan J. Mazurek, have been focused on transformer, circuit breaker and film capacitor products. Mr. Mazurek has developed an extensive network of relationships with domestic and international companies in the electrical equipment and components industry.

Growth Strategy

We believe we have a stable platform from which to develop and grow our business lines, revenues and earnings. We intend to grow our company through strategic acquisitions and organically, capitalizing on our existing competitive strengths to maximize stockholder value. The key elements of our growth strategy are:

Pursue Targeted Strategic Acquisitions We intend to accelerate our growth through a disciplined acquisition strategy to broaden and enhance our product and service offerings, technical expertise, customers, end-markets and sales channels. The electrical transformer market is very fragmented with a large number of potential acquisition candidates who focus on highly-specialized applications, select end-markets or more regionally defined market areas. We favor candidates that have competencies and business characteristics similar to our own, and those that we expect will benefit from some of the major trends affecting our industry, such as companies that specialize in power quality and conditioning. We intend to continually evaluate acquisition targets and our senior management team provides us with significant experience in integrating acquired companies. Our 2010 acquisition of Jefferson Electric, Inc. and pending acquisition of Transformateur Bemag Inc. are examples of our ability to implement this strategy.

Expand Our Product and Service Offerings We intend to grow and acquire businesses that expand our product and service offerings to both existing and new customers. We are focused on products and end-markets that we expect will benefit from an increase in the demand for substation-class and other transformers driven by rising electricity demand, the repair and replacement cycle of an aging electric transmission grid, rising electricity demand and the transition to renewable energy sources. In anticipation of increased manufacturing volumes, each of our transformer business units completed expansions of their respective manufacturing capacities in the last two years. We expect to continually evaluate opportunities to expand organically or through acquisitions to broaden our relationships with existing and new customers where we can leverage our manufacturing, design and engineering capabilities. We also plan to introduce new products from companies we acquire into our existing sales channels in order to maximize the productivity of our distribution network. For example, our pending acquisition of Transformateur Bemag Inc. is expected to introduce medium voltage dry-type transformers to our U.S. sales channels operated by Jefferson Electric, Inc.

Focus on Operating Efficiencies We intend to continue to efficiently manage and invest in our assets and operations. We are focused on improving product mix, enhancing our supply chain management, optimizing the use of our available capacity and continuing to manage project costs efficiently throughout their lifecycle. We have demonstrated our ability to integrate new production facilities into our existing operations and will continue to examine joint purchasing and production capabilities between our companies to further improve our operating results. For example, Transformateur Bemag Inc. has developed proprietary automation systems and product designs that we intend to implement at Jefferson Electric Inc.

Risks Associated with Our Business

Our ability to operate our business and achieve our goals and strategies is subject to numerous risks as discussed more fully in the section titled Risk Factors, including, without limitation:

- our ability to expand our business through strategic acquisitions;
- our ability to integrate acquisitions and related businesses;
- competition within the electrical equipment manufacturing and service industry;
- our dependence on Hydro-Quebec Utility Company and Siemens Industry, Inc. for a large portion of our business;
- the potential loss or departure of key personnel, including Nathan J. Mazurek, our Chairman, President and Chief Executive Officer;
- currency exchange rate risk;
- our ability to generate internal growth;
- market acceptance of our existing and new products and services;

- operating margin risk due to competitive pricing and operating efficiencies, supply chain risk, material, labor or overhead cost increases, interest rate risk and commodity risk;
- restrictive loan covenants or our ability to repay or refinance debt under our credit facilities that could limit our future financing options and liquidity position and may limit our ability to grow our business;
- the continuation of government incentive programs promoting electrical equipment capital investment and development of renewable energy sources upon which our customers may rely;
- our ability to develop and grow our wind energy business;
- control of us by our chairman through our majority stockholder; and
- general economic and market conditions in the electrical equipment, power generation, commercial construction, industrial production, oil and gas, marine and infrastructure industries.

Any of the above risks as well as others discussed herein could materially and negatively affect our business, financial condition and operating results. Investing in our common stock involves a high degree of risk. You should carefully consider the information set forth in Risk Factors and other information in this prospectus before making a decision to invest in our common stock.

Corporate and Other Information

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

The Offering[1]

Common stock offered by us	1,700,000 shares
Common stock offered by the selling stockholders	584,000 shares
Common stock outstanding before offering	5,907,255 shares
Common stock to be outstanding after the offering	7,607,255 shares
Offering price	$8.00 to $10.00 per share (estimate)
Use of proceeds	We intend to use the proceeds of this offering to fund new acquisitions, to offer extended purchase terms to future customers of our wind energy business, to repay indebtedness, and for general corporate purposes. We will not receive any proceeds from the sale of shares by the selling stockholders. See Use of Proceeds beginning on page 27 of this prospectus.
Directed share program	At our request, the underwriters have reserved up to 3% of the shares of common stock for sale at the public offering price to persons who are directors, officers or employees of or who are otherwise associated with us, through a directed share program. The number of shares of common stock available for sale to the general public will be reduced by the number of directed shares purchased by participants in the directed share program. For further information, see Underwriting beginning on page 75 of this prospectus.
Risk factors	Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page 10 of this prospectus.
OTC Bulletin Board symbol	PPSI.OB
Proposed Nasdaq Capital Market symbol	PPSI

[1] All share amounts are adjusted for the anticipated one-for-five reverse stock split that is expected to occur immediately prior to the effectiveness of the registration statement of which this prospectus is a part.

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

255,000 shares of common stock subject to the over-allotment option granted to the underwriters.

118,400 shares of common stock issuable upon the exercise of currently outstanding options at a weighted average exercise price of $15.07;

640,000 shares of common stock issuable upon the exercise of currently outstanding warrants at a weighted average exercise price of $14.00 per share; and

581,600 shares of common stock available for issuance under our 2011 Long-Term Incentive Plan.

Unless otherwise stated, all information contained in this prospectus assumes no exercise of the over-allotment option granted to the underwriters.

We intend to effectuate a one-for-five reverse stock split, in order to comply with the listing requirements of Nasdaq Capital Market. Such reverse stock split would immediately increase our stock price. In addition, such reverse stock split would reduce the number of shares of common stock outstanding and may affect the liquidity of our common stock. The reverse stock split is expected to occur immediately prior to the effectiveness of the registration statement of which this prospectus is a part.

Summary Consolidated Financial Information
(In thousands, except per share data)

The historical share and per share amounts set forth below reflect the anticipated one-for-five reverse stock split of our common stock that is expected to occur immediately prior to the effectiveness of the registration statement of which this prospectus is a part.

	Years Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
Statement of Operations Data:					
Revenue	$ 43,844	$ 40,599	$ 47,236	$ 8,250	$ 15,726
Cost of goods sold	34,896	28,734	35,637	6,444	11,405
Gross profit	8,988	11,865	11,599	1,806	4,321
Operating expenses:					
Selling, general and administrative	4,379	4,220	8,048	1,150	2,790
Foreign exchange (gain) loss	(98)	(272)	(139)	92	(17)
Total operating expenses	4,281	3,948	7,909	1,242	2,773
Operating income	4,707	7,917	3,690	564	1,548
Interest and bank charges	512	312	183	13	122
Other expense (income)	700	-	884	-	-
Gain on bargain purchase	-	-	(650)	-	-
Earnings before income taxes	3,495	7,605	3,273	551	1,426
Provision for income taxes	1,357	2,490	327	161	463
Net earnings	$ 2,138	$ 5,115	$ 2,946	$ 390	$ 963
Earnings per diluted common share	$ 0.47	$ 1.10	$ 0.50	$ 0.07	$ 0.16
Weighted average diluted common shares outstanding	4,560	4,659	5,931	5,813	5,950
Other Data:					
Non-GAAP earnings per diluted common share	$ 0.58	$ 1.10	$ 0.43	$ 0.07	$ 0.17
Adjusted EBITDA (Non-GAAP measure)	$ 4,999	$ 8,224	$ 4,849	$ 679	$ 1,830
Average exchange rate during period (CAD/USD)	1.0671	1.1415	1.0301	1.0409	0.9860
Balance Sheet Data:					
Cash and cash equivalents	$ 368	$ 1,560	$ 516	$ 3,116	$ 140
Working capital	1,727	8,962	2,033	9,596	3,198
Total assets	11,555	14,595	32,103	15,351	35,785
Total debt	410	284	6,080	242	6,237
Total liabilities	9,439	4,988	17,011	5,098	19,441
Total shareholders equity	2,115	9,607	15,092	10,253	16,344

Use of Non-GAAP Financial Measures

We have presented non-GAAP measures such as non-GAAP net earnings and Adjusted EBITDA because many of our investors use these non-GAAP measures to monitor our performance. These non-GAAP measures should not be considered as an alternative to GAAP measures as an indicator of our operating performance.

Non-GAAP net earnings is defined by us as net earnings before amortization of acquisition-related intangibles, stock-based compensation, non-recurring acquisition costs and reorganization expense, impairments, other unusual gains or charges and any tax effects related to these items. We define Adjusted EBITDA as net earnings before interest, income tax expense, depreciation and amortization, non-cash compensation and non-recurring acquisition costs and reorganization expenses and other non-recurring or non-cash items.

Generally, a non-GAAP financial measure is a numerical measure of a company s performance, financial position or cash flow that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. The non-GAAP measures included below, however, should be considered in addition to, and not as a substitute for or superior to, operating income, cash flows, or other measures of financial performance prepared in accordance with GAAP. A reconciliation of non-GAAP to GAAP financial measures is set forth in the table below.

Reconciliation of GAAP Measures to Non-GAAP Measures
(In thousands, except per share data)

	Years Ended December 31,			Three Months Ended March 31,	
	2008	**2009**	**2010**	**2010**	**2011**
Non-GAAP Net Earnings and Diluted EPS:					
Net earnings per share (GAAP measure)	$ 0.47	$ 1.10	$ 0.50	$ 0.07	$ 0.16
Net earnings (GAAP measure)	$ 2,138	$ 5,115	$ 2,946	$ 390	$ 963
Amortization of acquisition intangibles	-	-	144	-	53
Stock-based compensation expense	-	-	161	4	61
Stock and warrant issuance expense for services	-	-	232	21	-
Non-recurring acquisition and reorganization costs	-	-	884	-	-
Impairment charges	700	-	-	-	-
Gain on bargain purchase	-	-	(650)	-	-
Canadian tax recovery	-	-	(831)	-	-
Tax adjustments	(209)	-	(323)	(10)	(44)
Non-GAAP net earnings	$ 2,629	$ 5,115	$ 2,562	$ 405	$ 1,033
Non-GAAP net earnings per diluted share	$ 0.58	$ 1.10	$ 0.43	$ 0.07	$ 0.17
Weighted average diluted shares outstanding	4,560	4,659	5,931	5,813	5,950
Reconciliation to Adjusted EBITDA:					
Net earnings (GAAP measure)	$ 2,138	$ 5,115	$ 2,946	$ 390	$ 963
Interest and bank charges	512	312	183	13	122
Provision for income taxes	1,357	2,490	327	161	463
Depreciation and amortization	292	307	767	90	221
Gain on bargain purchase	-	-	(650)	-	-
Non-recurring acquisition and reorganization costs	-	-	884	-	-
Impairment charges	700	-	-	-	-
EBITDA	4,999	8,224	4,457	654	1,769
Adjustments to EBITDA:					
Stock-based compensation expense	-	-	161	4	61
Stock and warrant issuance expense for services	-	-	232	21	-
Adjusted EBITDA (Non-GAAP measure)	$ 4,999	$ 8,224	$ 4,849	$ 679	$ 1,830

Note: Amounts may not foot due to rounding

Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully consider the following factors and other information in this prospectus before making a decision to invest in our common stock. Additional risks and uncertainties that we are unaware of may become important factors that affect us. If any of the following events occur, our business, financial conditions and operating results may be materially and adversely affected. In that event, the trading price of our common stock may decline, and you could lose all or part of your investment.

Risks Relating to Our Business

We may not be able to expand our business through strategic acquisitions, which could decrease our profitability.

A key element of our strategy is and a material portion of the proceeds of our offering is expected to be utilized to pursue strategic acquisitions that either expand or complement our business in order to increase revenue and earnings. We may not be able to identify additional attractive acquisition candidates on terms favorable to us or in a timely manner. We may require additional debt or equity financing for future acquisitions, which may not be available on terms favorable to us, if at all. Moreover, we may not be able to integrate any acquired businesses into our business or to operate any acquired businesses profitably. Acquired businesses (such as Jefferson Electric, Inc.) may operate at lower profit margins, which could negatively impact our results of operations. Each of these factors may contribute to our inability to grow our business through strategic acquisitions, which could ultimately result in increased costs without a corresponding increase in revenues, which would result in decreased profitability.

Any acquisitions that we complete could disrupt our business and harm our financial condition and operations.

In an effort to effectively compete in the specialty electrical equipment manufacturing and service businesses, where increasing competition and industry consolidation prevail, we will seek to acquire complementary businesses in the future. In the event of any future acquisitions, we could:

- issue additional securities that would dilute our current stockholders percentage ownership or provide the purchasers of the additional securities with certain preferences over those of common stockholders, such as dividend or liquidation preferences;
- incur debt and assume liabilities; and
- incur large and immediate write-offs of intangible assets, accounts receivable or other assets.

These events could result in significant expenses and decreased revenue, which could adversely affect the market price of our common stock.

In addition, integrating product acquisitions and completing any future acquisitions could also cause significant diversions of management s time and resources. Managing acquired businesses entails numerous operational and financial risks. These risks include difficulty in assimilating acquired operations, diversion of management s attention, and the potential loss of key employees or customers of acquired operations.

Our industry is highly competitive.

The electrical transformer industry is highly competitive. Principal competitors in our markets include ABB Ltd., Carte International, Inc., Cooper Industries plc, General Electric Company, Hammond Power Solutions Inc., Howard Industries, Inc., Partner Technologies, Inc. and Schneider Electric. Many of these competitors, as well as other companies in the broader electrical equipment manufacturing and service industry where we expect to compete, are significantly larger and have substantially greater resources than we do and are able to achieve greater economies of scale and lower cost structures than us and may, therefore, be able to provide their products and services to customers at lower prices than we are able to. Moreover, we cannot be certain that our competitors will not develop the expertise, experience and resources to offer products that are superior in both price and quality to our products. Similarly, we cannot be certain that we will be able to market our business effectively in the face of competition or to maintain or enhance our competitive position within our industry, maintain our customer base at current levels or increase our customer base. Our inability to manage our business in light of the competitive forces we face could have a material adverse effect on our results of operations.

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

We depend on Hydro-Quebec Utility Company for a large portion of our business, and any change in the level of orders from Hydro-Quebec Utility Company, has, in the past, had a significant impact on our results of operations. In particular, Hydro-Quebec Utility Company represented a substantial portion of our entire company s sales, approximately 36% and 40% of net sales in the years ended December 31, 2010 and 2009, respectively. In addition, Siemens Industry, Inc. accounted for 9% of our entire company s sales in the year ended December 31, 2010. Aside from being a customer of ours, Siemens Industry, Inc. is also a manufacturer of transformers. If either of these customers was to significantly cancel, delay or reduce the amount of business it does with us, there could be a material adverse effect on our business, financial condition and operating results. Our long term supply agreements for the sale of our products to Hydro-Quebec Utility Company expire in 2012 and we therefore cannot assure you that Hydro-Quebec Utility Company will continue to purchase transformers from us in quantities consistent with the past or at all. Moreover, although Jefferson Electric, Inc. has a pricing agreement for the sale of its products to Siemens Industry, Inc., the agreement does not obligate Siemens Industry, Inc. to purchase transformers from Jefferson Electric, Inc. in quantities consistent with the past or at all. If either of these customers were to become insolvent or otherwise unable to pay or were to delay payment for services, our business, financial condition and operating results could also be materially adversely affected.

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

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

The commercial and industrial building and maintenance sectors began to experience a significant decline in 2008. The downturn in these segments contributed to a decline in the demand for some of Jefferson Electric, Inc. s products and adversely affected Jefferson Electric, Inc. s sales and earnings in 2008 through 2010. We cannot predict the duration or severity of the downturn in these segments. Continued downturn in these segments could continue to reduce the demand for some of our products and may adversely impact sales, earnings and cash flow.

The departure or loss of key personnel could disrupt our business.

We depend heavily on the continued efforts of Nathan J. Mazurek, our principal executive officer, and on other senior officers who are responsible for the day-to-day management of our three operating subsidiaries. In addition, we rely on our current electrical and mechanical design engineers, along with trained coil winders, many of whom are important to our operations and would be difficult to replace. We cannot be certain that any of these individuals will continue in their respective capacities for any particular period of time. The departure or loss of key personnel, or the inability to hire and retain qualified employees, could negatively impact our ability to manage our business.

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

A majority of our revenue and a significant portion of our expenditures are derived or spent in Canadian dollars. However, we report our financial condition and results of operations in U.S. dollars. As a result, fluctuations between the U.S. dollar and the Canadian dollar will impact the amount of our revenues. For example, if the

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

We may be unable to generate internal growth.

Our ability to generate internal growth will be affected by, among other factors, our ability to attract new customers, increase or decrease in the number or size of orders received from existing customers, hire and retain skilled employees and increase volume utilizing our existing facilities. Many of the factors affecting our ability to generate internal growth may be beyond our control, and we cannot be certain that our strategies will be implemented with positive results or that we will be able to generate cash flow sufficient to fund our operations and to support internal growth. If we do not achieve internal growth, our results of operations will suffer and we will likely not be able to expand our operations or grow our business.

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

Our raw material costs represented approximately 63% and 64% of our revenues for the years ended December 31, 2010 and 2009, respectively. Although we anticipate that this percentage will be lower in the future due to our acquisition of Jefferson Electric, Inc., there is no guarantee that such result will be achieved. The principal raw materials purchased by us are core steel, copper wire, aluminum strip and insulating materials including transformer oil. We also purchase certain electrical components from a variety of suppliers including bushings, switches, fuses and protectors. These raw materials and components are available from, and supplied by, numerous sources at competitive prices, although there are more limited sources of supply for electrical core steel and transformer oil. Unanticipated increases in raw material prices or disruptions in supply could increase production costs and adversely affect our profitability. We cannot provide any assurances that we will not experience difficulties sourcing our raw materials in the future.

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

Jefferson Electric, Inc. is highly leveraged, and its ability to repay its debt, substantially all of which is due to be repaid in October 2011, will depend on its financial and operating performance and on our ability to execute on our business strategy with respect to Jefferson Electric, Inc. The financial and operational performance of Jefferson Electric, Inc. will depend on numerous factors, many of which are beyond our control, such as economic conditions and governmental regulation. We cannot be certain that Jefferson Electric, Inc. s cash flow will be sufficient to allow it to pay the principal and interest on its debt and meet other obligations. If Jefferson Electric, Inc. does not generate enough cash flow to fully amortize its debt, it may be unable to refinance all or part of the existing debt or sell assets on terms acceptable to us, if at all. Further, failing to comply with the financial and other restrictive covenants in its loan agreement could result in an event of default, which could result in acceleration of the payments due. Because Jefferson Electric, Inc. s debt is secured by substantially all of Jefferson Electric, Inc. s assets, if Jefferson Electric, Inc. is unable to service, repay or refinance its debt and remain in compliance with its debt covenants, we could lose all of our investment in Jefferson Electric, Inc.

Our operating subsidiaries have, and are expected to continue to have, credit facilities with restrictive loan covenants that may impact our ability to operate our business and to pursue our business strategies, and our failure to comply with these covenants could result in an acceleration of our indebtedness.

We rely on our Pioneer Transformers Ltd. and Jefferson Electric, Inc. subsidiaries for a significant portion of the cash flow to operate our business and execute our strategy. Our current credit facilities with our lenders and our proposed new credit facility with our Canadian bank (which is expected to be effective in July 2011) contain or will contain certain covenants that restrict each of these subsidiaries ability to, among other things:

- effect an amalgamation, merger or consolidation with any legal entity;
- cause its subsidiaries to wind up, liquidate or dissolve their affairs, in the case of Pioneer Transformers Ltd, and permit any subsidiaries to exist, in the case of Jefferson Electric, Inc.;
- change the nature of its core business;
- in the case of Pioneer Transformers, Ltd., alter its capital structure in a manner that would be materially adverse to our Canadian lender and undergo a change of control and make investments or advancements to affiliated or related companies without our Canadian lender s prior written consent; or
- in the case of Jefferson Electric, Inc., recapitalize its corporate structure, acquire any business, acquire stock of any corporation, or enter into any partnership or joint venture.

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

In addition, our credit facilities require us to meet certain financial ratios, including maintenance of a minimum debt service coverage ratio, a minimum current ratio and a maximum total debt to tangible net worth ratio in the case of Pioneer Transformers, Ltd. and a requirement to exceed minimum quarterly targets for tangible net worth, as defined, and maintain a minimum debt service coverage ratio in the case of Jefferson Electric, Inc. Our ability to meet these financial provisions may be affected by events beyond our control. If, as or when required, we are unable to repay, refinance or restructure our indebtedness under, or amend the covenants contained in our credit facilities, our lenders could institute foreclosure proceedings against the assets securing borrowings under those facilities, which would harm our business, financial condition and results of operations.

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

We routinely have a backlog of work to be completed on contracts representing a significant portion of our annual sales. As of March 31, 2011, our order backlog was $18.2 million. Orders included in our backlog are represented by customer purchase orders and contracts that we believe to be firm. Backlog develops as a result of new business taken, which represents the revenue value of new customer orders received by us during a given period. Backlog consists of customer orders that either (1) have not yet been started or (2) are in progress and are not yet completed. In the latter case, the revenue value reported in backlog is the remaining value associated with work that has not yet been completed. From time to time, customer orders are canceled that appeared to have a high certainty of going forward at the time they were recorded as new business taken. In the event of a customer order cancellation, we may be reimbursed for certain costs but typically have no contractual right to the total revenue reflected in our backlog. In addition to our being unable to recover certain direct costs, canceled customer orders may also result in additional unrecoverable costs due to the resulting underutilization of our assets.

We are subject to pricing pressure from our larger customers.

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

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

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

Our operating results may vary significantly from quarter to quarter.

Our quarterly results may be materially and adversely affected by:

- the timing and volume of work under new agreements;
- the spending patterns of customers;
- customer orders received;
- a change in the mix of our customers, contracts and business;
- increases in design and manufacturing costs;
- the length of our sales cycles;
- the rates at which customers renew their contracts with us;
- changes in pricing by us or our competitors, or the need to provide discounts to win business;
- a change in the demand or production of our products caused by severe weather conditions;
- our ability to control costs, including operating expenses;
- losses experienced in our operations not otherwise covered by insurance;
- the ability and willingness of customers to pay amounts owed to us;
- the timing of significant investments in the growth of our business, as the revenue and profit we hope to generate from those expenses may lag behind the timing of expenditures;
- costs related to the acquisition and integration of companies or assets;
- general economic trends, including changes in equipment spending or national or geopolitical events such as economic crises, wars or incidents of terrorism; and
- future accounting pronouncements and changes in accounting policies.

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

We rely on third parties for key elements of our business whose operations are outside our control.

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

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

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

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

International expansion is one of our growth strategies, and international operations beyond our current markets will expose us to additional risks that we do not face in our current markets, which could have an adverse effect on our operating results.

We generate a significant portion of our revenue from operations in Canada and currently derive limited revenue from outside of North America. However, international expansion is one of our growth strategies, including into Western Europe and to Asia, and we expect our revenue and operations outside of North America will expand in the future. These operations will be subject to a variety of risks that we do not face in the U.S., and that we may face only to a limited degree in Canada, including:

- building and managing highly experienced foreign workforces and overseeing and ensuring the performance of foreign subcontractors;
- increased travel, infrastructure and legal and compliance costs associated with multiple international locations;
- additional withholding taxes or other taxes on our foreign income, and tariffs or other restrictions on foreign trade or investment;
- imposition of, or unexpected adverse changes in, foreign laws or regulatory requirements, many of which differ from those in the U.S.;

- increased exposure to foreign currency exchange rate risk;
- longer payment cycles for sales in some foreign countries and potential difficulties in enforcing contracts and collecting accounts receivable;
- difficulties in repatriating overseas earnings;
- general economic conditions in the countries in which we operate; and
- political unrest, war, incidents of terrorism, or responses to such events.

Our ability to expand into international markets will depend, in part, on our ability to navigate differing legal, regulatory, economic, social and political conditions. We may be unable to develop and implement policies and strategies that will be effective in managing these risks in each country where we do business. Our failure to manage these risks could cause us to fail to reap our investments in developing these markets and could harm our international operations, reduce our international sales and increase our costs, thus adversely affecting our international and overall business, financial condition and operating results.

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

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

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

Approximately 75% of our workforce is unionized. Our current collective bargaining agreement with our unionized workforce in Canada expires in May 2015. We have a similar agreement with our unionized workforce in Reynosa, Mexico that has an indefinite term, subject to annual review and negotiation of key provisions. If we are unable to renew our agreements regarding the terms of these collective bargaining agreements, or if additional segments of our workforce become unionized, we may be subject to work interruptions or stoppages. Strikes or labor disputes with our employees may adversely affect our ability to conduct our business.

Our risk management activities may leave us exposed to unidentified or unanticipated risks.

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

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

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

Future litigation could impact our financial results and condition.

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

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

We rely on credit facilities with our lenders, amongst other avenues, to satisfy our liquidity needs. Disruptions in the domestic or international credit markets or deterioration of the banking industry s financial condition (such as occurred beginning in 2008), may discourage or prevent our lenders and other lenders from meeting their existing lending commitments, extending the terms of such commitments or agreeing to new commitments, such as for acquisitions or to refinance existing credit facilities. Market disruptions may also limit our ability to issue debt securities in the capital markets. We can provide no assurances that our lenders or any other lenders we may have will meet their existing commitments or that we will be able to access the credit markets in the future on terms acceptable to us or at all.

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

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

Capital market disruptions could result in increased costs related to variable rate debt. As a result, continuation of market disruptions could increase our interest expense and adversely impact our results of operations. Disruption in the capital markets and its actual or perceived effects on particular businesses and the greater economy also adversely affects the value of the investments held within our pension plans. Significant declines in the value of the investments held within our pension plans may require us to increase contributions to those plans in order to meet future funding requirements if the actual asset returns do not recover these declines in value in the foreseeable future. These trends may also adversely impact our results of operations, net cash flows and financial positions, including our stockholders equity.

Risks Relating to Pioneer Wind Energy Systems Inc.

The wind turbine-related assets that we acquired from AAER Inc. were acquired pursuant to Canadian court proceedings in which AAER Inc. sought protection from its creditors after it failed to raise additional capital to fund losses from its wind turbine manufacturing and marketing business. As such, no assurance can be given that we will be able to operate AAER Inc. s former business at a profit, or that we will continue to provide for the funding needs of Pioneer Wind Energy Systems Inc. if it does not perform to our expectations.

All of our wind turbine assets were acquired from AAER Inc. in connection with the failure of AAER Inc. to raise sufficient capital to continue funding its wind turbine manufacturing and marketing business. We are seeking a qualified third party to assemble our wind turbine model for us, but have so far been unable to establish such an arrangement. While we believe this operating model for our Pioneer Wind Energy Systems Inc. business would entail less inventory risk and require less working capital than AAER Inc. s operations, no assurance can be given that we will be able to monetize the wind turbine assets we purchased, and related products sold in the future, at a profit and succeed where AAER Inc. was unable to. In particular, we have limited experience in working with wind turbines. Moreover, the wind turbine business is highly competitive and dominated by a few much larger corporations with greater resources such as GE Energy, Siemens Wind Power A/S, Vestas Wind Systems A/S and Gamesa Corporation Tecnologica S.A.

We have significantly restructured the operations of the wind energy business we acquired and, as such, we consider Pioneer Wind Energy Systems Inc. to be a development stage business that is highly dependent on its senior management personnel.

The business of Pioneer Wind Energy Systems Inc. is highly dependent on the experience, reputation and knowledge of its senior managers in order to secure attractive wind energy project customers, including its president and manager of strategic procurement. The loss of either of these individuals could significantly impair Pioneer Wind Energy Systems Inc. s ability to identify and attract customers and adequately source and supply products and services that meet customers needs.

Our business strategy includes providing equipment financing assistance to our customers, a practice with which we have no experience to date.

Inherent in our strategy to provide financing in conjunction with sales of our wind turbine equipment is credit risk associated with our customers. We intend to provide customers extended payment terms from the time of wind turbine delivery and installation. If we are able to sell wind turbine equipment on this basis, we anticipate that each sale will create over $1.0 million of accounts receivable plus interest per customer per project and will provide for a payment schedule of up to, or exceeding, one year. If customers responsible for a significant amount of accounts receivable become insolvent or otherwise unable to pay for our equipment and services, or become unwilling or unable to make payments in a timely manner, our operating results and financial condition could be adversely affected. The creditworthiness of each customer and the rate of delinquencies, repossessions and net losses on customer obligations will be directly impacted by several factors, including relevant industry and economic conditions, the availability of capital, the experience and expertise of the customer s management team, the sustained value of the underlying collateral and the overall performance of the customer s power project. In the event of delinquencies that might cause us to seek to take possession of our collateral, there can be no assurance that we will be able to sell such collateral at a price sufficient to recover our investment.

Our wind energy equipment and services business is highly dependent on our customers receiving regulatory incentives, subsidies and third party financing.

The wind energy industry is supported in many territories through a variety of financial incentives offered by government and regulatory bodies. If the availability of such incentives was reduced or removed it would likely have an adverse effect on our business. Such an incentive in the U.S. is the PTC, which is due to expire on December 31, 2012. Without the PTC, the projected return on investment in an individual wind power facility may not be sufficient to attract investment capital in the amount necessary to fund the acquisition, development and construction of wind power projects in the U.S.

While the PTC has been in effect continuously since 1992 and most recently renewed in February 2009, there can be no assurance that the PTC will be renewed beyond its current expiration date of December 31, 2012. The absence of the PTC could have a significant adverse effect on our growth potential.

The PTC will only be available for qualifying facilities that are placed in service while the PTC is in effect or through a retrospective application of the PTC. The time required to identify potential wind power projects, and to then pursue them to completion and implementation, typically ranges from 18 to 36 months, although lesser periods are possible for smaller projects. If the PTC is not extended beyond 2012, U.S. projects under development by us at that time and not completed by December 31, 2012 would not be eligible for the PTC. Accordingly, our customers might have to reduce their project spending to offset the corresponding reduction in revenues from the sale of U.S. projects.

The wind energy industry in other jurisdictions in which we expect to have a market presence may also rely to some extent on financial incentives and/or penalties designed to support the wind energy industry in that jurisdiction. Changes to, or the removal of such measures may have a significant adverse affect on our ability to compete in such jurisdictions.

Finally, in addition to regulatory incentives, some of our customers will rely on us or on third parties in connection with the financing of purchases of wind turbines from us. Starting during the economic downturn of 2008, third party financing became very difficult to obtain for wind power projects and remains challenging to secure. The absence of easily obtainable third party financing for wind power projects could materially reduce demand for our wind turbines.

Our customers may have difficulty in locating suitable project development sites, resulting in less demand for our wind turbines.

The development of new wind power generating projects requires the identification, acquisition and permit for viable wind resource land assets. We believe that adequate wind resource land exists and can be acquired by our current and prospective customers on a reasonable cost basis. However, management believes competition for wind resource sites is increasing and we believe developers in some areas have bid up site costs to levels that result in marginal project economics. This trend may increase and spread to many wind regions, limiting demand for our wind turbines. In some locations, residents and others have objected to wind projects based on noise, visual aesthetics or wildlife protection concerns.

Changes in tax laws may adversely affect our wind turbine business.

When the U.S. Congress renewed the PTC in 2004, it amended certain provisions of the Internal Revenue Code in a manner that resulted in wind energy property no longer qualifying as five-year depreciation property. Congress restored the availability of accelerated 5-year depreciation as part of the Energy Policy Act of 2005, which also extended the PTC. There can be no assurance, however, that future changes in U.S. tax laws will not require wind energy property to be depreciated over a longer period of time. Such changes could force us to modify our pricing and could lead to a material adverse effect on our business.

Risks Relating to Our Organization

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

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

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

Provident Pioneer Partners, L.P., which is controlled by Nathan J. Mazurek, chief executive officer, president and chairman of the board of directors, beneficially owns approximately 78% of our outstanding common stock and is expected to beneficially own approximately 63% of our outstanding common stock after the offering contemplated herein, assuming no exercise of the underwriters over-allotment option. As a result of this stock ownership, Provident Pioneer Partners, L.P. and Mr. Mazurek can control all matters submitted to our stockholders for approval, including the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of voting power could delay or prevent an acquisition of our company on terms that other stockholders may desire. In addition, as the interests of Provident Pioneer Partners, L.P. and our minority stockholders may not always be the same, this large concentration of voting power may lead to stockholder votes that are inconsistent with the best interests of our minority stockholders or the best interest of us as a whole.

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

On December 2, 2009, we became subject to reporting and other obligations under the Securities Exchange Act of 1934, as amended, including the requirements of Section 404 of the Sarbanes-Oxley Act. Section 404 requires us to conduct an annual management assessment of the effectiveness of our internal controls over financial reporting. These reporting and other obligations place significant demands on our management, administrative, operational, internal audit and accounting resources. We anticipate that we may need to upgrade our systems, implement additional financial and management controls, reporting systems and procedures, implement an internal audit function, and hire additional accounting, internal audit and finance staff. If we are unable to accomplish these objectives in a timely and effective fashion, our ability to comply with our financial reporting requirements and other rules that apply to reporting companies could be impaired. Any failure to maintain effective internal controls could have a material adverse effect on our business, operating results and stock price.

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

There may be risks associated with the fact that we became a public company through a reverse merger. Securities analysts of major brokerage firms may not provide coverage of us since there is no incentive to brokerage firms to recommend the purchase of our common stock. No assurance can be given that brokerage firms will, in the future, want to conduct any secondary offerings on our behalf. Moreover, regulatory authorities such as the SEC and securities exchanges may subject us to heightened scrutiny because of the manner in which we became a public company, which could lead to increased compliance costs or delays in implementing transactions such as financings and acquisitions.

Risks Relating to this Offering and our Common Stock

Purchasers in this offering will experience immediate and substantial dilution in the book value of their investment.

The public offering price of our common stock will be substantially higher than the net tangible book value per share of our common stock immediately after this offering. Therefore, if you purchase our common stock in this offering, you will incur an immediate dilution of $6.37 (or 70.8%) in net tangible book value per share from the price you paid, based on an assumed public offering price of $9.00 per share (as adjusted for the anticipated one-for-five reverse stock split of our common stock that is expected to occur immediately prior to the effectiveness of the registration statement of which this prospectus is a part), the midpoint of the range set forth on the cover page of this prospectus. The exercise of outstanding warrants and options may result in further dilution of your investment, but only if the public offering price is greater than $10.00 per share. In addition, if we raise funds by issuing additional shares or convertible securities in the future, the newly issued shares may further dilute your ownership interest.

We may apply the proceeds of this offering to uses that ultimately do not improve our operating results or increase the value of your investment.

We intend to use the net proceeds from this offering to fund additional acquisition opportunities, offer equipment financing terms to customers of our wind energy subsidiary and for general corporate purposes, including working capital and the possible repayment of indebtedness. Depending on several factors, including the availability of alternate sources of capital and the possibility that the execution or timing of our business plans may change, management may use these proceeds in a manner different than originally intended. These proceeds could be applied in ways that do not improve our operating results or otherwise increase the value of your investment.

There may be a limited market for our securities and we may fail to qualify for continued listing on Nasdaq, which could make it more difficult for investors to sell their shares.

We have submitted an initial listing application on The Nasdaq Capital Market in connection with this offering. Our initial listing application may not be granted, as we may not meet the required listing criteria of Nasdaq Capital Market. In the event the listing of our common stock is approved by Nasdaq Capital Market or other exchange, there can be no assurance that trading of our common stock on such market will be sustained or desirable. At the present time, we do not qualify for certain of the initial listing requirements of Nasdaq Capital Market. In the event that our common stock fails to qualify for initial or continued listing, our common stock could thereafter only be quoted on the OTC Bulletin Board or on what are commonly referred to as the pink sheets operated by OTC Markets Group, Inc. Under such circumstances, you may find it more difficult to dispose of, or to obtain accurate quotations, for our common stock, and our common stock would become substantially less attractive to certain purchasers, such as financial institutions, hedge funds and other similar investors.

Our common stock may be affected by limited trading volume and price fluctuations, each of which could adversely impact the value of our common stock.

There has been very limited trading in our common stock and there can be no assurance that an active trading market in our common stock will either develop or be maintained. Our common stock has experienced, and is likely to experience in the future, significant price and volume fluctuations, which could adversely affect the market price of our common stock without regard to our operating performance. In addition, we believe that factors such as quarterly fluctuations in our financial results and changes in the overall economy or the condition of the financial markets could cause the price of our common stock to fluctuate substantially. These fluctuations may also cause short sellers to enter the market from time to time in the belief that we will have poor results in the future. We cannot predict the actions of market participants and, therefore, can offer no assurances that the market for our stock will be stable or appreciate over time.

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

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

- technological innovations or new products and services by us or our competitors;
- additions or departures of key personnel;
- sales of our common stock, including management shares;
- limited availability of freely-tradable unrestricted shares of our common stock to satisfy purchase orders and demand;
- our ability to execute our business plan;
- operating results that fall below expectations;

- loss of any strategic relationship;
- industry developments;
- economic and other external factors;
- our ability to manage the costs of maintaining adequate internal financial controls and procedures in connection with the acquisition of additional businesses; and
- period-to-period fluctuations in our financial results.

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

A significant number of our shares will be eligible for sale and their sale or potential sale may depress the market price of our common stock.

Sales of a significant number of shares of our common stock in the public market could harm the market price of our common stock. When this offering is completed, we will have a total of 7,607,255 shares of common stock outstanding, assuming no exercise of the underwriters over-allotment option and no exercise of outstanding stock options. The 2,284,000 shares offered by this prospectus, assuming no exercise of the underwriters over-allotment option, will be freely tradeable unless they are purchased by our affiliates, as defined in Rule 144 under the Securities Act of 1933, as amended. An additional 656,000 shares are freely tradeable unless they are purchased by our affiliates, as defined in Rule 144 under the Securities Act of 1933, as amended. The remaining 4,667,255 shares outstanding are restricted, which means they were originally sold in offerings, or issued as merger consideration, that were not subject to a registration statement filed with the Securities and Exchange Commission. These restricted shares may be resold only through registration under the Securities Act of 1933, as amended, or under an available exemption from registration, such as provided through Rule 144.

In addition, 758,400 shares are issuable upon exercise of options and warrants. Pursuant to an effective registration statement, 400,000 shares issuable upon exercise of outstanding warrants are freely tradeable unless they are purchased by our affiliates, as defined in Rule 144 under the Securities Act of 1933, as amended. If any options or other warrants are exercised, the shares issued upon exercise will also be restricted, but may be sold under Rule 144 after the shares have been held for six months. Sales under Rule 144 may be subject to volume limitations and other conditions.

The holders of 5,300,115 shares of common stock currently outstanding, or 5,799,915 shares of common stock including shares issuable upon exercise of options and warrants, have agreed with the representative of the underwriters to a 180 day lock-up with respect to these shares. This generally means that they cannot sell these shares during the 180 days following the date of this prospectus. See Underwriting for additional details. After the 180 day lock-up period, these shares may be sold in accordance with Rule 144 or pursuant to an effective registration statement.

In addition to the possibility that actual sales of significant amounts of our common stock in the public market could harm our common stock price, the fact that our stockholders have the ability to make such sales could create a circumstance commonly referred to as an overhang, in anticipation of which the market price of our common stock could fall. The existence of an overhang, whether or not sales have occurred or are occurring, could also make it more difficult for us to raise additional financing through the sale of equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate.

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

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

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. We do not currently have research coverage by securities and industry analysts and you should not invest in our common stock in anticipation that we will obtain such coverage. If we obtain securities or industry analyst coverage and if one or more of the analysts who covers us downgrades our stock or publishes inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price and trading volume to decline.

Cautionary Note Regarding Forward-Looking Statements

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

Our ability to expand our business through strategic acquisitions.

Our ability to integrate acquisitions and related businesses.

Many of our competitors are better established and have significantly greater resources, and may subsidize their competitive offerings with other products and services, which may make it difficult for us to attract and retain customers.

We depend on Hydro-Quebec Utility Company and Siemens Industry, Inc. for a large portion of our business, and any change in the level of orders from Hydro-Quebec Utility Company or Siemens Industry, Inc. could have a significant impact on our results of operations.

The potential loss or departure of key personnel, including Nathan J. Mazurek, our Chairman, President and Chief Executive Officer.

A majority of our revenue and a significant portion of our expenditures are derived or spent in Canadian dollars. However, we report our financial condition and results of operations in U.S. dollars. As a result, fluctuations between the U.S. dollar and the Canadian dollar will impact the amount of our revenues.

Our ability to generate internal growth.

Market acceptance of existing and new products.

Operating margin risk due to competitive pricing and operating efficiencies, supply chain risk, material, labor or overhead cost increases, interest rate risk and commodity risk.

Restrictive loan covenants or our ability to repay or refinance debt under our credit facilities could limit our future financing options and liquidity position and may limit our ability to grow our business.

Our ability to develop and grow our wind energy business.

General economic and market conditions in the electrical equipment, power generation, commercial construction, industrial production, oil and gas, marine and infrastructure industries.

The impact of geopolitical activity on the economy, changes in government regulations such as income taxes, climate control initiatives, the timing or strength of an economic recovery in our markets and our ability to access capital markets.

Unanticipated increases in raw material prices or disruptions in supply could increase production costs and adversely affect our profitability.

Our chairman controls a majority of our combined voting power, and may have, or may develop in the future, interests that may diverge from yours.

Future sales of large blocks of our common stock may adversely impact our stock price.

The foregoing does not represent an exhaustive list of matters that may be covered by the forward-looking statements contained herein or risk factors that we are faced with that may cause our actual results to differ from those anticipated in our forward-looking statements. Please see Risk Factors for additional risks which could adversely impact our business and financial performance. Moreover, new risks regularly emerge and it is not possible for our management to predict or articulate all risks we face, nor can we assess the impact of all risks on our business or the extent to which any risk, or combination of risks, may cause actual results to differ from those contained in any forward-looking statements. All forward-looking statements included in this prospectus are based on information available to us on the date of this prospectus. Except to the extent required by applicable laws or rules, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained above and throughout this prospectus.

Common Stock Market Data

Our common stock was originally approved for quotation on the OTC Bulletin Board on February 2, 2009 and since January 7, 2010, our common stock has been quoted under the trading symbol PPSI.OB. Prior to January 7, 2010, our common stock did not trade regularly. The following table sets forth the high and low bid prices for our common stock for the periods indicated, as reported by the OTC Bulletin Board. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions. The quotations are adjusted for the anticipated one-for-five reverse stock split of our common stock that is expected to occur immediately prior to the effectiveness of the registration statement of which this prospectus is a part.

	High	Low
Fiscal Year 2010		
First Quarter	$ 17.00	$ 7.50
Second Quarter	$ 15.45	$ 13.25
Third Quarter	$ 15.25	$ 10.00
Fourth Quarter	$ 15.00	$ 13.25
Fiscal Year 2011		
First Quarter	$ 15.30	$ 10.00

The last reported sales price of our common stock on the OTC Bulletin Board on May 31, 2011, was $15.00 per share, as adjusted for the anticipated one-for-five reverse stock split. As of May 31, 2011, there were 24 holders of record of our common stock.

We intend to effectuate a one-for-five reverse stock split, in order to comply with the listing requirements of Nasdaq Capital Market that is expected to occur immediately prior to the effectiveness of the registration statement of which this prospectus is a part. Such reverse stock split would immediately increase our stock price. In addition, such reverse stock split would reduce the number of shares of common stock outstanding and may affect the liquidity of our common stock. The reverse stock split is expected to occur immediately prior to the effectiveness of the registration statement of which this prospectus is a part.

Use of Proceeds

We estimate that the net proceeds from the sale of the shares of common stock we are offering will be approximately $13.6 million. If the underwriters fully exercise the over-allotment option, the total net proceeds of the shares we sell will be approximately $15.7 million. Net proceeds is what we expect to receive after paying the underwriting discount and other expenses of the offering. For the purpose of estimating net proceeds, we are assuming that the public offering price will be $9.00 per share, the midpoint of the range set forth on the cover page of this prospectus. We will not receive any proceeds from the sale of shares by the selling stockholders.

We intend to use the net proceeds as follows:

- approximately $4 million to fund new acquisition opportunities;
- approximately $3 million to offer extended equipment purchase terms to future customers of our wind energy business;
- approximately $6 million for the repayment of all debt outstanding under Jefferson Electric, Inc. s revolving credit facility and term credit facility, which mature in October 2011 and bear interest at 6.5% annually and 7.27% annually, respectively; and
- the balance of the net proceeds for general corporate purposes.

Investors are cautioned, however, that expenditures may vary substantially from these estimates. Investors will be relying on the judgment of our management, who will have broad discretion regarding the application of the proceeds of this offering. The amounts and timing of our actual expenditures will depend upon numerous factors, including our potential investments in new businesses, the amount of cash generated by our operations, the amount of competition and other operational factors. We may find it necessary or advisable to use portions of the proceeds from this offering for other purposes.

From time to time, we evaluate these and other factors and we anticipate continuing to make such evaluations to determine if the existing allocation of resources, including the proceeds of this offering, is being optimized. Circumstances that may give rise to a change in the use of proceeds include:

- our ability to negotiate definitive agreements with acquisition candidates;
- the availability and terms of debt financing to fund a portion of the purchase price(s) for potential acquisitions;
- the status of our efforts to sell wind turbines with equipment financing terms acceptable to us;
- the need or desire on our part to accelerate, increase or eliminate existing initiatives due to, among other things, changing market conditions and competitive developments; and
- the availability of other sources of cash including cash flow from operations and new bank debt financing arrangements, if any.

Until we use the net proceeds of this offering, we will invest the funds in short-term, investment grade, interest-bearing securities.

Dividend Policy

We have never paid any cash dividends on our common stock. We anticipate that we will retain earnings to support operations and to finance the growth and development of our business. Therefore, we do not expect to pay cash dividends in the foreseeable future. Notwithstanding the foregoing, Pioneer Transformers Ltd., our wholly-owned subsidiary, prior to our share exchange on December 2, 2009, paid cash dividends to Provident Pioneer Partners, L.P., its sole stockholder at the time, of $2.7 million during 2009.

Capitalization

The following table summarizes our cash and cash equivalents and capitalization as of March 31, 2011:

on an actual basis; and

on a pro forma, as adjusted basis, giving effect to (1) the anticipated one-for-five reverse stock split of our common stock that is expected to occur immediately prior to the effectiveness of the registration statement of which this prospectus is a part, and (2) our receipt of the net proceeds from the sale by us in this offering of shares of common stock at an assumed public offering price of $9.00 per share, the midpoint of the range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us and (3) the application of the net proceeds we will receive from this offering in the manner described in Use of Proceeds.

	March 31, 2011	
	Actual	**As Adjusted**
	(in thousands)	
Cash and cash equivalents	$ 140	$ 7,530
Short-term debt, including current portion of long-term debt	$ 6,224	$ 14
Long-term debt, less current portion	13	13
Stockholders equity (1):		
Preferred stock, no par value; 5,000,000 shares authorized, no shares issued and outstanding, actual; 5,000,000 authorized, no shares issued and outstanding, as adjusted	-	-
Common stock; par value $0.001; 75,000,000 shares authorized, 29,536,275 shares issued and outstanding, actual; 30,000,000 shares authorized, 7,607,255 shares issued and outstanding, as adjusted	30	8
Additional paid-in capital	7,578	21,177
Accumulated other comprehensive income (loss)	(77)	(77)
Retained earnings	8,813	8,813
Total stockholders equity	16,344	29,920
Total capitalization	$ 22,581	$ 29,947

Dilution

The discussion below gives effect to the anticipated one-for-five reverse stock split of our common stock that is expected to occur immediately prior to the effectiveness of the registration statement of which this prospectus is a part.

Our net tangible book value on March 31, 2011 was approximately $6,426,988, or $1.09 per share. Net tangible book value is total assets minus the sum of liabilities and intangible assets. Net tangible book value per share is net tangible book value divided by the total number of shares outstanding.
After giving effect to adjustments relating to the offering, our pro forma net tangible book value on March 31, 2011, would have been $20,026,988 or $2.63 per share. The adjustments made to determine pro forma net tangible book value per share are the following:

An increase in total assets to reflect the net proceeds of the offering as described under Use of Proceeds (assuming that the public offering price will be $9.00 per share, the midpoint of the range set forth on the cover page of this prospectus).

The addition of the number of shares offered by this prospectus to the number of shares outstanding.

The following table illustrates the pro forma increase in net tangible book value of $1.54 per share and the dilution (the difference between the offering price per share and net tangible book value per share) to new investors:

Assumed public offering price per share	$ 9.00
Net tangible book value per share as of March 31, 2011	$ 1.09
Increase in net tangible book value per share attributable to the offering	$ 1.54
Pro forma net tangible book value per share as of March 31, 2011 after giving effect to the offering	$ 2.63
Dilution per share to new investors in the offering	$ 6.37

The following table shows the difference between existing stockholders and new investors with respect to the number of shares purchased from us, the total consideration paid and the average price paid per share. The table assumes that the public offering price will be $9.00 per share, the midpoint of the range set forth on the cover page of this prospectus.

	Shares Purchased		Total Consideration		Average Price
	Number	**Percent**	**Amount**	**Percent**	**Per Share**
Existing stockholders	5,907,255	77.7%	$ 6,825,432	30.8%	$ 1.16
New investors	1,700,000	22.3%	$ 15,300,000	69.2%	$ 9.00
Total	7,607,255	100.0%	$ 22,125,432	100.0%	

The foregoing tables and calculations are based on the number of shares of our common stock outstanding as of March 31, 2011 and exclude:

255,000 shares of common stock subject to the over-allotment option granted to the underwriters.

118,400 shares of common stock issuable upon the exercise of currently outstanding options at a weighted average exercise price of $15.07;

640,000 shares of common stock issuable upon the exercise of currently outstanding warrants at a weighted average exercise price of $14.00 per share; and

201,600 shares of common stock available for issuance under our 2009 Equity Incentive Plan.

To the extent any of these outstanding options or warrants is exercised, the dilution to new investors would be reduced. To the extent all of such outstanding options and warrants had been exercised as of March 31, 2011, the pro forma as adjusted net tangible book value per share after this offering would be $3.68, and total dilution per share to new investors would be $5.32.

The sale of 584,000 shares of our common stock by the selling stockholders in this offering will reduce the number of shares of our common stock held by existing stockholders to 5,323,255 shares, or 70.0% of the total shares outstanding, and will increase the number of shares of our common stock held by new investors to 2,284,000 shares, or 30.0% of total shares of our common stock outstanding.

If the underwriters exercise in full their option to purchase additional shares, the number of shares of our common stock held by existing stockholders will be reduced to 67.7% of the total shares outstanding, and the number of shares of our common stock held by new investors will be increased to 2,539,000 shares, or 32.3% of total shares of our common stock outstanding.

Selected Consolidated Financial Data

This section presents our selected historical financial data. You should read carefully the financial statements included in this prospectus, including the notes to the financial statements. The selected data in this section is not intended to replace the financial statements.

We derived the statement of operations data for the years ended December 31, 2008, 2009 and 2010, and balance sheet data as of December 31, 2008, 2009 and 2010 from the audited financial statements in this prospectus. Those financial statements were audited by RSM Richter S.E.N.C.R.L./LLP, independent auditors. We derived the statement of operations data for the year ended December 31, 2008 and the balance sheet data as of December 31, 2008 from audited financial statements that are not included in the prospectus. We derived the statement of operations data for the years ended December 31, 2009 and 2010 and balance sheet data as of December 31, 2009 and 2010 from the audited consolidated financial statements included in this prospectus. We derived the statement of operations data for the three months ended March 31, 2011 and 2010 and the balance sheet data at March 31, 2011 from the unaudited financial statements in this prospectus. Our management believes that the unaudited, non-GAAP historical financial statement information contains all adjustments needed to present fairly the information included in those statements, and that the adjustments made consist only of normal recurring adjustments.

The share and per share amounts set forth below reflect the anticipated one-for-five reverse stock split of our common stock.

Selected Consolidated Financial Data
(In thousands, except per share data)

	Years Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
Statement of Operations Data:					
Revenue	$ 43,844	$ 40,599	$ 47,236	$ 8,250	$ 15,726
Cost of goods sold	34,896	28,734	35,637	6,444	11,405
Gross profit	8,988	11,865	11,599	1,806	4,321
Operating expenses:					
Selling, general and administrative	4,379	4,220	8,048	1,150	2,790
Foreign exchange (gain) loss	(98)	(272)	(139)	92	(17)
Total operating expenses	4,281	3,948	7,909	1,242	2,773
Operating income	4,707	7,917	3,690	564	1,548
Interest and bank charges	512	312	183	13	122
Other expense (income)	700	-	884	-	-
Gain on bargain purchase	-	-	(650)	-	-
Earnings before income taxes	3,495	7,605	3,273	551	1,426
Provision for income taxes	1,357	2,490	327	161	463
Net earnings	$ 2,138	$ 5,115	$ 2,946	$ 390	$ 963
Earnings per diluted common share	$ 0.47	$ 1.10	$ 0.50	$ 0.07	$ 0.16
Weighted average diluted common shares outstanding	4,560	4,659	5,931	5,813	5,950
Other Data:					
Non-GAAP earnings per diluted common share	$ 0.58	$ 1.10	$ 0.43	$ 0.07	$ 0.17
Adjusted EBITDA (Non-GAAP measure)	$ 4,999	$ 8,224	$ 4,849	$ 679	$ 1,830
Average exchange rate during period (CAD/USD)	1.0671	1.1415	1.0301	1.0409	0.9860
Balance Sheet Data:					
Cash and cash equivalents	$ 368	$ 1,560	$ 516	$ 3,116	$ 140
Working capital	1,727	8,962	2,033	9,596	3,198
Total assets	11,555	14,595	32,103	15,351	35,785
Total debt	410	284	6,080	242	6,237
Total liabilities	9,439	4,988	17,011	5,098	19,441
Total shareholders equity	2,115	9,607	15,092	10,253	16,344

Use of Non-GAAP Financial Measures

We have presented non-GAAP measures such as non-GAAP net earnings and Adjusted EBITDA because many of our investors use these non-GAAP measures to monitor our performance. These non-GAAP measures should not be considered as an alternative to GAAP measures as an indicator of our operating performance.

Non-GAAP net earnings is defined by us as net earnings before amortization of acquisition-related intangibles, stock-based compensation, non-recurring acquisition costs and reorganization expense, impairments, other unusual gains or charges and any tax effects related to these items. We define Adjusted EBITDA as net earnings before interest, income tax expense, depreciation and amortization, non-cash compensation and non-recurring acquisition costs and reorganization expenses and other non-recurring or non-cash items.

Generally, a non-GAAP financial measure is a numerical measure of a company s performance, financial position or cash flow that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. The non-GAAP measures included below, however, should be considered in addition to, and not as a substitute for or superior to, operating income, cash flows, or other measures of financial performance prepared in accordance with GAAP. A reconciliation of non-GAAP to GAAP financial measures is set forth in the table below.

Reconciliation of GAAP Measures to Non-GAAP Measures
(In thousands, except per share data)

	Years Ended December 31,			Three Months Ended March 31,	
	2008	**2009**	**2010**	**2010**	**2011**
Non-GAAP Net Earnings and Diluted EPS:					
Net earnings per share (GAAP measure)	$ 0.47	$ 1.10	$ 0.50	$ 0.07	$ 0.16
Net earnings (GAAP measure)	$ 2,138	$ 5,115	$ 2,946	$ 390	$ 963
Amortization of acquisition intangibles	-	-	144	-	53
Stock-based compensation expense	-	-	161	4	61
Stock and warrant issuance expense for services	-	-	232	21	-
Non-recurring acquisition and reorganization costs	-	-	884	-	-
Impairment charges	700	-	-	-	-
Gain on bargain purchase	-	-	(650)	-	-
Canadian tax recovery	-	-	(831)	-	-
Tax adjustments	(209)	-	(323)	(10)	(44)
Non-GAAP net earnings	$ 2,629	$ 5,115	$ 2,562	$ 405	$ 1,033
Non-GAAP net earnings per diluted share	$ 0.58	$ 1.10	$ 0.43	$ 0.07	$ 0.17
Weighted average diluted shares outstanding	4,560	4,659	5,931	5,813	5,950
Reconciliation to Adjusted EBITDA:					
Net earnings (GAAP measure)	$ 2,138	$ 5,115	$ 2,946	$ 390	$ 963
Interest and bank charges	512	312	183	13	122
Provision for income taxes	1,357	2,490	327	161	463
Depreciation and amortization	292	307	767	90	221
Gain on bargain purchase	-	-	(650)	-	-
Non-recurring acquisition and reorganization costs	-	-	884	-	-
Impairment charges	700	-	-	-	-
EBITDA	4,999	8,224	4,457	654	1,769
Adjustments to EBITDA:					
Stock-based compensation expense	-	-	161	4	61
Stock and warrant issuance expense for services	-	-	232	21	-
Adjusted EBITDA (Non-GAAP measure)	$ 4,999	$ 8,224	$ 4,849	$ 679	$ 1,830

Note: Amounts may not foot due to rounding

Management s Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations together with the section entitled Selected Consolidated Financial Data and our financial statements and related notes appearing elsewhere in this prospectus. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this prospectus, particularly in the section entitled Risk Factors. See Cautionary Note Regarding Forward-Looking Statements.

Overview and Recent Events

We are an owner and operator of electrical equipment and service businesses headquartered in Fort Lee, New Jersey. Our subsidiaries provide a range of products and services to the electrical transmission and distribution industry. Our focus is on the electric utility, industrial, commercial and wind energy market segments and our customers are primarily located in North America.

On December 2, 2009, we completed a share exchange pursuant to which we acquired all of the issued and outstanding capital stock of Pioneer Transformers Ltd. in exchange for a controlling interest in us and our officers and directors at that time were replaced by designees of Pioneer Transformers Ltd. In addition, following the share exchange, we discontinued development of our former business and succeeded to the business of Pioneer Transformers Ltd. As a result, the share exchange was accounted for as a reverse business combination in which Pioneer Transformers Ltd., rather than us, was deemed to be the accounting acquirer. Accordingly, the historical financial statements presented and the discussion of financial condition and results of operations herein are those of Pioneer Transformers Ltd. and do not include historical financial results of our former business.

On April 30, 2010, we completed the acquisition of Jefferson Electric, Inc., a Wisconsin-based manufacturer and supplier of dry-type transformers. In addition, through transactions completed in June and August 2010 we acquired substantially all the assets and the capital stock of AAER Inc. to form Pioneer Wind Energy Systems Inc. AAER Inc. was formerly a manufacturer of wind turbines with generation capacities exceeding one megawatt based in Quebec, Canada.

We intend to effectuate a one-for-five reverse stock split, in order to comply with the listing requirements of Nasdaq Capital Market. Such reverse stock split would immediately increase our stock price. In addition, such reverse stock split would reduce the number of shares of common stock outstanding and may affect the liquidity of our common stock. The reverse stock split is expected to occur immediately prior to the effectiveness of the registration statement of which this prospectus is a part.

On May 13, 2011, we entered into a definitive agreement to acquire 100% of the stock of Transformateur Bemag Inc., a Quebec-based manufacturer of low and medium voltage dry-type transformers. Among other conditions to closing, there is a requirement that the parties enter into a similar agreement providing for the purchase of Vermont Transformer, Inc., an affiliate of Transformateur Bemag, Inc., located in St. Albans, Vermont. The transactions are expected to close at the start of our third quarter in July 2011.

Accounting for the Share Exchange

The share exchange on December 2, 2009 was accounted for as a recapitalization. Pioneer Transformers Ltd. was the acquirer for accounting purposes and we were the acquired company. Accordingly, the historical financial statements presented and the discussion of financial condition and results of operations herein are those of Pioneer Transformers Ltd., retroactively restated for, and giving effect to, the number of shares received in the share exchange, and do not include the historical financial results of our former business. The accumulated earnings of Pioneer Transformers Ltd. were also carried forward after the share exchange and earnings per share have been retroactively restated to give effect to the recapitalization for all periods presented. Therefore, results of operations reported for periods prior to the share exchange are those of Pioneer Transformers Ltd.

Foreign Currency Exchange Rates

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

	2011			2010			2009		
	Consolidated Balance Sheet	Consolidated Statements of Earnings		Consolidated Balance Sheet	Consolidated Statements of Earnings		Consolidated Balance Sheet	Consolidated Statements of Earnings	
Quarter Ended	End of Period	Period Average	Cumulative Average	End of Period	Period Average	Cumulative Average	End of Period	Period Average	Cumulative Average
March 31	$0.9696	$0.9860	$0.9860	$1.0158	$1.0409	$1.0409	$1.2613	$1.2453	$1.2453
June 30				$1.0646	$1.0276	$1.0343	$1.1630	$1.1672	$1.2062
September 30				$1.0290	$1.0391	$1.0359	$1.0707	$1.0974	$1.1700
December 31				$0.9946	$1.0128	$1.0301	$1.0510	$1.0563	$1.1415

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

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

Critical Accounting Policies

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

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

Changes in Accounting Principles

No significant changes in accounting principles were adopted during 2009 and 2010, except for the following:

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

Results of Operations

Three Months Ended March 31, 2011 Compared to Three Months Ended March 31, 2010

Revenue. For the three months ended March 31, 2011, consolidated revenues increased 90.6% to $15.7 million, up from $8.3 million during the three months ended March 31, 2010. The acquisition of Jefferson Electric, Inc. on April 30, 2010 contributed approximately $5.2 million to our revenue during the three months ended March 31, 2011, versus $4.4 million in the three months ended March 31, 2010, which was prior to our acquisition of Jefferson Electric, Inc. Revenue from Pioneer Transformers Ltd. increased by approximately $2.2 million, or 27.1%, during the three months ended March 31, 2011, as compared to the three months ended March 31, 2010. This increase was due to higher average selling prices due to the mix of products sold, as well as to strengthened demand from industrial and renewable energy customers, as compared to the prior year. Our wind energy business, which was established in June 2010, made no contribution to our total revenue during either reporting period.

Gross Margin. For the three months ended March 31, 2011, our gross margin percentage increased to 27.5% of revenues, compared to 21.9% during the three months ended March 31, 2010. This 5.6% gross margin increase was due to a more favorable product mix experienced by our Pioneer Transformers Ltd. business during the three months ended March 31, 2011, as compared to the three months ended March 31, 2010. Our Jefferson Electric, Inc. subsidiary also experienced a gross margin improvement during the three months ended March 31, 2011, as compared to the three months ended March 31, 2010 which was prior to our acquisition of Jefferson Electric, Inc.

Selling, General and Administrative Expense. For the three months ended March 31, 2011, selling, general and administrative expense increased by approximately $1.6 million, or 142.6%, to $2.8 million, as compared to $1.2 million during the three months ended March 31, 2010. Approximately $1.2 million of the increase was due to the inclusion of Jefferson Electric, Inc. ($1.0 million) and Pioneer Wind Energy Systems Inc. ($0.2 million) in our consolidated results during the three months ended March 31, 2011. In addition, $0.3 million of the increase was due to higher corporate expenses. Operating expenses attributable to Pioneer Transformers Ltd. increased by $0.1 million in the three months ended March 31, 2011 as compared to the prior year.

Foreign Exchange (Gain) Loss. Most of our consolidated operating revenues are denominated in Canadian dollars, principally via our Pioneer Transformers Ltd. operating subsidiary, and a material percentage of our expenses are denominated and disbursed in U.S. dollars. We have not historically engaged in currency hedging activities. Fluctuations in foreign currency exchange rates between the time we initiate and then settle transactions with our customers and suppliers can have an impact on our operating results. For the three months ended March 31, 2011, we recorded a gain of approximately $17,000 due to currency fluctuations, compared to a loss of approximately $92,000 during the three months ended March 31, 2010.

Interest and Bank Charges. For the three months ended March 31, 2011, interest and bank charges were approximately $122,000 as compared to $13,000 for the three months ended March 31, 2010. The increase in interest expense was due to higher average borrowings as a result of the assumption of our Jefferson Electric, Inc. subsidiary s debt during the second quarter of 2010.

Provision for Income Taxes. Our provision for income taxes reflects an effective tax rate on earnings before income taxes of 32.5% during the three months ended March 31, 2011 compared to 29.2% in the three months ended March 31, 2010. Our effective tax rate increased for the three months ended March 31, 2011 as a result of certain operating losses from our Pioneer Wind Energy Systems Inc. business for which we did not recognize a future tax benefit beyond what has already been recorded.

Net Earnings. We generated net earnings of $1.0 million for the three months ended March 31, 2011, up 147% from approximately $0.4 million during the three months ended March 31, 2010. Our net earnings benefited from significantly stronger sales and earnings from our Pioneer Transformers Ltd. subsidiary. Earnings per basic and diluted share was $0.03 for the three months ended March 31, 2011, as compared to $0.01 per basic and diluted share for the three months ended March 31, 2010. There were 0.7 million additional weighted average diluted shares outstanding during the three months ended March 31, 2011, as compared to the three months ended March 31, 2010, a change due primarily to the issuance of our common shares in conjunction with the acquisition of Jefferson Electric, Inc.

Backlog. Our order backlog at March 31, 2011 was $18.2 million, down 2.3% from $18.7 million at December 31, 2010. The decrease in the dollar value of our backlog was distributed evenly between our Pioneer Transformers Ltd. and Jefferson Electric, Inc. subsidiaries. Our backlog is based on orders expected to be delivered in the future, most of which is expected to occur during 2011.

Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

Revenue. For the year ended December 31, 2010, consolidated revenues increased 16.3% to $47.2 million, up from $40.6 million during the year ended December 31, 2009. The acquisition of Jefferson Electric, Inc. on April 30, 2010 contributed approximately $13.2 million to our revenue during 2010, versus no contribution in 2009. Revenue from Pioneer Transformers Ltd. decreased by approximately $6.5 million, or 16.1%, during the year ended December 31, 2010, as compared to 2009. This decline was due to lower unit volume, attributed primarily to weakness in demand from industrial customers, as compared to the prior year. Our wind energy business, which was established in June 2010, made no contribution to our total revenue in 2010 and 2009.

Gross Margin. For the year ended December 31, 2010, our gross margin percentage decreased to 24.6% of revenues, compared to 29.2% during the year ended December 31, 2009. This decrease was attributable primarily to less favorable product mix and lower unit volume experienced by our Pioneer Transformers Ltd. business during the year ended December 31, 2010, as compared to the prior year. In addition, our new Jefferson Electric, Inc. subsidiary generally achieves a lower gross margin percentage as compared to Pioneer Transformers Ltd. On a consolidated basis, approximately 3.1% of the gross margin decline was attributable to Pioneer Transformers Ltd. and 1.5% to Jefferson Electric, Inc.

Selling, General and Administrative Expense. For the year ended December 31, 2010, selling, general and administrative expense increased by approximately $3.8 million, or 90.7%, to approximately $8.0 million, as compared to $4.2 million during the year ended December 31, 2009. Approximately $1.5 million of the increase was due to higher corporate expenses mostly incurred in connection with being a public company, including $0.4 million for non-cash costs associated with the issuance of employee and director stock options and the issuance of stock and warrants to our investor relations firm. The remaining $2.4 million net increase is attributable to the inclusion of Jefferson Electric, Inc. ($2.4 million) and Pioneer Wind Energy Systems Inc. ($0.4 million) in our consolidated results during the year ended December 31, 2010, offset by reduced selling, general and administrative expense at Pioneer Transformers Ltd. ($0.5 million).

Foreign Exchange (Gain) Loss. Most of our consolidated operating revenues are denominated in Canadian dollars, principally via our Pioneer Transformers Ltd. operating subsidiary, and a material percentage of our expenses are denominated and disbursed in U.S. dollars. We have not historically engaged in currency hedging activities. Fluctuations in foreign currency exchange rates between the time we initiate and then settle transactions with our customers and suppliers can have an impact on our operating results. For the year ended December 31, 2010, we recorded a gain of $0.1 million due to currency fluctuations, compared to a gain of approximately $0.3 million during the year ended December 31, 2009.

Interest and Bank Charges. For the year ended December 31, 2010, interest and bank charges were approximately $0.2 million, as compared to $0.3 million for the year ended December 31, 2009. The decrease in interest expense was due to the reversal of approximately $0.1 million of interest accrued that was related to a tax liability previously recorded by Pioneer Transformers Ltd. In the fourth quarter of 2010, we agreed to a settlement with the Canadian tax authorities whereby no interest charges will be imposed and we are instead expecting to receive a significant refund. Without the effect of reversing this accrued interest, our interest expense would have been stable during 2010 as compared to 2009. We had higher average borrowings as a result of the assumption of our Jefferson Electric, Inc. subsidiary s debt in 2010. The resulting increase in interest expense was offset by a decrease at Pioneer Transformers Ltd. which had significantly lower average borrowings during 2010 as compared to 2009, primarily due to the repayment of approximately $4.4 million of its bank indebtedness in December 2009.

Other Expense (Income). For the year ended December 31, 2010, our other expense of $0.9 million consisted of professional fees and restructuring costs related to our acquisitions of Jefferson Electric, Inc., select assets from AAER Inc. and the acquisition of AAER Inc. Approximately 50% of these costs were transaction-related fees and expenses. The remainder of other expense (income) was incurred in connection with restructuring AAER Inc. s business following the acquisition.

Gain on Bargain Purchase. On June 7, 2010, we acquired most of the inventory and substantially all of the capital assets, intangible assets and intellectual property of AAER Inc. for approximately $0.4 million in cash. In connection with the transaction, the fair value of the inventory and capital assets acquired, net of deferred tax liabilities, was determined to be approximately $1.5 million. In August 2010, we sold a portion of the AAER Inc. assets that were acquired in June at a price exceeding their initially recorded fair value, resulting in an additional gain on sale of approximately $0.1 million. Accordingly, we recognized a gain on bargain purchase of approximately $1.1 million, representing the excess of the fair value of net assets acquired over the consideration paid. In the fourth quarter of 2010, we determined that certain of the capital assets we acquired were impaired by an amount of $0.4 million, resulting in a reduction to the previously recognized gain on bargain purchase to $0.7 million.

Provision for Income Taxes. Our provision for income taxes reflects an effective tax rate on earnings before income taxes of 10.0% in 2010 compared to 32.7% in 2009. The decrease in the effective tax rate resulted primarily from a settlement we reached with the Canadian tax authority resulting in a $0.9 million refund of taxes previously paid by us, to be received during 2011.

Net Earnings. We generated net earnings of $2.9 million for the year ended December 31, 2010, down 42.4% from approximately $5.1 million during the year ended December 31, 2009. Our net earnings benefited from the acquisition of Jefferson Electric, Inc. during 2010, but were negatively impacted by weaker sales and earnings from our Pioneer Transformers Ltd. subsidiary and significantly higher selling, general and administrative expenses during the year ended December 31, 2010, as compared to the year ended December 31, 2009. Earnings per basic and diluted share was $0.50 for the year ended December 31, 2010, as compared to $1.10 per basic and diluted share for the year ended December 31, 2009 (each as adjusted for the anticipated one-for-five reverse stock split of our common stock that is expected to occur immediately prior to the effectiveness of the registration statement of which this prospectus is a part). There were 1.3 million additional weighted average diluted shares outstanding during the year ended December 31, 2010, as compared to the year ended December 31, 2009, an amount which reflects the completion of our share exchange and private placement transactions during the fourth quarter of 2009, as well as the issuance of our common shares in conjunction with the acquisition of Jefferson Electric, Inc.

Backlog. Our order backlog at December 31, 2010 was $18.7 million, up 13.3% from $16.5 million at December 31, 2009. The $2.2 million increase in our backlog is evenly split between new orders received by Pioneer Transformers Ltd. and the inclusion of backlog from Jefferson Electric, Inc. in the 2010 period. Our backlog is based on orders expected to be delivered in the future, most of which is expected to occur during 2011. New orders placed during the year ended December 31, 2010 totaled $47.7 million, an increase of 25.7% compared to new orders of $38.0 million that were placed during the year ended December 31, 2009. The large percentage increase in orders on a year-over-year basis is primarily due to the inclusion of Jefferson Electric, Inc. in our 2010 results.

Liquidity and Capital Resources

General. At March 31, 2011, we had cash and cash equivalents of approximately $0.1 million and total debt, including capital lease obligations, of $6.2 million. At December 31, 2010, we had cash and cash equivalents of approximately $0.5 million and total debt, including capital lease obligations, of $6.1 million. We have historically met our cash needs through a combination of cash flows from operating activities and bank borrowings. Our cash requirements are generally for operating activities, debt repayment and capital improvements. We believe that working capital, borrowing capacity available under our credit facilities and funds generated from operations should be sufficient to finance our cash requirements for anticipated operating activities, capital improvements and principal repayments of debt through at least the next 12 months.

Three Months Ended March 31, 2011 Compared to Three Months Ended March 31, 2010

Our operating activities used cash flow of approximately $1.0 million during the three months ended March 31, 2011, compared to cash flow generated from operating activities of $1.6 million during the three months ended March 31, 2010. The principal elements of cash flow from operating activities during the three months ended March 31, 2011 were net earnings of $1.0 million and $0.1 million of non-cash expenses included in our net earnings, offset by approximately $2.1 million of cash used due to higher working capital requirements.

Cash used in investing activities during the three months ended March 31, 2011 was approximately $0.1 million, as compared to $45,000 during the three months ended March 31, 2010. During the three months ended March 31, 2011 and 2010, our cash used in investing activities consisted entirely of additions to property, plant and equipment.

Cash provided by our financing activities was approximately $0.8 million during the three months ended March 31, 2011, compared to cash used of $0.1 million during the three months ended March 31, 2010. Our source of cash from financing activities during the three months ended March 31, 2011 was $0.9 million from short term bank borrowings to support our working capital requirements, offset by approximately $0.1 in million for long-term debt and capital lease obligation payments. During the three months ended March 31, 2010, we paid approximately $0.1 million in the aggregate for transactions costs related to the common stock private placement completed on December 2, 2009 and for principal repayments of debt.

As of March 31, 2011, our current assets were 1.2 times our current liabilities. Current assets increased by $3.6 million and current liabilities increased by $2.5 million during the three months ended March 31, 2011. These increases were primarily due to increased accounts receivable and inventories at Pioneer Transformers Ltd. during the three months ended March 31, 2011. As a result, our net working capital balance increased by $1.0 million to $3.2 million during the three months ended March 31, 2011, as compared to $2.0 million of net working capital as of December 31, 2010.

Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

Our operating activities generated cash flow of approximately $3.3 million during the year ended December 31, 2010, compared to cash flow from operating activities of $4.3 million during the year ended December 31, 2009. The principal elements of cash flow from operating activities during 2010 were net earnings of $2.9 million, offset by $0.7 million of non-cash income related to the gain on bargain purchase associated with the AAER Inc. transaction. Cash flow from operating activities during 2010 also increased by approximately $0.2 million from changes in our operating working capital and $0.9 million from the effect of non-cash expenses included in our net earnings.

Cash used in investing activities during the year ended December 31, 2010 was approximately $2.3 million, as compared to $0.3 million during the year ended December 31, 2009. During the year ended December 31, 2010, we used approximately $1.7 million for capital expenditures, principally for the expansion of our manufacturing facility located in Quebec, Canada. In 2010, we used another $0.8 million for acquisitions. Offsetting our cash used in investing activities was $0.2 million of net proceeds we received from the sale of certain capital assets we had previously purchased from AAER Inc. During the year ended December 31, 2009, our cash used in investing activities consisted entirely of additions to property and equipment at Pioneer Transformers Ltd.

Cash used by our financing activities was approximately $2.0 million during the year ended December 31, 2010, compared to $2.5 million during the year ended December 31, 2009. Our primary use of cash for financing activities during the year ended December 31, 2010 was for debt repayment of $1.9 million, together with approximately $0.1 million for equity financing transaction costs. During the year ended December 31, 2009, we raised gross proceeds of $5.0 million from an issuance of common stock to investors. Our primary uses of cash for financing activities in 2009 consisted of $4.5 million in debt repayments, $2.7 million to make dividend payments to Provident Pioneer Partners, L.P., previously the sole stockholder of Pioneer Transformers Ltd., and $0.2 million for equity financing transaction costs.

As of December 31, 2010, our current assets were 1.1 times our current liabilities. Current assets increased by $2.1 million and current liabilities increased by $9.0 million during the year ended December 31, 2010. These increases were primarily due to the acquisition of Jefferson Electric, Inc. during the year and the inclusion of its current maturities of debt and accounts payable and accrued liabilities. As a result, our net working capital balance decreased by $6.9 million to $2.0 million during the year ended December 31, 2010, as compared to $9.0 million of net working capital as of December 31, 2009.

Credit Facilities. In October 2009, our Pioneer Transformers Ltd. subsidiary entered into a financing arrangement with a Canadian bank that replaced its previous credit facility. Expressed in approximate U.S. dollars, the $10.0 million credit agreement consists of a $7.7 million demand revolving credit facility, a $1.8 million term loan facility and a $0.5 million foreign exchange settlement risk facility. The credit facilities are secured by a first-ranking lien in the amount of approximately $10.0 million on all of our assets, as well as a collateral mortgage of $10.0 million on our land and buildings.

The credit facilities require Pioneer Transformers Ltd. to comply with various financial covenants, including maintaining a minimum debt service coverage ratio of 1.25, a minimum current ratio of 1.20 and a maximum total debt to tangible net worth ratio of 2.50. The credit facilities also restrict the ability of Pioneer Transformers Ltd. to make investments or advances to affiliated or related companies without the lender s prior written consent. The demand revolving credit facility is subject to margin criteria and borrowings bear interest at the bank s prime rate plus 0.75% per annum on amounts borrowed in Canadian dollars, or the U.S. base rate plus 0.75% per annum on amounts borrowed in U.S. dollars. Borrowings under the term loan facility bear interest at the bank s prime rate plus 1.0% per annum. As of March 31, 2011 we had no borrowings outstanding under the credit facilities and we were in compliance with their financial covenant requirements.

Our Jefferson Electric, Inc. subsidiary has a bank loan agreement with a U.S. bank that includes a revolving credit facility with a borrowing base of $5.0 million and a term credit facility. Monthly payments of accrued interest must be made under the revolving credit facility and monthly payments of principal and accrued interest must be made under the term credit facility, with a final payment of all outstanding amounts due on October 31, 2011. We believe that our relationships with our banks are good and that we will be able to repay or refinance these credit facilities at or before maturity through a combination of cash on hand, cash flow from operations or through a replacement credit facility. Borrowings under the bank loan agreement are collateralized by substantially all the assets of Jefferson Electric, Inc. and are guaranteed by its Mexican subsidiary. In addition, an officer of Jefferson Electric, Inc. is a guarantor under the bank loan agreement and has provided additional collateral to the bank in the form of our common stock and a warrant to purchase our shares of common stock held by him.

The bank loan agreement requires Jefferson Electric, Inc. to comply with certain financial covenants, including a requirement to exceed minimum quarterly targets for tangible net worth, as defined, and maintain a minimum debt service coverage ratio. The bank loan agreement also restricts Jefferson Electric, Inc. s ability to pay dividends or make distributions, advances or other transfers of assets. The interest rate under the revolving credit facility is equal to the greater of the bank s reference rate (currently 3.25% annually) or 6.5% annually. The interest rate under the term credit facility is 7.27% annually. As of March 31, 2011, our Jefferson Electric, Inc. subsidiary had approximately $3.5 million outstanding under the revolving credit facility and approximately $2.7 million outstanding under the term credit facility and was in compliance with its financial covenant requirements.

Equipment Loans and Capital Lease Obligations. As of March 31, 2011, we had equipment loans and capital lease obligations with an aggregate principal amount outstanding of approximately $28,000, as compared to approximately $31,000 outstanding as of December 31, 2010. These equipment loans and capital lease obligations bear interest at rates varying from 0.0% to 18.8% and are repayable in monthly installments. We anticipate that these equipment loans will be paid off by the end of December 2013.

Loans from Stockholders. Certain limited partners of Provident Pioneer Partners, L.P., our controlling stockholder, previously advanced to us an aggregate of $150,000 at an interest rate of 12% per annum with no specific terms of repayment. During the year ended December 31, 2010, the aggregate principal amount of these advances were repaid in full.

Capital Expenditures. In September 2009, we commenced an expansion of our Pioneer Transformers Ltd. plant that increased our manufacturing facilities and office space by approximately 6,000 square feet. The capital budget for the project was approximately $2.0 million, including machinery and equipment, and the project was substantially complete by March 31, 2011. The cost of the project was funded through cash flow from operations. We have no major future capital projects planned, or significant replacement spending anticipated, during 2011.

Subsequent Events. In April 2011, our Pioneer Transformers Ltd. subsidiary revised its financing arrangement with its Canadian bank and thereby replaced its October 2009 credit facilities. The terms of the new credit agreement are substantially similar to the 2009 credit agreement. Expressed in approximate U.S. dollars, the $10.2 million credit agreement consists of a $7.7 million demand revolving credit facility, a $2.0 million term loan facility and a $0.5 million foreign exchange settlement risk facility. The term loan facility, of which approximately $1.9 million was drawn during May 2011, will have principal repayments becoming due on a seven year amortization schedule, as compared to five year amortization in the previous credit agreement. In addition, the new credit facilities are no longer secured by a collateral mortgage of $10.0 million on the land and buildings of Pioneer Transformers Ltd.

On May 13, 2011, we entered into a definitive agreement to acquire the stock of Transformateur Bemag Inc. for cash consideration of $5.5 million Canadian dollars. Among other conditions to closing, there is a requirement that the parties enter into a similar agreement providing for the purchase of Vermont Transformer, Inc., an affiliate of Transformateur Bemag, Inc., for cash consideration of $1.0 million Canadian dollars. Transformateur Bemag Inc. and Vermont Transformer, Inc. design and manufacture low and medium voltage dry-type transformers and custom magnetics for customers in the commercial and industrial segments of the North American electrical equipment market. The companies operate from locations in Farnham, Quebec and St. Albans, Vermont, generating approximately $15.0 million of revenue annually on a combined basis. We anticipate that funding for the cash portion of the transaction consideration will be provided by a new acquisition term loan credit facility to be established with our Canadian bank. The transactions are expected to close at the start of our third quarter in July 2011.

Financial Guidance

Cautionary Note on Estimates and Projections

Any estimates, forecasts or projections set forth below or elsewhere in this prospectus have been prepared by our management in good faith on a basis believed to be reasonable. Such estimates, forecasts and projections involve significant elements of subjective judgment and analysis as well as risks (many of which are beyond our control). As such, no representation can be made as to the attainability of our forecasts and projections. Investors are cautioned that such estimates, forecasts or projections have not been audited and have not been prepared in conformance with generally accepted accounting principles. For a listing of risks and other factors that could impact our ability to attain our projected results, please see Cautionary Note Regarding Forward-Looking Statements .

Outlook for 2011

On March 31, 2010, in conjunction with announcing our annual financial results for the fiscal year ended December 31, 2010, we commenced an investor relations policy of providing guidance for expected annual revenue and earnings for the year in progress. Our guidance for the year ending December 31, 2011 includes the acquisitions of Transformateur Bemag Inc. and Vermont Transformer Inc. and excludes non-recurring costs and income, if any. In addition, for the purpose of translating the financial results of our Canadian operations to U.S. dollars, we have assumed a constant foreign exchange rate at parity ($USD/CAD: 1.00) throughout the year.

Revenue. We expect our consolidated revenue in the year ending December 31, 2011 to be between $74 and $85 million, consisting of approximately $71 to $78 million from our electrical transformer businesses and approximately $3 to $7 million from our wind energy equipment and services business. Our expected growth assumption in our electrical transformer segment reflects 20% to 30% year-over-year growth for each of Pioneer Transformers Ltd. and Jefferson Electric, Inc., plus the benefit of including twelve months of Jefferson Electric, Inc. results during 2011, and the inclusion of approximately six months of results in 2011 for Transformateur Bemag Inc. and Vermont Transformer Inc. following the acquisitions. Our revenue expectation for Pioneer Wind Energy Systems Inc. reflects a portion of the pipeline of sales opportunities we are presently focused on. Our actual results in our wind energy segment could deviate significantly from our revenue guidance depending on unanticipated changes in timing and on the ultimate terms and pricing we are able to achieve with customers for each power project, if any.

Net Earnings. We expect our non-GAAP net earnings will increase to between $0.80 and $0.95 per diluted share in the year ending December 31, 2011, as compared to $0.43 per diluted share in 2010 (each as adjusted for the anticipated one-for-five reverse stock split). Our electrical transformer segment accounts for most of our expected earnings improvement during 2011. Including the additional shares to be outstanding after this offering of our common stock, and our anticipated use of the net proceeds, we expect that our non-GAAP net earnings per diluted share will be between $0.72 and $0.88. Non-GAAP net earnings is defined by us as net earnings before amortization of acquisition-related intangibles, stock-based compensation, non-recurring acquisition costs and reorganization expense, impairments, other unusual gains or charges and any tax effects related to these items.

Reconciliation of GAAP Measures to Non-GAAP Measures

We have presented non-GAAP measures such as non-GAAP net earnings and non-GAAP net earnings per share because many of our investors use these non-GAAP measures to monitor our performance. These non-GAAP measures should not be considered as an alternative to GAAP measures as an indicator of our operating performance.

Non-GAAP net earnings is defined by us as net earnings before amortization of acquisition-related intangibles, stock-based compensation, non-recurring acquisition costs and reorganization expense, impairments, other unusual gains or charges and any tax effects related to these items.

Generally, a non-GAAP financial measure is a numerical measure of a company s performance, financial position or cash flow that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. The non-GAAP measures included below, however, should be considered in addition to, and not as a substitute for or superior to, operating income, cash flows, or other measures of financial performance prepared in accordance with GAAP. A reconciliation of non-GAAP to GAAP net earnings is set forth in the table below.

Reconciliation of GAAP Measures to Non-GAAP Measures
(In thousands, except per share data)

	Years Ended December 31,			Three Months Ended March 31,	
	2008	**2009**	**2010**	**2010**	**2011**
Non-GAAP Net Earnings and Diluted EPS:					
Net earnings per share (GAAP measure)	$ 0.47	$ 1.10	$ 0.50	$ 0.07	$ 0.16
Net earnings (GAAP measure)	$ 2,138	$ 5,115	$ 2,946	$ 390	$ 963
Amortization of acquisition intangibles	-	-	144	-	53
Stock-based compensation expense	-	-	161	4	61
Stock and warrant issuance expense for services	-	-	232	21	-
Non-recurring acquisition and reorganization costs	-	-	884	-	-
Impairment charges	700	-	-	-	-
Gain on bargain purchase	-	-	(650)	-	-
Canadian tax recovery	-	-	(831)	-	-
Tax adjustments	(209)	-	(323)	(10)	(44)
Non-GAAP net earnings	$ 2,629	$ 5,115	$ 2,562	$ 405	$ 1,033
Non-GAAP net earnings per diluted share	$ 0.58	$ 1.10	$ 0.43	$ 0.07	$ 0.17
Weighted average diluted shares outstanding	4,560	4,659	5,931	5,813	5,950
Reconciliation to Adjusted EBITDA:					
Net earnings (GAAP Measure)	$ 2,138	$ 5,115	$ 2,946	$ 390	$ 963
Interest and bank charges	512	312	183	13	122
Provision for income taxes	1,357	2,490	327	161	463
Depreciation and amortization	292	307	767	90	221
Gain on bargain purchase	-	-	(650)	-	-
Non-recurring acquisition and reorganization costs	-	-	884	-	-
Impairment charges	700	-	-	-	-
EBITDA	4,999	8,224	4,457	654	1,769
Adjustments to EBITDA:					
Stock-based compensation expense	-	-	161	4	61
Stock and warrant issuance expense for services	-	-	232	21	-
Adjusted EBITDA (Non-GAAP Measure)	$ 4,999	$ 8,224	$ 4,849	$ 679	$ 1,830

Note: Amounts may not foot due to rounding

Factors That May Affect Future Operations

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

Off Balance Sheet Transactions and Related Matters

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

Recent Accounting Pronouncements

In December 2010, the FASB issued Update No. 2010-28, Intangibles-Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts (ASU 2010-28). ASU 2010-28 affects all entities that have recognized goodwill and have one or more reporting units whose carrying amount for purposes of performing Step 1 of the goodwill impairment test is zero or negative. ASU 2010-28 modifies Step 1 so that for those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with existing guidance, which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. ASU 2010-28 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. Early adoption is not permitted. We are currently evaluating the impact of ASU 2010-28 on our consolidated financial statements.

In December 2010, the FASB issued Update No. 2010-29, Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations (ASU 2010-29) The objective of ASU 2010-29 is to address diversity in practice about the interpretation of the pro forma revenue and earnings disclosure requirements for business combinations. ASU 2010-29specifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments affect any public entity as defined by Topic 805 that enters into business combinations that are material on an individual or aggregate basis. ASU 2010-29 is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after December 15, 2010. Early adoption is permitted. We are currently evaluating the impact of ASU 2010-29 on our consolidated financial statements.

In April 2010, the FASB issued Update No. 2010-13, Compensation Stock Compensation (Topic 718): Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades (ASU 2010-13). This amendment clarifies that a share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity s equity securities trades shall not be considered to contain a market, performance, or service condition. Therefore, such an award is not to be classified as a liability if it otherwise qualifies as equity classification. ASU 2010-13 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. Earlier application is permitted. We are currently evaluating the impact of ASU 2010-13on our consolidated financial statements.

In April 2010, the FASB issued Update No. 2010-17, Revenue Recognition Milestone Method (Topic 605): Milestone Method of Revenue Recognition (ASU 2010-17). ASU 2010-17 provides guidance on defining a milestone under Topic 605 and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. Consideration that is contingent on achievement of a milestone in its entirety may be recognized as revenue in the period in which the milestone is achieved only if the milestone is judged to meet certain criteria to be considered substantive. Milestones should be considered substantive in their entirety and may not be bifurcated. An arrangement may contain both substantive and non-substantive milestones that should be evaluated individually. ASU 2010-17 is effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. Early adoption is permitted. We are currently evaluating the impact of ASU 2010-17 on our consolidated financial statements.

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

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

Business

Overview

Pioneer Power Solutions, Inc., a Delaware corporation, based in Fort Lee, New Jersey, is an owner and operator of specialty electrical equipment manufacturing and service businesses. We provide a range of products and services to the electrical transmission and distribution industry and our focus is on the electric utility, industrial, commercial and wind energy market segments. We intend to grow our business by increasing our portfolio of highly-engineered solutions for specialty electrical applications, both through acquisitions and internal product development.

Our customers, which include a number of recognized national and regional utility and industrial companies, are primarily located in North America. We currently have five locations in the U.S., Canada and Mexico for manufacturing, centralized distribution, engineering, sales and administration. In addition, we utilize a network of 21 independently-operated stocking locations in the U.S., including two regional distribution centers.

Operating Structure

We operate in two business segments, electrical transformers and wind energy equipment and services.

Electrical Transmission and Distribution Equipment

Our electrical transformers segment designs and manufactures a full line of custom and standard liquid-filled, encapsulated and ventilated electrical transformers used in the control and conditioning of electrical current for critical processes. Our operating subsidiaries, Pioneer Transformers Ltd. and Jefferson Electric, Inc., specialize in liquid-filled and dry-type transformers, respectively. Each business unit distinguishes itself by producing a wide range of engineered-to-order and standard equipment, sold either directly to end users, through engineering and construction firms, or through wholesale distributors. These operating companies serve customers in a variety of industries including electric utilities, industrial customers, commercial construction companies and renewable energy producers.

Wind Energy Equipment and Services

We are currently developing our wind energy business segment to provide project integration solutions, including equipment sales, procurement, after-sales services and financing to community wind and industrial customers seeking wind turbines with generation capacities of one to two megawatts (MW). Our wind energy operating company, Pioneer Wind Energy Systems Inc., was established through acquisitions that we completed in 2010. Its predecessors have a 10-year history of developing, manufacturing, commissioning and servicing our advanced wind turbine designs, principally the P-1650, which is a 1.65 MW wind turbine generator. Our portfolio of completed projects encompasses five units in the Northeast U.S., California and for the U.S. military, all commissioned between 2008 and 2010. We intend to rely on Pioneer Wind Energy Systems Inc. s portfolio of licensed technologies and our expertise in engineering, procurement and field services to meet the specific challenges of each wind energy project. In situations where the site characteristics and investment constraints of a project are not conducive to the deployment of our P-1650 unit, we intend to acquire and resell comparable units from other manufacturers that meet the project owner s requirements. We also intend to advance growth in this segment by offering customers tailored financing arrangements with extended payment terms and revenue-sharing features.

Business Strategy

We believe we have developed a stable platform from which to develop and grow our business lines, revenues, earnings and shareholder value. We intend to expand rapidly over the next several years through a two-pronged strategy. First, we intend to pursue strategic acquisitions that provide us with complementary product and service offerings, new sales channels, end-markets and scalable operations. Second, we will focus on internal growth through operating efficiencies, customer focus and our continued migration towards more highly-engineered products and specialized services.

Acquisitions

We believe a disciplined acquisition program is a key component to accelerating our growth and we intend to pursue opportunities to acquire businesses that broaden the range of customer solutions we provide, increase our market share or expand our geographic reach. In addition to transformer manufacturers, we also intend to acquire producers of other technically-advanced, customized, ancillary or complementary products which address market segments where we seek penetration -- such as in power quality and conditioning. We operate in a highly fragmented industry that is served by a few global diversified electrical equipment manufacturers and numerous small manufacturing companies that provide niche products and services to various sub-segments of the power transmission and distribution market. We favor candidates that have competencies and business characteristics similar to our own, and those that we expect will benefit from some of the major trends affecting our industry. Our 2010 acquisition of Jefferson Electric, Inc. and our pending acquisition of Transformateur Bemag Inc. are examples of the implementation of our acquisition strategy.

Internal Growth

We intend to build our revenue and earnings at rates exceeding industry norms primarily by continuing our sales and product mix movement towards more value-added products. We intend to accomplish this goal within our liquid-filled transformer business by emphasizing the sale of more power, network and subsurface transformers to new and existing utility customers, particularly in the U.S. In February 2011, we completed a plant expansion that added approximately 6,000 square feet to our Granby, Quebec facility which will allow us to increase our manufacturing capacity for these larger products.

We believe our internal growth objectives for our dry-type transformer business will be achieved by expanding the geographic coverage and productivity of our national distribution network, as well as by continuing to expand our direct sales channel with original equipment manufacturers (OEMs) and brand label customers.

Within our wind energy business, we intend to cross-sell equipment manufactured by our other business units, find opportunistic ways to make our products and services more accessible and better suited to community wind market customers, and establish new partnerships with major international wind turbine equipment manufacturers as appropriate.

Products

Electrical Transmission and Distribution Equipment

We design, develop, manufacture and sell a wide range of liquid-filled and dry-type power, distribution and specialty electrical transformers. An electric transformer is used to reduce or increase the voltage of electricity traveling through a wire. This is accomplished by transferring electric energy from one coil or winding to another coil through electromagnetic induction. Electric power generating plants use generator transformers to step-up, or increase, voltage that is transferred through power lines in order to transmit the electricity more efficiently and over long distances. When the high voltage electricity nears its final destination, a step-down transformer reduces its voltage. A distribution transformer makes a final step-down in voltage to a level usable in homes and businesses.

Transformers are integral to every electrical transmission and distribution system. Electric utilities use transformers for the construction and maintenance of their power networks. Industrial firms use transformers to supply factories with electricity and to distribute power to production machinery. The renewable energy industry uses transformers to connect new sources of electricity generation to the power grid, as does the construction industry for the supply of electricity to new homes and buildings.

Liquid-Filled Transformers

Our liquid-filled transformer products are manufactured by our wholly-owned subsidiary, Pioneer Transformers Ltd., in electrical power ranges from 25 kVA (kilovolt amperes) to 30 MVA (megavolt amperes) and at up to 69 kV (kilovolts) in voltage. In recent years, we have focused primarily on the small power market, generally considered to include transformers between 1 MVA and 10 MVA, as well as on specialty transformers such as network and other highly-customized models. We sell these products to electrical utilities, independent power providers, electrical co-ops, industrial companies, commercial users and electric equipment wholesalers. Our primary categories of liquid-filled transformers are as follows:

Transformer Type	Range of Sizes	Applications
Small and Medium Power	300 kVA to 30 MVA	Power conversion for the utility and industrial/commercial market, typically found in substations
Network	300 kVA to 3.75 MVA	Subway and vault-type transformers designed to withstand harsh environments and typically used by utilities and municipal power authorities to ensure reliability of service
Pad-Mount	75 kVA to 10 MVA	Distribution transformers commonly used in underground power or distribution systems
Unitized Pad-Mount	Up to 5 MVA	Combines pad-mounts with other equipment in a product that can be substituted for conventional unit substations at apartment complexes, shopping centers, hospitals and similar commercial facilities
Mini-Pad	25 kVA to 167 kVA	Single phase, low profile pad-mounted distribution transformers for residential and underground distribution
Platform-Mount	250 kVA to 2.5 MVA	Single phase units from 250 kVA to 1 MVA, also supplied for substation installation up to 2.5 MVA

Dry-Type Transformers

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

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

Through our pending acquisition of Transformateur Bemag Inc. and Vermont Transformers, Inc., we expect to expand our product range in dry-type transformers. We anticipate that the acquisitions will increase our size range from 1 MVA to 5 MVA, and our voltage range from 600 V to 35 kV. We intend to capitalize on these increased capabilities to more fully address the low and medium voltage needs of our customers for commercial and industrial power applications.

Wind Energy Products and Services

Our P-1650 model wind turbine generator is a 1.65 MW, three-blade wind turbine equipped with full span pitch control and a transmission system with integrated main shaft and main bearings. Our P-1650 turbine is Germanischer Lloyd-certified and was developed by us through a technology license with Windtec Engineering GmbH, a subsidiary of American Superconductor. There is only one other company licensed to sell this wind turbine design in the U.S. The P-1650 unit is also available in a 1.5 MW power rating and can be delivered with a tower height ranging from 65 to 100 meters and a rotor diameter of 77 meters. This model uses a variable speed asynchronous generator and fixed speed gearbox. The combination of electrical torque control and variable pitch control allows the wind turbine to operate at wind speeds from 3.5 meters per second (m/s) and with a constant 1.65 MW energy production in wind speeds between 11 m/s and 20 m/s. In situations where the site characteristics and investment constraints of a project are not conducive to the deployment of our P-1650 unit, our strategy is to acquire and resell comparable units from other manufacturers that meet the project owner s requirements.

Our monitoring service provides real-time performance tracking and remote control of wind turbines in operation. We also provide operations and maintenance (O&M) services including scheduled maintenance, as well as unscheduled maintenance in situations where uncharacteristic weather conditions, network disturbances or other operating complications arise. As is standard in our industry, we offer a range of manufacturer warranties:

- electro-mechanical warranty (two years standard);
- power curve warranty (one year standard);
- sound level warranty (one year standard); and
- an availability warranty covering the duration of the O&M contract.

According to each customer s needs, we also offer extended warranties typically covering the three to five year period after installation.

Harnessing the power of wind requires knowledge of the grid, electrical equipment expertise and an understanding of the complexities of interconnection. In addition to wind turbine products, our wind energy business assists customers in the procurement of ancillary electrical equipment for the project balance of plant, including medium voltage switchgear and liquid-filled transformers such as those manufactured by Pioneer Transformers Ltd.

Community wind projects require a substantial investment. The cost of a single 1.65 MW wind turbine such as ours, including blades and the tower, typically will exceed $2 million. In addition, the project owner must fund the costs of transportation, construction, the balance of plant and professional fees. In order to alleviate this obstacle for qualified projects, our wind energy business seeks to provide vendor financing for the wind turbine portion of the total project cost. We are offering financing structures tailored to each project that reduce the amount of down payment required and establish a repayment schedule following delivery that includes interest charges. Our equipment financing terms are accompanied by customary credit protections and may require that the customer purchase a minimum scope of related services from us, such as an O&M contract.

Our Industries

Electrical Transmission and Distribution Equipment

Demand for our electrical power and distribution transformers results primarily from spending by electric utilities for replacement equipment, grid expansion and efficiency improvements. Demand is also sensitive to overall economic conditions, particularly with respect to the level of industrial production and investment in commercial and residential construction. Other market factors include voltage conversion, voltage unit upgrades, electrical equipment failures, higher energy costs, stricter environmental regulations and investment in sources of renewable energy generation.

According to IBISWorld Inc., a market research firm, the total value of U.S. electrical equipment industry shipments was approximately $34.6 billion in 2010. Of this amount, 16.0%, or $5.5 billion, was comprised of power, distribution and specialty transformers, compared with a 13.1% share of total shipments for transformers in 2002. Together with Canadian shipments of transformers, we believe that the North American market currently exceeds $6.0 billion annually. IBISWorld expects U.S. electrical equipment industry revenue to increase in real terms on average by 4.3% annually in the five year period ending in 2015. We believe several of the key industry trends supporting this growth estimate are as follows:

Aging and Overburdened North American Power Grid The aging and overburdened North American power grid is expected to require significant capital expenditures to upgrade the existing infrastructure over the next several years to maintain adequate levels of reliability and efficiency. According to the North American Electric Reliability Corp. (NERC), Level 5 Transmission Load Relief (TLR) events, which are triggered when power outages are imminent or in progress, have grown at a 63% compounded annual growth rate from 1999 to 2010. These events demonstrate the current power grid s inadequate transmission capacity to accommodate all requests for reliable power. Significant capital investment will be required over the next several decades to relieve congestion, accommodate growth and replace components of the U.S. power grid operating at, near or past their planned service lives. According to the consulting firm The Brattle Group, 70% of all power transformers in the U.S. are currently over 25 years old and $900 billion of capital investment will be required for transmission and distribution equipment by 2030 in order to meet growing demand and achieve targets for efficiency, emissions, renewable sources and infrastructure replacement.

Increasing Demand for Reliably Delivered Electricity Increasing demand for reliably delivered electricity in North America will require substantial investment in the electric grid to expand capacity and improve efficiency. The DOE s Energy Information Administration, or EIA, forecasts that total electricity use in the U.S. will increase by approximately 30% from 2008 to 2035. This increase is driven by population growth, economic expansion, increasing dependence on computing power throughout the economy and the increased use of electrical devices in the home. As an example, the power consumption of servers and data centers, one of the larger uses of electricity in the U.S., doubled between 2000 and 2006 and is expected to double again by 2011 according to estimates by the U.S. Environmental Protection Agency. Electric vehicles are another example of a demand source that has the potential to significantly increase U.S. power consumption. The expected increase in electricity demand will require considerable investment in the North American electric transmission and distribution infrastructure as well as specialized equipment to ensure the reliability and quality of electricity for critical applications such as servers and data centers.

Strong Legislative Support The U.S. government has directed significant resources towards the modernization and improvement of the U.S. electric grid. The legislative developments continue to promote growth and investment in electric transmission and distribution infrastructure by encouraging electricity providers to expand capacity and relieve grid congestion. The Energy Policy Act of 2005 established mandatory grid reliability standards and created incentives to increase electric transmission and distribution infrastructure investments. Incentives associated with such law ensured that utilities (who represent our largest customer segment) are better positioned to finance and realize system enhancement projects. In addition, the American Recovery and Reinvestment Act of 2009 allocated $4.5 billion to improve electricity delivery and energy reliability through modernization of the electric transmission and distribution infrastructure.

Mandates for Renewable Power Sources Leading to Grid Expansion North American federal, state, provincial, and local governments have enacted and are considering legislation and regulations aimed at increasing energy efficiency and encouraging expansion of renewable energy generation. We believe that the increased focus on renewable energy will drive investment growth in the electric transmission and distribution grid as additional infrastructure is developed to integrate renewable energy sources such as wind and solar with the existing electric power grid. Many sources of renewable energy are not near key demand centers, and according to NERC and the Edison Electric Institute (EEI), significant infrastructure investments will be required to reliably transport and integrate electricity with the grid. Power transformers will be a critical component of the additional infrastructure. We also expect that the general upward trend in energy demand will push power suppliers toward renewable power sources, driving investment in new plant construction and significantly contributing to growth in the transmission and distribution industry over the next several years. Renewable power development also benefits from strong regulatory support, with 29 states and the District of Columbia having adopted mandatory renewable portfolio standards, or RPS. Seven other states have enacted non-binding RPS-like goals and the U.S. Congress is evaluating national renewable generation targets.

The transformer market is very fragmented due to the range of sizes, voltages and technological standards required by different categories of end users. Many orders are custom-engineered and tend to be very time-sensitive since other critical work is frequently being coordinated around the customer s transformer installation. The vast majority of North American demand for transformers is satisfied by producers in the U.S. and Canada. According to the U.S. Census Bureau, there are over 250 transformer manufacturers in the U.S. and at least 50 that manufacture larger power and distribution transformers such as those produced by us.

Wind Energy Equipment and Services

With rising energy demand, volatile carbon fuel prices and increasing awareness of the effects of climate change, the wind power market has expanded substantially in the U.S. over the past 5 years. As of January 2011, the American Wind Energy Association (AWEA) reported that total U.S. wind generation capacity stands at 40,180 MW, representing an average annual increase of 35% per annum since the year 2005. Due primarily to the effects of the economic downturn and financial crisis starting in 2008, the rate of U.S. wind generation capacity additions decreased significantly in 2010 versus 2009, but still grew 15% in 2010. The latest industry statistics from AWEA indicate that wind power projects accounted for 39% of all new generating capacity added in 2009 and 1.8% of all electricity provided to the U.S. electric grid.

We believe that the market for wind energy equipment and services has favorable long-term growth characteristics due primarily to the following key industry trends:

Wind Power Leading the Growth in Renewable Generation Capacity Wind power generation is one of the more mature renewable energy technologies and one of the fastest growing renewable energy sources according to the Institute of Electrical and Electronics Engineers and the Global Wind Energy Council. According to the DOE, U.S. wind power generation capacity has the potential to grow at a compounded annual rate in excess of 15% through 2020. The 2008 DOE report, 20% Wind Energy by 2030 , published in a joint effort with industry and the nation s leading laboratories, provides a potential framework for large scale integration of wind power in the U.S. Among other considerations, this report stipulates that reaching the 20% wind energy level in the U.S. will require expansion of the nation s transmission infrastructure to integrate wind energy into the grid.

Continued Support for Wind Power from Federal and State Governments Wind power enjoys broad public support and can be a fundamental part of federal and state economic development strategies. In the U.S., a number of federal and state legislative and regulatory activities influence the wind industry s ability to compete in the electric market. A federal-level income tax credit, the PTC, is allowed for the production of electricity from utility-scale wind turbines. Congress acted in 2009 to provide a three-year extension of the PTC through the end of 2012. At the state level, a renewable portfolio standard is a policy that sets hard targets for renewable energy in the near- and long-term to diversify electricity supply, stimulate local economic development, reduce pollution and cut water consumption.

Investment in wind generation capacity is heavily dependent on government incentives to promote commercial-scale development. The effectiveness of these incentives, principally federal programs like the PTC and the investment tax credit, has been marred by frequent expirations and one- to two-year extension periods. Historical uncertainty surrounding the continuation of such incentives has created a boom-and-bust cycle of wind project development and hindered rational industry planning, investments in technology and efforts to reduce costs. In addition to federal-level tax incentives, wind project development is also driven by states that have instituted their own renewable portfolio standards requiring electricity service providers to gradually increase the percentage of renewable sources used to meet their electricity demand by specified dates. RPS policies, which invoke financial penalties on service providers if targets are not met, currently exist in 29 U.S. states and in the District of Columbia, but not at the national level.

The wind turbine equipment market is dominated by several large, multi-national manufacturers that are equipped for orders requiring dozens or even hundreds of units sold to utilities and other well-capitalized project developers. By contrast, the market segment addressed by our wind energy business, community wind, encompasses projects that are locally owned and employ utility-scale equipment, but are generally intended to have less than 20 MW in generation capacity, with many requiring as few as one wind turbine. Community wind projects are commonly owned by municipal or cooperative electric utilities, towns, universities, individual landowners and local businesses or factories. Although community wind represents only a small sub-sector of the entire U.S. wind market, it has several characteristics that we believe are favorable to our business:

- local ownership and support which tends to facilitate project approval and implementation; and
- the power generated is often for on-site consumption, rather than exclusively intended for resale and distribution into the broader grid.

These factors generally make the viability of community wind projects less susceptible to fluctuations in wholesale electricity prices and the availability of financing in the capital markets. At the same time, given the relatively small size of community wind projects, developers frequently have difficulty attracting major turbine manufacturers and traditional sources of financing, challenges that we feel represent an opportunity for our wind energy business.

Customers

Prior to 2010, we sold our products principally to Canadian customers, including many of Canada s electrical utilities, municipal power systems, large industrial companies, engineering and construction firms and a number of electrical distributors. After giving effect to our acquisition of Jefferson Electric, Inc. on April 30, 2010, we expect annual sales in our electrical transformers segment to be more balanced between the U.S. and Canada, with Canadian customers still representing the majority. Our wind energy business unit, Pioneer Wind Energy Systems Inc., is focused primarily on selling products and services to U.S. customers, and did not make any contribution to our revenue during 2010.

Approximately 36% and 40% of our sales in 2010 and 2009, respectively, were made to Hydro-Quebec Utility Company, a provincial government-owned utility in the Province of Quebec, Canada. The majority of our sales to Hydro-Quebec Utility Company are made pursuant to a long-term contract for the supply of pad-mount transformers that expired and was replaced in 2010. In 2010, we were awarded an additional contract by Hydro-Quebec Utility Company for the supply of submersible transformers. Both contracts have initial terms expiring during the second quarter of 2012 and two one-year renewal options providing for a maximum term of four years. The contracts set forth the terms, conditions and rights of the parties with respect to the supply of the subject products including ordering and delivery procedures, required technical specifications, minimum performance standards, product pricing and price adjustment mechanisms, terms of payment and rights of termination. The contracts do not require Hydro-Quebec Utility Company to order any minimum quantity of products from us and do not grant us any form of supply exclusivity. Hydro-Quebec Utility Company has been a customer of ours and our predecessors for approximately 40 years, over which time we have been party to consecutive long-term contracts for an uninterrupted period spanning several decades. We believe the status of our business relationship with Hydro-Quebec Utility Company to be good. In 2010, no other customer accounted for 10% or more of our sales, although Siemens Industry, Inc., a significant customer of Jefferson Electric, Inc., represented 9% of our sales. Aside from Hydro-Quebec Utility Company and Siemens Industry, Inc., we do not believe that the loss of any specific customer would have a material adverse effect on our business.

Marketing, Sales and Distribution

A substantial portion of the transformers manufactured by us are sold to customers by our direct sales force of full-time sales personnel and executive management operating from our office locations in the U.S. and Canada. Our transformer products are also sold through a network of independent sales agents throughout North America that sell primarily to full-line electrical distributors and to maintenance, repair and overhaul organizations. Our direct sales force markets to end users and to third parties, such as original equipment manufacturers and engineering firms, that prescribe the specifications and parameters that control the applications of our products. Our wind energy products and services are marketed entirely on a direct basis to customers by our full-time business development personnel.

Sales Backlog

Backlog reflects the amount of revenue we expect to realize upon the shipment of customer orders for our transformer products that are not yet complete or for which work has not yet begun. Our sales backlog as of March 31, 2011 was approximately $18.2 million, as compared to approximately $18.7 million and approximately $16.5 million as of December 31, 2010 and 2009, respectively. We anticipate that substantially all of our current backlog will be delivered during 2011. Orders included in our sales backlog are represented by customer purchase orders and contracts that we believe to be firm. As of March 31, 2011, there was no backlog for our wind energy business.

Competition

Electrical Transmission and Distribution Equipment

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

We believe that we compete primarily on the basis of product quality, product availability, on-time shipment record, service, price and our flexibility to provide custom-engineered solutions to satisfy customer needs. In our liquid-filled transformer business, we have established a niche in the manufacture and design of small power and distribution electrical transformers and, in particular, custom transformers for specialized and complex applications. As a result of our long-time presence in the industry, we possess a number of special transformer designs that we have engineered and developed specifically for our customers. We believe these designs give us a competitive advantage and that they are a major contributor to our frequency of repeat customer orders. In both of our transformer businesses, our customers order from us as their needs may require, and the level of such orders may change significantly from year-to-year based on the status of their individual construction projects and capital budgeting activities. Despite these variations, we have a significant number of repeat customers. Approximately 90% of our electrical transformer revenue in each of 2010 and 2009, adjusted to include revenue from Jefferson Electric, Inc. during periods prior to the acquisition, originated from customers who had also ordered from us in the prior year.

Wind Energy Equipment and Services

The wind turbine equipment and services business is highly competitive and dominated by a few larger corporations with significantly greater resources than us, such as GE Energy, Vestas Wind Systems A/S, Siemens Wind Power A/S and Gamesa Corporation Tecnologica S.A. In future years we also expect increasing competition in the North American market from a number of low-cost manufacturers based in China. Our ability to grow in the face of this competition will depend on our ability to successfully provide customized, innovative solutions to community wind customers, a segment of the marketplace we currently believe to be underserved by our competition.

Raw Materials and Suppliers

The principal raw materials purchased by us are core steel, copper wire, aluminum strip and insulating materials including transformer oil. We also purchase certain electrical components from a variety of suppliers including bushings, switches, fuses and protectors. These raw materials and components are available from and supplied by numerous sources at competitive prices, although there are more limited sources of supply for electrical core steel and transformer oil. Unanticipated increases in raw material prices or disruptions in supply could increase production costs and adversely affect our profitability. We attempt to minimize the effect on our profit margins of unanticipated changes in the prices of raw materials by including index clauses in our customer contracts that allow us to increase or reduce our fees if the costs of raw materials unexpectedly rise or decrease. Approximately 50% of our annual sales are made pursuant to contracts that contain such index clauses, which, subject to various formulae and limitations, permit us to adjust the final prices we charge. We anticipate no significant difficulty fulfilling our raw material purchase requirements and have not experienced any such difficulty in the past several years. Our largest suppliers include Aztek Technologies, S.A. De C.V., Cogent Power, Inc., Essex Group, Inc., Itochu Corporation, JFE Shoji Steel America, Inc. and Rea Magnet Wire Company.

Purchases of raw materials and components in our wind energy business were insignificant during the seven-month period in 2010 in which we were an industry participant. In the future, as order volume may dictate, we anticipate that the largest components of our purchases will consist of finished wind turbine nacelles, towers and rotor blades. The wind turbine equipment supply chain is a large and global industry with many participants and we do not anticipate significant difficulty in fulfilling our potential future purchasing requirements.

Employees

At June 1, 2011, we had 215 employees consisting of 62 salaried staff and 153 hourly workers. We also had two part-time employees. Our hourly employees located at our plant in Granby, Quebec, Canada are covered by a collective bargaining agreement with the United Steel Workers of America Local 9414 that expires in May 2015. The hourly employees located at our manufacturing facility in Reynosa, Mexico are also covered by a collective bargaining agreement with a local labor union that has an indefinite term, subject to annual review and negotiation of key provisions. We consider our relationship with our employees to be good.

Environmental

We are subject to numerous environmental laws and regulations concerning, among other areas, air emissions, discharges into waterways and the generation, handling, storing, transportation, treatment and disposal of waste materials. These laws and regulations are constantly changing and it is impossible to predict with accuracy the effect they may have on us in the future. Like many other industrial enterprises, our manufacturing operations entail the risk of noncompliance, which may result in fines, penalties and remediation costs, and there can be no assurance that such costs will be insignificant. To our knowledge, we are in substantial compliance with all federal, state, provincial and local environmental protection provisions, and believe that the future cost of fines, penalties and remediation protection provisions, if any, should not have a material adverse effect on our capital expenditures, earnings or competitive position. However, legal and regulatory requirements in these areas have been increasing and there can be no assurance that significant costs and liabilities will not be incurred in the future due to regulatory noncompliance.

Corporate History

We were originally formed in the State of Nevada in 2008. On November 30, 2009, we merged with and into Pioneer Power Solutions, Inc., a Delaware corporation and our wholly-owned subsidiary, for the sole purpose of changing our state of incorporation from Nevada to Delaware and changing our name to Pioneer Power Solutions, Inc. On December 2, 2009, pursuant to a share exchange agreement, we acquired all of the issued and outstanding capital stock of Pioneer Transformers Ltd. and our officers and directors at that time were replaced by designees of Pioneer Transformers Ltd. After the share exchange, we divested all of our pre-share exchange operating assets and succeeded to the business of Pioneer Transformers Ltd. as our sole line of business.

On April 30, 2010, we acquired Jefferson Electric, Inc. through a merger pursuant to which JEI Acquisition, Inc., our wholly-owned subsidiary, merged with and into Jefferson Electric, Inc., with Jefferson Electric, Inc. continuing as the surviving corporation and becoming a wholly-owned subsidiary of ours.

On June 7, 2010, through our wholly-owned subsidiary Pioneer Wind Energy Systems Inc., we acquired substantially all the inventory, capital assets, intangible assets and intellectual property of AAER Inc., a manufacturer of wind turbines with generation capacities exceeding one MW based in Quebec, Canada. On August 13, 2010, through our wholly-owned subsidiary Pioneer Wind Energy Holdings, Inc., we purchased common shares representing 100% of the voting and economic interests of AAER Inc., including its residual assets and accumulated operating tax losses. On December 31, 2010, we completed a share exchange in which Pioneer Wind Energy Systems Inc. was merged with and into AAER Inc., the entity through which we conduct all our wind energy business activities. On March 18, 2011, we amended the articles of incorporation of AAER Inc. to change its name to Pioneer Wind Energy Systems Inc.

Properties

We have two manufacturing facilities, one located in Granby, Quebec, Canada, and the other located in Reynosa, Mexico. Our Granby facility was built in 1962 and consists of approximately 44,000 square feet. The facility sits on approximately 25 acres in the town of Granby which is located approximately 40 miles east of Montreal. We own both the facility and the land through our wholly-owned subsidiary, Bernard Granby Realty, Inc. Our Reynosa facility consists of approximately 52,000 square feet of manufacturing and office space and is leased for approximately $24,000 per month under a lease that expires in 2013. The lease includes an option to renew for an additional five years at the same lease rate. We also lease a 22,000 square foot centralized logistics facility in Pharr, Texas for approximately $12,000 per month under a lease that expires in 2013.

We believe our manufacturing and distribution facilities are well maintained and in proper condition to operate at current levels. In order to increase the manufacturing capacity of our Granby facility, in February 2011 we completed a plan that expanded its size by approximately 6,000 square feet by building onto land that we already owned.

We lease office space for the engineering and marketing activities of our Pioneer Transformers Ltd. subsidiary in Mississauga near Toronto, Ontario, Canada. Our monthly rent is $3,200 and the lease expires in 2016. Our Jefferson Electric, Inc. subsidiary leases office space for its management, sales, marketing, design engineering and administrative functions in Franklin, Wisconsin for a monthly rent of approximately $4,300 under a lease that expires in December 2013. We also pay approximately $3,400 per month to lease our executive management and sales office in Fort Lee, New Jersey.

Legal Proceedings

We are not presently a party to any material legal proceedings nor are we aware of any such threatened or pending litigation.

Management

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

Name	Age	Position
Nathan J. Mazurek	49	Chief Executive Officer, President and Chairman of the Board of Directors
Andrew Minkow	42	Chief Financial Officer, Secretary, Treasurer and Director
Thomas Klink	48	Director, President of Jefferson Electric, Inc.
Yossi Cohn	33	Director
David J. Landes	55	Director
Ian Ross	67	Director
David Tesler	37	Director
Jonathan Tulkoff	50	Director

Nathan J. Mazurek, President, Chief Executive Officer and Chairman of the Board of Directors. Mr. Mazurek has served as our chief executive officer, president and chairman of the board of directors since December 2, 2009. From December 2, 2009 through August 12, 2010, Mr. Mazurek also served as our chief financial officer, secretary and treasurer. Mr. Mazurek has over 20 years of experience in the electrical equipment and components industry. Mr. Mazurek has served as the chief executive officer, president, vice president, sales and marketing and chairman of the board of directors of Pioneer Transformers Ltd. since 1995. Mr. Mazurek has served as the president of American Circuit Breaker Corp., a manufacturer and distributor of circuit breakers, since 1988 and as a director of Empire Resources, Inc., a distributor of semi-finished aluminum products, since 1999. From 2002 through 2007, Mr. Mazurek served as president of Aerovox, Inc., a manufacturer of AC film capacitors. Mr. Mazurek received his BA from Yeshiva College in 1983 and his JD from Georgetown University Law Center in 1986. Mr. Mazurek brings to the board extensive experience with our company, Pioneer Transformers Ltd. and in our industry. Since he is responsible for, and familiar with, our day-to-day operations and implementation of our strategy, his insights into our performance and into the electrical equipment and components industry are critical to board discussions and to our success.

Andrew Minkow, Chief Financial Officer, Secretary and Treasurer and Director. Mr. Minkow has served as our chief financial officer, secretary and treasurer and a director since August 12, 2010. Mr. Minkow has over 19 years of industry experience in corporate finance, mergers and acquisitions, capital markets, financial reporting, forecasting and general operational and administrative management. Before joining us, Mr. Minkow was an independent financial consultant and provider of executive management, strategic planning and financial reporting services to several corporate clients, including us. Before that, from 2001 to 2009, Mr. Minkow was a member of the investment banking division at Morgan Joseph & Co. Inc., a middle market investment bank in which he was a founding employee and shareholder. Between 1997 and 2001, he served in several investment banking and capital markets roles at the U.S. division of ING Barings (formerly known as Furman Selz). Mr. Minkow has a BA from Cornell University and an MBA from Columbia Business School. Based on Mr. Minkow s recent history with us, coupled with his years of experience working with similarly situated companies in connection with a wide range of corporate finance transactions, we believe that Mr. Minkow brings a set of skills and knowledge to the board that will assist us in continuing to grow our business and realizing our strategic goals.

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

Yossi Cohn, Director. Mr. Cohn has served as a director since December 2, 2009. Mr. Cohn founded YY Capital Partners, LLC, an investment firm, in 2007 and has served as its co-managing partner since its inception.

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

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

Ian Ross, Director. Mr. Ross has served as a director since March 24, 2011. In 2000, Mr. Ross was co-founder of and has since served as, President of Omniverter Inc., a company specializing in electrical power quality solutions for industrial producers and electrical utilities in the U.S. and Canada. He has also served as the President of KIR Resources Inc. and KIR Technologies Inc. since 1999, companies engaged in management consulting and import/export activities in the electrical equipment industry, respectively. Mr. Ross previously held positions in Canada as Vice President Technology with Schneider Canada, a specialist in energy management, and Vice President of the Distribution Products Business at Federal Pioneer Ltd., now part of Schneider Canada. Previously, Mr. Ross held a number of successive board level positions in UK engineering companies, culminating in five years as Managing Director, Federal Electric, Ltd., before moving to Canada in 1986 at the request of Federal Pioneer Ltd. He received an MA in Mechanical Sciences (Electrical and Mechanical Engineering) from Cambridge University and subsequently qualified as an accountant ACMA. Our board believes that Mr. Ross relationships and broad experience in the electrical transmission and distribution equipment industry will assist us in continuing to grow our business and realizing our strategic goals.

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

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

There are no family relationships among any of our directors and executive officers. Mr. Klink is a party to certain agreements related to his appointment as an executive officer and director described under Item 11. Executive Compensation Agreements with Executive Officers.

Board Committees

Audit Committee. We established an audit committee of the board of directors on March 24, 2011. The audit committee consists of Messrs. Cohn, Ross and Tulkoff, each of whom our board has determined to be financially literate and qualify as an independent director under Section 5605(a)(2) of the rules of the Nasdaq Stock Market. In addition, Mr. Ross qualifies as a financial expert, as defined in Item 407(d)(5)(ii) of Regulation S-K. The audit committee s duties are to recommend to our board of directors the engagement of independent auditors to audit our financial statements and to review our accounting and auditing principles. The audit committee will review the scope, timing and fees for the annual audit and the results of audit examinations performed by the internal auditors and independent public accountants, including their recommendations to improve the system of accounting and internal controls.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to directors, officers and other employees of the Company and its subsidiaries, including our principal executive officer, principal financial officer and principal accounting officer. Copies of the code can be obtained free of charge from our web site, *www.pioneerpowersolutions.com*. We intend to post any amendments to, or waivers from, our Code of Ethics on our web site.

Executive Compensation

2010 and 2009 Summary Compensation Table

The following table summarizes the annual and long-term compensation paid to Nathan J. Mazurek, our Chief Executive Officer, President and Chairman of the Board of Directors (principal executive officer), Andrew Minkow, our Chief Financial Officer, Secretary, Treasurer and a director and Thomas Klink, the President of Jefferson Electric, Inc. and a director, whom we refer to collectively as the named executive officers.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Option Awards(1) ($)	All Other Compensation ($)	Total ($)
Nathan J. Mazurek President, Chief Executive Officer, Chairman of the Board of Directors (principal executive officer)	2010 2009	264,295	31,510	159,698	7,000(2) 250,000(3)	462,503 250,000
Andrew Minkow Chief Financial Officer, Secretary, Treasurer and Director	2010 2009	84,462	22,500	215,597	52,450(4) 61,340(5)	375,009 61,340
Thomas Klink President of Jefferson Electric, Inc. and Director	2010 2009	204,000			4,920(6)	208,920

(1) This column represents the aggregate grant date fair value of stock options granted to named executive officers in 2010 in accordance with FASB ASC Topic 718, with the exception that the amount shown assumes no forfeitures. Assumptions used in the calculation of these amounts are included in Note 2. Summary of Significant Accounting Policies Share-Based Payments and Note 13. Additional Paid-in Capital to our audited financial statements for the year ended December 31, 2010 included in this prospectus.

(2) Comprised of board of directors meeting fees.

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

(4) Comprised of $2,000 of board of directors meeting fees and $50,450 of fees earned for consulting services. Such compensation is solely comprised of payment for services rendered to us and does not include any amounts that would be considered perquisites, property, gross-ups or other personal benefits.

(5) Comprised of $20,000 of fees earned for consulting services and $41,340 representing the aggregate grant date fair value of a warrant to purchase 30,000 shares of common stock at $10.00 per share (as adjusted for the anticipated one-for-five reverse stock split of our common stock) in accordance with FASB ASC Topic 718. Assumptions used in the calculation of this amount are included in Note 2. Summary of Significant Accounting Policies Share-Based Payments and Note 13. Additional Paid-in Capital to our audited financial statements for the year ended December 31, 2010 included in this prospectus. Such compensation is solely comprised of payment for services rendered to us and does not include any amounts that would be considered perquisites, property, gross-ups or other personal benefits.

(6) Comprised of $3,000 of board of directors meeting fees and $1,920 of company matches of employee contributions to 401(k) plan. As of October 2010, we discontinued matches of employee contributions to the 401(k) plan.

Agreements with Executive Officers

All share amounts noted in the section have been adjusted to reflect the anticipated one-for-five reverse stock split that is expected to occur immediately prior to the effectiveness of the registration statement of which this prospectus is a part.

Nathan J. Mazurek

We have entered into an employment agreement with Mr. Mazurek, dated as of December 2, 2009, pursuant to which Mr. Mazurek is serving as our chief executive officer for a term of three years. Pursuant to this employment agreement, Mr. Mazurek was entitled to receive an annual base salary of $250,000 from December 2, 2009 through December 2, 2010, which was increased to $275,000 on December 2, 2010 and will be increased to $300,000 on December 2, 2011. Mr. Mazurek is entitled to receive an annual cash bonus at the discretion of our board of directors, or a committee thereof, of up to 50% of his annual base salary, which percentage may be increased in the discretion of the board. In the event that Mr. Mazurek is terminated without cause, Mr. Mazurek will be entitled to receive his base salary for the balance of the term of this agreement.

This agreement prohibits Mr. Mazurek from competing with us for a period of four years following the date of termination, unless he is terminated without cause or due to disability or he voluntarily resigns following a breach by us of this agreement, in which case he is prohibited from competing with us for a period of only two years.

Prior to becoming our chief executive officer, Mr. Mazurek provided Pioneer Transformers Ltd. with executive services and served as its chief executive officer, president and vice president, sales and marketing. Pioneer Transformers Ltd. paid an aggregate of $250,000 in 2009 to Provident Management, Inc. and Provident Canada Corp., each of which is controlled by Mr. Mazurek, as consideration for Mr. Mazurek s services.

On March 23, 2010, we granted Mr. Mazurek incentive stock options to purchase 30,000 shares of our common stock for service as an executive officer and non-qualified stock options to purchase 400 shares of our common stock for service as a director (each as adjusted for the anticipated one-for-five reverse stock split of our common stock). The grants were made under our 2009 Equity Incentive Plan at an exercise price of $16.25 per share for the incentive stock options and the non-qualified stock options. One-third of the incentive stock options vested on March 23, 2011 and one-third will vest on each of March 23, 2012 and 2013. All of the non-qualified stock options vested on March 23, 2011. The incentive stock options expire on March 23, 2015 and the non-qualified stock options expire on March 23, 2020.

On March 24, 2011, we granted Mr. Mazurek incentive stock options to purchase 2,000 shares of our common stock for service as an executive officer and non-qualified stock options to purchase 400 shares of our common stock for service as a director (each as adjusted for the anticipated one-for-five reverse stock split of our common stock). The grants were made under our 2009 Equity Incentive Plan at an exercise price of $13.20 per share for the incentive stock options and $12.00 for the non-qualified stock options. The incentive stock options will vest in three equal annual installments on each of March 24, 2012, 2013 and 2014. All of the non-qualified stock options will vest on March 24, 2012. The incentive stock options expire on March 24, 2016 and the non-qualified stock options expire on March 24, 2021.

Andrew Minkow

We have entered into a three-year employment agreement with Mr. Minkow, dated as of August 12, 2010, pursuant to which Mr. Minkow is serving as our chief financial officer, secretary and treasurer for a term of three years. Pursuant to this employment agreement, Mr. Minkow is entitled to receive an annual base salary of $180,000 until August 12, 2011, which will be increased to $205,000 on August 12, 2011 and $230,000 on August 12, 2012. Mr. Minkow is entitled to receive an annual cash bonus at the discretion of our board of directors, or a committee thereof, of up to 50% of his base salary, which percentage may be increased in the discretion of the board. The employment agreement also provided that Mr. Minkow receive incentive stock options to purchase 30,000 shares of our common stock under our 2009 Equity Incentive Plan, which was granted on August 12, 2010 at an exercise price of $15.20 per share (as adjusted for the anticipated one-for-five reverse stock split of our common stock). The option expires on August 12, 2020 and will vest in three equal annual installments of 10,000 shares on each of August 12, 2011, August 12, 2012 and August 12, 2013.

If we terminate Mr. Minkow s employment without cause, he will be entitled to: (i) the continued payment of his base salary for the remainder of the term of the employment agreement; (ii) annual bonus payments based on the average bonus compensation (as a percentage of base salary) paid to Mr. Minkow during the period prior to his termination without cause and (iii) the immediate vesting of all stock options previously awarded to Mr. Minkow. Mr. Minkow has also agreed not to compete with us, or to solicit employees or customers from us, until the earlier of (a) August 12, 2013, (b) the date upon which Mr. Minkow is terminated without cause, (c) the termination of Mr. Minkow s employment due to disability or (d) Mr. Minkow s voluntary termination of his employment following a breach by us of his employment agreement.

On March 24, 2011, we granted Mr. Minkow incentive stock options to purchase 1,600 shares of our common stock for service as an executive officer and non-qualified stock options to purchase 400 shares of our common stock for service as a director (each as adjusted for the anticipated one-for-five reverse stock split of our common stock). The grants were made under our 2009 Equity Incentive Plan at an exercise price of $12.00 per share for the incentive stock options and the non-qualified stock options. The incentive stock options will vest in three equal annual installments on each of March 24, 2012, 2013 and 2014. All of the non-qualified stock options will vest on March 24, 2012. The incentive stock options and the non-qualified stock options expire on March 24, 2021.

Thomas Klink

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

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

On March 24, 2011, we granted Mr. Klink incentive stock options to purchase 1,000 shares of our common stock for service as an executive officer of Jefferson Electric, Inc. and non-qualified stock options to purchase 400 shares of our common stock for service as a director (each as adjusted for the anticipated one-for-five reverse stock split of our common stock). The grants were made under our 2009 Equity Incentive Plan at an exercise price of $12.00 per share for the incentive stock options and the non-qualified stock options. The incentive stock options will vest in three equal annual installments on each of March 24, 2012, 2013 and 2014. All of the non-qualified stock options will vest on March 24, 2012. The incentive stock options and the non-qualified stock options expire on March 24, 2021.

2010 Outstanding Equity Awards at Fiscal Year End

The following table provides information on the holdings of stock options of the named executive officers at December 31, 2010, as adjusted for the anticipated one-for-five reverse stock split of our common stock. This table includes unexercised and unvested options awards. Each outstanding award is shown separately for each named officer.

	Option Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Nathan J. Mazurek	10,000 (1)	20,000 (1)	$ 16.25	03/23/2015
	400 (2)	0	$ 16.25	03/23/2020
Andrew Minkow	0	30,000 (3)	$ 15.20	08/12/2020
Thomas Klink	-	-	-	-

(1) Vests in equal annual installments of 10,000 shares on each of March 23, 2012 and 2013.

(2) Vested on March 23, 2011.

(3) Vests in three equal annual installments of 10,000 shares on each of August 12, 2011, 2012 and 2013.

2009 Equity Incentive Plan

On December 2, 2009, our board of directors and stockholders adopted the 2009 Equity Incentive Plan, pursuant to which 320,000 shares of our common stock were reserved for issuance as awards to employees, directors, consultants and other service providers. The purpose of the 2009 Equity Incentive Plan was to provide an incentive to attract and retain directors, officers, consultants, advisors and employees whose services are considered valuable, to encourage a sense of proprietorship and to stimulate an active interest of such persons in our development and financial success. Under the 2009 Equity Incentive Plan, we were authorized to issue incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended, non-qualified stock options, restricted stock, stock appreciation rights, performance unit awards and stock bonus awards. The 2009

Equity Incentive Plan will be administered by our board of directors until such time as such authority has been delegated to a committee of the board of directors.

On March 24, 2011, we granted options to purchase common stock under the 2009 Equity Incentive Plan to the named executive officers as follows, as adjusted for the anticipated one-for-five reverse stock split of our common stock:

Name	Shares Subject to Options	Exercise Price	Vesting Schedule	Expiration
Nathan J. Mazurek	400 (1)	$12.00	100% on the one year anniversary of the grant date	March 24, 2021
	2,000 (2)	$13.20	One-third annually in 2012, 2013 and 2014 on the anniversary of the grant date	March 24, 2016
Andrew Minkow	400 (1)	$12.00	100% on the one year anniversary of the grant date	March 24, 2021