SETTLEMENT AGREEMENT AND RELEASE

This SETTLEMENT AGREEMENT AND RELEASE (hereinafter "Agreement") is entered into by and between the STATE OF CALIFORNIA AIR RESOURCES BOARD (hereinafter "ARB"), with its principal office at 1001 I Street, Sacramento, California 95814 and Generac Power Systems, Inc. (hereinafter "GENERAC") with its principal place of business at S45 W29290 Hwy. 59, Waukesha, Wisconsin 53189, collectively, "The Parties."

RECITALS

1. California Code of Regulations, title 13, section 2400(a)(2) states, in pertinent part "Every new small off-road engine that is manufactured for sale, sold or offered for sale in California, or that is introduced, delivered or imported into California for introduction into commerce, and that is subject to any of the standards prescribed in this article must be covered by an Executive Order, issued pursuant to this article."

2. California Code of Regulations, title 13, section 2401(a)(39) defines "small off-road engine" as "any engine that produces a gross horsepower less than 25 horsepower (at or below 19 kilowatts for 2005 and later model year), or is designed (e.g., through fuel feed, valve timing, etc.) to produce less than 25 horsepower (at or below 19 kilowatts for 2005 and later model year), that is not used to propel a licensed on-road motor vehicle, an off-road motorcycle, an all-terrain vehicle, a marine vessel, a snowmobile, a model airplane, a model car, or a model boat... Uses for small off-road engines include, but are not limited to, applications such as lawn mowers, weed trimmers, chain saws, golf carts, specialty vehicles, generators and pumps."

3. California Code of Regulations, title 13, section 2404(a) provides, "The Air Resources Board recognizes that certain emissions-critical or emissions-related parts must be properly identified and maintained in order for engines to meet the applicable emission standards...These specifications require engine or equipment manufacturers to affix a label (or labels) on each production engine (or equipment, as applicable) to provide the engine or equipment owner and service mechanic with information necessary for the proper maintenance of these parts in customer use..."

4. California Code of Regulations, title 13, section 2404(c)(4)(H) requires "An unconditional statement of compliance with the appropriate calendar year (for 1995-1999) or model year(s) (for 2000 and later) California regulations; for example, 'THIS ENGINE MEETS 2005 CALIFORNIA EXH EMISSION REGULATIONS FOR SMALL OFF-ROAD ENGINES.'"

5. The California Exhaust Emission Standards and Test Procedures for 1995 and Later Small Off-Road Engines (Test Procedures) provides, "Labeling required

pursuant to Section 2404, Title 13 of the California Code of Regulations must conform with the requirements specified therein."

6. Health and Safety Code section 43016 states, in pertinent part, "Any person who violates any provision of this part, or any order, rule, or regulation of the state board adopted pursuant to this part, and for which violation there is not provided in this part any other specific civil penalty or fine, shall be subject to a civil penalty not to exceed five hundred dollars ($500) per vehicle, portable fuel container, spout, engine, or other unit subject to regulation under this part, as these terms are defined in this division or state board regulations."

7. On May 20, 2015, ARB field staff documented the offers and sales of model year 2014 generators, engine model number G420FDA, engine family ECGPS.4202GR manufactured by GENERAC in California ("Subject Units").

8. The relevant portion of the label on these Subject Units states "THIS ENGINE MEETS 2014 MODEL YEAR U.S. EPA EXH/EVP REGULATIONS FOR SMALL OFF-ROAD ENGINES...NON-APPLICATION TO CALIFORNIA."

9. GENERAC subsequently reported 1102 sales of the Subject Units.

10. ARB alleges that the Subject Units were mislabeled since the labels did not have an unconditional statement of compliance, as required by California Code of Regulations, title 13, section 2404(c)(4)(H), even though the Subject Units did in fact comply with the emissions requirements of section 2404.

11. GENERAC fully cooperated with ARB in the investigation of this matter.

12. GENERAC is a Wisconsin corporation doing business in interstate commerce.

13. GENERAC has no prior enforcement record with ARB.

14. ARB alleges that if the allegations described in recital paragraphs 1-9 were proven, civil penalties could be imposed against GENERAC as provided in Health and Safety Code section 43016.

15. GENERAC admits the facts in recital paragraphs 1-9, but denies any liability arising thereunder.

16. GENERAC is willing to enter into this Agreement solely for the purpose of settlement and resolution of this matter with ARB. ARB accepts this Agreement in termination of this matter. Accordingly, the parties agree to resolve this matter completely by means of this Agreement, without the need for formal litigation.

TERMS AND RELEASE

In consideration of ARB not filing a legal action as well as the other terms set out below, ARB and GENERAC agree as follows:

1. As a condition of this Settlement Agreement, GENERAC shall pay the total sum of fifty-five thousand one hundred dollars ($55,100.00) as a penalty by cashier's check to the **California Air Pollution Control Fund**.

   Please send the signed Settlement Agreement and any future mailings or documents required per the terms of this Settlement Agreement to:

   Tony Zeng/Air Resources Engineer
   Air Resources Board, Enforcement Division
   9480 Telstar Avenue, Suite 4
   El Monte, CA 91731

   Please send the signed Settlement Agreement and payment using the attached "Settlement Agreement Payment Transmittal Form" (Attachment A) to:

   California Air Resources Board
   Accounting Office
   P.O. Box 1436
   Sacramento, California 95812-1436

2. GENERAC represents that it understands the legal requirements applicable to selling small off-road engines in California and agrees that it will not introduce products into commerce unless ARB certification has first been obtained and that all units are properly labeled.

3. This Agreement shall apply to and be binding upon GENERAC and its principals, officers, directors, agents, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations, predecessors, customers, and upon ARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Agreement.

4. Now, therefore, in consideration of the payment by GENERAC to the California Air Pollution Control in the amount specified above, ARB hereby releases GENERAC

and its principals, officers, directors, agents, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations, predecessors, and customers from any and all claims that ARB may have relating to the Subject Units or based on the allegations described in recital paragraphs 1-9, above. The undersigned represent that they have the authority to enter this Agreement.

5. This Agreement constitutes the entire agreement and understanding between ARB and GENERAC concerning the claims and settlement in this Agreement, and this Agreement fully supersedes and replaces any and all prior negotiations and agreement of any kind or nature, whether written or oral, between ARB and GENERAC concerning these claims.

6. No agreement to modify, amend, extend, supersede, terminate, or discharge this Agreement, or any portion thereof, shall be valid or enforceable unless it is in writing and signed by all parties to this Agreement.

7. Advice of Counsel. Each Party to this Agreement has reviewed the Agreement independently, has had the opportunity to consult counsel, is fully informed of the terms and effect of this Agreement, and has not relied in any way on any inducement, representation, or advice of any other Party in deciding to enter into this Agreement.

8. This Agreement shall be interpreted and enforced in accordance with the laws of the State of California, without regard to California's choice of law rules.

9. Severability. Each provision of this Agreement is severable, and in the event that any provision of this Agreement is held to be invalid or unenforceable, the remainder of this Agreement remains in full force and effect to the extent necessary to fulfill the Agreement's purpose and the intent of the parties.

10. This Agreement is deemed to have been drafted equally by the Parties; it will not be interpreted for or against either party on the ground that said party drafted it.

11. Waiver. The failure of any Party to enforce any provision of this Agreement shall not be construed as a waiver of any such provision, nor prevent such Party thereafter from enforcing such provision or any other provision of this Agreement. The rights and remedies granted all Parties herein are cumulative and the election of one right or remedy by a Party shall not constitute a waiver of such Party's right to assert all other legal remedies available under this Agreement or otherwise provided by law.

12. The parties agree that this Settlement Agreement may be executed by facsimile and in counterparts by the Parties and their representatives, and the counterparts shall collectively constitute a single, original document, notwithstanding the fact that the signatures may not appear on the same page.

13. SB 1402 Statement

Senate Bill 1402 (Dutton, Chapter 413, statutes of 2010, Health and Safety Code section 39619.7) requires the ARB to provide information on the basis for the penalties it seeks. This required information, which is provided throughout this settlement agreement, is summarized here.

The manner in which the penalty amount was determined, including a per unit or per vehicle penalty.

Penalties must be set at levels sufficient to discourage violations. The penalties in this matter were determined in consideration of all relevant circumstances, including the eight factors specified in Health and Safety Code section 43024.

The per unit penalty in this case is a maximum of $500 per unit per strict liability violation. The penalty obtained in this case is $50 per unit for 1102 units. This reflects the facts that this was an unintentional, first time violation, GENERAC's diligent efforts to comply and the fact that the Subject Units were certified for sale in California by ARB.

The provision of law the penalty is being assessed under and why that provision is most appropriate for that violation.

ARB alleges that the penalty provision being applied is this case, Health and Safety Code section 43016, is appropriate because GENERAC manufactured for sale, sold or offered for sale in California, or introduced, delivered or imported into California for introduction into commerce generators that were not properly labeled pursuant to Title 13, California Code of Regulations section 2404(c)(4)(H).

Is the penalty being assessed under a provision of law that prohibits the emission of pollution at a specified level, and, if so a quantification of excess emissions, if it is practicable to do so.

The provisions cited above do not prohibit emissions above a specified level. There are no excess emissions since the Subject Units were certified by ARB.

14. GENERAC acknowledges that ARB has complied with SB 1402 in prosecuting and settling this case. Specifically, ARB has considered all relevant facts, including those listed at Health and Safety Code section 43024, has explained the manner in which the penalty amount was calculated (including a per unit or per vehicle penalty, if appropriate), has identified the provision of law under which the penalty is being assessed, and has considered and determined that this penalty is not being assessed under a provision of law that prohibits the emission of pollutants at a specified level.

15. Penalties were determined based on the unique circumstances of this matter, considered together with the need to remove any economic benefit from

noncompliance, the goal of deterring future violations and obtaining swift compliance, the consideration of past penalties in similar case negotiation, and the potential costs and risk associated with litigating these particular violations. The penalty reflects violations extending over a certain period of time, considered together with the complete circumstances of this case. The penalty was discounted in this matter based on the fact that this was an innocent, first time violation and because GENERAC made diligent efforts to comply and to cooperate with the ARB's investigation. Penalties in future cases might be smaller or larger on a per unit basis.

16. The penalty in this case was based in part on confidential business information provided by GENERAC that is not retained by ARB in the ordinary course of business. The penalty in this case was also based on confidential settlement communications between ARB and GENERAC that ARB does not retain in the ordinary course of business either. The penalty also reflects ARB's assessment of the relative strength of its case against GENERAC, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that GENERAC may have secured from its alleged actions.

California Air Resources Board	**Generac Power Systems, Inc.**
By: Ellen M. Peter	By: Roger Pascavi
Name: Ellen M. Peter	Name: Roger Pascavi
Title: Chief Counsel	Title: EVP Global Sourcing
Date: 3/9/2016	Date: 3-9-16