

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2012

OR

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

For the transition period from to

Commission file number 001-34627

GENERAC HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

S45 W29290 Hwy. 59, Waukesha, WI
(Address of principal executive offices)

20-5654756
(IRS Employer
Identification No.)

53189
(Zip Code)

(262) 544-4811
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer £ Accelerated filer R Non-accelerated filer 0 Smaller reporting company £
(Do not check if a smaller reporting company)

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

As of May 1, 2012, there were 67,946,135 shares of the Registrant's common stock outstanding.

GENERAC HOLDINGS INC.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Generac Holdings Inc. Condensed Consolidated Balance Sheets (Dollars in Thousands, Except Share and Per Share Data)

	March 31, 2012 (Unaudited)	December 31, 2011 (Audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 91,730	\$ 93,126
Accounts receivable, less allowance for doubtful accounts	114,027	109,705
Inventories	200,129	162,124
Deferred income taxes	15,778	14,395
Prepaid expenses and other assets	4,260	3,915
Total current assets	425,924	383,265
Property and equipment, net	84,422	84,384
Customer lists, net	63,516	72,897
Patents, net	76,253	78,167
Other intangible assets, net	6,926	7,306
Deferred financing costs, net	10,139	3,459
Trade names	148,751	148,401
Goodwill	547,782	547,473
Deferred income taxes	207,784	227,363
Other assets	220	78
Total assets	<u>\$ 1,571,717</u>	<u>\$ 1,552,793</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 91,097	\$ 81,053
Accrued wages and employee benefits	11,700	14,439
Other accrued liabilities	50,381	47,024
Current portion of long-term debt	14,063	22,874
Total current liabilities	167,241	165,390
Long-term debt	559,588	575,000
Other long-term liabilities	44,115	43,514
Total liabilities	770,944	783,904
Stockholders' equity:		
Common stock, par value \$0.01, 500,000,000 shares authorized, 67,946,135 and 67,652,812 shares issued at March 31, 2012 and December 31, 2011, respectively	679	676
Additional paid-in capital	1,144,591	1,142,701
Excess purchase price over predecessor basis	(202,116)	(202,116)
Accumulated deficit	(126,955)	(157,015)
Accumulated other comprehensive loss	(15,426)	(15,357)
Total stockholders' equity	800,773	768,889
Total liabilities and stockholders' equity	<u>\$ 1,571,717</u>	<u>\$ 1,552,793</u>

See notes to condensed consolidated financial statements.

Generac Holdings Inc.
Condensed Consolidated Statements of Comprehensive Income
(Dollars in Thousands, Except Share and Per Share Data)
(Unaudited)

	Three Months Ended March 31,	
	2012	2011
Net sales	\$ 294,561	\$ 123,981
Costs of goods sold	183,556	76,804
Gross profit	111,005	47,177
Operating expenses:		
Selling and service	25,126	14,305
Research and development	5,055	3,885
General and administrative	9,106	6,117
Amortization of intangibles	12,225	11,727
Total operating expenses	51,512	36,034
Income from operations	59,493	11,143
Other (expense) income:		
Interest expense	(5,674)	(6,001)
Investment income	19	36
Loss on extinguishment of debt	(4,309)	–
Other, net	(425)	(241)
Total other expense, net	(10,389)	(6,206)
Income before provision for income taxes	49,104	4,937
Provision for income taxes	19,044	93
Net income	\$ 30,060	\$ 4,844
Net income per common share - basic:	\$ 0.45	\$ 0.07
Weighted average common shares outstanding - basic:	67,200,480	67,107,560
Net income per common share - diluted:	\$ 0.44	\$ 0.07
Weighted average common shares outstanding - diluted:	68,637,927	67,344,349
Comprehensive income	\$ 29,991	\$ 5,399

See notes to condensed consolidated financial statements.

Generac Holdings Inc.
Condensed Consolidated Statements of Cash Flows
(Dollars in Thousands)
(Unaudited)

	Three Months Ended March 31,	
	2012	2011
Operating activities		
Net income	\$ 30,060	\$ 4,844
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,993	1,936
Amortization	12,225	11,727
Loss on extinguishment of debt	4,309	–
Amortization of deferred financing costs	506	502
Provision for losses on accounts receivable	79	29
Deferred income taxes	18,239	–
Loss on disposal of property and equipment	107	3
Share-based compensation expense	2,439	2,000
Net changes in operating assets and liabilities:		
Accounts receivable	(3,255)	715
Inventories	(37,700)	(16,650)
Other assets	(530)	283
Accounts payable	9,663	10,403
Accrued wages and employee benefits	(2,739)	(303)
Other accrued liabilities	3,188	(2,818)
Net cash provided by operating activities	38,584	12,671
Investing activities		
Proceeds from sale of property and equipment	–	3
Expenditures for property and equipment	(2,138)	(1,569)
Acquisition of business	(2,279)	–
Net cash used in investing activities	(4,417)	(1,566)
Financing activities		
Proceeds from long-term borrowings	573,614	–
Repayments of long-term borrowings	(597,874)	–
Payment of debt issuance costs	(10,756)	–
Taxes paid related to the net share settlement of equity awards	(1,278)	–
Excess tax benefits from equity awards	731	–
Proceeds from exercise of stock options	–	309
Net cash (used in) provided by financing activities	(35,563)	309
Net (decrease) increase in cash and cash equivalents	(1,396)	11,414
Cash and cash equivalents at beginning of period	93,126	78,583
Cash and cash equivalents at end of period	<u>\$ 91,730</u>	<u>\$ 89,997</u>

See notes to condensed consolidated financial statements.

Generac Holdings Inc.
Notes to Condensed Consolidated Financial Statements
(Dollars in Thousands, Except Share and Per Share Data)
(Unaudited)

1. Basis of Presentation

Description of Business

Generac Holdings Inc. (the Company) owns all of the common stock of Generac Acquisition Corp., which in turn, owns all of the common stock of Generac Power Systems, Inc. (the Subsidiary). The Company is a leading designer and manufacturer of a wide range of generators and other engine powered products for the residential, light commercial, industrial and construction markets.

The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany amounts and transactions have been eliminated in consolidation.

The condensed consolidated balance sheet as of March 31, 2012, the condensed consolidated statements of comprehensive income for the three months ended March 31, 2012 and 2011, and the condensed consolidated statements of cash flows for the three months ended March 31, 2012 and 2011 have been prepared by the Company and have not been audited. In the opinion of management, all adjustments, consisting of only normal recurring adjustments necessary for the fair presentation of the financial position, results of operation and cash flows, have been made. The results of operations for any interim period are not necessarily indicative of the results to be expected for the full year.

Expenses are charged to operations in the year incurred. However, for interim reporting purposes certain expenses are charged to operations based on a proportionate share of annual amounts rather than as they are actually incurred.

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain information and footnote disclosure normally included in consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2011.

Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss at March 31, 2012 and December 31, 2011 are as follows:

	March 31, 2012	December 31, 2011
Pension liability, net of tax of \$3,173	\$ (10,529)	\$ (10,529)
Unrealized losses on cash flow hedges, net of tax of \$483	(4,897)	(4,828)
Accumulated other comprehensive loss	<u>\$ (15,426)</u>	<u>\$ (15,357)</u>

2. Derivative Instruments and Hedging Activities

The Company records all derivatives in accordance with ASC 815, *Derivatives and Hedging* (ASC 815), which requires all derivative instruments be reported on the consolidated balance sheets at fair value and establishes criteria for designation and effectiveness of hedging relationships. The Company is exposed to market risk such as changes in commodity prices, foreign currencies, and interest rates. The Company does not hold or issue derivative financial instruments for trading purposes.

Commodities

The primary objectives of the Company's commodity risk management activities are to understand and mitigate the impact of potential price fluctuations on the Company's financial results and its economic well-being. While the Company's risk management objectives and strategies will be driven from an economic perspective, the Company attempts, where possible and practical, to ensure that the hedging strategies it engages in can be treated as "hedges" from an accounting perspective or otherwise result in accounting treatment where the earnings effect of the hedging instrument provides substantial offset (in the same period) to the earnings effect of the hedged item. Generally, these risk management transactions will involve the use of commodity derivatives to protect against exposure resulting from significant price fluctuations.

The Company primarily utilizes commodity contracts with maturities of less than 12 months. These are intended to offset the effect of price fluctuations on actual inventory purchases. There were two outstanding commodity forward contracts in place to hedge the Company's projected commodity purchases at March 31, 2012. The Company entered into these two commodity forward contracts, to purchase \$4,533 and \$1,935 of copper, in September 2011. The contracts are effective from October 1, 2011, and terminate on June 30, 2012. In November 2010, the Company entered into a commodity forward contract to purchase \$2,296 of copper. The contract was effective from January 1, 2011, and terminated on April 30, 2011. In February 2011, the Company entered into a commodity forward contract to purchase \$2,378 of copper. The contract was effective from March 1, 2011, and terminated on December 31, 2011. In March 2011, the Company entered into a commodity forward contract to purchase \$2,100 of copper. The contract was effective from April 1, 2011, and terminated on December 31, 2011. Total gains recognized in the consolidated statement of comprehensive income on commodity contracts was \$420 for the three months ended March 31, 2012. The gain (loss) on commodity contracts was not material for the three months ended March 31, 2011.

Foreign Currencies

The Company is exposed to foreign currency exchange risk as a result of transactions denominated in other currencies. The Company periodically utilizes foreign currency forward purchase and sales contracts to manage the volatility associated with foreign currency purchases in the normal course of business. Contracts typically have maturities of 12 months or less. There were no foreign currency hedge contracts outstanding as of March 31, 2012 or December 31, 2011.

Interest Rates

The Company has four interest rate swap agreements outstanding as of March 31, 2012. In 2010, the Company entered into two interest rate swap agreements. The first was entered into on January 21, 2010. The effective date of this swap was July 1, 2010 with a notional amount of \$200,000, a fixed LIBOR rate of 1.73% and an expiration date of July 1, 2012. The second was entered into on June 29, 2010. The effective date of that swap was October 1, 2010 with a notional amount of \$100,000, a fixed LIBOR rate of 1.025% and an expiration date of October 1, 2012. The Company entered into two interest rate swap agreements on April 1, 2011. The effective date of the first swap is July 1, 2012 with a notional amount of \$200,000, a fixed LIBOR rate of 1.905% and an expiration date of July 1, 2013. The effective date of the second swap is October 1, 2012 with a notional amount of \$100,000, a fixed LIBOR rate of 2.22% and an expiration date of October 1, 2013. The Company maintains the swaps as highly effective in accordance with ASC 815 and, therefore, any changes in the fair value of the swaps are recorded in accumulated other comprehensive loss.

As discussed in Note 8 – Credit Agreements, on February 9, 2012, a subsidiary of the Company entered into a new credit agreement ("Credit Agreement") with certain commercial banks and other lenders. Proceeds received by the Company from loans made under the Credit Agreement were used to repay in full all outstanding borrowings under the Company's former credit agreement, dated November 10, 2006, as amended from time to time. The future cash flows associated with the Credit Agreement were materially consistent with that of the former credit agreement, resulting in the continued designation of the interest rate swap agreements as hedges associated with the Credit Agreement. However, as a result of a change in certain critical terms between the new Credit Agreement and former credit agreement, the interest rate swap agreements in place on the date of refinancing were measured for hedge effectiveness. The ineffective portion of the change in fair value of our cash flow hedges was immaterial. Unrealized losses existing at March 31, 2012, which are expected to be reclassified into the consolidated statement of comprehensive income from other comprehensive loss during the next fiscal year, are also not expected to be significant.

The following table presents the fair value of the Company's derivatives:

	March 31, 2012	December 31, 2011
Derivatives designated as hedging instruments:		
Interest rate swaps	\$ (5,380)	\$ (5,268)
	(5,380)	(5,268)
Derivatives not designated as hedging instruments:		
Commodity contracts	169	(373)
Net derivatives liability	<u>\$ (5,211)</u>	<u>\$ (5,641)</u>

The fair value of derivatives designated as hedging instruments included in other current liabilities and other long-term liabilities is \$1,000 and \$4,380 respectively, as of March 31, 2012. The fair value of derivatives designated as hedging instruments included in other current liabilities and other long-term liabilities is \$1,546 and \$3,722 respectively, as of December 31, 2011.

The fair value of derivatives not designated as hedging instruments is included in other assets and other current liabilities as of March 31, 2012 and December 31, 2011, respectively.

The fair value of the derivative contracts considers the Company's credit risk. Excluding the impact of credit risk, the fair value of the derivative contracts as of March 31, 2012 and December 31, 2011 is a net liability of \$(5,352) and \$(5,780), respectively, which represents the amount the Company would need to pay to exit the agreements on those dates.

The following presents the impact of interest rate swaps and commodity contracts on the condensed consolidated statements of comprehensive income for the three months ended March 31, 2012 and 2011:

	Amount of gain (loss) recognized in Accumulated Other Comprehensive Loss during the three months ended March 31,		Location of gain (loss) recognized in net income on ineffective portion of hedges	Amount of gain (loss) recognized in net income on hedges (ineffective portion) during three months ended March 31,	
	2012	2011		2012	2011
Derivatives designated as hedging instruments					
Interest rate swaps	\$ (69)	\$ 555	Interest expense	\$ —	\$ —
Derivatives not designated as hedging instruments					
Commodity and foreign currency contracts	\$ —	\$ —	Cost of goods sold	\$ 420	\$ (1)

3. Fair Value Measurements

ASC 820-10, *Fair Value Measurements and Disclosures*, among other things, defines fair value, establishes a consistent framework for measuring fair value, and expands disclosure for each major asset and liability category measured at fair value on either a recurring basis or nonrecurring basis. ASC 820-10 clarifies that fair value is an exit price, representing the amount that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the pronouncement establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on the market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

The Company believes the carrying amount of its financial instruments (cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities), excluding long-term debt, approximates the fair value of these instruments based upon their short-term nature. The fair value of long-term debt was approximately \$558,200 (Level 2) at March 31, 2012, as calculated based on independent valuations whose inputs and significant value drivers are observable.

Assets (liabilities) measured at fair value on a recurring basis are as follows:

		Fair Value Measurement Using	
		Quoted Prices in Active Markets for Identical Contracts (Level 1)	Significant Other Observable Inputs (Level 2)
	Total March 31, 2012		
Interest rate swaps	\$ (5,380)	\$ –	\$ (5,380)
Commodity contracts	\$ 169	\$ –	\$ 169

		Fair Value Measurement Using	
		Quoted Prices in Active Markets for Identical Contracts (Level 1)	Significant Other Observable Inputs (Level 2)
	Total December 31, 2011		
Interest rate swaps	\$ (5,268)	\$ –	\$ (5,268)
Commodity contracts	\$ (373)	\$ –	\$ (373)

The valuation techniques used to measure the fair value of derivative contracts classified as level 2, all of which have counterparties with high credit ratings, were valued based on quoted market prices or model driven valuations using significant inputs derived from or corroborated by observable market data. The fair value of derivative contracts above considers the Company's credit risk in accordance with ASC 820-10.

4. Acquisitions

On February 1, 2012, a subsidiary of the Company acquired substantially all of the assets and assumed certain liabilities of a leading transfer switch and portable generator accessory manufacturer. The Company recorded a preliminary purchase price allocation based on initial estimates of fair value. As a result, the Company recorded \$1,200 of intangible assets, including approximately \$300 of goodwill, as of the acquisition date. The acquisition is not material to the Company's consolidated financial statements.

5. Segment Reporting

The Company operates in and reports as a single operating segment, which is the design and manufacture of a wide range of power products. Net sales are predominantly generated through the sale of generators and other engine powered products through various distribution channels. The Company manages and evaluates its operations as one segment primarily due to similarities in the nature of the products, production processes and methods of distribution. Substantially all of the Company's identifiable assets are located in the United States. The Company's sales in the United States represent approximately 94% of total sales for the three months ended March 31, 2012.

The Company's product offerings consist primarily of power products with a range of power output geared for varying end customer uses. Residential power products and industrial/commercial power products are each a similar class of products based on similar power output and end customer usage. The breakout of net sales between residential, industrial/commercial, and other products is as follows:

	Three Months Ended March 31,	
	2012	2011
Residential power products	\$ 175,077	\$ 69,186
Industrial and commercial power products	105,013	44,310
Other	14,471	10,485
Total	<u>\$ 294,561</u>	<u>\$ 123,981</u>

6. Balance Sheet Details

Inventories consist of the following:

	March 31,	December 31,
	2012	2011
Raw materials	\$ 133,552	\$ 121,098
Work-in-process	1,316	578
Finished goods	70,404	45,165
Reserves for excess and obsolescence	(5,143)	(4,717)
Total	<u>\$ 200,129</u>	<u>\$ 162,124</u>

Property and equipment consists of the following:

	March 31,	December 31,
	2012	2011
Land and improvements	\$ 5,067	\$ 5,050
Buildings and improvements	53,026	52,941
Machinery and equipment	38,543	38,132
Dies and tools	13,132	12,982
Vehicles	1,023	1,026
Office equipment	8,595	8,380
Leasehold improvements	58	44
Construction in progress	3,981	3,131
Gross property and equipment	<u>123,425</u>	<u>121,686</u>
Accumulated depreciation	<u>(39,003)</u>	<u>(37,302)</u>
Total	<u>\$ 84,422</u>	<u>\$ 84,384</u>

Other accrued liabilities consist of the following:

	March 31, 2012	December 31, 2011
Accrued commissions	\$ 5,952	\$ 5,731
Accrued interest	2,263	3,119
Product warranty obligations – short term	23,886	19,187
Other accrued liabilities	18,280	18,987
Total	\$ 50,381	\$ 47,024

Other long-term liabilities consist of the following:

	March 31, 2012	December 31, 2011
Accrued pension costs	\$ 21,999	\$ 22,044
Product warranty obligations – long term	15,193	15,193
Other long-term liabilities	6,923	6,277
Total	\$ 44,115	\$ 43,514

7. Product Warranty Obligations

The Company records a liability for product warranty obligations at the time of sale to a customer based upon historical warranty experience. The Company also records a liability for specific warranty matters when they become known and are reasonably estimable. The Company's product warranty obligations are included in other accrued liabilities and other long-term liabilities in the consolidated balance sheets. The Company recognizes extended warranties over the life of the contracts.

Changes in product warranty obligations are as follows:

	For the three months ended March 31, 2012	2011
Balance at beginning of period	\$ 34,380	\$ 22,478
Payments, net of extended warranties	(4,452)	(3,658)
Charged to operations	9,151	3,430
Balance at end of period	\$ 39,079	\$ 22,250

The product warranty obligations are included in the consolidated balance sheets as follows:

	March 31, 2012	December 31, 2011
Other accrued liabilities	\$ 23,886	\$ 19,187
Other long-term liabilities	15,193	15,193
Balance at end of period	\$ 39,079	\$ 34,380

8. Credit Agreements

Long-term debt consists of the following:

	March 31, 2012	December 31, 2011
First lien term loan	\$ -	\$ 604,372
Tranche A term loan	325,000	-
Tranche B term loan	250,000	-
Discount on debt	(1,349)	-
Treasury debt – first lien	-	(6,498)
Current portion of debt	(14,063)	(22,874)
Total	<u>\$ 559,588</u>	<u>\$ 575,000</u>

On February 9, 2012, a subsidiary of the Company (the “Borrower” or “Generac Power Systems”) entered into a new credit agreement (“Credit Agreement”) with certain commercial banks and other lenders. The Credit Agreement provides for borrowings under a new \$150,000 revolving credit facility, a \$325,000 tranche A term loan facility and a \$250,000 tranche B term loan facility. The new revolving credit facility and tranche A term loan facility mature February 9, 2017, and the tranche B term loan facility matures February 9, 2019.

Proceeds received by the Company from loans made under the Credit Agreement were used to repay in full all outstanding borrowings under the former credit agreement, dated as of November 10, 2006, as amended from time to time, and for general corporate purposes. The Company’s former credit facility was comprised of a revolving credit facility and a first-lien term loan, which were scheduled to mature in November 2012 and November 2013, respectively.

Borrowings under the Credit Agreement are secured by associated collateral agreements which pledge virtually all assets of the Borrower. The Credit Agreement requires the Borrower, among other things, to meet certain financial and nonfinancial covenants and maintain financial ratios in such amounts and for such periods as set forth therein. The Borrower is required to maintain a leverage ratio of consolidated total debt, net of unrestricted cash and marketable securities, to EBITDA (as defined in the Credit Agreement) and an interest coverage ratio of EBITDA to cash interest expense (as defined in the Credit Agreement). The calculation of EBITDA under and as defined in the Credit Agreement is referred to in this quarterly report as “Covenant EBITDA.” Covenant EBITDA, the leverage ratio and interest coverage ratio are calculated based on the four most recently completed fiscal quarters of Generac Power Systems. Based on the formulations set forth in the Credit Agreement, Generac Power Systems is required to maintain a maximum leverage ratio of 4.00 to 1.00 from the periods June 30, 2012 to September 30, 2012, and 3.75 to 1.00 thereafter. Additionally, Generac Power Systems is required to maintain a minimum interest coverage ratio of 2.50 to 1.00 from June 30, 2012 to September 30, 2012, 2.75 to 1.00 from December 31, 2012 to June 30, 2013, 3.00 to 1.00 from September 30, 2013 to June 30, 2014 and 3.25 to 1.00 thereafter. The Company was in compliance with all requirements as of March 31, 2012.

The new revolving credit facility and tranche A term loan facility bear interest at rates based upon either a base rate plus an applicable margin of 1.25% or adjusted LIBOR rate plus an applicable margin of 2.25% through July 1, 2012. The tranche B term loan facility bears interest at rates based upon either a base rate (which, with respect to such tranche B term loan facility, will not be less than 2.00%) plus an applicable margin of 1.75% or adjusted LIBOR rate (which, with respect to such tranche B term loan facility, will not be less than 1.00%) plus an applicable margin of 2.75% through July 1, 2012. In subsequent periods, the new revolving credit facility and the tranche A term loan facility will bear interest at rates based upon either a base rate plus an applicable margin ranging from 0.75% to 1.50% or adjusted LIBOR rate plus an applicable margin ranging from 1.75% to 2.50%, each determined based on a leverage ratio.

The Credit Agreement restricts the circumstances in which distributions and dividends can be paid by the Borrower. Payments can be made by the Borrower to the Company for certain expenses such as operating expenses in the ordinary course and dividends can be used to repurchase equity interests, subject to limitation in certain circumstances. The Credit Agreement is secured by the associated collateral agreements which pledge virtually all assets of the Borrower. Additionally, the Credit Agreement restricts the aggregate amount of dividends and distributions that can be paid and, in certain circumstances, requires the maintenance of certain leverage ratios in order to pay certain dividends or distributions.

The Credit Agreement contains customary events of default, including, among others, nonpayment of principal, interest or other amounts, failure to perform covenants, inaccuracy of representations or warranties in any material respect, cross-defaults with other material indebtedness, certain undischarged judgments, the occurrence of certain ERISA or bankruptcy or insolvency events or the occurrence of a change in control (as defined in the Credit Agreement). Upon an event of default under the Credit Agreement, the lenders may declare the loans and all other obligations under the Credit Agreement immediately due and payable and require the Borrower to cash collateralize the outstanding letter of credit obligations. A bankruptcy or insolvency event causes such obligations to automatically become immediately due and payable.

In connection with the refinancing and in accordance with ASC 470-50, *Debt Modifications and Extinguishments*, the Company capitalized \$10.1 million of new debt issuance costs, recorded \$1.4 million of fees paid to creditors as a debt discount, and expensed \$1.4 million of transaction fees. The Company evaluated on a lender by lender basis if the debt related to returning lenders was significantly modified or not, resulting in the write-off of \$2.9 million in unamortized debt issuance costs relating to the former credit agreement. Amounts expensed are recorded as a loss on extinguishment of debt in the consolidated statement of comprehensive income for the three months ended March 31, 2012. The Company amortizes the original issue discount and related capitalized debt issuance costs on its loans under the effective interest method.

At March 31, 2012, we had cash and cash equivalents of \$91.7 million and \$145.3 million of availability under our revolving credit facility, net of outstanding letters of credit.

9. Earnings Per Share

Basic net income per share is net income divided by the average number of common shares outstanding during the period. Diluted net income per share includes incremental shares assumed to be issued from stock compensation awards.

The information required to compute basic and diluted net income per share is as follows:

	Three months ended March 31,	
	2012	2011
Numerator- net income	\$ 30,060	\$ 4,844
Denominator- weighted average shares		
Basic	67,200,480	67,107,560
Dilutive effect of stock compensation awards (1)	1,437,447	236,789
Diluted	68,637,927	67,344,349
Net income per share		
Basic	\$ 0.45	\$ 0.07
Diluted	\$ 0.44	\$ 0.07

(1) Excludes approximately 350,000 stock options and 190,000 shares of restricted stock for 2012 as the impact of such awards was anti-dilutive.

10. Income Taxes

The effective income tax rates for the quarters ended March 31, 2012 and 2011 were 38.8% and 1.9%, respectively. In the fourth quarter of 2011, the Company came out of its three-year cumulative loss position and determined that its deferred tax assets were realizable. Therefore, the Company recorded a tax provision in the first quarter of 2012 based on its estimated effective tax rate of approximately 38.8%.

11. Benefit Plans

The Company has noncontributory salaried and hourly pension plans (collectively, "Pension Plans") covering substantially all of its employees. Information related to the Pension Plans is as follows:

Components of net periodic pension expense:	Three months ended March 31,	
	2012	2011
Interest cost	\$ 613	\$ 592
Expected return on plan assets	(599)	(586)
Amortization of net loss	227	68
Net periodic pension expense	\$ 241	\$ 74

12. Commitments and Contingencies

The Company has an arrangement with a finance company to provide floor plan financing for selected dealers. The Company receives payment from the finance company after shipment of product to the dealer. The Company participates in the cost of dealer financing up to certain limits and has agreed to repurchase products repossessed by the finance company, but does not indemnify the finance company for any credit losses they incur. The amount financed by dealers which remained outstanding under this arrangement at March 31, 2012 and December 31, 2011 was approximately \$15,416 and \$10,035 respectively.

In the normal course of business, the Company is named as a defendant in various lawsuits in which claims are asserted against the Company. In the opinion of management, the liabilities, if any, which may result from such lawsuits are not expected to have a material adverse effect on the financial position, results of operations, or cash flows of the Company.

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

This quarterly report contains forward-looking statements that are subject to risks and uncertainties. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “confident,” “may,” “should,” “can have,” “likely,” “future” and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events.

The forward-looking statements contained in this quarterly report are based on assumptions that we have made in light of our industry experience and on our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. As you read and consider this report, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties (some of which are beyond our control) and assumptions. Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual financial results and cause them to differ materially from those anticipated in the forward-looking statements. The forward-looking statements contained in this quarterly report include estimates regarding:

- our business, financial and operating results and future economic performance;
- proposed new product and service offerings; and
- management's goals, expectations and objectives and other similar expressions concerning matters that are not historical facts.

Factors that could affect our actual financial results and cause them to differ materially from those anticipated in the forward-looking statements include:

- demand for our products;
- frequency of major power outages;
- availability, cost and quality of raw materials and key components used in producing our products;
- the possibility that the expected synergies, efficiencies and cost savings of the acquisition of the Magnum Products business will not be realized, or will not be realized within the expected time period;
- the risk that the Magnum Products business will not be integrated successfully;
- the impact on our results of the substantial increases in our outstanding indebtedness and related interest expense that will occur if we complete our proposed dividend recapitalization discussed below under “Liquidity and financial condition - Proposed dividend recapitalization”;
- competitive factors in the industry in which we operate;
- our dependence on our distribution network;
- our ability to invest in, develop or adapt to changing technologies and manufacturing techniques;
- loss of our key management and employees;
- increase in product and other liability claims; and
- changes in environmental, health and safety laws and regulations.

Should one or more of these risks or uncertainties materialize, or should any of these assumptions prove incorrect, our actual results may vary in material respects from those projected in these forward-looking statements. A detailed discussion of these and other factors that may affect future results is contained in our filings with the Securities and Exchange Commission, including in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Any forward-looking statement made by us in this report speaks only as of the date on which we make it. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

Overview

We are a leading designer and manufacturer of a wide range of generators and other engine powered products for the residential, light commercial, industrial and construction markets. As the only significant market participant focused predominantly on these products, we have one of the leading market positions in the power equipment market in the United States and Canada. We design, manufacture, source and modify engines, alternators, transfer switches and other components necessary for our products. Our products are fueled by natural gas, liquid propane, gasoline, diesel and Bi-Fuel™ and are available through a broad network of independent dealers, retailers, wholesalers, and equipment rental companies.

Business drivers and measures

In operating our business and monitoring its performance, we pay attention to a number of industry trends, performance measures and operational factors. The statements in this section are based on our current expectations.

Industry trends

Our performance is affected by the demand for reliable power solutions by our customer base. This demand is influenced by several important trends affecting our industry, including the following:

Increasing penetration opportunity. Although there have been recent increases in product costs for installed standby generators in the residential and light-commercial markets (driven in recent years by raw material costs), these costs have declined overall over the last decade, and many potential customers are not aware of the costs and benefits of backup power solutions. We estimate that penetration rates for residential products are approximately 2.5% of U.S. single-family detached, owner-occupied households with a home value of over \$100,000, as defined by the U.S. Census Bureau's 2009 American Housing Survey for the United States, and penetration rates of many light-commercial outlets such as restaurants, drug stores, and gas stations are significantly lower than penetration of hospitals and industrial locations. We believe that by expanding our distribution network, continuing to develop our product line, and targeting our marketing efforts, we can continue to build awareness and increase penetration for our standby generators.

Impact of residential investment cycle. The market for residential generators is affected by the residential investment cycle and overall consumer sentiment. When homeowners are confident of their household income or net worth, they are more likely to invest in their home. These trends can have a material impact on demand for residential generators.

Effect of large scale power disruptions. Power disruptions are an important driver of consumer awareness and have historically influenced demand for generators. Disruptions in the aging U.S. power grid and other outage activity increase product awareness and may drive consumers to accelerate their purchase of a standby or portable generator during the immediate and subsequent period, which we believe may last for six to twelve months for standby generators. For example, multiple major outage events that occurred during the second half of 2011 drove strong demand for home standby generators, and the increased awareness of these products contributed to substantial revenue growth for us in the first quarter of 2012. While there are power outages every year across all regions of the country, major outage activity is unpredictable by nature and, as a result, our sales levels and profitability may fluctuate from period to period.

Impact of business capital investment cycle. The market for commercial and industrial stationary and mobile generators and other power equipment is affected by the capital investment cycle and overall non-residential construction and durable goods spending, as businesses either add new locations or make investments to upgrade existing locations or equipment. These trends can have a material impact on demand for these products. The capital investment cycle may differ for the various industrial and commercial end markets that we serve (industrial, telecommunications, distribution, retail, health care facilities, construction, energy and municipal infrastructure, among others). The market for these products is also affected by general economic conditions, credit availability and trends in durable goods spending by businesses.

Operational factors

We are subject to various factors that can affect our results of operations, which we attempt to mitigate through factors we can control, including continued product development, expanded distribution, pricing and cost control. The operational factors that affect our business include the following:

New product start-up costs. When we launch new products, we generally experience an increase in start-up costs, including engineering expenses, expediting costs, testing expenses, marketing expenses and warranty costs, resulting in lower gross margins after the initial launch of a new product. Margins on new product introductions generally increase over the life of the product as these start-up costs decline and we focus our engineering efforts on product cost reduction.

Effect of commodity, currency and component price fluctuations. Industry-wide price fluctuations of key commodities, such as steel, copper and aluminum and other components we use in our products, together with foreign currency fluctuations, can have a material impact on our results of operations. We have historically attempted to mitigate the impact of rising commodity, currency and component prices through improved product design, manufacturing efficiencies, price increases and select hedging transactions. Our results are also influenced by changes in fuel prices in the form of freight rates, which in some cases are borne by our customers and in other cases are paid by us.

Other factors

Other factors that affect our results of operations include the following:

Factors influencing interest expense. Interest expense can be impacted by a variety of factors, including market fluctuations in LIBOR, interest rate election periods, interest rate swap agreements and repayments of indebtedness. Interest expense decreased in the first quarter of 2012 versus the first quarter of 2011 as a result of nearly \$82 million of debt pre-payments that were made over the last twelve months. Offsetting this decline in interest expense is a slight increase in the weighted-average cost of debt.

On February 9, 2012, a subsidiary of the Company entered into a new credit agreement with certain commercial banks and other lenders. The new credit agreement provides for borrowings under a new \$150.0 million revolving credit facility, a \$325.0 million tranche A term loan facility and a \$250.0 million tranche B term loan facility. The new revolving credit facility and tranche A term loan facility mature February 9, 2017, and the tranche B term loan facility matures February 9, 2019. Proceeds received by the Company from loans made under the Credit Agreement were used to repay in full all outstanding borrowings under the former credit agreement, dated November 10, 2006, as amended from time to time. The Company's former credit facility was comprised of a revolving credit facility and a first-lien term loan, which were scheduled to mature in November 2012 and November 2013, respectively. Factors influencing interest expense under the new credit agreement are substantially the same factors that influenced interest expense under the former credit agreement. However, the increase in outstanding debt that will occur if we complete the proposed dividend recapitalization discussed under "Liquidity and financial condition – Proposed dividend recapitalization" will significantly increase our interest expense.

Factors influencing provision for income taxes and cash taxes paid. We had \$1.2 billion of tax-deductible goodwill and intangible asset amortization remaining as of December 31, 2011 related to our acquisition by CCMP in 2006 that we expect to generate cash tax savings of \$470 million through 2021, assuming continued profitability and a 39% tax rate. The recognition of the tax benefit associated with these assets for tax purposes is expected to be \$122 million annually through 2020 and \$102 million in 2021, which generates annual cash tax savings of \$48 million through 2020 and \$40 million in 2021, assuming profitability and a 39% tax rate. Additionally, we had federal net operating loss, or NOL, carry-forwards of \$127.1 million as of December 31, 2011, which we expect to generate an additional \$44 million of federal cash tax savings at a 35% federal rate when utilized. Based on current business plans, we believe that our cash tax obligations through 2021 will be significantly reduced by these tax attributes. However, any subsequent accumulations of common stock ownership leading to a change of control under Section 382 of the U.S. Internal Revenue Code of 1986, including through sales of stock by large stockholders, all of which are outside of our control, could limit and defer our ability to utilize our net operating loss carry-forwards to offset future federal income tax liabilities. Similarly, the increase in outstanding debt and related interest expense that will occur if we complete the proposed dividend recapitalization discussed under "Liquidity and financial condition – Proposed dividend recapitalization" may have an impact on our ability to fully utilize these tax attributes if we are unable to generate sufficient taxable income.

In addition, as a result of the asset acquisition of the Magnum Products business in the fourth quarter of 2011, we had approximately \$57.0 million of incremental tax deductible goodwill and intangible assets remaining as of December 31, 2011. We expect these assets to generate cash tax savings of \$22.2 million through 2026 assuming continued profitability and a 39% tax rate. The amortization of these assets for tax purposes is expected to be \$3.8 million annually through 2025 and \$2.9 million in 2026, which generates an additional annual cash tax savings of \$1.5 million through 2025 and \$1.1 million in 2026, assuming profitability and a 39% tax rate.

Seasonality. Although there is demand for our products throughout the year, in each of the past three years approximately 16% to 24% of our net sales occurred in the first quarter, 20% to 25% in the second quarter, 25% to 30% in the third quarter and 26% to 34% in the fourth quarter. However, seasonality can differ depending on the timing of outage activity in each year, such as the outage activity experienced in the second half of 2011. Due to the significant demand and awareness created by these outage events, we expect revenue contribution during 2012 to be heavily weighted toward the first half of the year, assuming no material improvement in the macroeconomic environment and no comparable outage events in 2012. We expect this effect on year-over-year revenue growth to diminish in the second half of 2012, assuming no comparable major outage events during the second half of 2012 similar to the second half of 2011. Because of this, our historical seasonality patterns may not apply in 2012.

We maintain a flexible production schedule in order to respond to outage-driven peak demand, but typically increase production levels in the second and third quarters of each year.

Results of operations

Three months ended March 31, 2012 compared to three months ended March 31, 2011

The following table sets forth our consolidated statement of operations data for the periods indicated:

	Three months ended March 31,	
	2012	2011
(Dollars in thousands)		
Net sales	\$ 294,561	\$ 123,981
Cost of goods sold	183,556	76,804
Gross profit	111,005	47,177
Operating expenses:		
Selling and service	25,126	14,305
Research and development	5,055	3,885
General and administrative	9,106	6,117
Amortization of intangibles	12,225	11,727
Total operating expenses	51,512	36,034
Income from operations	59,493	11,143
Total other expense, net	(10,389)	(6,206)
Income before provision for income taxes	49,104	4,937
Provision for income taxes	19,044	93
Net income	\$ 30,060	\$ 4,844
Residential products	\$ 175,077	\$ 69,186
Industrial & commercial products	105,013	44,310
Other	14,471	10,485
Net sales	\$ 294,561	\$ 123,981

Net sales. Net sales increased \$170.6 million, or 137.6%, to \$294.6 million for the three months ended March 31, 2012 from \$124.0 million for the three months ended March 31, 2011. Residential products increased \$105.9 million, or 153.1%, primarily due to increased demand of home standby products resulting from the major outage events that occurred during the second half of 2011. Also contributing to residential products revenue growth were the continued expansion of the Company's distribution network, strong growth in portable generator shipments due to market share gains and increased revenue from the power washer product line, which was first introduced in the first quarter of 2011. Industrial and commercial product sales increased \$60.7 million, or 137.0%, primarily due to the additional Magnum Products revenue stream in the first quarter of 2012, and increased shipments into the telecom, healthcare and data center markets. Industrial and commercial net sales during the first quarter also benefitted from the resolution of backlog related to a short-term gap in the supply of certain components sourced overseas.

Costs of goods sold. Costs of goods sold increased \$106.8 million, or 139.0%, to \$183.6 million for the three months ended March 31, 2012 from \$76.8 million for the three months ended March 31, 2011. This increase was mainly driven by the increase in sales volume and the addition of the Magnum Products business in the first quarter of 2012.

Gross profit. Gross profit increased \$63.8 million, or 135.3%, to \$111.0 million for the three months ended March 31, 2012 from \$47.2 million for the three months ended March 31, 2011. As a percent of net sales, gross profit margin for the first quarter of 2012 decreased to 37.7% from 38.1% in the same period last year, primarily due to the mix impact from the addition of the Magnum Products business in the first quarter of 2012. Offsetting this decline, gross profit margin during the quarter relative to prior year was impacted favorably by a higher mix of home standby generators and lower mix of portable generators. In addition, the positive impact from price increases and improved overhead absorption was largely offset by higher commodity costs relative to the prior year.

Operating expenses. Operating expenses increased \$15.5 million, or 43.0%, to \$51.5 million for the three months ended March 31, 2012 from \$36.0 million for the three months ended March 31, 2011. These additional expenses were driven primarily by increased variable operating expenses on the substantial increase in net sales, operating expenses associated with the Magnum Products business, increased sales, engineering and administrative infrastructure to support the strategic growth initiatives and higher baseline sales levels of the Company, and increased incentive compensation expenses as a result of the Company's financial performance during the quarter.

Other expense. Other expenses increased \$4.2 million, or 67.4%, to \$10.4 million for the three months ended March 31, 2012 from \$6.2 million for the three months ended March 31, 2011, primarily due to a loss on extinguishment of debt incurred in connection with the February 2012 debt refinancing. Interest expense decreased \$0.3 million versus prior year as a result of nearly \$82 million of debt pre-payments that were made over the last twelve months, offset by higher weighted-average cost of debt.

Provision for income taxes. Income tax expense was \$19.0 million for the three months ended March 31, 2012 compared to less than \$0.01 million for the three months ended March 31, 2011. Until the fourth quarter of 2011, a full valuation allowance was recorded on the Company's net deferred tax assets resulting in substantially no tax provision. A full valuation allowance is no longer required on the Company's net deferred tax assets and therefore full income tax provision was recorded in the first quarter of 2012.

Net income. As a result of the factors identified above, we generated net income of \$30.1 million for the three months ended March 31, 2012 compared to \$4.8 million for the three months ended March 31, 2011.

Adjusted EBITDA. Adjusted EBITDA, as defined in the accompanying reconciliation schedules, increased \$48.3 million, or 175.8%, to \$75.8 million for the three months ended March 31, 2012 from \$27.5 million for the three months ended March 31, 2011. The definition of Adjusted EBITDA in the new February 2012 credit agreement is substantially the same as the definition in the previous 2006 credit agreement.

Adjusted Net income. Adjusted net income, as defined in the accompanying reconciliation schedules, of \$66.1 million for the three months ended March 31, 2012 increased 285.5% from \$17.1 million for the three months ended March 31, 2011.

See "Non-GAAP measures" for a discussion of how we calculate these non-GAAP measures and limitations on their usefulness.

Liquidity and financial condition

Our primary cash requirements include payment for our raw material and component supplies, salaries & benefits, operating expenses, interest and principal payments on our debt, and capital expenditures. We finance our operations primarily through cash flow generated from operations and, if necessary, borrowings under our revolving credit facility. In November 2006, Generac Power Systems entered into a seven-year \$950.0 million first lien term loan, a seven-and-a-half year \$430.0 million second lien term loan, and a six-year \$150.0 million revolving credit facility. During 2010 and 2011, we used the net proceeds of our initial public offering and a substantial portion of our cash and cash equivalents on hand totaling \$493.8 million to pay down our second lien term loans in full and to repay a portion of our first lien term loan. As a result of these pay downs, the outstanding balance on the first lien credit facility was reduced to \$597.9 million as of December 31, 2011, and our second lien credit facility was repaid in full and terminated.

On February 9, 2012, Generac Power Systems repaid an additional \$22.9 million under its first lien term loan and entered into a new agreement. The new credit agreement provides for borrowings under a new five-year \$150.0 million revolving credit facility, a five-year \$325.0 million tranche A term loan facility and a seven-year \$250.0 million tranche B term loan facility. Proceeds received by the Company from loans made under the new credit agreement were used to repay in full all outstanding borrowings under the former credit agreement, dated November 10, 2006, as amended from time to time, and for general corporate purposes. As a result of the repayments of debt and refinancing, our net indebtedness was \$573.6 million at February 9, 2012 and \$573.7 million at March 31, 2012.

At March 31, 2012, we had cash and cash equivalents of \$91.7 million and \$145.3 million of availability under our revolving credit facility, net of outstanding letters of credit.

Long-term liquidity

We believe that our cash flow from operations, our availability under our revolving credit facility, combined with our relatively low ongoing capital expenditure requirements and favorable tax attributes, provides us with sufficient capital to continue to grow our business in the future. We will use a significant portion of our cash flow to pay interest and principal on our outstanding debt, impacting the amount available for working capital, capital expenditures and other general corporate purposes. As we continue to expand our business, we may in the future require additional capital to fund working capital, capital expenditures or acquisitions.

Proposed dividend recapitalization

On May 8, 2012, the Company announced its plan to execute a recapitalization in which it intends to incur, subject to market and other conditions, approximately \$650 million of additional debt to fund in large part a special cash dividend of up to \$10 per share on its outstanding common stock. As part of this transaction, the Company expects to enter into new debt financing in the aggregate amount of approximately \$1.2 billion, which is expected to be comprised of approximately \$800 million of senior secured financing and the remainder in senior unsecured financing, the proceeds of which will be used to pay the special cash dividend and refinance the Company's existing credit facilities. In addition, the Company anticipates its current \$150 million unfunded revolver will be replaced with a similar sized asset-backed revolver. The declaration of the special cash dividend will not occur unless new debt financing is obtained under acceptable terms. The Company expects its Board of Directors to declare and the Company to pay the special cash dividend before the end of the second quarter of 2012.

Three months ended March 31, 2012 compared to three months ended March 31, 2011

The following table summarizes our cash flows by category for the periods presented:

(Dollars in thousands)	Three months ended March 31,		\$ Change	% Change
	2012	2011		
Net cash provided by operating activities	\$ 38,584	\$ 12,671	\$ 25,913	204.5%
Net cash used in investing activities	\$ (4,417)	\$ (1,566)	\$ (2,851)	182.1%
Net cash (used in) provided by financing activities	\$ (35,563)	\$ 309	\$ (35,872)	(11,609.1)%

Net cash provided by operating activities was \$38.6 million for the three months ended March 31, 2012 compared to \$12.7 million for the three months ended March 31, 2011. This year-over-year increase was primarily driven by strong operating earnings partially offset by increased working capital investments, such as increases in inventory levels to support higher production rates and seasonal build requirements.

Net cash used in investing activities was \$4.4 million for the three months ended March 31, 2012, which related to the purchase of property and equipment and acquisition activity. Net cash used in investing activities was \$1.6 million for the three months ended March 31, 2011, a majority of which related to the purchase of property and equipment.

Net cash used in financing activities was \$35.6 million for the three months ended March 31, 2012, primarily representing \$573.6 million in cash proceeds from long-term borrowings offset by \$597.9 million of debt repayments. Related to our February 2012 refinancing, the Company made \$10.8 million of cash payments for transaction fees incurred in connection with the debt refinancing. Net cash provided by financing activities was \$0.3 million for the three months ended March 31, 2011, representing cash proceeds from the exercise of stock options.

Contractual Obligations

On February 9, 2012, a subsidiary of the Company entered into a new credit agreement ("Credit Agreement") with certain commercial banks and other lenders. The new credit agreement provides for borrowings under a new \$150.0 million revolving credit facility, a \$325.0 million tranche A term loan facility and a \$250.0 million tranche B term loan facility. The new revolving credit facility and tranche A term loan facility mature February 9, 2017, and the tranche B term loan facility matures February 9, 2019.

Proceeds received by the Company from loans made under the Credit Agreement were used to repay in full all outstanding borrowings under the former credit agreement, dated as of November 10, 2006, as amended from time to time, and for general corporate purposes. The Company's former credit facility was comprised of a revolving credit facility and a first-lien term loan, which were scheduled to mature in November 2012 and November 2013, respectively.

Under the terms of the Credit Agreement, required principal payments for the remainder of 2012 and for the five years subsequent to December 31, 2012 are as follows: 2012, \$9.4 million; 2013, \$18.8 million; 2014, \$26.9 million; 2015, \$39.1 million; 2016, \$43.1 million; 2017, \$201.6 million.

Except as noted, there have been no material changes to our contractual obligations since the March 9, 2012 filing of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Off-balance sheet arrangements

There have been no material changes with regards to off-balance sheet arrangements since the March 9, 2012 filing of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Critical accounting policies

There have been no material changes in our critical accounting policies since the March 9, 2012 filing of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

As discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, in preparing the financial statements in accordance with accounting principles generally accepted in the U.S., we are required to make estimates and assumptions that have an impact on the asset, liability, revenue and expense amounts reported. These estimates can also affect our supplemental information disclosures, including information about contingencies, risk and financial condition. We believe, given current facts and circumstances, that our estimates and assumptions are reasonable, adhere to accounting principles generally accepted in the U.S., and are consistently applied. Inherent in the nature of an estimate or assumption is the fact that actual results may differ from estimates and estimates may vary as new facts and circumstances arise. We make routine estimates and judgments in determining net realizable value of accounts receivable, inventories, property, plant and equipment, and other assets. We believe that our most critical accounting estimates and assumptions are in the following areas: goodwill and other indefinite-lived intangible asset impairment assessment, defined benefit pension obligations, estimates of allowance for doubtful accounts, excess and obsolete inventory reserves, product warranty, other contingencies, derivative accounting, income taxes, and share based compensation.

Non-GAAP measures

Adjusted EBITDA

Adjusted EBITDA represents net income before interest expense, taxes, depreciation and amortization, as further adjusted for the other items reflected in the reconciliation table set forth below. This presentation is substantially consistent with the presentation used in our senior secured credit facilities (Covenant EBITDA), except that we do not give effect to certain additional adjustments that are permitted under those facilities which, if included, would increase the amount reflected in the table below. Note that the definition of Adjusted EBITDA in the new Credit Agreement is substantially the same as the definition of Adjusted EBITDA in the previous 2006 credit agreement.

We view Adjusted EBITDA as a key measure of our performance. We present Adjusted EBITDA not only due to its importance for purposes of our senior secured credit facilities but also because it assists us in comparing our performance across reporting periods on a consistent basis because it excludes items that we do not believe are indicative of our core operating performance. Our management uses Adjusted EBITDA:

- for planning purposes, including the preparation of our annual operating budget and developing and refining our internal projections for future periods;
- to allocate resources to enhance the financial performance of our business;
- as a benchmark for the determination of the bonus component of compensation for our senior executives under our management incentive plan, as described further in our 2012 Proxy Statement;
- to evaluate the effectiveness of our business strategies and as a supplemental tool in evaluating our performance against our budget for each period; and
- in communications with our board of directors and investors concerning our financial performance.

We believe Adjusted EBITDA is used by securities analysts, investors and other interested parties in the evaluation of our Company. Management believes that the disclosure of Adjusted EBITDA offers an additional financial metric that, when coupled with U.S. GAAP results and the reconciliation to U.S. GAAP results, provides a more complete understanding of our results of operations and the factors and trends affecting our business. We believe Adjusted EBITDA is useful to investors for the following reasons:

- Adjusted EBITDA and similar non-GAAP measures are widely used by investors to measure a company's operating performance without regard to items that can vary substantially from company to company depending upon financing and accounting methods, book values of assets, tax jurisdictions, capital structures and the methods by which assets were acquired;
- investors can use Adjusted EBITDA as a supplemental measure to evaluate the overall operating performance of our company, including our ability to service our debt and other cash needs; and
- by comparing our Adjusted EBITDA in different historical periods, our investors can evaluate our operating performance excluding the impact of items described below.

The adjustments included in the reconciliation table listed below are provided for under our senior secured credit facilities (except where noted in footnote (h) below) and also are presented to illustrate the operating performance of our business in a manner consistent with the presentation used by our management and board of directors. These adjustments eliminate the impact of a number of items that:

- we do not consider indicative of our ongoing operating performance, such as non-cash impairment and other charges, non-cash gains and write-offs relating to the retirement of debt, severance costs and other restructuring-related business optimization expenses;
- we believe to be akin to, or associated with, interest expense, such as administrative agent fees, revolving credit facility commitment fees and letter of credit fees;
- are non-cash in nature, such as share-based compensation; or
- were eliminated following the consummation of our initial public offering.

We explain in more detail in footnotes (a) through (h) below why we believe these adjustments are useful in calculating Adjusted EBITDA as a measure of our operating performance.

Adjusted EBITDA does not represent, and should not be a substitute for, net income or cash flows from operations as determined in accordance with U.S. GAAP. Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. Some of the limitations are:

- Adjusted EBITDA does not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- several of the adjustments that we use in calculating Adjusted EBITDA, such as non-cash impairment charges, while not involving cash expense, do have a negative impact on the value of our assets as reflected in our consolidated balance sheet prepared in accordance with U.S. GAAP;
- the adjustments for business optimization expenses, which we believe are appropriate for the reasons set out in note (e) below, represent costs associated with severance and other items which are reflected in operating expenses and income (loss) from continuing operations in our condensed consolidated statements of comprehensive income prepared in accordance with U.S. GAAP; and
- other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Furthermore, as noted above, one of our uses of Adjusted EBITDA is as a benchmark for determining elements of compensation for our senior executives. At the same time, some or all of these senior executives have responsibility for monitoring our financial results generally, including the items that are included as adjustments in calculating Adjusted EBITDA (subject ultimately to review by our board of directors in the context of the board's review of our quarterly financial statements). While many of the adjustments (for example, transaction costs and credit facility fees), involve mathematical application of items reflected in our financial statements, others (such as business optimization adjustments) involve a degree of judgment and discretion. While we believe all of these adjustments are appropriate, and while the quarterly calculations are subject to review by our board of directors in the context of the board's review of our quarterly financial statements and certification by our chief financial officer in a compliance certificate provided to the lenders under our senior secured credit facilities, this discretion may be viewed as an additional limitation on the use of Adjusted EBITDA as an analytical tool.

Because of these limitations, Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our U.S. GAAP results and using Adjusted EBITDA only supplementally.

The following table presents a reconciliation of net income to Adjusted EBITDA:

(Dollars in thousands)	Three months ended March 31,	
	2012	2011
Net income	\$ 30,060	\$ 4,844
Interest expense	5,674	6,001
Depreciation and amortization	14,218	13,663
Income taxes provision	19,044	93
Non-cash impairment and other charges (a)	(204)	446
Non-cash share-based compensation expense (b)	2,439	2,000
Loss on extinguishment of debt (c)	4,309	-
Transaction costs and credit facility fees (d)	135	173
Business optimization expenses (e)	-	221
Letter of credit fees (f)	1	2
Other state franchise taxes (g)	132	64
Holding company interest income (h)	(6)	(23)
Adjusted EBITDA	<u>\$ 75,802</u>	<u>\$ 27,484</u>

(a) Represents the following non-cash charges:

- for the three months ended March 31, 2012, unrealized mark-to-market adjustments on copper forward contracts, loss on disposal of assets, and a non-cash inventory write-off;
- for the three months ended March 31, 2011, unrealized mark-to-market adjustments on copper forward contracts and a loss on disposal of assets;

We believe that adjusting net income for these non-cash charges is useful for the following reasons:

- The gain (loss) on disposals of assets described above result from the sale of assets that are no longer useful in our business and therefore represent losses that are not from our core operations;
- The adjustments for unrealized mark-to-market gains and losses on copper forward contracts represent non-cash items to reflect changes in the fair value of forward contracts that have not been settled or terminated. We believe it is useful to adjust net income for these items because the charges do not represent a cash outlay in the period in which the charge is incurred, although Adjusted EBITDA must always be used together with our U.S. GAAP statements of income and cash flows to capture the full effect of these contracts on our operating performance;

(b) Represents share-based compensation expense to account for stock options, restricted stock and other stock awards over their vesting period;

(c) Represents the loss on extinguishment of debt related to the refinancing that occurred on February 9, 2012;

(d) Represents transaction costs incurred directly in connection with any investment, as defined in our credit agreement, equity issuance or debt issuance or refinancing, together with certain fees relating to our senior secured credit facilities, such as:

- administrative agent fees and revolving credit facility commitment fees under our senior secured credit facilities, which we believe to be akin to, or associated with, interest expense and whose inclusion in Adjusted EBITDA is therefore similar to the inclusion of interest expense in that calculation;
- transaction costs relating to the acquisition of a business;

(e) Represents severance costs incurred from restructuring-related activities. We do not believe the charges for restructuring-related activities reflect our ongoing operations. Although we have incurred severance costs in the past, it is difficult to predict the amounts of similar costs in the future, and we believe that adjusting for these costs aids in measuring the performance of our ongoing operations. We believe that these costs will tend to be immaterial to our results of operations in future periods.

(f) Represents primarily fees on letters of credit outstanding under our senior secured credit facilities, which we believe to be akin to, or associated with, interest expense and whose inclusion in Adjusted EBITDA is therefore similar to the inclusion of interest expense.

(g) Represents franchise and business activity taxes paid at the state level. We believe that the inclusion of these taxes in calculating Adjusted EBITDA is similar to the inclusion of income taxes, as set forth in the table above.

(h) Represents interest earned on cash held at Generac Holdings Inc. We exclude these amounts because we do not include them in the calculation of "Covenant EBITDA" under and as defined in our senior secured credit facilities.

Adjusted net income

Adjusted net income is defined as net income before provision for income taxes adjusted for the following items: cash income tax expense, amortization of intangible assets, amortization of deferred financing costs related to the Company's debt, intangible asset impairment charges (as applicable), and certain non-cash gains as reflected in the reconciliation table set forth below (as applicable).

We believe Adjusted net income is used by securities analysts, investors and other interested parties in the evaluation of our company operations. Management believes the disclosure of Adjusted net income offers an additional financial metric that, when used in conjunction with U.S. GAAP results and the reconciliation to U.S. GAAP results, provides a more complete understanding of our results of operations, our cash flows, and the factors and trends affecting our business.

The adjustments included in the reconciliation table listed below are presented to illustrate the operating performance of our business in a manner consistent with the presentation used by investors and securities analysts. Similar to the Adjusted EBITDA reconciliation, these adjustments eliminate the impact of a number of items we do not consider indicative of our ongoing operating performance or cash flows, such as amortization costs, and non-cash gains and write-offs relating to the retirement of debt. We also make adjustments to present cash taxes paid.

Similar to Adjusted EBITDA, Adjusted net income does not represent, and should not be a substitute for, net income or cash flows from operations as determined in accordance with U.S. GAAP. Adjusted net income has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. Some of the limitations are:

- Adjusted net income does not reflect changes in, or cash requirements for, our working capital needs;
- although amortization is a non-cash charge, the assets being amortized may have to be replaced in the future, and Adjusted net income does not reflect any cash requirements for such replacements;
- other companies may calculate Adjusted net income differently than we do, limiting its usefulness as a comparative measure.

(Dollars in thousands)	Three months ended March 31,	
	2012	2011
Net income	\$ 30,060	\$ 4,844
Provision for income taxes	19,044	93
Income before provision for income taxes	49,104	4,937
Amortization of intangible assets	12,225	11,727
Amortization of deferred financing costs	506	502
Loss on extinguishment of debt	4,309	-
Adjusted net income before provision for income taxes	66,144	17,166
Cash income tax expense	(55)	(24)
Adjusted net income before provision for income taxes	\$ 66,089	\$ 17,142
Adjusted net income per common share - diluted:	\$ 0.96	\$ 0.25
Weighted average common shares outstanding - diluted:	68,637,927	67,344,349

New Accounting Standards

On January 1, 2012, the Company adopted Accounting Standards Update (ASU) No. 2011-05, "Comprehensive Income: Presentation of Comprehensive Income," which requires companies to disclose items of net income, items of other comprehensive income and total comprehensive income either in a single continuous statement or in two separate but consecutive statements. The Company has included a statement of comprehensive income in this Form 10-Q. The adoption of this ASU had no impact on the Company's financial condition or results of operations.

Except as noted, there have been no material changes since the March 9, 2012 filing of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

For a discussion of changes in commodity, currency and interest rate related risks and hedging activities, see Note 2 – Derivative Instruments and Hedging Activities – to the Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q. In other respects, there has been no material change in market risk from the information provided in Item 7A. (Quantitative and Qualitative Disclosures About Market Risk) of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) or 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting

There have been no changes during the three months ended March 31, 2012 in our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are involved in legal proceedings primarily involving product liability and employment matters and general commercial disputes arising in the ordinary course of our business. As of March 31, 2012, we believe that there is no litigation pending that would have a material effect on our results of operations or financial condition.

Item 1A. Risk Factors

There have been no material changes in our risk factors since the March 9, 2012 filing of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, except for the following:

Impact of proposed dividend recapitalization

If we complete our proposed dividend recapitalization discussed in this Quarterly Report on Form 10-Q under "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and financial condition - Proposed dividend recapitalization," our outstanding indebtedness and related interest expense will increase substantially from recent historical levels. This will affect our future results of operations, and will increase the risk described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 under "Risk Factors - Risks related to our capital structure - We have a significant amount of indebtedness which could adversely affect our cash flow and our ability to remain in compliance with debt covenants and make payments on our indebtedness."

Item 6. Exhibits

See "Exhibit Index" for documents filed herewith and incorporated herein by reference.

SIGNATURES

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

By:

/s/ YORK A. RAGEN

YORK A. RAGEN

Chief Financial Officer

(Duly Authorized Officer and Principal Financial and Accounting Officer)

Dated: May 8, 2012

Item 6.

EXHIBIT INDEX

Exhibits Number	Description
10.1	Credit Agreement, dated as of February 9, 2012, among Generac Power Systems, Inc., Generac Acquisition Corp., the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Goldman Sachs Credit Partners L.P. and Merrill Lynch, Pierce, Fenner & Smith LLP, as syndication agents, and RBS Citizens, N.A., PNC Bank, National Association, Mizuho Corporate Bank, Ltd., Sumitomo Mitsui Banking Corporation and Bank of Montreal, as Documentation Agents (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 10, 2012).
10.2	Guarantee and Collateral Agreement, dated as of February 9, 2012, among Generac Acquisition Corp., Generac Power Systems, Inc., certain subsidiaries of Generac Power Systems, Inc. and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on February 10, 2012).
10.3+	Amended Form of Restricted Stock Award Agreement pursuant to the 2010 Equity Incentive Plan.
10.4+	Amended Form of Nonqualified Stock Option Award Agreement pursuant to the 2010 Equity Incentive Plan.
10.5+	Amended Form of Restricted Stock Award Agreement with accelerated vesting pursuant to the 2010 Equity Incentive Plan.
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14 Securities Exchange Act Rules 13a-14(a) and 15d-14(a), pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14 Securities Exchange Act Rules 13a-14(a) and 15d-14(a), pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) related notes, tagged as blocks of text.
*	Filed herewith.
**	Furnished herewith.
+	Indicates management contract or compensatory plan or arrangement.

**Generac Holdings Inc.
2010 Equity Incentive Plan**

RESTRICTED STOCK AWARD AGREEMENT

THIS RESTRICTED STOCK AWARD AGREEMENT (this “**Award Agreement**”) is made effective as of the ____ day of ____, ____ (the “**Date of Grant**”), between Generac Holdings Inc., a Delaware corporation (the “**Company**”), and (the “**Participant**”):

RECITALS:

WHEREAS, the Company has adopted the Generac Holdings Inc. 2010 Equity Incentive Plan (the “**Plan**”), which Plan is incorporated herein by reference and made a part of this Award Agreement. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan; and

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its stockholders to grant the restricted stock provided for herein to the Participant pursuant to the Plan and the terms set forth herein.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties agree as follows:

1. **Restricted Stock Award.** Subject to the terms and conditions of the Plan and this Agreement, the Company hereby grants to the Participant ____ Shares (the “**Restricted Shares**”), which shall vest and become nonforfeitable in accordance with Section 3 hereof.

2. **Certificates.** A certificate or certificates representing the Restricted Shares shall be issued by the Company and shall be registered in the name of the Participant on the stock transfer books of the Company promptly following execution of this Award Agreement by the Participant, but shall remain in the physical custody of the Company or its designee at all times prior to the vesting of such Restricted Shares pursuant to Section 3 hereof. As a condition to the receipt of this Award Agreement, the Participant shall deliver to the Company a Stock Power in the form attached hereto as Exhibit A, duly endorsed in blank, relating to the Restricted Shares. Each certificate representing the Restricted Shares shall bear the following legend:

“The ownership and transferability of this certificate and these shares are subject to the terms and conditions (including forfeiture) of the Generac Holdings Inc. 2010 Equity Incentive Plan and a Restricted Stock Award Agreement entered into between the registered owner and Generac Holdings Inc. Copies of such Plan and Agreement are on file in the executive offices of Generac Holdings Inc.”

As soon as administratively practicable, but not later than sixty (60) days, following the vesting of the Restricted Shares (as described in Section 3 hereof), and upon the satisfaction of all other applicable conditions, including, but not limited to, the payment by the Participant of all applicable withholding taxes, the Company shall deliver or cause to be delivered to the Participant, or in the case of Participant’s death, Participant’s beneficiary, a certificate or certificates for the applicable Shares of Restricted Stock which shall not bear the legend described above, but may bear such other legends as the Company deems advisable pursuant to Section 7 below.

3. **Vesting of Restricted Stock.**

(a) **Vesting Schedule.** Subject to the Participant’s continued service through the vesting date, the Restricted Shares shall all vest in equal installments on each of the first three (3) anniversaries of the Date of Grant such that thirty-three and one-third percent (33.33%) of the Restricted Shares vest on each such anniversary.

(b) **Acceleration of Vesting.** Notwithstanding Section 3(a) hereof, if within the one (1) year period following a Change of Control, the Participant’s service is terminated by the Company or any Affiliate without Cause, the Restricted Shares shall immediately vest as of the date of such termination of service, subject to the Participant’s execution of an effective general release and waiver of all claims against the Company, its Affiliates and their respective officers and directors, substantially in the form attached hereto as Exhibit B.

(c) **Termination of Service.** If the Participant’s Service is terminated for any reason, other than as described in Section 3(b) above, the Restricted Shares, to the extent not then-vested, shall be forfeited by the Participant without any consideration.

(d) **Definition of Cause.** “**Cause**” shall mean, (i) a material breach by the Participant of any of the Participant’s obligations under any written agreement with the Company or any of its Affiliates, (ii) a material violation by the Participant of any of the Company’s policies, procedures, rules and regulations applicable to employees generally or to similarly situated employees, in each case, as they may be amended from time to time in the Company’s sole discretion; (iii) the failure by the Participant to reasonably and substantially perform his or her duties to the Company or its Affiliates (other than as a result of physical or mental illness or injury); (iv) the Participant’s willful misconduct or gross negligence that has caused or is reasonably expected to result in material injury to the business, reputation or prospects of the Company or any of its Affiliates; (v) the Participant’s fraud or misappropriation of funds; or (vi) the commission by the Participant of a felony or other serious crime involving moral turpitude; provided, that, in the case of the failures described in (i), (ii) and (iii) above, such failures shall only constitute “Cause” after a written notice of such failure is delivered to the Participant that specifically identifies the specific failure that could lead to the Participant’s termination, and the Participant does not remedy such failure within fifteen (15) business days after receipt of such written notice, as prescribed within the notice. Notwithstanding the foregoing, if the Participant is a party to an employment agreement with the Company or any Affiliate at the time of his or her termination of employment and such employment agreement contains a different definition of “cause” (or any derivation thereof), the definition in such employment agreement will control for purposes of this Agreement.

4. **Rights as a Stockholder.** The Participant shall have none of the rights of a stockholder of the Company until the Restricted Shares vest, provided, that, the Participant shall have the right to receive dividends on the Restricted Shares (the “**Dividends**”) subject to the remainder of this Section 4. The Dividends, if any, shall be held by the Company and shall be subject to forfeiture until such time that the Restricted Shares on which the Dividends were distributed vest in accordance with Section 3 above. The Dividends shall be released to the Participant as soon as administratively practicable, but not later than the time of delivery to the Participant, in accordance with Section 2 above, of certificates representing the Restricted Shares on which the Dividends were distributed.

5. **Restrictive Covenant Agreement.** The Participant and the Company have previously entered into a restrictive covenant agreement. Participant hereby reaffirms his obligations under such restrictive covenant agreement and nothing contained in this Award Agreement shall cancel, change or modify Participant’s obligations thereunder.

6. **Non-Disparagement.** The Participant, while providing services to the Company and thereafter, shall not make any oral or written communication to any Person that disparages, or has the effect of damaging the reputation of, the Company, the Affiliates or their respective directors, officers, agents, employees, former employees, representatives or stockholders; provided, that, nothing in the foregoing shall preclude the Participant from disclosing any information to Participant’s attorney or in response to a lawful subpoena or court order requiring disclosure of information.

7. **Adjustment of Shares.** In the event of any corporate event or transaction (as described in Section 12.1 of the Plan), the terms of this Award Agreement (including, without limitation, the number and kind of Shares subject to this Agreement) may be adjusted as set forth in Section 12.1 of the Plan.

8. **No Right to Continued Service.** The granting of the Restricted Stock evidenced hereby and this Award Agreement shall impose no obligation on the Company or any Affiliate to continue the Service of the Participant and shall not lessen or affect any right that the Company or any Affiliate may have to terminate the service of such Participant.

9. **Securities Laws/Legend on Certificates.** The issuance and delivery of Shares shall comply (or be exempt from) all applicable requirements of law, including (without limitation) the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder, state securities laws and regulations, and the regulations of any stock exchange or other securities market on which the Company’s securities may then be traded. The Company shall not be obligated to file any registration statement under any applicable securities laws to permit the purchase or issuance of any Shares under the Plan or Awards, and accordingly any certificates for Shares or documents granting Awards may have an appropriate legend or statement of applicable restrictions endorsed thereon. If the Company deems it necessary to ensure that the issuance of Shares under the Plan is not required to be registered under any applicable securities laws, each Participant to whom such Shares would be issued shall deliver to the Company an agreement or certificate containing such representations, warranties and covenants as the Company may reasonably request which satisfies such requirements.

10. **Transferability.** Unless otherwise provided by the Committee, the Restricted Shares may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant other than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate; provided, that, the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance. No such permitted transfer of the Restricted Shares to heirs or legatees of the Participant shall be effective to bind the Company unless the Committee shall have been furnished with written notice thereof and a copy of such evidence as the Committee may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions hereof.

11. **Withholding.** The Participant may be required to pay to the Company or any Affiliate and the Company shall have the right and is hereby authorized to withhold, any applicable withholding taxes in respect of the Restricted Shares, their vesting or transfer and to take such other action as may be necessary in the opinion of the Committee to satisfy all obligations for the payment of such withholding taxes.

12. **Notices.** Any notification required by the terms of this Award Agreement shall be given in writing and shall be deemed effective upon personal delivery or within three (3) days of deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid. A notice shall be addressed to the Company, Attention: General Counsel, at its principal executive office and to the Participant at the address that he or she most recently provided to the Company.

13. **Entire Agreement.** This Award Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) which relate to the subject matter hereof.

14. **Waiver.** No waiver of any breach or condition of this Award Agreement shall be deemed to be a waiver of any other or subsequent breach or condition whether of like or different nature.

15. **Successors and Assigns.** The provisions of this Award Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and upon the Participant, the Participant's assigns and the legal representatives, heirs and legatees of the Participant's estate, whether or not any such person shall have become a party to this Award Agreement and have agreed in writing to be joined herein and be bound by the terms hereof.

16. **Choice of Law.** This Award Agreement shall be governed by the law of the State of Delaware (regardless of the laws that might otherwise govern under applicable Delaware principles of conflicts of law) as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies.

17. **Restricted Shares Subject to Plan.** By entering into this Award Agreement the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. The Restricted Shares are subject to the Plan. The terms and provisions of the Plan as it may be amended from time to time are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

18. **No Guarantees Regarding Tax Treatment.** Participants (or their beneficiaries) shall be responsible for all taxes with respect to the Restricted Shares. The Committee and the Company make no guarantees regarding the tax treatment of the Restricted Shares. Neither the Committee nor the Company has any obligation to take any action to prevent the assessment of any tax under Section 409A of the Code or Section 457A of the Code or otherwise and none of the Company, any Subsidiary or Affiliate, or any of their employees or representatives shall have any liability to a Participant with respect thereto.

19. **Amendment.** The Committee may amend or alter this Award Agreement and the Restricted Shares granted hereunder at any time, subject to the terms of the Plan.

20. **Section 83(b) Election.** In the event the Participant determines to make an election with the Internal Revenue Service (the "IRS") under Section 83(b) of the Code and the regulations promulgated thereunder (the "**83(b) Election**"), the Participant shall provide a copy of such form to the Company promptly following its filing, which is required under current law to be filed with the IRS no later than thirty (30) days after the Date of Grant of the Restricted Shares. The form for making an 83(b) Election is attached hereto as **Exhibit C**. The Participant is advised to consult with his or her own tax advisors regarding the purchase and holding of the Restricted Shares, and the Company shall bear no liability for any consequence of the Participant making an 83(b) Election or failing to make an 83(b) Election.

21. **Severability.** The provisions of this Award Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

22. **Signature in Counterparts.** This Award Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

* * *

IN WITNESS WHEREOF, the parties hereto have executed this Award Agreement.

GENERAC HOLDINGS INC.

By: _____

Agreed and acknowledged as of the date first above written:

- _____

PARTICIPANT

EXHIBIT A

STOCK POWER¹

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto Generac Holdings Inc. (the "Company"), _____ (_____) shares of common stock, par value \$0.01 per share, of the Company standing in his/her/their/its name on the books of the Company represented by Certificate No. _____ herewith and does hereby irrevocably constitute and appoint _____ his/her/their/its attorney-in-fact, with full power of substitution, to transfer such shares on the books of the Company.

Dated: _____ Signature: _____

Print Name and Mailing Address

Instructions: *Please do not fill in any blanks other than the signature line and printed name and mailing address. Please print your name exactly as you would like your name to appear on the issued stock certificate(s). The purpose of this assignment is to enable the forfeiture of the shares without requiring additional signatures on your part.*

¹ This stock power is not effective if executed in New York State.

EXHIBIT B

FORM OF RELEASE

A release is required as a condition for receiving the benefits provided pursuant to the Restricted Stock Award Agreement between GENERAC HOLDINGS INC. (the "Company") and [_____] ("Participant") dated [_____] (the "Agreement"); thus, by executing this release ("Release"), you have advised us that you hold no claims against the Company, its predecessors, successors or assigns, affiliates, shareholders or members and each of their respective officers, directors, agents and employees (collectively, the "Releasees"), and by execution of this Release you agree to waive and release any such claims, except relating to any compensation, severance pay and benefits described in any written agreement between you and the Company.

You understand and agree that this Release will extend to all claims, demands, liabilities and causes of action of every kind, nature and description whatsoever, whether known, unknown or suspected to exist, which you ever had or may now have against the Releasees in your capacity as an employee of the Company, including, without limitation, any claims, demands, liabilities and causes of action arising from your employment with the Releasees and the termination of that employment, including any claims for severance or vacation pay, business expenses, and/or pursuant to any federal, state, county, or local employment laws, regulations, executive orders, or other requirements, including, but not limited to, Title VII of the 1964 Civil Rights Act, the 1866 Civil Rights Act, the Age Discrimination in Employment Act as amended by the Older Workers Benefit Protection Act, the Americans with Disabilities Act, the Civil Rights Act of 1991, the Workers Adjustment and Retraining Notification Act and any other local, state or federal fair employment laws, and any contract or tort claims.

You understand and agree that this Release is intended to include all claims by you or on your behalf alleging discrimination on the basis of race, sex, religion, national origin, age, disability, marital status, or any other protected status or involving any contract or tort claims based on your termination from the Company. It is also acknowledged that your termination is not in any way related to any work-related injury.

It also is understood and agreed that the remedy at law for breach of the Award Agreement, any restrictive covenant agreements between you and the Company, and/or this Release shall be inadequate, and the Company shall be entitled to injunctive relief in respect thereof.

Your ability to receive payments and benefits under the terms of the Award Agreement will remain open for a 21-day period after your Termination Date to give you an opportunity to consider the effect of this Release. At your option, you may elect to execute this Release on an earlier date. Additionally, you have seven days after the date you execute this Release to revoke it. As a result, this Release will not be effective until eight days after you execute it. We also want to advise you of your right to consult with legal counsel prior to executing a copy of this Release.

Finally, this is to expressly acknowledge:

- You understand that you are not waiving any claims or rights that may arise after the date you execute this Release.
- You understand and agree that the compensation and benefits described in the Award Agreement offer you consideration greater than that to which you would otherwise be entitled.

I hereby state that I have carefully read this Release and that I am signing this Release knowingly and voluntarily with the full intent of releasing the Releasees from any and all claims, except as set forth herein. Further, if signed prior to the completion of the 21 day review period, this is to acknowledge that I knowingly and voluntarily signed this Release on an earlier date.

Date: _____

EXHIBIT C

SECTION 83(b) ELECTION

This statement is being made under Section 83(b) of the Internal Revenue Code, pursuant to Treas. Reg. Section 1.83-2.

(1) The taxpayer who performed the services is:

Name:

Address:

Social Security Number:

(2) The property with respect to which the election is being made is _____ shares of the common stock, par value \$0.01 per share, of Generac Holdings Inc.

(3) The transferor of the property is Generac Holdings Inc.

(4) The property was transferred on _____.

(5) The taxable year in which the election is being made is the calendar year ____.

(6) The property will vest upon the third anniversary of the date of transfer, subject to the taxpayer’s continued service to Generac Holdings Inc or its affiliates.

(7) The fair market value at the time of transfer (determined without regard to any restriction other than a restriction which by its terms will never lapse) is \$_____ per share.

(8) The amount paid for such property is \$_____ per share.

(9) A copy of this statement was furnished to Generac Holdings Inc. for whom taxpayer rendered the services underlying the transfer of property.

(10) This statement is executed on _____.

Signature:

[Taxpayer’s name]

This election must be filed with the Internal Revenue Service Center with which taxpayer files his Federal income tax returns and must be made within thirty days after the Date of Grant. This filing should be made by registered or certified mail, return receipt requested. The taxpayer shall also provide a copy of such form to the Company promptly following its filing. The taxpayer should retain two (2) additional copies of the completed form for filing with Federal and state tax returns for the taxpayer’s current tax year and an additional copy for the taxpayer’s records.

**Generac Holdings Inc.
2010 Equity Incentive Plan**

NONQUALIFIED STOCK OPTION AWARD AGREEMENT

THIS NONQUALIFIED STOCK OPTION AWARD AGREEMENT (the "**Award Agreement**") is made effective as of the ____ day of ____ (the "**Date of Grant**"), between Generac Holdings Inc., a Delaware corporation (the "**Company**"), and (the "**Participant**");

R E C I T A L S:

WHEREAS, the Company has adopted the Generac Holdings Inc. 2010 Equity Incentive Plan (the "**Plan**"), which Plan is incorporated herein by reference and made a part of this Award Agreement. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan; and

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its stockholders to grant the option provided for herein to the Participant pursuant to the Plan and the terms set forth herein.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties agree as follows:

1. **Grant of the Option.** The Company hereby grants to the Participant the right and option (the "**Option**") to purchase, on the terms and conditions hereinafter set forth, all or any part of an aggregate of ____ Shares. The Option is intended to be a Non-Qualified Stock Option.
2. **Option Price.** The purchase price of the Shares subject to the Option shall be \$ ____ per Share (the "**Option Price**").
3. **Option Term.** The term of the Option shall be ten (10) years, commencing on the Date of Grant (the "**Option Term**"). The Option shall automatically terminate upon the expiration of the Option Term, or at such earlier time specified herein or in the Plan.
4. **Vesting of the Option.** Subject to the Participant's continued service to the Company through the applicable vesting date, the Option shall vest in equal installments on each of the first four (4) anniversaries of the Date of Grant, such that twenty-five percent (25%) of the Option vests on each such anniversary. At any time, the portion of the Option which has become vested in accordance with the terms hereof shall be called the "**Vested Portion**".
5. **Acceleration of Vesting.** Notwithstanding **Section 4** hereof, if within the one (1) year period following a Change of Control, the Participant's service is terminated by the Company or any Affiliate without Cause, the Option shall immediately vest as of the date of such termination of service.
6. **Termination of Service.**
 - (a) **Termination of Service for Cause.** Upon a termination of the Participant's service by the Company for Cause the Option, including the Vested Portion, shall immediately terminate and be forfeited without consideration.
 - (b) **Termination of Service for Retirement, death or Disability.** Upon a termination of the Participant's service by reason of Retirement, death or Disability any unvested portion of the Option shall immediately terminate and be forfeited without consideration and the Vested Portion shall remain exercisable until the earlier of (i) one (1) year following such termination of service and (ii) the expiration of the Option Term.
 - (c) **Termination of Service following a Change of Control.** Upon a termination of the Participant's service pursuant to **Section 5** above, the Option shall remain exercisable until the earlier of (i) one (1) year following such termination of service and (ii) the expiration of the Option Term.
 - (d) **Other Terminations of Service.** Upon a termination of the Participant's service for any reason, other than pursuant to **Sections 6(a), 6(b)** and **6(c)** above, any unvested portion of the Option shall immediately terminate and be forfeited without consideration and the Vested Portion shall remain exercisable until the earlier of (i) Ninety (90) days following such termination of service and (ii) the expiration of the Option Term.
7. **Exercise Procedures.**
 - (a) **Notice of Exercise.** The Participant or the Participant's representative may exercise the Vested Portion or any part thereof prior to the expiration of the Option Term by giving written notice to the Company in the form attached hereto as **Exhibit A** (the "**Notice of Exercise**"). The Notice of Exercise shall be signed by the person exercising such Option. In the event that such Option is being exercised by the Participant's representative, the Notice of Exercise shall be accompanied by proof (satisfactory to the Company) of such representative's right to exercise such Option. In the event the Option is being exercised following the termination of the Participant's service, exercise shall be subject to the Participant's execution of an effective general release and waiver of all claims against the Company, its Affiliates and their respective officers and directors substantially in the form attached hereto as **Exhibit B**.
 - (b) **Method of Exercise.** The Participant or the Participant's representative shall deliver to the Company, at the time the Notice of Exercise is given, payment in a form permissible under **Section 6.5** of the Plan for the full amount of the aggregate Option Price for the exercised Option.
 - (c) **Issuance of Shares.** Provided the Company receives a properly completed and executed Notice of Exercise, payment for the full amount of the aggregate Option Price, and, if applicable, an effective release and waiver of all claims as required by this **Section 7**, the Company shall promptly cause to be issued certificates for the Shares underlying the exercised Option, registered in the name of the Person exercising the applicable Option.
8. **Restrictive Covenant Agreement.** The Participant and the Company have previously entered into a restrictive covenant agreement. Participant hereby reaffirms his obligations under such restrictive covenant agreement and nothing contained in this Award Agreement shall cancel, change or modify Participant's obligations thereunder.
9. **Non-Disparagement.** The Participant, while providing services to the Company and thereafter, shall not make any oral or written communication to any Person that disparages, or has the effect of damaging the reputation of, the Company, the Affiliates or their respective directors, officers, agents, employees, former employees, representatives or stockholders; provided, that, nothing in the foregoing shall preclude the Participant from disclosing any information to Participant's attorney or in response to a lawful subpoena or court order requiring disclosure of information.
10. **Adjustment of Shares.** In the event of any corporate event or transaction (as described in **Section 12.1** of the Plan), the terms of this Award Agreement (including, without limitation, the number and kind of Shares subject to this Agreement and the Option Price) may be adjusted as set forth in **Section 12.1** of the Plan.
11. **Definitions.**

"**Cause**" shall mean, (i) a material breach by the Participant of any of the Participant's obligations under any written agreement with the Company or any of its Affiliates, (ii) a material violation by the Participant of any of the Company's policies, procedures, rules and regulations applicable to employees generally or to similarly situated employees, in each case, as they may be amended from time to time in the Company's sole discretion; (iii) the failure by the Participant to reasonably and substantially perform his or her duties to the Company or its Affiliates (other than as a result of physical or mental illness or injury); (iv) the Participant's willful misconduct or gross negligence that has caused or is reasonably expected to result in material injury to the business, reputation or prospects of the Company or any of its Affiliates; (v) the Participant's fraud or misappropriation of funds; or (vi) the commission by the Participant of a felony or other serious crime involving moral turpitude; provided, that, in the case of the failures described in (i), (ii) and (iii) above, such failures shall only constitute "Cause" after a written notice of such failure is delivered to the Participant that specifically identifies the specific failure that could lead to the Participant's termination, and the Participant does not remedy such failure within fifteen (15) business days after receipt of such written notice, as prescribed within the notice. Notwithstanding the foregoing, if the Participant is a party to an employment agreement with the Company or any Affiliate at the time of his or her termination of employment and such employment agreement contains a different definition of "cause" (or any derivation thereof), the definition in such employment agreement will control for purposes of this Agreement.

"**Disability**" shall mean the failure or inability of the Participant to perform duties with the Company or any Affiliate for a period of at least 180 consecutive days (or 180 days during any twelve (12) month period) by reason of any physical or mental condition, as determined reasonably and in good faith by the Committee; provided, that, if the Company's long term disability plan contains a definition of "disability," the definition in such plan will control for purposes of this Agreement.

"**Retirement**" shall mean retirement from employment or service as a Director with the Company or any Affiliate, as determined by the Committee in its sole discretion.
12. **No Right to Continued Service.** The granting of the Option evidenced hereby and this Award Agreement shall impose no obligation on the Company or any Affiliate to continue the Service of the Participant and shall not lessen or affect any right that the Company or any Affiliate may have to terminate the service of such Participant.
13. **Securities Laws/Legend on Certificates.** The issuance and delivery of Shares shall comply (or be exempt from) all applicable requirements of law, including (without limitation) the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder, state securities laws and regulations, and the regulations of any stock exchange or other securities market on which the Company's securities may then be traded. The Company shall not be obligated to file any registration statement under any applicable securities laws to permit the purchase or issuance of any Shares under the Plan or Awards, and accordingly any certificates for

Shares or documents granting Awards may have an appropriate legend or statement of applicable restrictions endorsed thereon. If the Company deems it necessary to ensure that the issuance of Shares under the Plan is not required to be registered under any applicable securities laws, each Participant to whom such Shares would be issued shall deliver to the Company an agreement or certificate containing such representations, warranties and covenants as the Company may reasonably request which satisfies such requirements.

14. **Transferability.** Unless otherwise provided by the Committee, the Option may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant other than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate; provided, that, the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance. No such permitted transfer of the Option to heirs or legatees of the Participant shall be effective to bind the Company unless the Committee shall have been furnished with written notice thereof and a copy of such evidence as the Committee may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions hereof. During the Participant’s lifetime, the Option is exercisable only by the Participant.

15. **Withholding.** The Participant may be required to pay to the Company or any Affiliate and the Company shall have the right and is hereby authorized to withhold, any applicable withholding taxes in respect of the Option, its exercise or transfer and to take such other action as may be necessary in the opinion of the Committee to satisfy all obligations for the payment of such withholding taxes.

16. **Notices.** Any notification required by the terms of this Award Agreement shall be given in writing and shall be deemed effective upon personal delivery or within three (3) days of deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid. A notice shall be addressed to the Company, Attention: General Counsel, at its principal executive office and to the Participant at the address that he or she most recently provided to the Company.

17. **Entire Agreement.** This Award Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) which relate to the subject matter hereof.

18. **Waiver.** No waiver of any breach or condition of this Award Agreement shall be deemed to be a waiver of any other or subsequent breach or condition whether of like or different nature.

19. **Successors and Assigns.** The provisions of this Award Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and upon the Participant, the Participant’s assigns and the legal representatives, heirs and legatees of the Participant’s estate, whether or not any such person shall have become a party to this Award Agreement and have agreed in writing to be joined herein and be bound by the terms hereof.

20. **Choice of Law.** This Award Agreement shall be governed by the law of the State of Delaware (regardless of the laws that might otherwise govern under applicable Delaware principles of conflicts of law) as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies.

21. **Option Subject to Plan.** By entering into this Award Agreement the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. The Option is subject to the Plan. The terms and provisions of the Plan as it may be amended from time to time are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

22. **No Guarantees Regarding Tax Treatment.** The Participant (or their beneficiaries) shall be responsible for all taxes with respect to the Option. The Committee and the Company make no guarantees regarding the tax treatment of the Option. Neither the Committee nor the Company has any obligation to take any action to prevent the assessment of any tax under Section 409A of the Code or Section 457A of the Code or otherwise and none of the Company, any Affiliate, or any of their employees or representatives shall have any liability to the Participant with respect thereto.

23. **Amendment.** The Committee may amend or alter this Award Agreement and the Option granted hereunder at any time, subject to the terms of the Plan.

24. **Severability.** The provisions of this Award Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

25. **Signature in Counterparts.** This Award Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

* * *

IN WITNESS WHEREOF, the parties hereto have executed this Award Agreement.

GENERAC HOLDINGS INC.

By: _____

Agreed and acknowledged as of the date first above written:

PARTICIPANT

EXHIBIT A

NOTICE OF EXERCISE

Generac Holdings Inc.
S45 W29290 Hwy. 59
Waukesha, Wisconsin 53187
Attn: _____

Date of Exercise: _____

Ladies & Gentlemen:

1. **Exercise of Option.** This constitutes notice to Generac Holdings, Inc. (the “Company”) that pursuant to my Nonqualified Stock Option Award Agreement (the “Award Agreement”) under the Company’s 2010 Equity Incentive Plan (the “Plan”) I elect to purchase the number of Shares of Company common stock set forth below and for the price set forth below. By signing and delivering this notice to the Company, I hereby acknowledge that I am the holder of the stock option (the “Option”) exercised by this notice and have full power and authority to exercise the same.

Date of Grant: _____

Number of Shares as to which the Option is exercised (“Optioned Shares”): _____

Certificates to be issued in name of: _____

Total exercise price: \$ _____

Cash Exercise
Cash payment delivered herewith: \$ _____

2. **Form of Payment.** Forms of payment other than cash or its equivalent (e.g. by cashier’s check) are limited by the Plan and are permissible only to the extent approved by the compensation committee of the Board of Directors of the Company (the “Committee”) or any committee designated thereby, in its sole discretion.

3. **Delivery of Payment.** With this notice, I hereby deliver to the Company the full purchase price of the Optioned Shares and any and all withholding taxes due in connection with the exercise of my Option.

4. **Rights as Stockholder.** While the Company will endeavor to process this notice in a timely manner, I acknowledge that until the issuance of the shares underlying the Optioned Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to such shares, notwithstanding the exercise of my option(s). No adjustment shall be made for a dividend or other right for which the record date is prior to the date of issuance of the optioned stock.

5. **Interpretation.** Any dispute regarding the interpretation of this notice shall be submitted promptly by me or by the Company to the Committee, which shall review such dispute at its next regular meeting. The resolution of such a dispute by such administrator of the Plan shall be final and binding on all parties.

6. *Governing Law; Severability.* This notice is governed by the internal substantive laws but not the choice of law rules, of Delaware. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this notice will continue in full force and effect without said provision.

7. *Entire Agreement.* The Plan and the Award Agreement under which the Optioned Shares were granted are incorporated herein by reference, and together with this notice constitute the entire agreement of the parties with respect to the subject matter hereof.

Very truly yours,

_____ (social security number)

EXHIBIT B

FORM OF RELEASE

A release is required as a condition for receiving the benefits provided pursuant to the Nonqualified Stock Option Award Agreement between GENERAC HOLDINGS INC. (the “*Company*”) and [_____] (“*Participant*”) dated [_____] (the “*Agreement*”); thus, by executing this release (“*Release*”), you have advised us that you hold no claims against the Company, its predecessors, successors or assigns, affiliates, shareholders or members and each of their respective officers, directors, agents and employees (collectively, the “*Releasees*”), and by execution of this Release you agree to waive and release any such claims, except relating to any compensation, severance pay and benefits described in any written agreement between you and the Company.

You understand and agree that this Release will extend to all claims, demands, liabilities and causes of action of every kind, nature and description whatsoever, whether known, unknown or suspected to exist, which you ever had or may now have against the Releasees in your capacity as an employee of the Company, including, without limitation, any claims, demands, liabilities and causes of action arising from your employment with the Releasees and the termination of that employment, including any claims for severance or vacation pay, business expenses, and/or pursuant to any federal, state, county, or local employment laws, regulations, executive orders, or other requirements, including, but not limited to, Title VII of the 1964 Civil Rights Act, the 1866 Civil Rights Act, the Age Discrimination in Employment Act as amended by the Older Workers Benefit Protection Act, the Americans with Disabilities Act, the Civil Rights Act of 1991, the Workers Adjustment and Retraining Notification Act and any other local, state or federal fair employment laws, and any contract or tort claims.

You understand and agree that this Release is intended to include all claims by you or on your behalf alleging discrimination on the basis of race, sex, religion, national origin, age, disability, marital status, or any other protected status or involving any contract or tort claims based on your termination from the Company. It is also acknowledged that your termination is not in any way related to any work-related injury.

It also is understood and agreed that the remedy at law for breach of the Award Agreement, any restrictive covenant agreements between you and the Company, and/or this Release shall be inadequate, and the Company shall be entitled to injunctive relief in respect thereof.

Your ability to receive payments and benefits under the terms of the Award Agreement will remain open for a 21-day period after your Termination Date to give you an opportunity to consider the effect of this Release. At your option, you may elect to execute this Release on an earlier date. Additionally, you have seven days after the date you execute this Release to revoke it. As a result, this Release will not be effective until eight days after you execute it. We also want to advise you of your right to consult with legal counsel prior to executing a copy of this Release.

Finally, this is to expressly acknowledge:

- You understand that you are not waiving any claims or rights that may arise after the date you execute this Release.
- You understand and agree that the compensation and benefits described in the Award Agreement offer you consideration greater than that to which you would otherwise be entitled.

I hereby state that I have carefully read this Release and that I am signing this Release knowingly and voluntarily with the full intent of releasing the Releasees from any and all claims, except as set forth herein. Further, if signed prior to the completion of the 21 day review period, this is to acknowledge that I knowingly and voluntarily signed this Release on an earlier date.

Date: _____

**Generac Holdings Inc.
2010 Equity Incentive Plan**

RESTRICTED STOCK AWARD AGREEMENT

ACCELERATED VESTING

THIS RESTRICTED STOCK AWARD AGREEMENT (this “**Award Agreement**”) is made effective as of the ____ day of _____ (the “**Date of Grant**”), between Generac Holdings Inc., a Delaware corporation (the “**Company**”), and _____ (the “**Participant**”):

R E C I T A L S:

WHEREAS, the Company has adopted the Generac Holdings Inc. 2010 Equity Incentive Plan (the “**Plan**”), which Plan is incorporated herein by reference and made a part of this Award Agreement. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan; and

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its stockholders to grant the restricted stock provided for herein to the Participant pursuant to the Plan and the terms set forth herein.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties agree as follows:

1. **Restricted Stock Award.** Subject to the terms and conditions of the Plan and this Agreement, the Company hereby grants to the Participant ____ Shares (the “**Restricted Shares**”), which shall vest and become nonforfeitable in accordance with **Section 3** hereof.

2. **Certificates.** A certificate or certificates representing the Restricted Shares shall be issued by the Company and shall be registered in the name of the Participant on the stock transfer books of the Company promptly following execution of this Award Agreement by the Participant, but shall remain in the physical custody of the Company or its designee at all times prior to the vesting of such Restricted Shares pursuant to **Section 3** hereof. As a condition to the receipt of this Award Agreement, the Participant shall deliver to the Company a Stock Power in the form attached hereto as **Exhibit A**, duly endorsed in blank, relating to the Restricted Shares. Each certificate representing the Restricted Shares shall bear the following legend:

“The ownership and transferability of this certificate and these shares are subject to the terms and conditions (including forfeiture) of the Generac Holdings Inc. 2010 Equity Incentive Plan and a Restricted Stock Award Agreement entered into between the registered owner and Generac Holdings Inc. Copies of such Plan and Agreement are on file in the executive offices of Generac Holdings Inc.”

As soon as administratively practicable, but not later than sixty (60) days, following the vesting of the Restricted Shares (as described in **Section 3** hereof), and upon the satisfaction of all other applicable conditions, including, but not limited to, the payment by the Participant of all applicable withholding taxes, the Company shall deliver or cause to be delivered to the Participant, or in the case of Participant’s death, Participant’s beneficiary, a certificate or certificates for the applicable Shares of Restricted Stock which shall not bear the legend described above, but may bear such other legends as the Company deems advisable pursuant to **Section 7** below.

3. **Vesting of Restricted Stock.**

(a) **Vesting Schedule.** Subject to the Participant’s continued service through the vesting date (i) fifty (50) percent of the Restricted Shares shall vest on the fourth (4th) anniversary of the Date of Grant and (ii) fifty (50) percent of the Restricted Shares shall vest on the fifth (5th) anniversary of the Date of Grant.

(b) **Acceleration of Vesting.**

(i) Notwithstanding **Section 3(a)** hereof, if within the one (1) year period following a Change of Control, the Participant’s service is terminated by the Company or any Affiliate without Cause, the Restricted Shares shall immediately vest as of the date of such termination of service, subject to the Participant’s execution of an effective general release and waiver of all claims against the Company, its Affiliates and their respective officers and directors, substantially in the form attached hereto as **Exhibit B**.

(ii) Notwithstanding **Section 3(a)** hereof, subject to the Participant’s continued service through the vesting date, if, within the three (3) year period following the Date of Grant, the performance metrics set forth on Exhibit A are attained, all of the Restricted Shares shall vest on the third (3rd) anniversary of the Date of Grant.

(c) **Termination of Service.** If the Participant’s Service is terminated for any reason, other than as described in **Section 3(b)** above, the Restricted Shares, to the extent not then-vested, shall be forfeited by the Participant without any consideration.

(d) **Definition of Cause.** “**Cause**” shall mean, (i) a material breach by the Participant of any of the Participant’s obligations under any written agreement with the Company or any of its Affiliates, (ii) a material violation by the Participant of any of the Company’s policies, procedures, rules and regulations applicable to employees generally or to similarly situated employees, in each case, as they may be amended from time to time in the Company’s sole discretion; (iii) the failure by the Participant to reasonably and substantially perform his or her duties to the Company or its Affiliates (other than as a result of physical or mental illness or injury); (iv) the Participant’s willful misconduct or gross negligence that has caused or is reasonably expected to result in material injury to the business, reputation or prospects of the Company or any of its Affiliates; (v) the Participant’s fraud or misappropriation of funds; or (vi) the commission by the Participant of a felony or other serious crime involving moral turpitude; provided, that, in the case of the failures described in (i), (ii) and (iii) above, such failures shall only constitute “Cause” after a written notice of such failure is delivered to the Participant that specifically identifies the specific failure that could lead to the Participant’s termination, and the Participant does not remedy such failure within fifteen (15) business days after receipt of such written notice, as prescribed within the notice. Notwithstanding the foregoing, if the Participant is a party to an employment agreement with the Company or any Affiliate at the time of his or her termination of employment and such employment agreement contains a different definition of “cause” (or any derivation thereof), the definition in such employment agreement will control for purposes of this Agreement.

4. **Rights as a Stockholder.** The Participant shall have none of the rights of a stockholder of the Company until the Restricted Shares vest, provided, that, the Participant shall have the right to receive dividends on the Restricted Shares (the “**Dividends**”) subject to the remainder of this **Section 4**. The Dividends, if any, shall be held by the Company and shall be subject to forfeiture until such time that the Restricted Shares on which the Dividends were distributed vest in accordance with **Section 3** above. The Dividends shall be released to the Participant as soon as administratively practicable, but not later than the time of delivery to the Participant, in accordance with **Section 2** above, of certificates representing the Restricted Shares on which the Dividends were distributed.

5. **Restrictive Covenant Agreement.** The Participant and the Company have previously entered into a restrictive covenant agreement. Participant hereby reaffirms his obligations under such restrictive covenant agreement and nothing contained in this Award Agreement shall cancel, change or modify Participant’s obligations thereunder.

6. **Non-Disparagement.** The Participant, while providing services to the Company and thereafter, shall not make any oral or written communication to any Person that disparages, or has the effect of damaging the reputation of, the Company, the Affiliates or their respective directors, officers, agents, employees, former employees, representatives or stockholders; provided, that, nothing in the foregoing shall preclude the Participant from disclosing any information to Participant’s attorney or in response to a lawful subpoena or court order requiring disclosure of information.

7. **Adjustment of Shares.** In the event of any corporate event or transaction (as described in **Section 12.1** of the Plan), the terms of this Award Agreement (including, without limitation, the number and kind of Shares subject to this Agreement) may be adjusted as set forth in **Section 12.1** of the Plan.

8. **No Right to Continued Service.** The granting of the Restricted Stock evidenced hereby and this Award Agreement shall impose no obligation on the Company or any Affiliate to continue the Service of the Participant and shall not lessen or affect any right that the Company or any Affiliate may have to terminate the service of such Participant.

9. **Securities Laws/Legend on Certificates.** The issuance and delivery of Shares shall comply (or be exempt from) all applicable requirements of law, including (without limitation) the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder, state securities laws and regulations, and the regulations of any stock exchange or other securities market on which the Company’s securities may then be traded. The Company shall not be obligated to file any registration statement under any applicable securities laws to permit the purchase or issuance of any Shares under the Plan or Awards, and accordingly any certificates for Shares or documents granting Awards may have an appropriate legend or statement of applicable restrictions endorsed thereon. If the Company deems it necessary to ensure that the issuance of Shares under the Plan is not required to be registered under any applicable securities laws, each Participant to whom such Shares would be issued shall deliver to the Company an agreement or certificate containing such representations, warranties and covenants as the Company may reasonably request which satisfies such requirements.

10. **Transferability.** Unless otherwise provided by the Committee, the Restricted Shares may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant other than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate; provided, that, the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance. No such permitted transfer of the Restricted Shares to heirs or legatees of the Participant shall be effective to bind the Company unless the Committee shall have been furnished with written notice thereof and a copy of such evidence as the Committee may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions hereof.

11. **Withholding.** The Participant may be required to pay to the Company or any Affiliate and the Company shall have the right and is hereby authorized to withhold, any applicable withholding taxes in respect of the Restricted Shares, their vesting or transfer and to take such other action as may be necessary in the opinion of the Committee to satisfy all obligations for the payment of such withholding taxes.

12. **Notices.** Any notification required by the terms of this Award Agreement shall be given in writing and shall be deemed effective upon personal delivery or within three (3) days of deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid. A notice shall be addressed to the Company, Attention: General Counsel, at its principal executive office and to the Participant at the

address that he or she most recently provided to the Company.

13. Entire Agreement. This Award Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) which relate to the subject matter hereof.
14. Waiver. No waiver of any breach or condition of this Award Agreement shall be deemed to be a waiver of any other or subsequent breach or condition whether of like or different nature.
15. Successors and Assigns. The provisions of this Award Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and upon the Participant, the Participant’s assigns and the legal representatives, heirs and legatees of the Participant’s estate, whether or not any such person shall have become a party to this Award Agreement and have agreed in writing to be joined herein and be bound by the terms hereof.
16. Choice of Law. This Award Agreement shall be governed by the law of the State of Delaware (regardless of the laws that might otherwise govern under applicable Delaware principles of conflicts of law) as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies.
17. Restricted Shares Subject to Plan. By entering into this Award Agreement the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. The Restricted Shares are subject to the Plan. The terms and provisions of the Plan as it may be amended from time to time are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.
18. No Guarantees Regarding Tax Treatment. Participants (or their beneficiaries) shall be responsible for all taxes with respect to the Restricted Shares. The Committee and the Company make no guarantees regarding the tax treatment of the Restricted Shares. Neither the Committee nor the Company has any obligation to take any action to prevent the assessment of any tax under Section 409A of the Code or Section 457A of the Code or otherwise and none of the Company, any Subsidiary or Affiliate, or any of their employees or representatives shall have any liability to a Participant with respect thereto.
19. Amendment. The Committee may amend or alter this Award Agreement and the Restricted Shares granted hereunder at any time, subject to the terms of the Plan.
20. Section 83(b) Election. In the event the Participant determines to make an election with the Internal Revenue Service (the “**IRS**”) under Section 83(b) of the Code and the regulations promulgated thereunder (the “**83(b) Election**”), the Participant shall provide a copy of such form to the Company promptly following its filing, which is required under current law to be filed with the IRS no later than thirty (30) days after the Date of Grant of the Restricted Shares. The form for making an 83(b) Election is attached hereto as **Exhibit C**. The Participant is advised to consult with his or her own tax advisors regarding the purchase and holding of the Restricted Shares, and the Company shall bear no liability for any consequence of the Participant making an 83(b) Election or failing to make an 83(b) Election.
21. Severability. The provisions of this Award Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.
22. Signature in Counterparts. This Award Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

* * *

IN WITNESS WHEREOF, the parties hereto have executed this Award Agreement.

GENERAC HOLDINGS INC.

By:_____

Agreed and acknowledged as of the date first above written:

PARTICIPANT

EXHIBIT A

STOCK POWER¹

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto Generac Holdings Inc. (the “Company”), _____ (_____) shares of common stock, par value \$0.01 per share, of the Company standing in his/her/their/its name on the books of the Company represented by Certificate No. _____ herewith and does hereby irrevocably constitute and appoint _____ his/her/their/its attorney-in-fact, with full power of substitution, to transfer such shares on the books of the Company.
Dated: _____ Signature: _____

Print Name and Mailing Address

Instructions: *Please do not fill in any blanks other than the signature line and printed name and mailing address. Please print your name exactly as you would like your name to appear on the issued stock certificate(s). The purpose of this assignment is to enable the forfeiture of the shares without requiring additional signatures on your part.*

¹ This stock power is not effective if executed in New York State.

EXHIBIT B

FORM OF RELEASE

A release is required as a condition for receiving the benefits provided pursuant to the Restricted Stock Award Agreement between GENERAC HOLDINGS INC. (the “**Company**”) and [_____] (“**Participant**”) dated [_____] (the “**Agreement**”); thus, by executing this release (“**Release**”), you have advised us that you hold no claims against the Company, its predecessors, successors or assigns, affiliates, shareholders or members and each of their respective officers, directors, agents and employees (collectively, the “**Releasees**”), and by execution of this Release you agree to waive and release any such claims, except relating to any compensation, severance pay and benefits described in any written agreement between you and the Company.

You understand and agree that this Release will extend to all claims, demands, liabilities and causes of action of every kind, nature and description whatsoever, whether known, unknown or suspected to exist, which you ever had or may now have against the Releasees in your capacity as an employee of the Company, including, without limitation, any claims, demands, liabilities and causes of action arising from your employment with the Releasees and the termination of that employment, including any claims for severance or vacation pay, business expenses, and/or pursuant to any federal, state, county, or local employment laws, regulations, executive orders, or other requirements, including, but not limited to, Title VII of the 1964 Civil Rights Act, the 1866 Civil Rights Act, the Age Discrimination in Employment Act as amended by the Older Workers Benefit Protection Act, the Americans with Disabilities Act, the Civil Rights Act of 1991, the Workers Adjustment and Retraining Notification Act and any other local, state or federal fair employment laws, and any contract or tort claims.

You understand and agree that this Release is intended to include all claims by you or on your behalf alleging discrimination on the basis of race, sex, religion, national origin, age, disability, marital status, or any other protected status or involving any contract or tort claims based on your termination from the Company. It is also acknowledged that your termination is not in any way related to any work-related injury.

It also is understood and agreed that the remedy at law for breach of the Award Agreement, any restrictive covenant agreements between you and the Company, and/or this Release shall be inadequate, and the Company shall be entitled to injunctive relief in respect thereof.

Your ability to receive payments and benefits under the terms of the Award Agreement will remain open for a 21-day period after your Termination Date to give you an opportunity to consider the effect of this Release. At your option, you may elect to execute this Release on an earlier date. Additionally, you have seven days after the date you execute this Release to revoke it. As a result, this Release will not be effective until eight days after you execute it. We also want to advise you of your right to consult with legal counsel prior to executing a copy of this Release.

Finally, this is to expressly acknowledge:

- You understand that you are not waiving any claims or rights that may arise after the date you execute this Release.
- You understand and agree that the compensation and benefits described in the Award Agreement offer you consideration greater than that to which you would otherwise be entitled.

I hereby state that I have carefully read this Release and that I am signing this Release knowingly and voluntarily with the full intent of releasing the Releases from any and all claims, except as set forth herein. Further, if signed prior to the completion of the 21 day review period, this is to acknowledge that I knowingly and voluntarily signed this Release on an earlier date.

Date: _____

EXHIBIT C

SECTION 83(b) ELECTION

This statement is being made under Section 83(b) of the Internal Revenue Code, pursuant to Treas. Reg. Section 1.83-2.

- (1) The taxpayer who performed the services is:

Name:

Address:

Social Security Number:
- (2) The property with respect to which the election is being made is _____ shares of the common stock, par value \$0.01 per share, of Generac Holdings Inc.
- (3) The transferor of the property is Generac Holdings Inc.
- (4) The property was transferred on _____.
- (5) The taxable year in which the election is being made is the calendar year ____.
- (6) The property will vest upon the third anniversary of the date of transfer, subject to the taxpayer’s continued service to Generac Holdings Inc or its affiliates.
- (7) The fair market value at the time of transfer (determined without regard to any restriction other than a restriction which by its terms will never lapse) is \$_____ per share.
- (8) The amount paid for such property is \$_____ per share.
- (9) A copy of this statement was furnished to Generac Holdings Inc. for whom taxpayer rendered the services underlying the transfer of property.
- (10) This statement is executed on _____.

Signature:

[Taxpayer’s name]

This election must be filed with the Internal Revenue Service Center with which taxpayer files his Federal income tax returns and must be made within thirty days after the Date of Grant. This filing should be made by registered or certified mail, return receipt requested. The taxpayer shall also provide a copy of such form to the Company promptly following its filing. The taxpayer should retain two (2) additional copies of the completed form for filing with Federal and state tax returns for the taxpayer’s current tax year and an additional copy for the taxpayer’s records.

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a), AS ADOPTED
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Aaron Jagdfeld, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Generac Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2012

/s/ Aaron Jagdfeld

Name:	Aaron Jagdfeld
Title:	Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a), AS ADOPTED
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, York A. Ragen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Generac Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2012

/s/ York A. Ragen

Name:	York A. Ragen
Title:	Chief Financial Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Chief Executive Officer of Generac Holdings Inc. (the “Company”), does hereby certify that to my knowledge:

1. the Company's quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2012 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Company's quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2012 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2012

/s/ Aaron Jagdfeld

Name:	Aaron Jagdfeld
Title:	Chief Executive Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Chief Financial Officer of Generac Holdings Inc. (the "Company"), does hereby certify that to my knowledge:

1. the Company's quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2012 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Company's quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2012 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2012

/s/ York A. Ragen

Name:	York A. Ragen
Title:	Chief Financial Officer