

UNITED STATES OF AMERICA  
CONSUMER PRODUCT SAFETY COMMISSION

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In the Matter of: )  
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GENERAC POWER SYSTEMS, INC. ) CPSC Docket No.: 23-C0002  
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**ORDER**

Upon consideration of the Settlement Agreement entered into between Generac Power Systems, Inc. (“Generac”), and the U.S. Consumer Product Safety Commission (“Commission” or “CPSC”), and the Commission having jurisdiction over the subject matter and over Generac, and it appearing that the Settlement Agreement and the Order are in the public interest, the Settlement Agreement is incorporated by reference and it is:

Provisionally accepted and provisional Order issued on the 3rd day of May, 2023.

**BY ORDER OF THE COMMISSION:**

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Pamela J. Stone  
U.S. Consumer Product Safety Commission

UNITED STATES OF AMERICA  
CONSUMER PRODUCT SAFETY COMMISSION

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In the Matter of: )  
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GENERAC POWER SYSTEMS, INC. ) CPSC Docket No.: 23-C0002  
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**SETTLEMENT AGREEMENT**

1. In accordance with the Consumer Product Safety Act, 15 U.S.C. §§ 2051–2089 (“CPSA”), and 16 C.F.R. § 1118.20, Generac Power Systems, Inc. (“Generac”), and the United States Consumer Product Safety Commission (“Commission”), through its staff, hereby enter into this Settlement Agreement (“Agreement”). The Agreement and the incorporated attached Order resolve staff’s charges set forth below.

**THE PARTIES**

2. The Commission is an independent federal regulatory agency, established pursuant to, and responsible for, the enforcement of the CPSA, 15 U.S.C. §§ 2051–2089. By executing the Agreement, staff is acting on behalf of the Commission, pursuant to 16 C.F.R. § 1118.20(b). The Commission issues the Order under the provisions of the CPSA.

3. Generac is a corporation, organized and existing under the laws of the state of Wisconsin, with its principal place of business in Waukesha, Wisconsin.

**STAFF CHARGES**

4. Between June 2013 and June 2021, Generac manufactured in or imported into the United States, and distributed, offered for sale, and sold approximately 321,000 Generac® or

DR® brand 6500-watt and 8000-watt portable generators, unit types XT8000E, XT8000EFI, GP6500, GP6500E, GP8000E, PRO 6500M, PRO 6500E, and HomeLink 6500E in 32 models (“Portable Generators” or “Subject Products”).

5. The Subject Products are “consumer products” that were “import[ed]” and “distribut[ed] in commerce,” as those terms are defined or used in sections 3(a)(5), (7), and (9) of the CPSA, 15 U.S.C. § 2052(a)(5), (7), and (9). Generac is a “distributor” of the Subject Products, as such term is defined in section 3(a)(8) of the CPSA, 15 U.S.C. § 2052(a)(8).

Violation of CPSA Section 19(a)(4)

6. The Subject Products contain a defect which could create a substantial product hazard or create an unreasonable risk of serious injury or death because an unlocked handle can pinch consumers’ fingers against the generator frame when the generator is moved, posing finger amputation and crushing hazards.

7. Beginning in October 2018 and continuing into 2020, Generac received reports from consumers whose fingers were partially amputated or crushed by the unlocked handle of the Subject Products, which constituted grievous bodily injury, as defined in 16 C.F.R. § 1115.12(d).

8. During that same time frame, in an effort to prevent the finger amputation and crushing hazard, the Firm began evaluating designs to add a handle hinge guard for existing models of Subject Products, redesigning the handle for new models, adding warning labels near the handle hinge, and revising the owner’s manual to include additional instructions and warnings regarding the importance of engaging the locking pin when moving the product.

9. Despite possessing information that reasonably supported the conclusion that the Subject Products contained a defect that could create a substantial product hazard or created an

unreasonable risk of serious injury or death, Generac did not immediately report to the Commission.

10. By the time Generac filed an initial report with the Commission under 15 U.S.C. § 2064(b) concerning the Subject Products, the Firm had received five reports of consumers suffering finger amputations while attempting to transport the Subject Products that required hospitalization, surgery, and/or sutures and resulted in permanent disfigurement.

11. The Commission and Generac jointly announced the recall of the Subject Products on July 29, 2021 with a repair remedy and instruction to stop using the Subject Products, unless the locking pin has been inserted to secure the handle in place before and after moving the generator.

12. After Generac reported a post-recall incident involving a repaired but unlocked Subject Product, the Commission and Generac jointly re-announced the recall of the Subject Products on November 10, 2022 with a revised repair remedy consisting of a set of spacers to move the handle away from the frame, eliminating the pinch point, and instruction to stop using unrepaired Subject Products, unless the locking pin has been inserted to secure the handle in place before and after moving the generator.

#### Failure to Timely Report

13. Despite having information reasonably supporting the conclusion that the Subject Products contained a defect or created an unreasonable risk of serious injury or death, Generac did not notify the Commission immediately of such defect or risk, as required by sections 15(b)(3) and (4) of the CPSA, 15 U.S.C. § 2064(b)(3), (4), in violation of section 19(a)(4) of the CPSA, 15 U.S.C. § 2068(a)(4).

14. Because the information in Generac's possession about the Subject Products constituted actual and presumed knowledge, Generac knowingly violated section 19(a)(4) of the CPSA, 15 U.S.C. § 2068(a)(4), as the term "knowingly" is defined in section 20(d) of the CPSA, 15 U.S.C. § 2069(d).

15. Pursuant to section 20 of the CPSA, 15 U.S.C. § 2069, Generac is subject to civil penalties for its knowing violation of section 19(a)(4) of the CPSA, 15 U.S.C. § 2068(a)(4).

#### RESPONSE OF GENERAC

16. This agreement does not constitute an admission by Generac to the staff's charges as set forth in paragraphs 4 through 15 above, including without limitation that the Subject Product contained a defect that could create a substantial product hazard or created an unreasonable risk of serious injury or death; that Generac failed to notify the Commission in a timely matter in accordance with section 15(b) of the CPSA, 15 U.S.C. 2064(b); and that Generac knowingly violated section 19(a)(4) of the CPSA, 15 U.S.C. 2068(a)(4), as the term "knowingly" is defined in section 20(d) of the CPSA, 15 U.S.C. § 2069(d).

17. Generac enters into this Agreement to settle this matter and to avoid the cost, distraction, delay, uncertainty, and inconvenience of protracted litigation or other proceedings. Generac does not admit that it violated the CPSA or any other law, and Generac's willingness to enter into this Agreement and Order does not constitute, nor is it evidence of, an admission by Generac of liability or violation of any law.

#### AGREEMENT OF THE PARTIES

18. Under the CPSA, the Commission has jurisdiction over the matter involving the Subject Products and over Generac.

19. The parties enter into the Agreement for settlement purposes only. The Agreement does not constitute an admission by Generac or a determination by the Commission that Generac violated the CPSA.

20. In settlement of staff's charges, Generac shall pay a civil penalty in the amount of fifteen million, eight hundred thousand dollars (\$15,800,000) ("Total Civil Penalty Amount"). The \$15,800,000 Payment shall be paid within thirty (30) calendar days after receiving service of the Commission's final Order accepting the Agreement. All payments to be made under the Agreement shall constitute debts owing to the United States and shall be made by electronic wire transfer to the United States via <http://www.pay.gov>, for allocation to, and credit against, the payment obligations of Generac under this Agreement. Failure to make such payment by the date specified in the Commission's final Order shall constitute Default.

21. The Commission or the United States may seek enforcement for any breach of, or any failure to comply with, any provision of this Agreement and Order in United States District Court, to seek relief including, but not limited to, collecting amounts due.

22. All unpaid amounts, if any, due and owing under the Agreement, shall constitute a debt due and immediately owing by Generac to the United States, and interest shall accrue and be paid by Generac at the federal legal rate of interest set forth at 28 U.S.C. § 1961(a) and (b) from the date of Default, until all amounts due have been paid in full (hereinafter "Default Payment Amount" and "Default Interest Balance"). Generac shall consent to a Consent Judgment in the amount of the Default Payment Amount and Default Interest Balance, and the United States, at its sole option, may collect the entire Default Payment Amount and Default Interest Balance, or exercise any other rights granted by law or in equity, including, but not limited to, referring such matters for private collection, and Generac agrees not to contest, and

hereby waives and discharges any defenses to, any collection action undertaken by the United States, or its agents or contractors, pursuant to this paragraph. Generac shall pay the United States all reasonable costs of collection and enforcement under this paragraph, respectively, including reasonable attorney's fees and expenses.

23. After staff receives this Agreement executed on behalf of Generac, staff shall promptly submit the Agreement to the Commission for provisional acceptance. Promptly following provisional acceptance of the Agreement by the Commission, the Agreement shall be placed on the public record and published in the *Federal Register*, in accordance with the procedures set forth in 16 C.F.R. § 1118.20(e). If the Commission does not receive any written request not to accept the Agreement within fifteen (15) calendar days, the Agreement shall be deemed finally accepted on the 16<sup>th</sup> calendar day after the date the Agreement is published in the *Federal Register*, in accordance with 16 C.F.R. § 1118.20(f).

24. This Agreement is conditioned upon, and subject to, the Commission's final acceptance, as set forth above, and it is subject to the provisions of 16 C.F.R. § 1118.20(h). Upon the later of: (i) Commission's final acceptance of this Agreement and service of the accepted Agreement upon Generac, and (ii) the date of issuance of the final Order, this Agreement shall be in full force and effect, and shall be binding upon the parties.

25. Effective upon the later of: (1) the Commission's final acceptance of the Agreement and service of the accepted Agreement upon Generac and (2) and the date of issuance of the final Order, for good and valuable consideration, Generac hereby expressly and irrevocably waives and agrees not to assert any past, present, or future rights to the following, in connection with the matter described in this Agreement:

- (i) an administrative or judicial hearing;

- (ii) judicial review or other challenge or contest of the Commission's actions;
- (iii) a determination by the Commission of whether Generac failed to comply with the CPSA and the underlying regulations;
- (iv) a statement of findings of fact and conclusions of law; and
- (v) any claims under the Equal Access to Justice Act.

26. Generac shall implement and maintain a compliance program ("Compliance Program") designed to ensure compliance with the CPSA with respect to any consumer product imported, manufactured, distributed or sold by Generac, which shall contain the following elements:

- (i) written standards, policies, and procedures, including those designed to ensure that information that may relate to or impact CPSA compliance are conveyed effectively to personnel responsible for CPSA compliance, whether or not an injury has been reported;
- (ii) procedures and systems for tracking and reviewing claims, including warranty claims, and reports for safety concerns and for implementing corrective and preventive actions when compliance deficiencies or violations are identified;
- (iii) procedures requiring that information required to be disclosed by Generac to the Commission is recorded, processed, and reported in accordance with applicable law;
- (iv) procedures requiring that all reporting made to the Commission is timely, truthful, complete, accurate, and in accordance with applicable law;



- (v) procedures requiring that prompt disclosure is made to Generac's management of any significant deficiencies or material weaknesses in the design or operation of such internal controls that are reasonably likely to affect adversely, in any material respect, Generac's ability to record, process and report to the Commission in accordance with applicable law;
- (vi) mechanisms to effectively communicate to all applicable Generac employees, through training programs or other means, compliance-related company policies and procedures to prevent violations of the CPSA;
- (vii) a mechanism for confidential employee reporting of compliance-related questions or concerns to either a compliance officer or to another senior manager with authority to act as necessary;
- (viii) Generac's senior management responsibility for, and general board oversight of, CPSA compliance, including the implementation of steps to ensure that incident and injury data is reviewed and analyzed for purposes of CPSA Section 15b reporting;
- (ix) an annual internal audit of the effectiveness of policies, procedures, systems, and training related to CPSA compliance that evaluates opportunities for improvement, deficiencies or weaknesses, and the Firm's overall culture of compliance; and
- (x) retention of all CPSA compliance-related records for at least five (5) years, and availability of such records to CPSC staff upon request.

27. Generac shall submit a report under CPSA Section 16(b), sworn to under penalty of perjury:

- (i) describing in detail its compliance program and internal controls and the actions Generac has taken to comply with each subparagraph of paragraph 26;
- (ii) affirming that during the reporting period, Generac has reviewed its compliance program and internal controls, including the actions referenced in subparagraph (i) of this paragraph, for effectiveness, and that it complies with each subparagraph of paragraph 26, or describing in detail any non-compliance with any such subparagraph; and
- (iii) identifying the results of the annual internal audit referenced in paragraph 26(ix) and any changes or modifications made during the reporting period to Generac's compliance program or internal controls to ensure compliance with the terms of the CPSA and, in particular, the requirements of CPSA Section 15 related to timely reporting.

Such reports shall be submitted annually to the Director, Office of Compliance, Division of Enforcement and Litigation, for a period of three (3) years. The first report shall be submitted 30 days after the close of the first 12-month reporting period, which begins on the date of the Commission's Final Order of Acceptance of the Agreement, and successive reports shall be due annually on the same date thereafter. Without limitation, Generac acknowledges and agrees that failure to make such timely and accurate reports as required by this Agreement and Order may constitute a violation of Section 19(a)(3) of the CPSA and may subject the Firm to enforcement under section 22 of the CPSA.

28. Notwithstanding and in addition to the above, Generac shall promptly provide written documentation of any changes or modifications to its compliance program or internal

controls and procedures, including the effective dates of the changes or modifications thereto. Generac shall cooperate fully and truthfully with staff and shall make available all non-privileged information and materials and personnel deemed necessary by staff to evaluate Generac's compliance with the terms of the Agreement.

29. The parties acknowledge and agree that the Commission may publicize the terms of the Agreement and the Order.

30. Generac represents that the Agreement:

- (i) is entered into freely and voluntarily, without any degree of duress or compulsion whatsoever;
- (ii) has been duly authorized; and
- (iii) constitutes the valid and binding obligation of Generac, enforceable against Generac in accordance with its terms. The individuals signing the Agreement on behalf of Generac represent and warrant that they are duly authorized by Generac to execute the Agreement.

31. The signatories represent that they are authorized to execute this Agreement.

32. The Agreement is governed by the laws of the United States.

33. The Agreement and the Order shall apply to, and be binding upon, Generac and each of its parents, successors, transferees, and assigns; and a violation of the Agreement or Order may subject Generac, and each of its parents, successors, transferees, and assigns, to appropriate legal action.

34. The Agreement, any attachments, and the Order constitute the complete agreement between the parties on the subject matter contained therein.

35. The Agreement may be used in interpreting the Order. Understandings, agreements, representations, or interpretations apart from those contained in the Agreement and the Order may not be used to vary or contradict their terms. For purposes of construction, the Agreement shall be deemed to have been drafted by both of the parties and shall not, therefore, be construed against any party, for that reason, in any subsequent dispute.

36. The Agreement may not be waived, amended, modified, or otherwise altered, except as in accordance with the provisions of 16 C.F.R. § 1118.20(h). The Agreement may be executed in counterparts.

37. If any provision of the Agreement or the Order is held to be illegal, invalid, or unenforceable under present or future laws effective during the terms of the Agreement and the Order, such provision shall be fully severable. The balance of the Agreement and the Order shall remain in full force and effect, unless the Commission and Generac agree in writing that severing the provision materially affects the purpose of the Agreement and the Order.

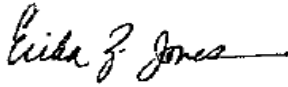
(Signatures on next page)

GENERAC POWER SYSTEMS, INC.

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
York Ragen  
Generac Power Systems, Inc.  
Chief Financial Officer

Dated: April 20, 2023




By: \_\_\_\_\_

Erika Z. Jones  
Mayer Brown LLP  
Counsel to Generac Power Systems, Inc.

U.S. CONSUMER PRODUCT SAFETY  
COMMISSION

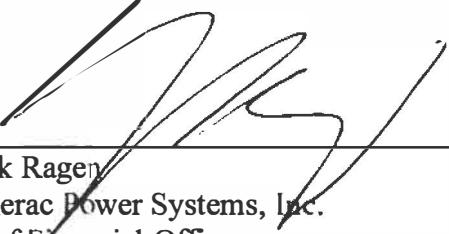
Mary B. Murphy, Director  
Leah Ippolito, Supervisory Attorney  
Asha Allam, Trial Attorney

Dated: April 24, 2023

By:  \_\_\_\_\_  
Asha Allam  
Trial Attorney  
Division of Enforcement and Litigation  
Office of Compliance and Field Operations

GENERAC POWER SYSTEMS, INC.

Dated: 4/20/2023

By:   
York Ragen  
Generac Power Systems, Inc.  
Chief Financial Officer

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Erika Z. Jones  
Mayer Brown LLP  
Counsel to Generac Power Systems, Inc.

U.S. CONSUMER PRODUCT SAFETY  
COMMISSION

Mary B. Murphy, Director  
Leah Ippolito, Supervisory Attorney  
Asha Allam, Trial Attorney

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Asha Allam  
Trial Attorney  
Division of Enforcement and Litigation  
Office of Compliance and Field Operations