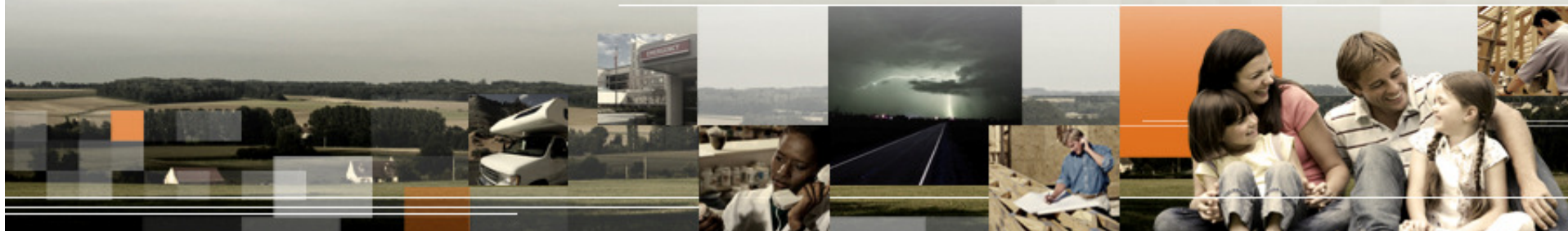


# Generac Power Systems

## Risk Management

*Concerns in Capacity Procurement*



# Generac Business Summary

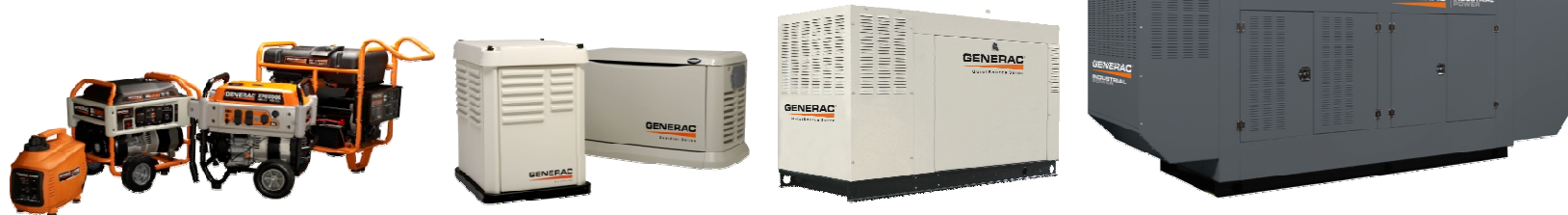
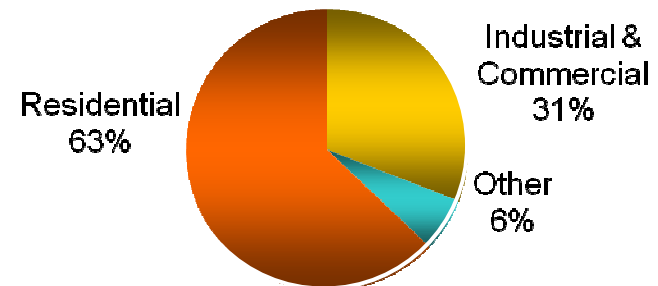
## Business Overview –

- Leading designer and manufacturer of stationary generators and portable products
- Comprehensive line of innovative product solutions for diverse and attractive end markets
- Extensive multi-channel distribution and service network in North America

### Key Stats –

- Founded: 1959
- Distribution: over 17,000 outlets
- Geographic concentration: approx 98% North America
- Employees: Over 2,500 in 2012
- Over 1 million sq. ft. manufacturing & distribution
- Headquartered in southeast Wisconsin

### 2010 Sales



# NORTH AMERICAN DISTRIBUTION CHANNELS

## Residential dealers

- Network of over 3,700 dealers
- Installation and after sale service support for residential & commercial products
- 10,000 technicians trained in 3 years

## Industrial dealers

- Network of 50 dealers
- Work with professional engineering firms to develop customized solutions
- Support for national account sales

### Electrical Wholesalers

Broad access and exposure to electrical contractors



### National Retailers

Broad exposure for brand & category



### Catalog and E-Commerce

Broad exposure for brand and products



### Private Label Partners

Increased points of distribution & awareness



### Direct to National Accounts

Direct sales approach for large customers



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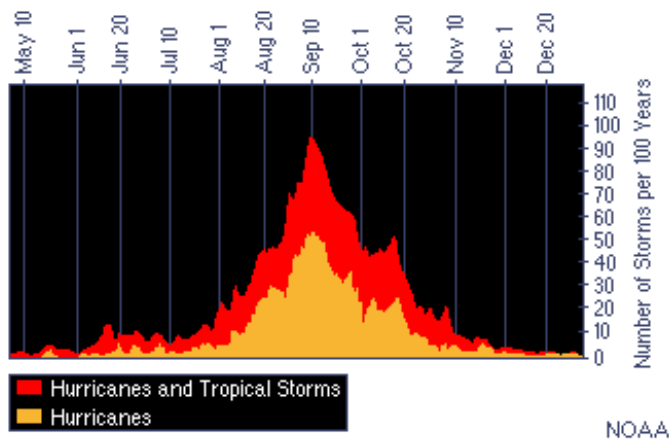
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# Capacity Access Prime Driver

- Dual distribution channels provide two levels of support
  - Immediate response
    - Distributed, consignment inventory for Retail channel partners
      - Lowe's and Tractor Supply at Generac contracted warehouse partners
      - The Home Depot through consigned inventory at THD warehouses
    - Access the Truckload (TL) spot market through asset and broker partners for WI based inventory
      - Competitively offer 5-10 TL similar opportunities at a time
      - Manual (email, response, review, award, assignment)
      - Not best tool, but it does work
  - On-going post-storm response
    - Based on an assigned outage level (Orange, Yellow, Red)
      - Drivers are geography swath, number of power customers affected, duration of expected outage, expected inventory impact
      - Derecho (Orange), Sandy (Orange, Yellow, Red)

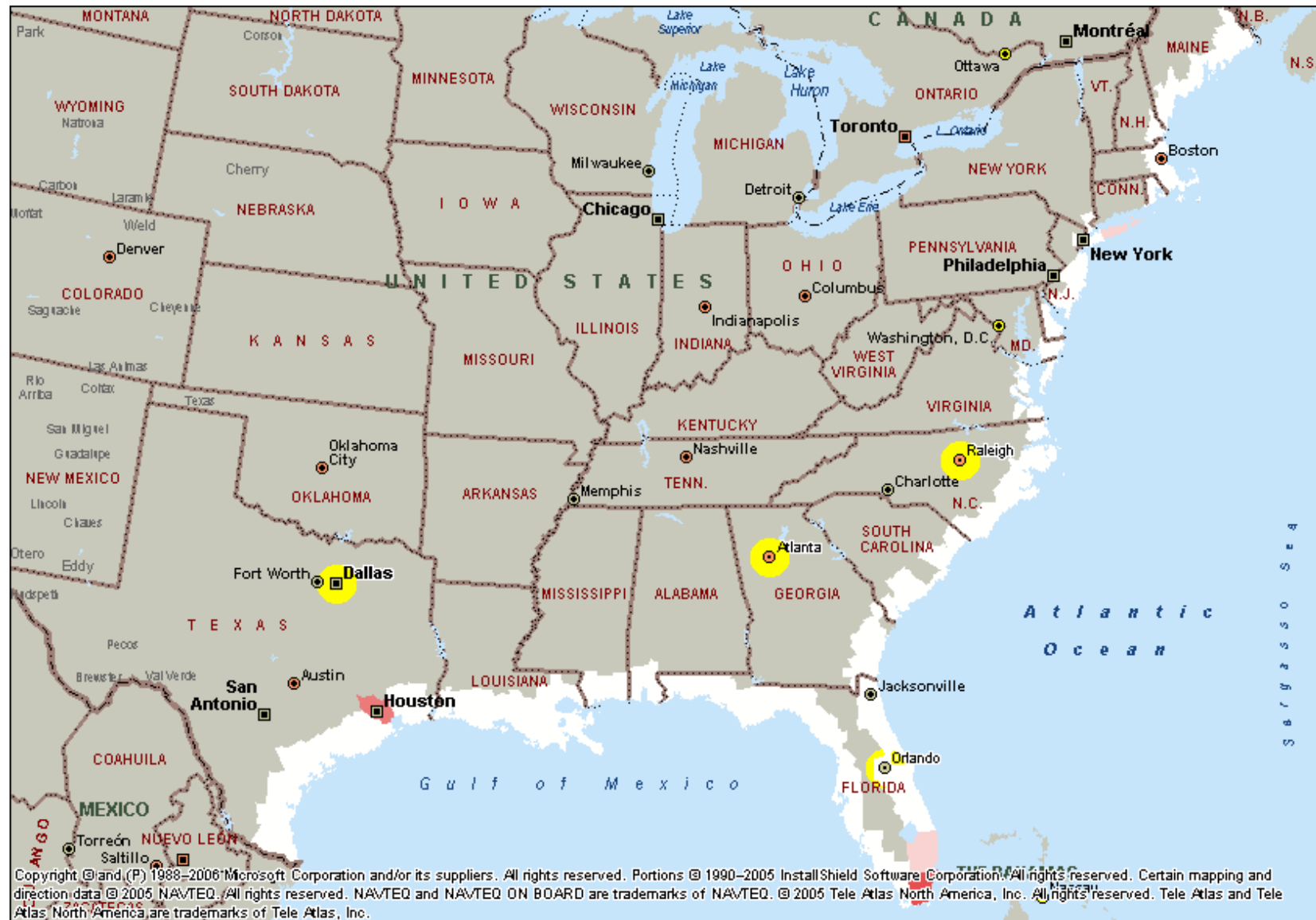
# Storm Risk Analysis

- Risk = Probability x Intensity x Density
  - Probability from CSU forecast w/ landfall detail
    - <http://www.e-transit.org/hurricane/Full%20Data%20Table.xls>
  - Intensity from “Normalized Hurricane Damage in the United States: 1900-2005”
  - Density of population from 2010 Census
- The Landfall Probability table extends the macro forecast (above average, 17 storms, etc) to county level.






	Damage, \$M	Damage %	Rate
MAY	\$ 95	0.0%	0.0%
JUN	\$ 30,900	2.8%	6.8%
JUL	\$ 22,100	2.0%	9.0%
AUG	\$344,900	31.0%	26.9%
SEP	\$594,750	53.4%	37.3%
OCT	\$109,750	9.9%	18.3%
NOV	\$ 11,300	1.0%	1.8%

# Cumulative Risk Map



## On-going post-storm response

- Factored the post-storm levels into recent bid awards
  - Assigned an active primary, secondary and tertiary by zip3
    - Also notified all fourth and fifth level assignees
  - Carry contracts for effectively all bid awards (1<sup>st</sup> – 3<sup>rd</sup> by zip3)
    - Provides access to multiple carriers (eight used for Sandy)
    - Incremental addition per day of trailers based on response level
      - Provides carrier Operations teams a specific quantity of additional support as well as the expected duration of the event support requirements.
      - So far this response level support has been accurate in terms of duration as well as trailer quantity.

Action Item Description			
Contact secondary and tertiary LTL Carriers in the affected region to coordinate increase in trailer support for one week, add minimum one trailer per day.	X		
Contact secondary and tertiary LTL Carriers in the affected region to coordinate increase in trailer support for two-three week. Add one-two trailers per day. Notify carrier #4 and #5 to be on standby for additional support for one week at rate of one trailer per day.		X	
Contact secondary and tertiary LTL Carriers in the affected region to coordinate increase in trailer support for four to six weeks. Add three-four trailers per day. Notify carrier #4 and #5 to be on standby for additional support for one week at rate of one-two trailers per day. Move assignments in adjacent regions to create additional capacity in the affected region (tertiary or secondary up to cover any shifts)			X

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# Sample Carrier Notification

Dear Carrier Account Manager,

Generac Power Systems is implementing our ORANGE level response plan. Landfall location and intensity will be the governing factors that determine if our response level is raised or lowered. We will communicate our requirements as they change.

In an Orange level response we require Carrier Name support in all of Region/State of at least two to three additional trailers per day for at least two to three weeks. My anticipation is that you can provide this support without impacting your other areas – please let me know if this is not the case.

Additional support would be necessary in a Red response level based on the table below, and **we could also shift non-storm related volumes from other carriers to Carrier Name. This would allow us to prioritize support to the most important areas so that origin terminals of carriers do not become a bottleneck.**