



Harley-Davidson Motor Company

3700 W. Juneau Avenue, Milwaukee, WI 53208

U.S. DEALER OWNERSHIP POLICY

I. Introduction

The Mission of Harley-Davidson® is “**More than building machines, we stand for the timeless pursuit of adventure. Freedom for the soul.**” For over a century, we have maintained a version of this Mission for customers and enthusiasts around the world, which is at the heart of everything we do. Ultimately, it is our family of Harley-Davidson dealers who make these dreams come true for our mutual customers. Our dealers are the keepers of the culture and at the heart of a unique customer base of men, women, and families with one common love that brings them together...Harley-Davidson motorcycles! There is a special relationship among Harley-Davidson, our dealers, and our mutual customers. This is what separates the Harley-Davidson experience from everything else. We need to ensure that our future customers have the opportunity to develop a relationship with their dealer and enjoy the same premium Harley-Davidson experience as our current customers. Our ability to continue to provide this extraordinary customer relationship is dependent on a dealer network with this same mindset. Through this Policy, HDMC documents its expectations and requirements for any dealer Owner, Dealer Group, and for any individual that would like to become a Harley-Davidson dealer/owner.

II. DEFINITIONS

Dealer. The entity that owns and operates the Harley-Davidson dealership and is the party to the Dealer Contract.

Dealer Contract. The Harley-Davidson Motorcycle Dealer Contract that authorizes a Dealer to purchase and resell at retail new Harley-Davidson motorcycles and related product and further licenses such Dealer to use the Harley-Davidson trademarks and service marks. The Harley-Davidson General Conditions of Sales and Service are referenced and expressly made a part of the Dealer Contract, along with the currently published policies and procedures.

Dealer Group. A group consisting of more than one Dealer (whether owned by an individual or combination of individuals and/or entities directly or indirectly affiliated with one another via common ownership or management) working in concert for a common purpose or interest, and/or who share resources. This includes, but is not limited to, a management company through which a Dealer receives strategic support, operational accounting, management oversight, and similar activities.

Dealer Operator. Notwithstanding Section 4 of the Dealer Contract, for purposes of this Policy, “Dealer Operator” means an individual, usually an Owner, that oversees and is directly involved in the operations of a Dealer or a Dealer Group.

Framework Agreement. This is a separate agreement between a Dealer Group and HDMC, which outlines the terms and conditions for a Dealer Group to expand and acquire additional H-D dealerships.

General Manager or GM. An individual, regardless of the title s/he holds, who is responsible for the day-to-day operations and management of the dealership, who is brand-dedicated, onsite and actively involved, full-time at the dealership.

HDMC. Harley-Davidson Motor Company, Inc., a Wisconsin corporation, doing business as Harley-Davidson Motor Company. Anywhere “we,” “us,” and “our” are used in this Policy refers to HDMC.

Owner. Any individual who owns any interest in or controls a Dealer, either directly or indirectly through a business entity or trust. To “own an interest in” a Dealer, business entity, or trust means having any legal or beneficial interest in the Dealer, business entity, or trust. For purposes of this policy, a marital property or community property interest in a Dealer, business entity, or trust is not considered an ownership interest.

Policy. This Dealer Ownership Policy, effective **October 15, 2021**, applicable to all U.S. dealers.

III. OWNERSHIP ENTITIES

A Harley-Davidson Dealer must be a legal entity (e.g., corporation, LLC, limited partnership) that is certified to do business in the state where the dealership facilities are located. The entity must be newly formed and may not have any other business interests or assets under it. The Dealer may be ultimately owned by a single individual, a group of individuals, a trust(s), a private equity firm, or a publicly traded company, provided the applicable terms and conditions outlined in this Policy for the specific ownership type is met by each prospective dealer.

A dealer or prospective dealer must provide the requisite documentation (as determined by HDMC) to evidence the corporate structure to the level of the ultimate individual ownership, where appropriate, and control of the Dealer.

IV. OWNER REQUIREMENTS

- A. An Owner must be at least **18** years of age and be a U.S. citizen or have lawful permanent resident status in the United States (i.e., green card holder).
- B. An Owner must complete, sign, and submit a **Dealer Application** and provide all other required information.
- C. HDMC performs background checks on all Owners. This background check cannot reveal any material problems (financial, personal, legal, or otherwise) that could adversely affect the ownership, operation, management, reputation, business, goodwill or interests of HDMC, the Harley-Davidson intellectual property, or the dealership.
- D. An Owner cannot (a) be or have been convicted of or plead or have pled no contest to any crime or have or have had any civil or administrative liability found against him or her, which in any case may adversely affect the ownership, operation, management, reputation, business, goodwill, or interests of the dealership, HDMC, or our trademarks; or (b) be or have been convicted of or plead or have pled no contest to any felony crime.
- E. No person may be an Owner if such ownership creates a conflict of interest (e.g., owns/works for a competitor, supplier, or a company in direct competition with HDMC or an affiliate, etc.) that has the potential of adversely affecting HDMC's or the dealership's reputation, business, goodwill, or interests. HDMC will evaluate these situations on a case-by-case basis. (For clarity, ownership in or of a powersports dealership shall not be deemed a conflict.)
- F. **Corporate Owners with 10% or greater ownership interest or ultimate control over the Dealer must guarantee all obligations of the Dealer owed to HDMC and/or its affiliates. Further, (1) for a Dealer that is closely held or ultimately owned by a closely held entity(ies), individuals with 10% or greater ownership interest must personally guarantee all obligations of the dealership owed to HDMC and/or its affiliates (and, in certain cases, an individual with less than 10% ownership may also be required to sign a personal guarantee); and (2) for a Dealer that is not closely held or ultimately owned by a closely held entity(ies), the Dealer shall provide, or be covered by, such forms of guarantee as HDMC and/or its affiliates may require in their sole discretion.**
- G. An Owner must comply with all applicable anti-bribery laws and regulations and conform to HDMC's policy on anti-bribery specific to dealers and distributors.
- H. An Owner must be disclosed as an Owner on the Dealer Contract(s).
- I. An Owner must conform his or her conduct (whether personal or business) with the Dealer Contract, HDMC's Mission and Values, standards of good citizenship, and generally acceptable behavior in contemporary society, in a way that does not adversely affect the ownership, operation, management, reputation, business, goodwill or interests of HDMC, the Harley-Davidson intellectual property, or the dealership.
- J. Relating to a private equity firm or a publicly traded company, any individual Owner with 5% or greater ownership, directly or indirectly, in the company will be required to meet the above Owner Requirements. In addition, the executive management team and the management team of the Dealer(s) will be required to meet the Owner Requirements noted above.
- K. **A Framework Agreement with HDMC must be executed by a Dealer Group, including a private equity firm or publicly traded company, as outlined in Section P.**

V. FINANCIAL REQUIREMENTS

A. The Owner/prospect or if more than one, the Owners, collectively, of a Dealer must meet the following minimum personal financial requirements:

- 1) **\$2,000,000 net worth**
- 2) **\$1,000,000 in liquid assets (excluding any real estate equity)**

Notwithstanding the above minimum financial requirements, the actual financial investment required for each individual Owner and the dealership overall will be based on the specific purchase price of the dealership.

- B. HDMC requires an unencumbered or non-debt investment of at least **30%** for the capitalization of the dealership collectively by the proposed Owners, including the Dealer Operator. This investment represents a 20% down payment on the dealership purchase and 10% of the total purchase price as beginning operating cash for the dealership. In addition, the Beginning Balance Sheet of the Dealer must have a satisfactory debt/equity ratio, preferably no more than 2:1. Ultimately, the dealership acquisition price must cashflow based on realistic sales numbers; if not, additional funds will need to be invested in the dealership.
- C. If multiple dealerships are being purchased at the same time, the above financial requirements will apply to each dealership and to the overall transaction.
- D. Working capital standards as determined by HDMC must be maintained at all times by each owned dealership.

VI. RETAIL EXPERIENCE

The Owner designated as the Dealer Operator must have at least **3** years of successful motorcycle, powersports, and/or automotive retail management experience. Relating to a Dealer owned by private equity firm or a publicly traded company, the firm/company must meet the foregoing experience criteria.

VII. MANAGEMENT OF THE DEALERSHIP

The management structure for a dealership is critical to its success. Our expectation is that the Owner designated as the Dealer Operator (1) must have at least 20% equity ownership, (2) be directly involved in the operation and management of the dealership, and (3) be accessible to Harley-Davidson representatives. This Owner/the Dealer Operator, if not the majority owner, should have full legal control through some mechanism, e.g., majority voting control, proxy(ies), voting trust agreement, sole LLC Manager, etc. (unless approved otherwise by HDMC). If the ownership involves a large group of owners, including a private equity firm or publicly traded company, there must be a Board of Directors and a Dealer Operator overseeing the dealership(s)' operations and a GM (as defined above and further discussed below) at each owned dealership.

A GM as defined above must meet the following criteria: (1) the Retail Experience requirement under Section VI. of this Policy, (2) complete a GM dealer application and provide to HDMC, (3) complete and pass a background check and meet HDMC's high standards for moral and ethical behavior, (4) is accessible to HDMC personnel, and (5) is responsible for the performance of the dealership. If the GM is no longer employed and actively engaged at the dealership, the dealer will have 90 days to find a replacement GM that meets the foregoing criteria, and HDMC must be made aware of such new appointment. An Owner may serve as the GM at one dealership location.

HDMC must always approve - and be aware of - the management structure and the decision-making hierarchy, including legal/full control and operational control, of each Dealer and Dealer Group.

VIII. MULTIPLE DEALERSHIP REQUIREMENTS

Any Dealer Group or individual Owner who wishes to have an ownership interest in more than one or to acquire an additional dealership must meet all the following requirements and conditions:

Contract Compliance

- A. If the Owner/Dealer Group is an existing HDMC Dealer, each existing Dealer must be in “Good Standing” with HDMC and in compliance with its Dealer Contract, including the General Conditions of Sales and Service, and all other HDMC and its affiliates’ policies, procedures, and requirements at each currently-owned dealership.
- B. Each dealership to be acquired must be directly held by and operated under a separate legal entity from any other dealership. As noted above, any new dealership entity must be newly formed and may not have any other business interests or assets under it.
- C. A business plan acceptable to HDMC must be submitted that shows how the person and/or entity intends to purchase, operate, and grow each dealership.

Facility Compliance

- D. The facility for the dealership(s) to be acquired and all existing HDMC dealership facilities owned by the Owner/Dealer Group must meet current Retail Environment facility standards and/or have Approved Retail Environment status as described in the then current Approved Facility and Retail Environment Policy/Program and must also meet or exceed HDMC’s minimum contractual facility requirements for each owned dealership.

Financial

- E. Must comply with the Financial Requirements (noted above).
- F. (1) Has not been on “credit-hold” with Harley-Davidson Financial Services (HDFS) (or any affiliate of HDFS) during the previous 12 months, (2) has submitted all required financial statements, and (3) has signed and submitted all applicable financing and security documents required by HDFS.
- G. Each Owner, and each dealership owned by the Owner/Dealer Group, must always be in compliance with all HDFS agreements and/or obligations and any third-party financing agreements.
- H. The assets of all dealerships owned by the Owner/Dealer Group must be cross-collateralized as security for all obligations owed to HDMC, HDFS, and/or an affiliate.
- I. Must maintain minimum working capital and operating cash for each dealership at all times as required by HDMC.

Training and Customer Experience

- J. Must comply with all dealer standards on training at existing dealership(s).
- K. Completion rate of 100% for all assigned dealership training prior to the due date.
- L. All CXI alerts acted on within 72 hours at existing dealership(s).

Contiguous Markets

- M. No individual Owner or Dealer Group will be permitted to acquire additional dealership(s) in a major metro area (i.e., a metropolitan statistical area (MSA) with a population > 800,000) if the acquisition would result in the Owner or Dealer Group owning or controlling dealerships whose Dealer Assigned Territories (DATs), using HDMC’s then-standard territory assignment procedures, contain a combined total of 60% or more of the Harley-Davidson Market Potential. Exclusive of major metro areas, no individual Owner or Dealer Group may own and/or control more than three dealerships that have contiguous Dealer Assigned Territories (DAT), as assigned and modified from time to time by HDMC.

Performance Standards

- N. HDMC believes that only Owners/Dealer Groups who own and operate high-performing dealerships should acquire an additional dealership(s). Therefore, to be eligible to purchase an additional dealership, HDMC requires that dealerships currently owned by an individual Owner or Dealer Group must meet or exceed certain performance requirements and/or metrics set by HDMC.

Specifically, the majority of the dealerships currently owned by Owner/Dealer Group must be at or greater than the national average in the following performance metrics (12-month rolling average as of prior month end):

Sales Effectiveness
CXI-Total Purchase and Service Combined NPS Score

These performance requirements may be changed from time to time at the discretion of HDMC, and such changes will be effective when published to the dealer network.

In the case of a new Owner(s) to HDMC, the prospective new Owner(s) must meet the above performance criteria relating to their auto or powersports dealerships.

Harley-Davidson (H-D) Program Participation

- O. The expectation of HDMC is that all Owners/Dealer Groups (at each owned dealership) will fully participate in Harley-Davidson-sponsored programs and those of our business partners, including:
- Financing & Insurance from HDFS for both Retail & Commercial products
 - Products & Services including but not limited to the Dealer Management Systems (DMS) from HDDS
 - Genuine Parts & Accessories, MotorClothes®, etc. from Harley-Davidson
 - H-D eCommerce Program, H-D Performance Groups, H.O.G. Chapters and any future loyalty programs, and Riding Academy (where permitted by law)
 - H-D Dealer Digital Program (with Shift Digital or other H-D approved provider), H-D authorized online selling initiatives and/or platforms as developed by H-D or any of its affiliates from time to time, and electrification initiatives of H-D

Thus, HDMC will give strong preference to any Owner/Dealer Group proposing to acquire another dealership that actively participates in and fully supports any and all Harley-Davidson products, programs, and services. Conversely, any Owner/Dealer Group that does not support Harley-Davidson products, programs, and services and/or supports those of a competing supplier or product provider will not be considered favorably for future dealership purchases. HDMC has the right to deny any proposed transfer if the purchaser acts in a manner deemed harmful or potentially harmful to HDMC or any of its affiliates.

Limit on Total Number of Owned Dealerships

- P. The total new motorcycle sales of all owned dealerships by an Owner or Dealer Group may not, through acquisition, exceed 10% of HDMC’s total new motorcycle sales in the United States as further provided below. A prospective buyer, Owner, or Dealer Group must meet the following criteria to proceed to each level:

Level	Sales Range Maximum%	Requirements/Conditions
1	0-3%	<ul style="list-style-type: none"> • Performance Standards (Section N of this Policy) • All other requirements noted above to acquire a dealership(s) • Execute a Framework Agreement with HDMC - Applicable to a private equity firm or a publicly traded company
2	3-8%	<ul style="list-style-type: none"> • Criteria for Level 1 • Facility compliant at all currently owned dealerships • All H-D dealership facilities must be customer-facing H-D exclusive • Execute a Framework Agreement with HDMC - Applicable to a privately owned company/Dealer Group • An updated Framework Agreement with HDMC may be required for a private equity firm or a publicly traded company
3	8-10%	<ul style="list-style-type: none"> • Criteria for Level 2 • Exclusively operate H-D dealerships only - No motorcycle competitive brands at H-D dealership facilities or other locations • Execute an updated Framework Agreement with HDMC

IX. MULTIPLE DEALERSHIP ACQUISITIONS

Acquiring more than one Harley-Davidson dealership at a time requires significant financial and management resources. HDMC will place considerable scrutiny on a transaction involving multiple dealerships and will generally disapprove any proposed transaction that does not meet all requirements of this Policy specific to each dealership. We reserve the right to impose additional terms and conditions based on the specific circumstances of a proposed transaction.

X. SUCCESSION & ESTATE PLANNING

It is imperative for any business to have a comprehensive succession plan. Whether a small family business or a larger company encompassing many businesses, succession planning provides for the continued success of any business through a succession event. This is no different for a Harley-Davidson dealership. Because of this, HDMC requires that all Dealers employ succession and estate planning to ensure a smooth and orderly transition of their dealership assets and management responsibility and to minimize estate and/or gift taxes. If an individual is the majority Owner of a Dealer (or Dealers), the Owner must provide a written plan designating his or her successor for each owned Dealer, which must be approved by HDMC. This plan will be reviewed annually by HDMC. For a Dealer Group, including a private equity firm or public company group, any changes to the principal Owners or the Dealer Operator must be reported to HDMC, and we must approve any current changes or proposed future changes to the management structure of any owned Dealer, including any change to the designated Dealer Operator for a Dealer. The succession planning for a Dealer Group will also be reviewed and approved annually by HDMC. Any failure by an Owner/Dealer Group to have an approved succession plan on file with HDMC for each owned dealership may impact that Owner/Dealer Group's support and/or approval from HDMC to acquire another Harley-Davidson dealership.

XI. "NOT IN GOOD STANDING" (NGS) STATUS WITH HDMC

Any willful violation of this Policy, including the submittal to HDMC for approval of any fully executed agreement(s) that will place the proposed buyer in violation of this Policy, will result in the individual Owner or Dealer Group (applicable to all currently owned dealership locations) being placed on "Not in Good Standing" (NGS) status with HDMC for a specified period of time, generally for a period of 12 months, as determined by HDMC. The consequences of NGS status are defined in HDMC's NGS Policy, which may be modified or updated by HDMC from time to time.