



Harley-Davidson Motor Company

Dealer Ownership Policy

Effective: December 1, 2013

I. Ownership Philosophy

The purpose of Harley-Davidson is to “...fulfill dreams of personal freedom” for people around the world. For over a century, we have maintained this goal, which is at the heart of everything we do. However, it is our family of Harley-Davidson dealers who ultimately 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 Motor Company (“HDMC”), our dealers, and our mutual customers. This relationship is the driving force of HDMC’s success and the success of our dealers. This is what separates the Harley-Davidson experience from everything else. Nothing is comparable! We need to ensure that our future customers have the ability to develop a relationship with their dealer and enjoy the same premium Harley-Davidson experience as our current customers.

To continue to provide this critical customer relationship link, HDMC must partner with the right dealers. While every area of a dealership is important to a customer on the buying journey, it starts with the owner of the dealership. A dealer owner(s) sets the tone for the entire dealership, and we believe it is critical to the Harley-Davidson experience that there is an individual owner who is onsite and actively involved in the dealership operations. This has been a hallmark of our dealer philosophy and contributes to a unique customer experience. Through this Policy, HDMC documents its expectations and requirements for all dealer owners and for any individual that would like to become a Harley-Davidson dealer/owner.

This Policy also provides the criteria to become a multiple dealer owner, that is, the owner of multiple dealerships. HDMC applauds the entrepreneurial spirit of our dealers and their unique vision in providing an unparalleled retail experience to our customers. With this in mind, HDMC provides opportunities for dealers to grow in a manner that promotes the Harley-Davidson experience while at the same time staying true to the spirit of our onsite ownership philosophy. Many successful dealer owners wish to own and operate more than one dealership; we strongly support this initiative and spirit. However, this type of growth cannot be achieved at the expense of the premium Harley-Davidson experience and the vital connection between the dealer and customer. Quite simply, we want to enable our best dealers to grow and own additional dealerships while at the same time ensuring an underperforming dealer is focused on its current dealership and not expansion. Because of this, HDMC has placed restrictions on multiple dealers and provides for only the best performing dealers to grow within our network.

While HDMC has been in business for over a century, we also have several dealers that have been family-owned and operated for a century or approaching the century mark. This is a remarkable accomplishment. Yet, passing the baton to the next generation is no simple task for any family-owned business. Preparation and diligence are essential. As a key stakeholder in the succession plans of dealers, HDMC has developed this Policy to guide and assist dealers with their dealer estate planning.

In summary, this Dealer Ownership Policy provides the standards and requirements to become a dealer/owner, to grow and expand if or when desired as a multiple dealer owner, and to plan for the eventual transition of your dealership business to the next generation or through other succession methods.

By adhering to the terms of this Policy, HDMC believes it will sustain its competitive advantage in the industry by continuing to have the very best dealer network in the world. **Effective as of [December 1, 2013](#), this Policy supersedes in all respects the Dealer Ownership, Multiple Dealership, and Estate Plan Policies issued in October 2002 by HDMC and is applicable to all U.S. Harley-Davidson dealers as of its effective date.**

II. Definitions

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. The Dealer Contract is on a five [5] year term.

Dealer Group. A combination of two or more individuals and/or entities directly or indirectly related to or affiliated with one another via common ownership or management who are working in concert for a common purpose or interest, and/or who share resources. Family Members will be deemed a Dealer Group regardless of whether they are working in concert.

Dealer Operator. An individual Owner (must meet all Owner requirements in [Section III](#)) who has majority ownership (>50%) in the dealership (unless an Exemption under [Section V.B](#) applies) and also has full legal control of the dealership. The Dealer Operator must be onsite and actively involved in the dealership operations, unless the Dealer Operator partners with an Onsite Owner. Note that an Onsite Owner is required for a Dealer Operator's 3rd – 6th owned dealerships. The Dealer Operator is required to sign the Dealer Contract, and any addenda/amendments thereto, and is ultimately responsible for the dealership's performance under such contract.

Family Member. A Family Member includes an Owner's spouse, parents, step-parents, children, stepchildren, in-laws, and siblings, including any of the foregoing that are established by adoptive relationships.

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.

Onsite Owner. An individual Owner (must meet all Owner requirements in [Section III](#)) who has at least 20% equity ownership and is required (1) if the Dealer Operator will not be onsite and actively involved in the operations at his/her 1st or 2nd dealership; and (2) in all cases, at a Dealer Operator's 3rd through 6th dealerships. The Onsite Owner, as the title suggests, must be onsite and actively involved in the dealership operations, has authority to make day-to-day decisions on behalf of the dealership and is required to sign the Dealer Contract, along with the Dealer Operator.

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

Policy. This Dealer Ownership Policy, effective [December 1, 2013](#), applicable to all U.S. dealers.

Requisite Retail Experience. At least **3** years of successful motorcycle, powersports, and/or automotive retail experience.

Successor. An individual that the Dealer Operator has nominated as the person to whom the Dealer Operator's ownership, legal control, and corresponding responsibilities and duties in the dealership will be transferred upon a succession event of the Dealer Operator. HDMC must approve the Successor for a dealership; and the Successor, if not a current Owner, must meet certain Owner requirements (see [Section VII.C](#)).

Trust. A trust agreement is a signed document that establishes a Trust. A Trust is a structure in which legal title to property is transferred from the owner (the "settlor") to another party (the "trustee"), who will then administer the property for the benefit of the settlor or a third party (the "beneficiary"). A trust agreement can create a Trust that is either revocable or irrevocable during the life of the settlor. There are specialized Trusts, including but not limited to, a Generation-Skipping Trust (GST) or a Grantor Retained Annuity Trust (GRAT). HDMC must approve in advance any transfer of dealership assets or ownership to any Trust. See [Section VII.I-M](#).

III. 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 plead 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 plead 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 business or operation shall not be deemed a conflict.)
- F. An Owner must be disclosed as an Owner on the Dealer Contract(s).
- G. **Individuals with 10% or greater ownership interest must personally guarantee all obligations of the dealership owed to HDMC and/or its affiliates. In certain cases, an individual with less than 10% ownership may also be required to sign a personal guarantee.**
- H. An Owner may not have an ownership interest in any Harley-Davidson motorcycle dealer or distributor located outside of the U.S. or a dealer/distributor of any other Harley-Davidson branded products sold outside the United States.

- I. 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.
- J. 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, or 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.
- K. If an Owner is setting up a legal entity to directly hold the dealership assets, the entity must be newly formed and may not have any other business interests or assets under it.
- L. No publicly traded company or private equity firm, or any affiliate thereof, may have any direct or indirect ownership interest in or control of a Harley-Davidson dealership.

IV. Financial Requirements

- A. The Owner/prospect or, collectively, the Owners, of a dealership 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 requirements 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. (Note: The capitalization amount will also include the purchase price of any land and building if held by the dealership entity). Essentially, the Beginning Balance Sheet of the dealership must have a sufficient debt/equity ratio, preferably 2:1. **In addition, the Dealer Operator, at a minimum, must invest a proportionate share of the non-debt funds required by HDMC equal to or greater than his or her ownership percentage.** These requirements are also followed for the capitalization (e.g., facility, purchase of furniture, fixtures, equipment, etc.) of new target dealerships.

V. Dealer Operator Requirements

- A. Every Harley-Davidson dealership must have an individual Dealer Operator who is the majority Owner (>50%) – **unless one of the listed exemptions noted below is applicable** – and has full legal control of the dealership. The Dealer Operator (or the Onsite Owner, if applicable) must have the Requisite Retail Experience (see definition in **Section II**) or have a dedicated, onsite, full-time General Manager (GM) at the dealership who has the Requisite Retail Experience. The Dealer Operator must also be onsite and actively involved in the dealership operations. By this, we mean that the Dealer Operator must (1) personally reside within driving distance of the dealership, (2) be involved in the management and operation of the dealership, and (3) be accessible to and responsive to HDMC Field personnel and representatives. If the Dealer Operator does not meet this requirement, he/she must partner with an Onsite Owner (see definition in **Section II**). Note that an Onsite Owner is required for a Dealer Operator's 3rd – 6th owned dealerships; see **Section VI**.

B. As stated above, every Harley-Davidson dealership must have an individual Dealer Operator, and this person must be the majority Owner unless one of the following exemptions applies:

- 1) If a dealer's ownership structure is part of a comprehensive estate plan and all Owners are Family Members, the Dealer Operator is required to have at least a 20% ownership interest in the dealership. The Dealer Operator must still have full control. Since the Dealer Operator will not have majority ownership, there must be some mechanism in place that provides the Dealer Operator the requisite level of control. This may be accomplished in numerous ways, including stock voting preferences, shareholder agreement, operating agreement, proxies, management agreement, etc. There must also be a written agreement between the Owners that any future ownership transfers of this dealership must be to the current or intended Dealer Operator, as applicable, until this individual has majority ownership. **A dealership must be an authorized H-D dealership for at least six [6] months prior to being approved by HDMC for this exemption.**
- 2) If a husband and wife place their ownership in a dealership in a joint marital trust, the collective ownership of the trust may be considered held by either the husband or the wife, individually, to meet the Dealer Operator requirements, i.e., to be the individual majority Owner of a dealership. However, the Dealer Operator must have the requisite control, e.g., sole trustee over the dealership assets held in the trust.

VI. Multiple Dealership Limitations & Requirements

No person, Owner, Dealer Operator, Dealer Group, or any member or participant in a Dealer Group, may:

- A. **Have a direct or indirect ownership interest (of any amount) in more than 6 dealerships at any one time.**
- B. **Acquire ownership in more than 2 dealerships during a 2-year time period, except in cases of the death of a multiple dealer owner and pursuant to a comprehensive estate plan.**

Onsite Owner Requirement

- C. For a Dealer Operator's 3rd – 6th owned dealerships, the Dealer Operator may have up to an 80% ownership interest, and he/she must partner with an Onsite Owner (see definition in **Section II**) who has at least a 20% ownership interest and who meets the onsite and actively involved in the dealership operations requirement of a Dealer Operator (see **Section V.A**). The Onsite Owner must be assigned, at a minimum, operational control of the dealership by the Dealer Operator, and is required to sign the Dealer Contract, along with the Dealer Operator, on behalf of the dealership, and both will be jointly responsible for compliance with all terms and conditions of such contract.

Any person, including any individual Owner, Dealer Operator, Onsite Owner, dealership entity, any Dealer Group, or any member or participant in a Dealer Group, who wishes to have any direct or indirect ownership interest of any percentage in more than one dealership must meet all of the following requirements and conditions at each of the dealerships at which the person/Dealer Group has or seeks to acquire an ownership interest:

Contract Compliance

- D. Must be in “Good Standing” with HDMC and in compliance with the 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.
- E. Each dealership must be directly held by and operated under a separate legal entity from any other dealership. Also, per **Section III.K**, any new dealership entity must be newly formed and may not have any other business interests or assets under it.
- F. Must provide a business plan that shows how the person and/or entity intend to purchase, operate, and grow each additional dealership.
- G. Upon the purchase of a second dealership, must execute a Multiple Dealership Agreement with HDMC that generally reflects and restates the terms and conditions of this Dealer Ownership Policy and makes them applicable to the specific individual/group, including the performance requirements discussed below. Third or subsequent dealerships purchased pursuant to this Policy will be added to the Multiple Dealership Agreement by addendum or amendment.
- H. No publicly traded company or private equity firm, or any affiliate thereof, may have any direct or indirect ownership interest in or control of any dealership.

Facility Compliance

- I. Must meet current Retail Environment facility standards and/or have Approved Retail Environment status as described in the current Approved Retail Environment Policy Statement/Policy and must also meet or exceed HDMC’s minimum contractual facility requirements for each owned dealership.

Financial

- J. Must comply with the Financial Requirements of **Section IV**.
- K. (1) Has not been on “credit-hold” with 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.
- L. The individual, and each dealership owned by the individual or by a member or participant in a Dealer Group, must at all times be in compliance with all HDFS agreements and/or obligations and any third party financing agreements.
- M. We require the assets of all dealerships to be cross-collateralized as security for all obligations owed to HDMC, HDFS, or an affiliate.
- N. Must maintain minimum working capital and operating cash at all times as required by HDMC.

Harley-Davidson Program Participation

- O. The expectation of HDMC is that all Multiple Dealers (at each owned dealership) will participate in Harley-Davidson-sponsored programs and those with our business partners, e.g., Financing & Insurance from HDFS, Customer Relation Management (CRM) system and Dealer Management Systems (DMS) from HDDS, and Genuine Parts & Accessories, MotorClothes®, etc. Thus, HDMC will give preference (as appropriate) to any individual Owner or Dealer Group proposing to acquire another dealership that actively participates in Harley-Davidson programs.

Contiguous Markets

P. No individual Owner, dealership entity, Dealer Group, or a member or participant in a Dealer Group, may, directly or indirectly, own more than 2 dealerships that have contiguous Dealer Assigned Territories (DAT), as assigned and modified from time to time by HDMC. However, an individual Owner or Dealer Group may be permitted to own a 3rd dealership contiguous to 2 other owned dealerships if there is a non-affiliated H-D dealership within 50 miles of all 3 potentially owned dealerships.

Performance Standards

Q. HDMC believes that only persons/Dealer Groups who own and operate high-performing dealerships should acquire an additional dealership. Therefore, to be eligible to purchase an additional dealership, HDMC requires that all dealerships currently owned (regardless of ownership percentage), directly or indirectly, by an individual Owner, dealership entity, a Dealer Group, or any member or participant in a Dealer Group, must meet or exceed certain dealership performance requirements and/or metrics set by HDMC applicable to each currently owned dealership. **Specifically, using the current calendar year Bar & Shield Program measures, each currently owned dealership may not be ranked in the bottom 33% in the nation, and the mean rank of all owned dealerships must be ranked in the top 33% in the nation.** 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.

VII. Succession & Estate Planning

Overview

HDMC recognizes many Harley-Davidson dealers are family owned and operated businesses. We also understand that many current Owners intend to keep the dealership in their family by transferring ownership to the next generation. In fact, the Harley-Davidson dealer network currently has several third generation owners, a trend we expect to continue in the future. Therefore, HDMC highly recommends 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.

By having an approved Successor on file with HDMC, a Dealer Operator will have some assurance that ownership and control of the dealership will remain with their intended Successor or beneficiary, including a Family Member. **However, upon a triggering event (e.g., death, disability, or retirement of the Dealer Operator), the Successor must still meet the Owner and Dealer Operator requirements and any other applicable requirements in this Policy at the time of succession in order to be approved by HDMC as the Owner/Dealer Operator.**

Therefore, a Dealer Operator must have a succession plan in place that designates an individual, i.e., the Successor, who will assume the Dealer Operator duties in the event of death, disability, or eventual retirement of the Dealer Operator. In conjunction with a succession plan, a Dealer Operator should also have an estate plan in place, which will outline a plan to transfer the ownership interest in the dealership to effect the succession plan. In other words, the estate plan will provide the vehicle or process to legally transfer ownership interest in a dealership upon the Dealer Operator's death and may consist of a will, Trust, partnership, limited liability company, shareholder agreement, or similar legal arrangement.

The type of estate plan appropriate for each Dealer Operator or any Owner will depend upon the individual's financial and family circumstances.

We strongly recommend that a dealer seek legal advice when setting up and implementing its succession and estate plans.

Successor Nomination Form

- A. Every Dealer Operator is required to complete a Successor Nomination Form with HDMC that will memorialize the Dealer Operator's Successor designation.
- B. This Form demonstrates how the dealership will remain in compliance with this Policy in the event of the Dealer Operator's death, termination of employment, retirement, or permanent material disability (i.e., any condition preventing the Dealer Operator from fulfilling his/her duties or obligations).
- C. The nominated Successor, if not a current Owner, must complete and submit a Successor Nominee Application; meet the requirements of **Subsections A, B, C, D, E, H, and J** under the Owner Requirements in **Section III** of this Policy; and provide any additional information requested by HDMC in order to be approved as the Successor. Further, at the time the Successor applies to become an Owner and/or the Dealer Operator, the Successor must meet all of the requirements of this Policy.
- D. A Dealer Operator may cancel an executed Successor Nomination Form with HDMC in accordance with the Dealer Contract and complete a new Form nominating a different Successor by following the above steps (A-C).

Notwithstanding the above, the Dealer Operator may (instead of a Successor Nomination Form) complete an Interim Dealer Operator Nomination Form, which provides for the sale of the dealership to a qualified buyer(s) approved by HDMC that complies with this Policy within **12 months** of the Dealer Operator's death or disability. Prior to the sale, the dealership may be managed and operated by an Interim Dealer Operator who meets the criteria of **Subsection C** (above) and is approved in advance by HDMC.

Additional Estate Plan Requirements

- E. Any transfer of an ownership interest in a dealership, whether during a Dealer Operator's or an Owner's lifetime or upon death, including transfers to another individual(s), into a Trust (see definition in **Section II**), partnership, limited liability company, private foundation, or other entity, constitutes a change of ownership under the Dealer Contract. **Under the Dealer Contract, no change of ownership can occur without HDMC's prior written approval.**
- F. The estate plan must permit the dealership to comply with the requirements set forth in the Dealer Contract and this Policy.
- G. Distributions of ownership interests in the dealership from an Owner's estate may only be made to individuals who qualify as Owners under this Policy. If an individual does not meet those requirements at the time of the proposed distribution, HDMC will not approve the transfer.

Trust-Specific Requirements

- H. **All Trust agreements** (see definition in **Section II**) **must be reviewed and approved by HDMC prior to any transfer of ownership interest in the dealership to the Trust.**
- I. If an ownership interest in a dealership is transferred to a Trust, the trustee and the current income beneficiaries must at all times qualify as an Owner and, if applicable, Dealer Operator as set forth in this Policy. **If at any time a Trust, or any beneficiaries or trustees thereof, no longer comply with this Policy or the Dealer Contract, the Trust must either distribute the ownership interest outright to a beneficiary or beneficiaries that do qualify or sell the ownership interest within 12 months to a person who qualifies as an Owner or Dealer Operator, as applicable.**
- J. The estate plan may not distribute an ownership interest in the dealership to a charitable trust, foundation, or other charitable entity unless the plan requires the charitable trust, foundation or entity to sell the ownership interest within **12 months** of the date of distribution to a person who qualifies as an Owner and Dealer Operator, where applicable, pursuant to this Policy. In addition, the plan must require the appointment of an Interim Dealer Operator to manage the dealership until it is sold, who must be approved in advance by HDMC and comply with **Section VII.C**.
- K. Upon the death of the Dealer Operator, all ownership interests in the dealership held by a Trust must either be: (1) distributed outright to individuals who comply with the requirements set forth in this Policy; or (2) continue to be held in a Trust where the trustee and all beneficiaries comply with the requirements set forth in this Policy.
- L. If a Trust holds a majority of the ownership and/or voting interests in the dealership: (1) There must be one individual who is the designated as the sole trustee or who is designated as the “Special Trustee” over the dealership assets or ownership, and (2) the Trust agreement may not name an institution (e.g., bank) as a trustee; we will not approve an institutional trustee as the Dealer Operator.
- M. If a Trust holds an ownership interest in a dealership, the trustee(s) of such Trust must execute a trust guaranty for the benefit of HDFS.