



Harley-Davidson Motor Company

3700 W. Juneau Avenue, Milwaukee, WI 53208

# U.S. DEALER OWNERSHIP POLICY

## I. INTRODUCTION

---

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. 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 Motor Company (“HDMC”), 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 HDMC having 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. The Dealer Contract is on a 5-year term.

**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.

**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 **January 1, 2019**, 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 or by a group of individuals, including a private equity firm and/or trust(s). **The Dealer may not be owned directly or indirectly by a publicly traded company or any affiliate thereof.**

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 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 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 dealership shall not be deemed a conflict.)
- F. **Individuals with 10% or greater ownership interest must personally guarantee all obligations of the Dealer 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.**
- G. 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.
- H. 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.
- I. An Owner must be disclosed as an Owner on the Dealer Contract(s).
- 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, 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.

### 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**

---

An individual with management responsibility – at the Dealer Operator or General Manager level – must have at least **3** years of successful motorcycle, powersports, and/or automotive retail management experience.

## **VII. MANAGEMENT OF THE DEALERSHIP**

---

The management structure for a dealership is critical to its success. Our expectation is that an individual Owner will be involved in the operation and management of the dealership and will be accessible to Harley-Davidson representatives. If the ownership involves a large group of owners (or a private equity firm or trust), there must be a Board of Directors and a Dealer Operator overseeing the dealership(s)' operations, and a dedicated, onsite General Manager at each owned dealership. 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.
- D. No publicly traded company or any affiliate thereof may have any direct or indirect ownership interest in or control of any dealership.

### **Facility Compliance**

- E. 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 current [Approved Retail Environment Policy Statement/Policy](#) and must also meet or exceed HDMC’s minimum contractual facility requirements for each owned dealership.

### **Financial**

- F. Must comply with the Financial Requirements (noted above).
- G. (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.
- H. 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.

- I. 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.
- J. Must maintain minimum working capital and operating cash for each dealership at all times as required by HDMC.

#### **Training and Customer Experience**

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

#### **Contiguous Markets**

- N. 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. For a major metro area (i.e., a metropolitan statistical area (MSA) with a population > 800,000), no individual Owner or Dealer Group may own and/or control more than 60% of the total number of Harley-Davidson dealerships within 60 miles, or an approximate one-hour drive, of the city center.

#### **Performance Standards**

- O. HDMC believes that only Owners/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 by an individual Owner or Dealer Group must meet or exceed certain performance requirements and/or metrics set by HDMC. **Specifically, using the current calendar year Bar & Shield Program measures, each currently owned Dealer may not be ranked in the bottom 50% in the nation, and the mean rank of all owned Dealers 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.

In the case of a new Owner(s) to HDMC, the prospective new Owner(s) must provide evidence of past successful business performance, including customer service indices, where available and appropriate.

#### **Harley-Davidson Program Participation**

- P. The expectation of HDMC is that all Owners/Dealer Groups (at each owned dealership) will fully participate in Harley-Davidson-sponsored programs and those with 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

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**

- Q. **An individual/Dealer Group may not have an ownership interest (of any amount) in more than 10 dealerships at any time.**

## 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.

For any purchase of more than 3 dealerships at one time, if HDMC approves the purchase, the purchaser will be required to enter into a Multiple Dealership Addendum to its Dealer Contracts from HDMC, which will specify minimum requirements that must be met by the Owner/Dealer Group, including at all existing and acquired dealerships, for a minimum of 2 years following the purchase.

## 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 her 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, any changes to the group of owners 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. 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.