

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549  
FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended: December 31, 2017**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from** \_\_\_\_\_ **to** \_\_\_\_\_

**Commission file number 1-9183**

**Harley-Davidson, Inc.**

(Exact name of registrant as specified in its charter)

**Wisconsin**

(State of organization)

**3700 West Juneau Avenue  
Milwaukee, Wisconsin**

(Address of principal executive offices)

**39-1382325**

(I.R.S. Employer Identification No.)

**53208**

(Zip code)

**Registrants telephone number: (414) 342-4680**

**Securities registered pursuant to Section 12(b) of the Act:**

**Title of each class**

**Name of each exchange on which registered**

COMMON STOCK, \$.01 PAR VALUE PER SHARE

NEW YORK STOCK EXCHANGE

**Securities registered pursuant to Section 12(g) of the Act: NONE**

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

Indicate by check mark whether the registrant is a shell company, as defined in Rule 12b-2 of the Exchange Act. Yes  No

Aggregate market value of the voting stock held by non-affiliates of the registrant at June 25, 2017: \$9,561,795,781

Number of shares of the registrant's common stock outstanding at February 2, 2018: 168,413,679 shares

## Documents Incorporated by Reference

Part III of this report incorporates information by reference from registrant's Proxy Statement for the annual meeting of its shareholders to be held on May 10, 2018.

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Harley-Davidson, Inc.

Form 10-K

For The Year Ended December 31, 2017

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## PART I

### (1) Note regarding forward-looking statements

The Company intends that certain matters discussed by the Company are “forward-looking statements” intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements can generally be identified as such because the context statement will include words such as the Company “believes,” “anticipates,” “expects,” “plans,” “estimates,” or words of similar meaning. Similarly, statements that describe future plans, objectives, outlooks, targets, guidance or goals are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated as of the date of this report. Certain of such risks and uncertainties are described in close proximity to such statements or elsewhere in this report, including under the caption “Risk Factors” in Item 1A of this report and under “Cautionary Statements” in Item 7 of this report. Shareholders, potential investors, and other readers are urged to consider these factors in evaluating the forward-looking statements and cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included in the Overview and Outlook section of Management’s Discussion and Analysis of Financial Condition and Results of Operations are only made as of January 30, 2018 and the remaining forward-looking statements in this report are made as of the date indicated or, if a date is not indicated, as of the date of the filing of this report (February 21, 2018), and the Company disclaims any obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

### Item 1. Business

#### General

Harley-Davidson Motor Company was founded in 1903. Harley-Davidson, Inc. was incorporated in 1981, at which time it purchased the Harley-Davidson® motorcycle business from AMF Incorporated in a management buyout. In 1986, Harley-Davidson, Inc. became publicly held. Unless the context otherwise requires, all references to the “Company” include Harley-Davidson, Inc. and all of its subsidiaries. Harley-Davidson, Inc. is the parent company for the groups of companies doing business as Harley-Davidson Motor Company (HDMC) and Harley-Davidson Financial Services (HDFS). The Company has two reportable segments: the Motorcycles & Related Products (Motorcycles) segment and the Financial Services segment.

See Note 18 of the Notes to Consolidated Financial Statements for financial information related to the Company’s reportable segments and revenue by geographic area.

#### Motorcycles and Related Products Segment

The Motorcycles segment consists of HDMC which designs, manufactures and sells at wholesale on-road Harley-Davidson motorcycles as well as motorcycle parts, accessories, general merchandise and related services. The Company’s products are sold to retail customers through a network of independent dealers. The Company conducts business on a global basis, with sales in the United States, Canada, Latin America, Europe/Middle East/Africa (EMEA) and Asia Pacific.

The following table includes Motorcycles segment revenue by product line as a percent of total revenue for the last three fiscal years:

	2017	2016	2015
Motorcycles	77.8%	78.2%	77.8%
Parts & Accessories	16.4%	16.0%	16.2%
General Merchandise	5.3%	5.4%	5.5%
Other	0.5%	0.4%	0.5%
	100.0%	100.0%	100.0%

*Motorcycles* - The Company's Harley-Davidson motorcycles include cruiser and touring models that feature classic styling, innovative design, distinctive sound, and superior quality with the ability to customize. Harley-Davidson motorcycles generally have engines with displacements that are greater than 60 lcc's, up to a maximum displacement of approximately 1900cc's.

The Company's motorcycles compete in the cruiser and touring categories of the market which were pioneered by the Company. The total on-road motorcycle market is comprised of the following categories:

- Cruiser (emphasizes styling and owner customization);
- Touring (emphasizes rider comfort and load capacity and incorporates features such as fairings and luggage compartments);
- Standard (a basic motorcycle which usually features upright seating for one or two passengers);
- Sportbike (incorporates racing technology, aerodynamic styling, low handlebars with a “sport” riding position and high performance tires); and
- Dual (designed with the capability for use on public roads as well as for some off-highway recreational use).

Competition in the categories of the motorcycle market in which the Company competes is based upon a number of factors, including product capabilities and features, styling, price, quality, reliability, warranty, availability of financing, and quality of dealer network. The Company believes its motorcycles continue to generally command a premium price at retail relative to competitors' motorcycles. The Company emphasizes remarkable styling, customization, innovation, sound, quality, and reliability in its products and generally offers a two-year warranty for its motorcycles. The Company considers the availability of a line of motorcycle parts and accessories and general merchandise, the availability of financing through HDFS and its global network of premium dealers to be competitive advantages.

In 2017, the U.S. and European markets accounted for approximately 77% of the total annual independent dealer retail sales of new Harley-Davidson motorcycles. The most significant other markets for the Company, based on the Company's 2017 retail sales data, were Australia, Japan and Canada.

Harley-Davidson has been the historical market share leader in the U.S. 601+cc portion of the motorcycle market. According to the Motorcycle Industry Council (MIC), the cruiser and touring categories accounted for approximately 73% of total 2017 601+cc retail unit registrations in the U.S. During 2017, the 601+cc portion of the market represented approximately 82% of the total U.S. motorcycle market in terms of new units registered.

The following chart includes U.S. retail registration data for 601+cc motorcycles for the years 2015 through 2017:

**U.S. Motorcycle Registration Data<sup>(a)(b)</sup>**  
601+cc (Units in thousands)

	2017	2016	2015
Total new motorcycle registrations	288.8	311.7	328.8
Harley-Davidson new registrations	146.5	159.5	165.1
	50.7%	51.2%	50.2%

(a) Data includes on-road 601+cc models. On-road 601+cc models include dual purpose models, three-wheeled vehicles and autocycles. Registration data for Harley-Davidson Street® 500 motorcycles is not included in this table.

(b) U.S. industry data is derived from information provided by the Motorcycle Industry Council (MIC). This third-party data is subject to revision and update. The retail registration data for Harley-Davidson motorcycles presented in this table will differ from the Harley-Davidson retail sales data presented in Item 7 of this report. The Company's source for retail sales data in Item 7 of this report is sales and warranty registrations provided by Harley-Davidson dealers as compiled by the Company. The retail sales data in Item 7 includes sales of Harley-Davidson Street® 500 motorcycles which are excluded from the 601+cc units included in the retail registration data in this table. In addition, small differences may arise related to the timing of data submissions to the independent sources.

The European 601+cc motorcycle market is larger than the U.S. market and customer preferences differ from those of U.S. customers. The touring and cruiser categories represented approximately 52% of the European 601+cc market in 2017 compared to approximately 73% of the 601+ cc market in the U.S.

The following chart includes European retail registration data for 601+cc motorcycles for the years 2015 through 2017:

**European Motorcycle Registration Data<sup>(a)(b)</sup>**  
601+cc (Units in thousands)

	2017	2016	2015
Total new motorcycle registrations	390.6	391.9	351.8
Harley-Davidson new registrations	38.1	42.3	37.0
	9.8%	10.8%	10.5%

- (a) On-road 601+cc models include dual purpose models, three-wheeled vehicles and autocycles. Registration data for Harley-Davidson Street® 500 motorcycles is not included in this table.
- (b) Europe data includes retail sales in Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom. Industry retail motorcycle registration data is derived from information provided by the Association des Constructeurs Europeens de Motocycles (ACEM), an independent agency. This third-party data is subject to revision and update. The retail registration data for Harley-Davidson motorcycles presented in this table will differ from the Harley-Davidson retail sales data presented in Item 7 of this report. The Company's source for retail sales data in Item 7 of this report is sales and warranty registrations provided by Harley-Davidson dealers as compiled by the Company. The retail sales data in Item 7 includes sales of Harley-Davidson Street® 500 motorcycles which are excluded from the 601+cc units included in the retail registration data in this table. In addition, some differences may arise related to the timing of data collected by the independent sources.

*Parts and Accessories (P&A) and General Merchandise* – The Company offers a complete line of Harley-Davidson P&A and General Merchandise. P&A products are comprised of replacement parts (Genuine Motor Parts) and mechanical and cosmetic accessories (Genuine Motor Accessories). General Merchandise includes MotorClothes® apparel and riding gear.

*Licensing* – The Company creates an awareness of the Harley-Davidson brand among its customers and the non-riding public through a wide range of products for enthusiasts by licensing the name “Harley-Davidson” and other trademarks owned by the Company. Royalty revenues from licensing, included in Motorcycles revenue, were \$35.5 million, \$38.1 million and \$46.5 million in 2017, 2016 and 2015, respectively.

*Patents and Trademarks* – The Company strategically manages its portfolio of patents, trade secrets, copyrights, trademarks and other intellectual property.

The Company and its subsidiaries own, and continue to obtain, patent rights that relate to its motorcycles and related products and processes for their production. Certain technology-related intellectual property is also protected, where appropriate, by license agreements, confidentiality agreements or other agreements with suppliers, employees and other third parties. The Company diligently protects its intellectual property, including patents and trade secrets, and its rights to innovative and proprietary technology and designs. This protection, including enforcement, is important as the Company moves forward with investments in new products, designs and technologies. While the Company believes patents are important to its business operations and in the aggregate constitute a valuable asset, the success of the business is not dependent on any one patent or group of patents. The Company's active patent portfolio has an average age for patents of approximately seven and a half years. A patent review committee manages the patent strategy and portfolio of the Company.

Trademarks are important to the Company's motorcycle business and licensing activities. The Company has a vigorous worldwide program of trademark registration and enforcement to maintain and strengthen the value of the trademarks and prevent the unauthorized use of those trademarks. The HARLEY-DAVIDSON trademark and the Bar and Shield trademark are each highly recognizable to the public and are very valuable assets. Additionally, the Company uses numerous other trademarks, trade names and logos which are registered worldwide. The following are among the Company's trademarks: HARLEY-DAVIDSON, H-D, HARLEY, the Bar & Shield Logo, MOTORCLOTHES, the MotorClothes Logo, HARLEY OWNERS GROUP, H.O.G., the H.O.G. Logo, SOFTAIL, SPORTSTER and V-ROD. The HARLEY-DAVIDSON trademark has been used since 1903 and the Bar and Shield trademark since at least 1910. Substantially all of the Company's trademarks are owned by H-D U.S.A., LLC, a subsidiary of the Company, which also manages the Company's trademark strategy and portfolio.

*Marketing and Customer Experiences* – The Company's products are marketed to retail customers worldwide primarily through digital and experiential activities as well as through more traditional promotional and advertising activities. Additionally, the Company's independent dealers engage in a wide range of local marketing and experiential activities in part supported by cooperative programs with the Company.

Customer experiences have traditionally been at the center of much of the Company's marketing. To attract customers and achieve its goals, the Company participates in motorcycle rallies around the world and also in major motorcycle consumer shows, racing activities, music festivals, mixed martial arts activities and other special promotional events.

The Harley Owners Group (H.O.G.®) also promotes Harley-Davidson products and the related lifestyle and sponsors motorcycle events, including rallies and rides for Harley-Davidson motorcycle enthusiasts throughout the world.

The Company's Harley-Davidson® Riding Academy offers a series of rider education experiences that provide both new and experienced riders with deeper engagement in the sport of motorcycling by teaching basic and advanced motorcycling skills and knowledge. The courses are conducted by a network of participating Harley-Davidson dealerships in the U.S., Canada, China, and Mexico, enabling students to experience the Harley-Davidson lifestyle, environment, people and products as they learn.

Through the Company's agreement with EagleRider, riders in the U.S. can rent Harley-Davidson motorcycles and participate in motorcycle tours. EagleRider is the exclusive provider of Harley-Davidson touring and cruiser motorcycle rentals and has locations throughout the U.S., including at select Harley-Davidson dealerships. Outside the U.S., riders can rent Harley-Davidson motorcycles from participating dealers through the Company's Authorized Rental Program and participate in tours through the Company's Harley-Davidson Authorized Tours Program.

The Company's Harley-Davidson Museum (Museum) in Milwaukee, Wisconsin is a unique destination that the Company believes builds and strengthens bonds between riders and Harley-Davidson and enhances the Harley-Davidson brand among the public at large.

*Distribution* – The Company's products are retailed through a network of independent dealers, of which the majority sell Harley-Davidson motorcycles exclusively. These dealerships stock and sell the Company's motorcycles, P&A, general merchandise and licensed products, and perform service on Harley-Davidson motorcycles. The Company believes the quality retail experience that its independent dealers provide is a differentiating and strategic advantage for the Company.

The Company distributes its motorcycles and related products to a network of independent dealers located in approximately 100 countries worldwide. The following table includes the number of worldwide Harley-Davidson independent dealerships by geographic location as of December 31, 2017:

	United States	Canada	Latin America	EMEA	Asia Pacific	Total
Dealerships	698	68	58	398	276	1,498

P&A, general merchandise and licensed products are also retailed through eCommerce channels in certain markets. In the U.S., the eCommerce model is operated by the Company through participating authorized U.S. Harley-Davidson dealers. In China and India, the eCommerce sites are operated by third-parties.

*Retail Customer and Dealer Financing* – The Company believes that HDFFS, as well as other third-party financial institutions, provide access to financing for Harley-Davidson dealers and their retail customers. HDFFS provides financing to Harley-Davidson independent dealers and retail customers of independent dealers in the U.S. and Canada. The Company's independent dealers and their retail customers in EMEA, Asia Pacific and Latin America are not directly financed by HDFFS, but have access to financing through other established financial services companies, some of which have licensing or branding agreements with HDFFS.

*Seasonality* – The timing of retail sales made by the Company's independent dealers tracks closely with regional riding seasons. The seasonality of the Company's wholesale motorcycle shipments primarily correlates with the timing of retail sales. The Company utilizes flexible or surge manufacturing capabilities to help align the production and wholesale shipment of motorcycles with the retail selling season. This provides the Company the ability to optimize inventory levels in the U.S. and Canada. In EMEA, Asia Pacific and Latin America, the Company utilizes a distribution process whereby Company-owned inventory is maintained locally at a level sufficient to fulfill dealer orders as needed.

*Motorcycle Manufacturing* – The Company has a flexible manufacturing process designed to help ensure it is well-positioned to meet customer demand in a timely and cost-effective manner.<sup>(1)</sup> This flexible or surge manufacturing capability allows the Company to increase the production of motorcycles ahead of and during the peak retail selling season to more closely correlate the timing of production and wholesale shipments to the retail selling season. It also allows the Company to respond to the desired model mix to meet customer demand.

The majority of the Company's motorcycles are manufactured at facilities located in the U.S. The Company's U.S. manufacturing facilities supply the U.S. market as well as certain international markets. Additionally, the Company operates

facilities in Brazil, India and Australia. In Brazil, the Company operates a CKD (Complete Knock Down) assembly facility, which assembles motorcycles sold in Brazil from component kits sourced from the Company's U.S. plants and its suppliers. In India, the Company operates a manufacturing facility that includes both CKD assembly of certain motorcycles for sale in India and production of the Company's Street 750® motorcycles for distribution to markets outside of North America. Like its U.S. manufacturing facilities, the Company's Brazil and India operations are focused on driving world-class performance. The motorcycles assembled at the Company's international facilities have the same authentic look, sound, feel and quality of a motorcycle manufactured by the Company's U.S. facilities. These international facilities enable the Company to be close to the customer, provide quality products at a competitive price and grow its overall international business. The Company also operates a manufacturing facility in Australia for the purpose of producing certain complex, high-finish wheels for its motorcycles.

*Raw Materials and Purchased Components* – The Company continues to establish and reinforce long-term, mutually beneficial relationships with its suppliers. Through these collaborative relationships, the Company gains access to technical and commercial resources for application directly to product design, development and manufacturing initiatives. In addition, through a continued focus on collaboration and strong supplier relationships, the Company believes it will be positioned to achieve strategic objectives and deliver cost and quality improvements over the long-term.<sup>(1)</sup>

The Company's principal raw materials that are purchased include steel and aluminum castings, forgings, steel sheet and bar. The Company also purchases certain motorcycle components, including, but not limited to, electronic fuel injection systems, batteries, certain wheels, tires, seats, electrical components and instruments. The Company closely monitors the overall viability of its supply base. At this time, the Company does not anticipate difficulties in obtaining raw materials or components.<sup>(1)</sup>

*Research and Development* – The Company incurred research and development expenses of \$175.2 million, \$172.3 million and \$161.2 million during 2017, 2016 and 2015, respectively.

*Regulation* – International, federal, state and local authorities have various environmental control requirements relating to air, water and noise that affect the business and operations of the Company. The Company strives to ensure that its facilities and products comply with all applicable environmental regulations and standards.

The Company's motorcycles and certain other products that are sold in the United States are subject to certification by the U.S. Environmental Protection Agency (EPA) and the California Air Resources Board (CARB) for compliance with applicable emissions and noise standards. Certain Harley-Davidson products are designed to comply with EPA and CARB standards and the Company believes it will comply with future requirements when they go into effect.<sup>(1)</sup> Additionally, certain of the Company's products must comply with the motorcycle emissions, noise and safety standards of Canada, the European Union, Japan, Brazil and certain other foreign markets where they are sold, and the Company believes its products currently comply with those standards. Because the Company expects that environmental standards will become more stringent over time, the Company will continue to incur research, development and production costs in this area for the foreseeable future.<sup>(1)</sup>

The Company, as a manufacturer of motorcycle products, is subject to the U.S. National Traffic and Motor Vehicle Safety Act, which is administered by the U.S. National Highway Traffic Safety Administration (NHTSA). The Company has certified to NHTSA that certain of its motorcycle products comply fully with all applicable federal motor vehicle safety standards and related regulations. The Company has from time to time initiated certain voluntary recalls. During the last three years, the Company has accrued \$86.8 million associated with 12 voluntary recalls related to Harley-Davidson motorcycles. This includes \$29.4 million recorded in 2017 associated with the previously disclosed NHTSA investigation opened in 2016 related to certain motorcycles equipped with anti-lock braking systems.

*Employees* – As of December 31, 2017, the Motorcycles segment had approximately 5,200 employees.

Approximately 2,100 unionized employees at the U.S. manufacturing facilities are represented as follows:

- York, Pennsylvania - represented by International Association of Machinist and Aerospace Workers (IAM), and the collective bargaining agreement will expire on October 15, 2022
- Kansas City, Missouri - represented by United Steelworkers of America (USW) and IAM, and the respective collective bargaining agreements will expire on July 31, 2018
- Milwaukee, Wisconsin - represented by USW and IAM, and the respective collective bargaining agreements will expire on March 31, 2019
- Tomahawk, Wisconsin - represented by USW, and the collective bargaining agreement will expire on March 31, 2019

## Financial Services Segment

The Financial Services segment consists of HDFS which is engaged in the business of financing and servicing wholesale inventory receivables and retail consumer loans, primarily for the purchase of Harley-Davidson motorcycles. HDFS also works with certain unaffiliated insurance companies to provide motorcycle insurance and protection products to motorcycle owners. HDFS conducts business principally in the U.S. and Canada. The Company's independent dealers and their retail customers in EMEA, Asia Pacific and Latin America are not financed by HDFS, but have access to financing through other third-party financial institutions, some of which have licensing or branding agreements with the Company or HDFS.

*Wholesale Financial Services* – HDFS provides wholesale financial services to Harley-Davidson dealers, including floorplan and open account financing of motorcycles and motorcycle parts and accessories. HDFS offers wholesale financial services to Harley-Davidson dealers in the United States and Canada, and during 2017, all of such dealers utilized those services at some point during the year.

*Retail Financial Services* – HDFS provides retail financing to consumers, consisting primarily of installment lending for the purchase of new and used Harley-Davidson motorcycles. HDFS' retail financial services are available through most Harley-Davidson dealerships in the United States and Canada.

*Insurance Services* – HDFS works with certain unaffiliated insurance companies which offer point-of-sale protection products through most Harley-Davidson dealers in both the U.S. and Canada, including motorcycle insurance, extended service contracts and motorcycle maintenance protection. HDFS also direct-markets motorcycle insurance and extended service contracts to owners of Harley-Davidson motorcycles. In addition, HDFS markets a comprehensive package of business insurance coverages and services to owners of Harley-Davidson dealerships.

*Licensing* – HDFS has licensing arrangements with third-party financial institutions that issue credit cards bearing the Harley-Davidson brand in U.S. and international markets. Internationally, HDFS licenses the Harley-Davidson brand to local third-party financial institutions that offer products to the Company's retail customers such as financing and insurance.

*Funding* – The Company believes a diversified and cost-effective funding strategy is important to meet HDFS' goal of providing credit while delivering appropriate returns and profitability. Financial Services operations have been funded with unsecured debt, unsecured commercial paper, asset-backed commercial paper conduit facilities, committed unsecured bank facilities and asset-backed securitizations.

*Competition* – The Company regards its ability to offer a package of wholesale and retail financial services in the U.S. and Canada as a significant competitive advantage. Competitors in the financial services industry compete for business based largely on price and, to a lesser extent, service. HDFS competes on convenience, service, brand association, dealer relations, industry experience, terms and price.

In the United States, HDFS financed 61.2% of new Harley-Davidson motorcycles retailed by independent dealers during 2017, compared to 61.7% in 2016. In Canada, HDFS financed 41.9% of new Harley-Davidson motorcycles retailed by independent dealers during 2017, compared to 45.3% in 2016. Competitors for retail motorcycle finance business are primarily banks, credit unions and other financial institutions. In the motorcycle insurance business, competition primarily comes from national insurance companies and from insurance agencies serving local or regional markets. For insurance-related products such as extended service contracts, HDFS faces competition from certain regional and national industry participants as well as dealer in-house programs. Competition for the wholesale motorcycle finance business primarily consists of banks and other financial institutions providing wholesale financing to Harley-Davidson dealers in their local markets.

*Trademarks* – HDFS uses various trademarks and trade names for its financial services and products which are licensed from H-D U.S.A., LLC, including HARLEY-DAVIDSON, H-D and the Bar & Shield logo.

*Seasonality* – HDFS experiences seasonal variations in retail financing activities based on the timing of regional riding seasons in the U.S. and Canada. In general, from mid-March through August, retail financing volume is greatest. HDFS wholesale financing volume is affected by inventory levels at Harley-Davidson dealers. Dealers generally have higher inventory levels of new and used motorcycles in the winter than during the spring and summer riding season. As a result, wholesale financing volume is generally higher during the winter as compared to the rest of the year.

*Regulation* – Operations of HDFS (both U.S. and foreign) are subject, in certain instances, to supervision and regulation by state and federal administrative agencies and various foreign governmental authorities. Many of the requirements imposed by such entities are in place to provide consumer protection as it pertains to the selling and servicing of financial products and services. Therefore, HDFS operations may be subject to limitations imposed by regulations, laws and judicial and/or

administrative decisions. In the U.S. for example, applicable laws include the federal Truth-in-Lending Act, Equal Credit Opportunity Act and Fair Credit Reporting Act.

Depending on the specific facts and circumstances involved, non-compliance with these laws may result in consequences such as limiting the ability of HDFS to collect all or part of the principal or interest on applicable loans, entitling the borrower to rescind the loan or to obtain a refund of amounts previously paid, or could subject HDFS to the payment of damages or penalties and administrative sanctions, including “cease and desist” orders, and could limit the number of loans eligible for HDFS securitization programs.

The Dodd-Frank Wall Street Reform and Consumer Protection Act granted the federal Consumer Financial Protection Bureau (CFPB) significant supervisory, enforcement, and rule-making authority in the area of consumer financial products and services. Certain CFPB actions and regulations will directly impact HDFS and its operations. For example, the CFPB has supervisory authority over non-bank larger participants in the vehicle financing market, which includes a non-bank subsidiary of HDFS.

Such regulatory requirements and associated supervision also could limit the discretion of HDFS in operating its business. Noncompliance with applicable statutes or regulations could result in the suspension or revocation of any charter, license or registration at issue, as well as the imposition of civil fines, criminal penalties and administrative sanctions.

A subsidiary of HDFS, Eaglemark Savings Bank (ESB), is a Nevada state thrift chartered as an Industrial Loan Company (ILC). The activities of this subsidiary are governed by federal laws and regulations as well as State of Nevada banking laws, and are subject to examination by the Federal Deposit Insurance Corporation (FDIC) and Nevada state bank examiners. ESB originates retail loans and sells the loans to a non-banking subsidiary of HDFS. This process allows HDFS to offer retail products with many common characteristics across the United States and to similarly service loans to U.S. retail customers.

*Employees* – As of December 31, 2017, the Financial Services segment had approximately 600 employees.

#### **Internet Access**

The Company’s website address for investor relations is <http://investor.harley-davidson.com/>.

The Company’s Annual Report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and any amendments to those reports, are available on its website free of charge as soon as reasonably practicable after it electronically files such material with, or furnishes such material to, the United States Securities and Exchange Commission (SEC).

In addition, the Company makes available, through its website, the following corporate governance materials: (a) the Company’s Corporate Governance Policy; (b) Committee Charters approved by the Company’s Board of Directors for the Audit and Finance Committee, Human Resources Committee, Nominating and Corporate Governance Committee and Sustainability Committee; (c) the Company’s Financial Code of Ethics; (d) the Company’s Code of Business Conduct (the Code of Conduct) in nine languages including English; (e) the Conflict of Interest Process for Directors, Executive Officers and Other Employees (the Conflict Process); (f) a list of the Company’s Board of Directors; (g) the Company’s Bylaws; (h) the Company’s Environmental and Energy Policy; (i) the Company’s Policy for Managing Disclosure of Material Information; (j) the Company’s Supplier Code of Conduct in four languages including English; (k) the Sustainability Strategy Report; (l) the list of compensation survey participants used as market reference points for various components of compensation as reported in the Company’s Notice of Annual Meeting and Proxy Statement filed with the SEC on March 20, 2017, which compensation relates to the Company’s named executive officers; (m) the California Transparency in Supply Chain Act Disclosure; (n) Statement on Conflict Minerals; (o) Political Engagement and Contributions 2016-2017; and (p) the Company’s Clawback Policy.

The Company satisfies the disclosure requirements under the Code of Conduct, the Conflict Process and applicable New York Stock Exchange listing requirements regarding waivers of the Code of Conduct or the Conflict Process by disclosing the information in the Company’s proxy statement for its annual meeting of shareholders or on the Company’s website. The Company is not including the information contained on or available through its website as a part of, or incorporating such information by reference into, this Annual Report on Form 10-K.

#### **Item 1A. Risk Factors**

An investment in Harley-Davidson, Inc. involves risks, including those discussed below. These risk factors should be considered carefully before deciding whether to invest in the Company.

- **The Company may not be able to successfully execute its long-term business strategy.** There is no assurance that the Company will be able to drive growth and increase ridership to the extent desired through its focus of efforts and resources on its long-term business strategy and the Harley-Davidson brand, or to enhance productivity and profitability to the extent desired through pricing and continuous improvement.
- **The Company's strategy to grow ridership may not be successful.** The Company has been successful in marketing its products in large part by promoting the experience of Harley-Davidson motorcycling. To sustain and grow the business over the long-term, the Company must grow the sport of motorcycling and continue to be successful selling products and promoting the experience of motorcycling to new customers, including new riders, competitive riders and those who have motorcycle licenses but do not currently ride. The Company's efforts toward building two million riders in the U.S. between 2017 and 2027 and growing ridership internationally may not be successful, and achieving such growth in ridership may still not adequately meet the desired result of driving unit sales growth. Further, growing ridership in the U.S. may be challenging because the motorcycle market in the U.S. has been stagnant or declining, and the Company expects those conditions to continue. Failure to successfully drive demand for the Company's products may have a material adverse effect on the Company's business and results of operations.
- **The Company must effectively execute its manufacturing optimization plan within expected costs and timing.** In January 2018, the Company announced a multi-year manufacturing optimization plan anchored by the consolidation of its final assembly plant in Kansas City, Missouri, into its York, Pennsylvania plant, and the closure of its wheel operations in Australia. These actions are designed to eliminate excess capacity and reduce production costs and component supply costs. Effectively executing these plans within expected costs and realizing expected benefits will depend upon a number of factors, including the time required to complete planned actions and effective collaboration with the unions representing the Company's employees, the absence of material issues associated with workforce reductions, availability of and effective use of third-party service providers to assist in implementing the actions, the ability and effectiveness of current suppliers to take on additional component production volume, avoidance of unexpected disruptions in production, retention of key employees involved in implementing the restructuring plans and the ability of the Company to dispose of vacated facilities in a cost effective manner.
- **The Company's ability to remain competitive is dependent upon its capability to develop and successfully introduce new, innovative and compliant products.** The motorcycle market continues to change in terms of styling preferences and advances in new technology and, at the same time, be subject to increasing regulations related to safety and emissions. The Company must continue to distinguish its products from its competitors' products with unique styling and new technologies. The Company may not be able to achieve its goal of introducing 100 new, high-impact motorcycle models between 2017 and 2027, and introducing those models may still not lead to the desired result of driving unit sales growth. As the Company incorporates new and different features and technology into its products, the Company must protect its intellectual property from imitators and ensure its products do not infringe the intellectual property of other companies. In addition, these new products must comply with applicable regulations worldwide and satisfy the potential demand for products that produce lower emissions and achieve better fuel economy. The Company must make product advancements to respond to changing consumer preferences and market demands while maintaining the classic look, sound and feel associated with Harley-Davidson products, and development of electric vehicles will present challenges to the Company's ability to maintain such look, sound and feel. The Company must also be able to design and manufacture these products and deliver them to a global marketplace in an efficient and timely manner and at prices that are attractive to customers. There can be no assurances that the Company will be successful in these endeavors or that existing and prospective customers will like or want the Company's new products.
- **Increased supply of and/or declining prices for used motorcycles and excess supply of new motorcycles may adversely impact retail sales of new motorcycles by the Company's independent dealers.** The Company has observed that when the supply of used motorcycles increases or the prices for used Harley-Davidson motorcycles decline, there can be reduced demand among retail purchasers for new Harley-Davidson motorcycles (at or near manufacturer's suggested retail prices). Further, the Company and its independent dealers can and do take actions that influence the markets for new and used Harley-Davidson motorcycles. For example, introduction of new motorcycle models with significantly different functionality, technology or other customer satisfiers can result in increased supply of used motorcycles, which could result in declining prices for used motorcycles and prior model-year new motorcycles. Also, while the Company has taken steps designed to balance production volumes for its new motorcycles with demand, those steps may not be effective, or the Company's competitors could choose to supply new motorcycles to the market in excess of demand at reduced prices which could also have the effect of reducing demand for new Harley-Davidson motorcycles (at or near manufacturer's suggested retail prices). Ultimately, reduced demand among retail purchasers for new Harley-Davidson motorcycles leads to reduced shipments by the Company.

- **The motorcycle industry has become increasingly competitive.** Many of the Company's competitors are more diversified than the Company, and they may compete in all segments of the motorcycle market, other powersports markets and/or the automotive market. Certain competitors appear to be increasing their investment in products that compete with the Company's products. Also, the Company's manufacturer's suggested retail price for its motorcycles is generally higher than its competitors, and as price becomes a more important competitive factor for consumers in the markets in which the Company competes, the Company may be at a competitive disadvantage. Furthermore, many competitors headquartered outside the U.S. experience a financial benefit from a strengthening in the U.S. dollar relative to their home currency that can enable them to reduce prices to U.S. consumers. In addition, the Company's financial services operations face competition from various banks, insurance companies and other financial institutions that may have access to additional sources of capital at more competitive rates and terms, particularly for borrowers in higher credit tiers. The Company's responses to these competitive pressures, or its failure to adequately address and respond to these competitive pressures, may have a material adverse effect on the Company's business and results of operations.
- **Changes in general economic and business conditions, tightening of credit and retail markets, political events or other factors may adversely impact dealers' retail sales.** The motorcycle industry is impacted by general economic conditions over which motorcycle manufacturers have little control. These factors can weaken the retail environment and lead to weaker demand for discretionary purchases such as motorcycles. Weakened economic conditions in certain business sectors and geographic areas, such as oil-dependent areas, can also result in reduced demand for the Company's products. Tightening of credit can limit the availability of funds from financial institutions and other lenders and sources of capital which could adversely affect the ability of retail consumers to obtain loans for the purchase of motorcycles from lenders, including HDFS. Should general economic conditions or motorcycle industry demand decline, the Company's results of operations and financial condition may be substantially adversely affected. The motorcycle industry can also be affected by political conditions and other factors over which motorcycle manufacturers have little control.
- **Expanding international sales and operations subjects the Company to risks that may have a material adverse effect on its business.** Expanding international sales and operations is a part of the Company's long-term business strategy, particularly in light of the U.S. market conditions. There is no assurance that the Company will accomplish this successfully. Further, to support that strategy, the Company must increase its presence outside the U.S., including additional employees and investment in business infrastructure and operations. International operations and sales are subject to various risks, including political and economic instability, local labor market conditions, the imposition of foreign tariffs and other trade barriers, the impact of foreign government laws and regulations and U.S. laws and regulations that apply to international operations, and the effects of income and withholding taxes, governmental expropriation and differences in business practices. The Company may incur increased costs and experience delays or disruptions in product deliveries and payments in connection with international operations and sales that could cause loss of revenues and earnings. Unfavorable changes in the political, regulatory and business climate could have a material adverse effect on the Company's net sales, financial condition, profitability or cash flows. Business practices that may be accepted in other countries can violate U.S. or other laws that apply to the Company. Violations of laws that apply to the Company's foreign operations, such as the U.S. Foreign Corrupt Practices Act, could result in severe criminal or civil sanctions, could disrupt the Company's business and result in an adverse effect on the Company's reputation, business and results of operations.
- **The Company may not be able to successfully execute its manufacturing strategy.** The Company's manufacturing strategy is designed to continuously improve product quality and increase productivity, while reducing costs and increasing flexibility to respond to ongoing changes in the marketplace. Based on the Company's strategy, the Company may, from time to time, open, close, expand, contract or restructure one or more of its manufacturing facilities. The Company believes flexible manufacturing, including flexible supply chains and flexible labor agreements, is the key element to enable improvements in the Company's ability to respond to customers in a cost effective manner. To execute this strategy, the Company must be successful in its implementation of facility changes and in its continuous improvement efforts, all of which are dependent on the involvement of management, production employees and suppliers. To execute this strategy, the Company must be successful in its continuous improvement efforts which are dependent on the involvement of management, production employees and suppliers. Any inability to achieve these objectives could adversely impact the profitability of the Company's products and its ability to deliver the right product at the right time to the customer.
- **The Company must prevent and detect issues with its products, components purchased from suppliers, and its suppliers' manufacturing processes to reduce the risk of recall campaigns, increased warranty costs or**

**litigation, increased product liability claims or litigation, delays in new model launches, and inquiries or investigations by regulatory agencies. The Company must also complete any recall campaigns within cost expectations.** The Company must continually improve and adhere to product development and manufacturing processes, and ensure that its suppliers and their sub-tier suppliers adhere to product development and manufacturing processes, to ensure high quality products are sold to retail customers. If product designs or manufacturing processes are defective, the Company could experience delays in new model launches, field actions such as product programs and product recalls, inquiries or investigations from regulatory agencies, warranty claims, and product liability claims, which may involve purported class actions. While the Company uses reasonable methods to estimate the cost of warranty, recall and product liability costs and appropriately reflects those in its financial statements, there is a risk the actual costs could exceed estimates and result in damages that are not covered by insurance. Further, selling products with poor quality, the announcement of recalls, and the filing of product liability claims (whether or not successful), may also adversely affect the Company's reputation and brand strength.

- **The Company's Motorcycles segment is dependent upon unionized labor.** Substantially all of the hourly production employees working in the Motorcycles segment are represented by unions and covered by collective bargaining agreements. Harley-Davidson Motor Company is currently a party to five collective bargaining agreements with local affiliates of the International Association of Machinists and Aerospace Workers and the United Steelworkers of America. Current collective bargaining agreements with hourly employees in Missouri, Wisconsin and Pennsylvania will expire in 2018, 2019 and 2022, respectively. There is no certainty that the Company will be successful in negotiating new agreements with these unions that extend beyond the current expiration dates or that these new agreements will be on terms that will allow the Company to be competitive or that allow the Company to execute its manufacturing optimization as planned. The Company's decisions regarding opening, closing, expanding, contracting or restructuring its facilities may require changes to existing or new bargaining agreements. The Company will need to negotiate an extension of its bargaining agreements covering its Kansas City, Missouri facility as part of its manufacturing optimization plan. Failure to extend the KC bargaining agreements, or renew other agreements when they expire or to establish new collective bargaining agreements on terms acceptable to the Company and the unions could result in the relocation of production facilities, work stoppages or other labor disruptions which may have a material adverse effect on the Company's business and results of operations.
- **The Company is exposed to market risk from changes in foreign exchange rates, commodity prices and interest rates.** The Company sells its products internationally and in most markets those sales are made in the foreign country's local currency. As a result, a weakening in those foreign currencies relative to the U.S. dollar can adversely affect the Company's revenue and margin, and cause volatility in results of operations. Furthermore, many competitors headquartered outside the U.S. experience a financial benefit from a strengthening in the U.S. dollar relative to their home currency that can enable them to reduce prices to U.S. consumers. The Company is also subject to risks associated with changes in prices of commodities. Earnings from the Company's financial services business are affected by changes in interest rates. Although the Company uses derivative financial instruments to some extent to attempt to manage a portion of its exposure to foreign currency exchange rates and commodity prices, the Company does not attempt to manage its entire expected exposure, and these instruments generally do not extend beyond one year and may expose the Company to credit risk in the event of counterparty default to the derivative financial instruments. There can be no assurance that in the future the Company will successfully manage these risks.
- **The Financial Services operations are exposed to credit risk on its retail and wholesale receivables.** Credit risk is the risk of loss arising from a failure by a customer, including the Company's independent dealers, to meet the terms of any contract with the Company's financial services operations. Credit losses are influenced by general business and economic conditions, including unemployment rates, bankruptcy filings and other factors that negatively affect household incomes, as well as contract terms and customer credit profiles. Credit losses are also influenced by the markets for new and used motorcycles, and the Company and its independent dealers can and do take actions that impact those markets. For example, the introduction of new models by the Company that represent significant upgrades on previous models may result in increased supply or decreased demand in the market for used Harley-Davidson branded motorcycles, including those motorcycles that serve as collateral or security for credit that HDFS has extended. This in turn could adversely impact the prices at which those motorcycles may be sold, which may lead to increased credit losses for HDFS. Negative changes in general business, economic or market factors may have an additional adverse impact on the Company's financial services credit losses and future earnings. The Company believes HDFS' retail credit losses may continue to increase over time due to changing consumer credit behavior and HDFS' efforts to increase prudently structured loan approvals to sub-prime borrowers, as well as actions that the Company has taken and could take that impact motorcycle values. Increases in the frequency of loss and decreases in the value of repossessed Harley-Davidson branded motorcycles also adversely impact credit losses. If there are adverse circumstances that involve a material decline in values of Harley-Davidson branded motorcycles, those

circumstances or any related decline in resale values for Harley-Davidson branded motorcycles could contribute to increased delinquencies and credit losses.

- **The Company's operations are dependent upon attracting and retaining skilled employees, including skilled labor, executive officers and other senior leaders. The Company's future success depends on its continuing ability to identify, hire, develop, motivate, retain and promote skilled personnel for all areas of its organization, and to effectively execute reorganization actions within expected costs and realize the expected benefits of those actions.** The Company's current and future total compensation arrangements, which include benefits and incentive awards, may not be successful in attracting new employees and retaining and motivating the Company's existing employees. In addition, the Company must cultivate and sustain a work environment where employees are engaged and energized in their jobs to maximize their performance, and the Company must effectively execute reorganization actions. If the Company does not succeed in attracting new personnel, retaining existing personnel, implementing effective succession plans and motivating and engaging personnel, including executive officers, the Company may be unable to develop and distribute products and services and effectively execute its plans and strategies.
- **A cybersecurity breach may adversely affect the Company's reputation, revenue and earnings.** The Company and certain of its third-party service providers and vendors receive, store, and transmit digital personal information in connection with the Company's human resources operations, financial services operations, e-commerce, the Harley Owners Group, dealer management, and other aspects of its business. The Company's information systems, and those of its third-party service providers and vendors, are vulnerable to the increasing threat of continually evolving cybersecurity risks. Unauthorized parties have attempted to and may attempt in the future to gain access to these systems or the information the Company and its third-party service providers and vendors maintain and use through fraud or other means of deceiving our employees and third-party service providers and vendors. Hardware, software or applications the Company develops or obtains from third-parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security and/or the Company's operations. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving and may be difficult to anticipate or detect. The Company has implemented and regularly reviews and updates processes and procedures to protect against unauthorized access to or use of secured data and to prevent data loss. However, the ever-evolving threats mean the Company and third-party service providers and vendors must continually evaluate and adapt systems and processes, and there is no guarantee that they will be adequate to safeguard against all data security breaches or misuses of data. The Company has experienced information security attacks, but to date they have not compromised the Company's computing environment or resulted in a material impact on the Company's business or operations or the release of confidential information about employees, customers, dealers, suppliers or other third parties. Any future significant compromise or breach of the Company's data security, whether external or internal, or misuse of customer, employee, dealer, supplier or Company data could result in disruption to the Company's operations, significant costs, lost sales, fines and lawsuits, and/or damage to the Company's reputation. In addition, as the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, with new and evolving requirements, compliance could also result in the Company being required to incur additional costs.
- **The Company sells its products at wholesale and must rely on a network of independent dealers to manage the retail distribution of its products.** The Company depends on the capability of its independent dealers to develop and implement effective retail sales plans to create demand among retail purchasers for the motorcycles and related products and services that the dealers purchase from the Company. If the Company's independent dealers are not successful in these endeavors, then the Company will be unable to maintain or grow its revenues and meet its financial expectations. Further, independent dealers may experience difficulty in funding their day-to-day cash flow needs and paying their obligations resulting from adverse business conditions such as weakened retail sales and tightened credit. If dealers are unsuccessful, they may exit or be forced to exit the business or, in some cases, the Company may seek to terminate relationships with certain dealerships. As a result, the Company could face additional adverse consequences related to the termination of dealer relationships. Additionally, liquidating a former dealer's inventory of new and used motorcycles can add downward pressure on new and used motorcycle prices. Further, the unplanned loss of any of the Company's independent dealers may lead to inadequate market coverage for retail sales of new motorcycles and for servicing previously sold motorcycles, create negative impressions of the Company with its retail customers, and adversely impact the Company's ability to collect wholesale receivables that are associated with that dealer.
- **The Company must comply with governmental laws and regulations that are subject to change and involve significant costs.** The Company's sales and operations in areas outside the U.S. may be subject to foreign laws, regulations and the legal systems of foreign courts or tribunals. These laws and policies governing operations of foreign-based companies may result in increased costs or restrictions on the ability of the Company to sell its products

in certain countries. U.S. laws and policies affecting foreign trade and taxation may also adversely affect the Company's international sales operations.

The Company's domestic sales and operations are subject to governmental policies and regulatory actions of agencies of the United States Government, including the Environmental Protection Agency (EPA), SEC, National Highway Traffic Safety Administration, Department of Labor and Federal Trade Commission. In addition, the Company's sales and operations are also subject to laws and actions of state legislatures and other local regulators, including dealer statutes and licensing laws. Changes in regulations or the imposition of additional regulations may have a material adverse effect on the Company's business and results of operations.

*Tax* - The Company is subject to income and non-income based taxes in the U.S. and in various foreign jurisdictions. Significant judgment is required in determining the Company's worldwide income tax liabilities and other tax liabilities including the impact of the 2017 Tax Cuts and Jobs Act (2017 Tax Act). The Company believes that it complies with applicable tax law. If the governing tax authorities have a different interpretation of the applicable law or if there is a change in tax law, the Company's financial condition and/or results of operations may be adversely affected. To the extent there are considerable changes to tax laws, the Company may need to readjust its tax strategy, and may not be able to take full advantage of such changes. Furthermore, given the complexity and timing of the 2017 Tax Act, future guidance, interpretations and pronouncements may add clarity to the numerous aspects of the 2017 Tax Act that impact the Company. Future clarifications may give rise to additional unanticipated matters that could impact the Company's tax liabilities and effective tax rate that result in revisions to the Company's provisional estimates related to the 2017 Tax Act included in the Company's 2017 income tax provision, which could in turn adversely impact future operating results.

*Environmental* - The Company's motorcycle products use internal combustion engines. These motorcycle products are subject to statutory and regulatory requirements governing emissions and noise, including standards imposed by the EPA, state regulatory agencies, such as California Air Resources Board, and regulatory agencies in certain foreign countries where the Company's motorcycle products are sold. The Company is also subject to statutory and regulatory requirements governing emissions and noise in the conduct of the Company's manufacturing operations. Any significant change to the regulatory requirements governing emissions and noise may substantially increase the cost of manufacturing the Company's products. If the Company fails to meet existing or new requirements, then the Company may be unable to sell certain products or may be subject to fines or penalties. Further, in response to concerns about global climate changes and related changes in consumer preferences, the Company may face greater regulatory or customer pressure to develop products that generate less emissions. This may require the Company to spend additional funds on research, product development, and implementation costs and subject the Company to the risk that the Company's competitors may respond to these pressures in a manner that gives them a competitive advantage.

*Financial Services* - The Company's financial services operations are governed by a wide range of foreign, federal and state laws that regulate financial and lending institutions, and financial services activities. In the U.S. for example, these laws include the federal Truth-in-Lending Act, Equal Credit Opportunity Act and Fair Credit Reporting Act. The financial services operations originate the majority of its consumer loans through its subsidiary, Eaglemark Savings Bank, a Nevada state thrift chartered as an industrial loan company. Federal and state bodies may in the future impose additional laws, regulation and supervision over the financial services industry.

Violations of, or non-compliance with, relevant laws and regulations may limit the ability of HDFS to collect all or part of the principal or interest on applicable loans, may entitle the borrower to rescind the loan or obtain a refund of amounts previously paid, could subject HDFS to payment of damages, civil fines, or criminal penalties and administrative sanctions and could limit the number of loans eligible for HDFS securitizations programs. Such regulatory requirements and associated supervision also could limit the discretion of HDFS in operating its business, such as through the suspension or revocation of any charter, license or registration at issue, as well as the imposition of administrative sanctions, including "cease and desist" orders. The Company cannot assure that the applicable laws or regulations will not be amended or construed in ways that are adverse to HDFS, that new laws and regulations will not be adopted in the future, or that laws and regulations will not attempt to limit the interest rates charged by HDFS, any of which may adversely affect the business of HDFS or its results of operations.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) is a sweeping piece of legislation impacting financial services and the full effect will not be fully known for years, as regulations that are intended to implement the Dodd-Frank Act are adopted, and the text of the Dodd-Frank Act is analyzed by stakeholders and possibly the courts. The Dodd-Frank Act also created the Consumer Financial Protection Bureau (CFPB). The CFPB has significant enforcement and rule-making authority in the area of consumer financial products and services. The direction that the CFPB will take, the regulations it will adopt, and its interpretation of existing laws

and regulations are all elements that are not yet fully known. Compliance may be costly and could affect operating results as the implementation of new forms, processes, procedures and controls and infrastructure may be required. Compliance may create operational constraints and place limits on pricing. Failure to comply, as well as changes to laws and regulations, or the imposition of additional laws and regulations, could affect HDFS' earnings, limit its access to capital, limit the number of loans eligible for HDFS securitization programs and have a material adverse effect on HDFS' business and results of operations. The CFPB also has supervisory authority over certain non-bank larger participants in the vehicle financing market, which includes a non-bank subsidiary of HDFS, allowing the CFPB to conduct comprehensive and rigorous on-site examinations that could result in enforcement actions, fines, changes to processes and procedures, product-related changes or consumer refunds, or other actions.

*U.S. Public Company* - The Company is also subject to policies and actions of the SEC and New York Stock Exchange (NYSE). Many major competitors of the Company are not subject to the requirements of the SEC or the NYSE rules. As a result, the Company may be required to disclose certain information that may put the Company at a competitive disadvantage to its principal competitors.

- **Weather may impact retail sales by the Company's independent dealers.** The Company has observed that abnormally cold and/or wet conditions in a region, including impacts from hurricanes or unusual storms, could have the effect of reducing demand or changing the timing for purchases of new Harley-Davidson motorcycles. Reduced demand for new Harley-Davidson motorcycles ultimately leads to reduced shipments by the Company.
- **The Company relies on third party suppliers to obtain raw materials and provide component parts for use in the manufacture of its motorcycles.** The Company may experience supply problems relating to raw materials and components such as unfavorable pricing, poor quality, or untimely delivery. In certain circumstances, the Company relies on a single supplier to provide the entire requirement of a specific part, and a change in this established supply relationship may cause disruption in the Company's production schedule. In addition, the price and availability of raw materials and component parts from suppliers can be adversely affected by factors outside of the Company's control such as the supply of a necessary raw material or natural disasters. Further, Company suppliers may experience difficulty in funding their day-to-day cash flow needs because of tightening credit caused by financial market disruption. In addition, adverse economic conditions and related pressure on select suppliers due to difficulties in the global manufacturing arena could adversely affect their ability to supply the Company. Changes in laws and policies relating to trade and taxation may also adversely impact the Company's foreign suppliers. These supplier risks may have a material adverse effect on the Company's business and results of operations.
- **The Company must invest in and successfully implement new information systems and technology.** The Company is continually modifying and enhancing its systems and technology to increase productivity and efficiency and to mitigate failure risks from older/aged technologies currently in its portfolio. The Company has several large, strategic information system projects in process. As new systems and technologies (and related strategies) are implemented, the Company could experience unanticipated difficulties resulting in unexpected costs and adverse impacts to its manufacturing and other business processes. When implemented, the systems and technology may not provide the benefits anticipated and could add costs and complications to ongoing operations and older technologies may fail, which may have a material adverse effect on the Company's business and results of operations.
- **The ability of the Company to expand international sales may be impacted by existing or new laws and regulations that impose motorcycle licensing restrictions and limit access to roads and highways.** Expanding international sales is a part of the Company's long-term business strategy. A number of countries have tiered motorcycle licensing requirements that limit the ability of new and younger riders to obtain licenses to operate the Company's motorcycles, and many countries are considering the implementation of such requirements. These requirements only allow new and/or younger riders to operate smaller motorcycles for certain periods of time. Riders typically are only permitted to obtain a license to ride larger motorcycles upon reaching certain ages and/or having been licensed to ride smaller motorcycles for a certain period of time, and only after passing additional tests and paying additional fees. These requirements pose obstacles to large displacement motorcycle ownership. Other countries have laws and regulations that prohibit motorcycles from being operated on certain roads and highways. These types of laws and regulations could adversely impact the Company's plans to expand international sales.
- **The Company is and may in the future become subject to legal proceedings and commercial or contractual disputes.** The uncertainty associated with substantial unresolved claims and lawsuits may harm the Company's business, financial condition, reputation and brand. The defense of the lawsuits may result in the expenditures of significant financial resources and the diversion of management's time and attention away from business operations.

In addition, although the Company is unable to determine the amount, if any, that it may be required to pay in connection with the resolution of the lawsuits by settlement or otherwise, any such payment may have a material adverse effect on the Company's business and results of operations. Refer to the Company's disclosures concerning legal proceedings in this Form 10-K and in the other periodic reports that the Company files with the Securities and Exchange Commission (SEC) for additional detail regarding lawsuits and other claims against the Company.

- **The Company, its suppliers, and its independent dealers must successfully accommodate a seasonal retail motorcycle sales pattern.** The Company records the wholesale sale of a motorcycle when it is shipped to the Company's independent dealers. The Company's flexible production capability allows it to more closely correlate motorcycle production and wholesale shipments with the retail selling season. Any difficulties in executing flexible production could result in lost production or sales. The Company, its suppliers, and its independent dealers must be able to successfully manage changes in production rates, inventory levels and other business processes associated with flexible production. Failure by the Company, its suppliers, or its independent dealers to make such adjustments may have a material adverse effect on the Company's business and results of operations.
- **The Financial Services operations rely on external sources to finance a significant portion of its operations.** Liquidity is essential to the Company's Financial Services business. Disruptions in financial markets may cause lenders and institutional investors to reduce or cease to loan money to borrowers, including financial institutions. The Company's Financial Services operations may be negatively affected by difficulty in raising capital in the long-term and short-term capital markets. These negative consequences may in turn adversely affect the Company's business and results of operations in various ways, including through higher costs of capital, reduced funds available through its financial services operations to provide loans to independent dealers and their retail customers, and dilution to existing share value through the use of alternative sources of capital.
- **The Financial Services operations are highly dependent on accessing capital markets to fund their operations at competitive interest rates, the Company's access to capital and its cost of capital are highly dependent upon its credit ratings, and any negative credit rating actions will adversely affect its earnings and results of operations.** The ability of the Company and its Financial Services operations to access unsecured capital markets is influenced by their short-term and long-term credit ratings. If the Company's credit ratings are downgraded or its ratings outlook is negatively changed, the Company's cost of borrowing could increase, resulting in reduced earnings and interest margins, or the Company's access to capital may be disrupted or impaired. The Company borrowed \$750,000,000 in 2015 to fund the repurchase of its Common Stock, which increased the Company's leverage. Having increased leverage increases the risk of a downgrade in the Company's credit ratings.
- **The Company incurs substantial costs with respect to employee pension and healthcare benefits.** The Company's cash funding requirements and its estimates of liabilities and expenses for pensions and healthcare benefits for both active and retired employees are based on several factors that are outside the Company's control. These factors include funding requirements of the Pension Protection Act of 2006, the rate used to discount the future estimated liability, the rate of return on plan assets, current and projected healthcare costs, healthcare reform or legislation, retirement age and mortality. Changes in these factors can impact the expense, liabilities and cash requirements associated with these benefits which could have a material adverse effect on future results of operations, liquidity or shareholders' equity. In addition, costs associated with these benefits put the Company under significant cost pressure as compared to its competitors that may not bear the costs of similar benefit plans. Furthermore, costs associated with complying with the Patient Protection and Affordable Care Act may produce additional cost pressure on the Company and its health care plans.
- **The Company's success depends upon the continued strength of the Harley-Davidson brand.** The Company believes that the Harley-Davidson brand has significantly contributed to the success of its business and that maintaining and enhancing the brand is critical to expanding its customer base. Failure to protect the brand from infringers or to grow the value of the Harley-Davidson brand may have a material adverse effect on the Company's business and results of operations.
- **The Company must maintain stakeholder confidence in its operating ethics and corporate governance practices.** The Company believes it has a history of good corporate governance and operating ethics. The Company has a Code of Business Conduct that defines how employees interact with various Company stakeholders and addresses issues such as confidentiality, conflict of interest and fair dealing. Failure to maintain its reputation for good corporate governance and strong operating ethics may have a material adverse effect on the Company's business and results of operations.

- **The Company's operations may be affected by greenhouse emissions and climate change and related regulations.** Climate change is receiving increasing attention worldwide. Many scientists, legislators and others attribute climate change to increased levels of greenhouse gases, including carbon dioxide, which has led to significant legislative and regulatory efforts to limit greenhouse gas emissions. Congress has previously considered and may in the future implement restrictions on greenhouse gas emissions. In addition, several states, including states where the Company has manufacturing plants, have previously considered and may in the future implement greenhouse gas registration and reduction programs. Energy security and availability and its related costs affect all aspects of the Company's manufacturing operations in the United States, including the Company's supply chain. The Company's manufacturing plants use energy, including electricity and natural gas, and certain of the Company's plants emit amounts of greenhouse gas that may be affected by these legislative and regulatory efforts. Greenhouse gas regulation could increase the price of the electricity the Company purchases, increase costs for use of natural gas, potentially restrict access to or the use of natural gas, require the Company to purchase allowances to offset the Company's own emissions or result in an overall increase in costs of raw materials, any one of which could increase the Company's costs, reduce competitiveness in a global economy or otherwise negatively affect the Company's business, operations or financial results. Many of the Company's suppliers face similar circumstances. Physical risks to the Company's business operations as identified by the Intergovernmental Panel on Climate Change and other expert bodies include scenarios such as sea level rise, extreme weather conditions and resource shortages. Extreme weather may disrupt the production and supply of component parts or other items such as natural gas, a fuel necessary for the manufacture of motorcycles and their components. Supply disruptions would raise market rates and jeopardize the continuity of motorcycle production.
- **Regulations related to conflict minerals and other materials that the Company purchases to use in its products will cause the Company to incur additional expenses and may have other adverse consequences.** The SEC adopted inquiry, diligence and disclosure requirements related to certain minerals sourced from the Democratic Republic of Congo and surrounding countries, or "conflict minerals," that are necessary to the functionality of a product manufactured, or contracted to be manufactured, by an SEC reporting company. Compliance with the disclosure requirements could affect the sourcing and availability of some of the minerals that the Company uses in the manufacturing of its products. The Company's supply chain is complex, and if it is not able to determine the source and chain of custody for all conflict minerals used in its products that are sourced from the Democratic Republic of Congo and surrounding countries or determine that its products are "conflict free," then the Company may face reputational challenges with customers, investors or others. Additionally, as there may be only a limited number of suppliers offering "conflict free" minerals, if the Company chooses to use only conflict minerals that are "conflict free," the Company cannot be sure that it will be able to obtain necessary materials from such suppliers in sufficient quantities or at competitive prices. Further, other laws or regulations impacting our supply chain, such as the UK Modern Slavery Act, may have similar consequences. For example, many countries in which the Company distributes its products are beginning to introduce regulations that require knowledge and disclosure of virtually all materials and chemicals in the Company's products. Accordingly, the Company could incur significant costs related to the process of complying with these laws, including potential difficulty or added costs in satisfying the disclosure requirements.
- **The Company relies on third parties to perform certain operating and administrative functions for the Company.** Similar to suppliers of raw materials and components, the Company may experience problems with outsourced services, such as unfavorable pricing, untimely delivery of services, or poor quality. Also, these suppliers may experience adverse economic conditions due to difficulties in the global economy that could lead to difficulties supporting the Company's operations. In light of the amount and types of functions that the Company has outsourced, these service provider risks may have a material adverse effect on the Company's business and results of operations.

The Company disclaims any obligation to update these Risk Factors or any other forward-looking statements. The Company assumes no obligation (and specifically disclaims any such obligation) to update these Risk Factors or any other forward-looking statements to reflect actual results, changes in assumptions or other factors affecting such forward-looking statements.

***Item 1B. Unresolved Staff Comments***

None.

## Item 2. Properties

The following is a summary of the principal operating properties of the Company as of December 31, 2017:

### Motorcycles & Related Products Segment

Type of Facility	Location	Approximate Square Feet	Status
Corporate Office	Milwaukee, WI	515,000	Owned
Museum	Milwaukee, WI	130,000	Owned
Manufacturing <sup>(1)</sup>	Menomonee Falls, WI	915,000	Owned
Product Development Center	Wauwatosa, WI	409,000	Owned
Manufacturing <sup>(2)</sup>	Tomahawk, WI	226,000	Owned
Manufacturing <sup>(3)</sup>	York, PA	571,000	Owned
Manufacturing <sup>(4)</sup>	Kansas City, MO	456,000	Owned
Manufacturing <sup>(5)</sup>	Manaus, Brazil	108,000	Lease expiring 2019
Regional Office	Oxford, England	39,000	Lease expiring 2022
Manufacturing <sup>(6)</sup>	Bawal, India	68,000	Lease expiring 2019
Regional Office	Singapore	24,000	Lease expiring 2020
Manufacturing <sup>(7)</sup>	Adelaide, Australia	485,000	Lease expiring 2020

(1) Motorcycle powertrain production.

(2) Plastic parts production and painting.

(3) Motorcycle parts fabrication, painting and Softail® and touring model assembly.

(4) Motorcycle parts fabrication, painting and Dyna®, Sportster®, Softail® and Street platform assembly.

(5) Assembly of select models for the Brazilian market.

(6) Assembly of select models for the Indian market and production of the Street platform for non-North American markets.

(7) Motorcycle wheel production.

### Financial Services Segment

Type of Facility	Location	Approximate Square Feet	Status
Office	Chicago, IL	26,000	Lease expiring 2022
Office	Plano, TX	69,000	Lease expiring 2025
Office	Carson City, NV	100,000	Owned

The Financial Services segment has three office facilities: Chicago, Illinois (corporate headquarters); Plano, Texas (wholesale and retail operations); and Carson City, Nevada (retail operations).

## Item 3. Legal Proceedings

The Company is subject to lawsuits and other claims related to environmental, product and other matters. In determining costs to accrue related to these items, the Company carefully analyzes cases and considers the likelihood of adverse judgments or outcomes, as well as the potential range of possible loss. Any amounts accrued for these matters are monitored on an ongoing basis and are updated based on new developments or new information as it becomes available for each matter.

*Environmental Protection Agency Notice:*

In December 2009, the Company received formal, written requests for information from the United States Environmental Protection Agency (EPA) regarding: (i) certificates of conformity for motorcycle emissions and related designations and labels, (ii) aftermarket parts, and (iii) warranty claims on emissions related components. The Company promptly submitted written responses to the EPA's inquiry and has engaged in information exchanges and discussions with the EPA. In August 2016, the Company entered into a consent decree with the EPA regarding these issues, and the consent decree was subsequently revised in July 2017 (the Settlement). In the Settlement, the Company agreed to, among other things, pay a fine, and not sell tuning products unless they are approved by the EPA or California Air Resources Board. In December 2017, the EPA filed the Settlement with the U.S. District Court for the District of Columbia for the purpose of obtaining court approval of the Settlement. Three amicus briefs opposing portions of the Settlement were filed with the court by the deadline of January 31, 2018. The Company anticipates the court will make a decision whether or not to finalize the Settlement in the following months. The Company has an accrual associated with this matter which is included in accrued liabilities in the Consolidated Balance Sheets, and as a result, if it is finalized, the Settlement would not have a material adverse effect on the Company's financial condition or results of operations. The Settlement is not final until it is approved by the court, and if it is not approved by the court, the Company cannot reasonably estimate the impact of any remedies the EPA might seek beyond the Company's current reserve for this matter.

*York Environmental Matters:*

The Company is involved with government agencies and groups of potentially responsible parties related to a matter involving the cleanup of soil and groundwater contamination at its York, Pennsylvania facility. The York facility was formerly used by the U.S. Navy and AMF prior to the purchase of the York facility by the Company from AMF in 1981. Although the Company is not certain as to the full extent of the environmental contamination at the York facility, it has been working with the Pennsylvania Department of Environmental Protection (PADEP) since 1986 in undertaking environmental investigation and remediation activities, including a site-wide remedial investigation/feasibility study (RI/FS).

In January 1995, the Company entered into a settlement agreement (the Agreement) with the Navy, and the parties amended the Agreement in 2013 to address ordnance and explosive waste. The Agreement calls for the Navy and the Company to contribute amounts into a trust equal to 53% and 47%, respectively, of costs associated with environmental investigation and remediation activities at the York facility (Response Costs). The trust administers the payment of the Response Costs incurred at the York facility as covered by the Agreement.

The Company has an accrual for its estimate of its share of the future Response Costs at the York facility which is included in other long-term liabilities in the Consolidated Balance Sheets. While much of the work on the RI/FS is complete, it is still under agency review and given the uncertainty that exists concerning the nature and scope of additional environmental investigation and remediation that may ultimately be required under the RI/FS that is finally approved or otherwise at the York facility, the Company is unable to make a reasonable estimate of those additional costs, if any, that may result.

The estimate of the Company's future Response Costs that will be incurred at the York facility is based on reports of independent environmental consultants retained by the Company, the actual costs incurred to date and the estimated costs to complete the necessary investigation and remediation activities.

*Product Liability Matters:*

The Company is involved in product liability suits related to the operation of its business. The Company accrues for claim exposures that are probable of occurrence and can be reasonably estimated. The Company also maintains insurance coverage for product liability exposures. The Company believes that its accruals and insurance coverage are adequate and that product liability suits will not have a material adverse effect on the Company's consolidated financial statements.

*National Highway Traffic Safety Administration Matters:*

In July 2016, the National Highway Traffic Safety Administration (NHTSA) began an investigation into certain of the Company's motorcycles equipped with anti-lock braking systems (ABS). NHTSA's investigation is in response to rider complaints related to brake failures and applies to model-year 2008-2013 Touring and model-year 2008-2017 V-ROD® motorcycles. NHTSA noted that Harley-Davidson has a two-year brake fluid replacement interval that owners either are unaware of or ignore. During 2017, the Company estimated and recorded a \$29.4 million accrual associated with the NHTSA matter which is included in accrued liabilities. On January 30, 2018, the Company announced a voluntary recall which offers a free brake fluid flush for model-year 2008-2011 Touring and V-ROD® motorcycles. The Company believes the accrued liability it has recorded will adequately cover the cost of the recall.

**Item 4. Mine Safety Disclosures**

Not Applicable

**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchase of Equity Securities**

Harley-Davidson, Inc. common stock is traded on the New York Stock Exchange, Inc. The high and low market prices for the common stock, reported as New York Stock Exchange, Inc. Composite Transactions, were as follows:

2017	Low	High	2016	Low	High
First quarter	\$ 54.75	\$ 63.40	First quarter	\$ 36.36	\$ 49.99
Second quarter	\$ 51.61	\$ 62.95	Second quarter	\$ 42.99	\$ 52.00
Third quarter	\$ 45.53	\$ 56.55	Third quarter	\$ 41.63	\$ 57.33
Fourth quarter	\$ 44.52	\$ 52.30	Fourth quarter	\$ 48.55	\$ 62.35

The Company paid the following dividends per share:

	2017	2016	2015
First quarter	\$ 0.365	\$ 0.350	\$ 0.310
Second quarter	0.365	0.350	0.310
Third quarter	0.365	0.350	0.310
Fourth quarter	0.365	0.350	0.310
Total	\$ 1.460	\$ 1.400	\$ 1.240

As of February 2, 2018, there were 72,285 shareholders of record of Harley-Davidson, Inc. common stock.

The Company's share repurchases include discretionary share repurchases and shares of common stock that employees surrendered to satisfy withholding taxes in connection with the vesting of restricted stock awards. The following table contains detail related to the Company's repurchase of its common stock based on the date of trade during the quarter ended December 31, 2017:

2017 Fiscal Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
September 25 to October 29	635	\$ 49	635	10,594,144
October 30 to November 26	731	\$ 49	731	10,594,144
November 27 to December 31	619	\$ 49	619	10,594,144
Total	1,985	\$ 49	1,985	

In February 2016, the Company's Board of Directors authorized the Company to repurchase up to 20.0 million shares of its common stock with no dollar limit or expiration date. As of December 31, 2017, 10.6 million shares remained under this authorization. In February 2018, the Company's Board of Directors authorized the Company to repurchase up to 15.0 million additional shares of its common stock with no dollar limit or expiration date.

Under the share repurchase authorizations, the Company's common stock may be purchased through any one or more of a Rule 10b5-1 trading plan and discretionary purchases on the open market, block trades, accelerated share repurchases or privately negotiated transactions. The number of shares repurchased, if any, and the timing of repurchases will depend on a number of factors, including share price, trading volume and general market conditions, as well as on working capital requirements, general business conditions and other factors. The repurchase authority has no expiration date but may be suspended, modified or discontinued at any time.

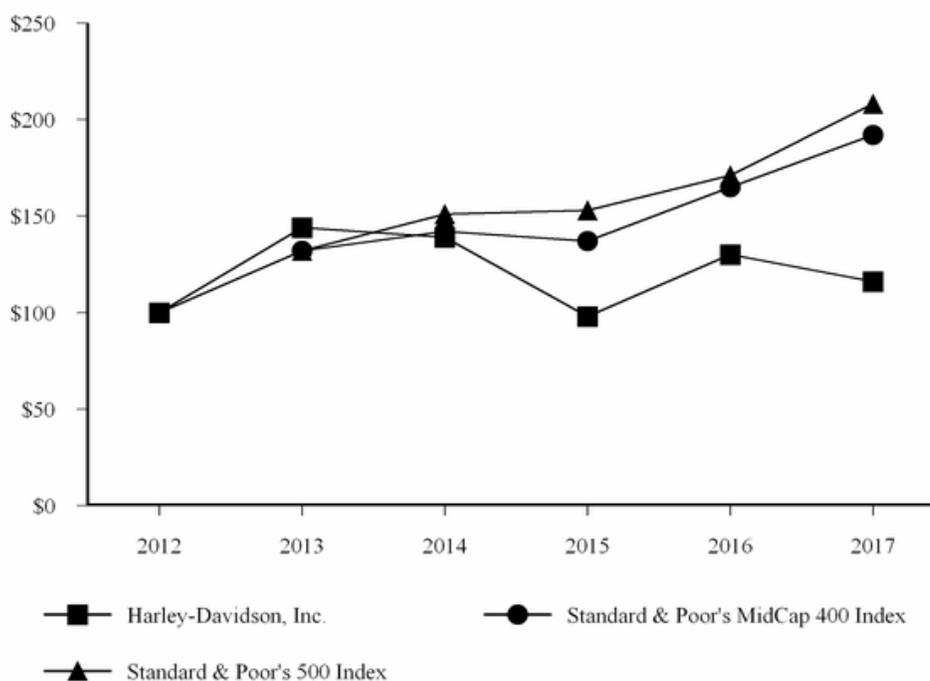
The Harley-Davidson, Inc. 2014 Incentive Stock Plan and predecessor stock plans permit participants to satisfy all or a portion of the statutory federal, state and local withholding tax obligations arising in connection with plan awards by electing to (a) have the Company withhold shares otherwise issuable under the award, (b) tender back shares received in connection with such award or (c) deliver other previously owned shares, in each case having a value equal to the amount to be withheld.

During the fourth quarter of 2017, the Company acquired 1,985 shares of common stock that employees presented to the Company to satisfy withholding taxes in connection with the vesting of restricted stock awards.

Item 12 of this Annual Report on Form 10-K contains certain information relating to the Company's equity compensation plans.

The following information in this Item 5 is not deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C under the Securities Exchange Act of 1934 or to the liabilities of Section 18 of the Securities Exchange Act of 1934, and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates it by reference into such a filing; the SEC requires the Company to include a line graph presentation comparing cumulative five year Common Stock returns with a broad-based stock index and either a nationally recognized industry index or an index of peer companies selected by the Company. The Company has chosen to use the Standard & Poor's 500 Index as the broad-based index and the Standard & Poor's MidCap 400 Index as a more specific comparison. The Standard & Poor's MidCap 400 Index was chosen because the Company does not believe that any other published industry or line-of-business index adequately represents the current operations of the Company. The graph assumes a beginning investment of \$100 on December 31, 2012 and that all dividends are reinvested.

**Comparison of Cumulative Five Year Total Return**



	2012 (\$)	2013 (\$)	2014 (\$)	2015 (\$)	2016 (\$)	2017 (\$)
Harley-Davidson, Inc.	100	144	139	98	130	116
Standard & Poor's MidCap 400 Index	100	132	142	137	165	192
Standard & Poor's 500 Index	100	132	151	153	171	208

**Item 6. Selected Financial Data**

(In thousands, except per share amounts)	2017	2016	2015	2014	2013
<b>Statement of income data:</b>					
Revenue:					
Motorcycles & Related Products	\$ 4,915,027	\$ 5,271,376	\$ 5,308,744	\$ 5,567,681	\$ 5,258,290
Financial Services	732,197	725,082	686,658	660,827	641,582
Total revenue	<u>\$ 5,647,224</u>	<u>\$ 5,996,458</u>	<u>\$ 5,995,402</u>	<u>\$ 6,228,508</u>	<u>\$ 5,899,872</u>
Net income	<u>\$ 521,759</u>	<u>\$ 692,164</u>	<u>\$ 752,207</u>	<u>\$ 844,611</u>	<u>\$ 733,993</u>
Weighted-average common shares:					
Basic	171,995	179,676	202,681	216,305	222,475
Diluted	172,932	180,535	203,686	217,706	224,071
Earnings per common share:					
Basic	\$ 3.03	\$ 3.85	\$ 3.71	\$ 3.90	\$ 3.30
Diluted	\$ 3.02	\$ 3.83	\$ 3.69	\$ 3.88	\$ 3.28
Dividends paid per common share	\$ 1.46	\$ 1.40	\$ 1.24	\$ 1.10	\$ 0.84
<b>Balance sheet data:</b>					
Total assets <sup>(a)</sup>	\$ 9,972,672	\$ 9,890,240	\$ 9,972,977	\$ 9,515,870	\$ 9,394,765
Total debt <sup>(a)</sup>	\$ 6,988,009	\$ 6,807,567	\$ 6,872,198	\$ 5,492,402	\$ 5,248,895
Total equity	\$ 1,844,277	\$ 1,920,158	\$ 1,839,654	\$ 2,909,286	\$ 3,009,486

- (a) The Company adopted ASU No. 2015-03 and ASU No. 2015-15 on January 1, 2016. Upon adoption, the Company reclassified debt issuance cost, other than debt issuance costs related to line of credit arrangements (which include its asset-backed commercial paper and commercial paper programs and its credit facilities), from other assets to debt.

## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Harley-Davidson, Inc. is the parent company of the groups of companies doing business as Harley-Davidson Motor Company (HDMC) and Harley-Davidson Financial Services (HDFS). Unless the context otherwise requires, all references to the "Company" include Harley-Davidson, Inc. and all its subsidiaries. The Company operates in two reportable segments: Motorcycles & Related Products (Motorcycles) and Financial Services.

The "% Change" figures included in the "Results of Operations" section were calculated using unrounded dollar amounts and may differ from calculations using the rounded dollar amounts presented.

### **(1) Note Regarding Forward-Looking Statements**

The Company intends that certain matters discussed in this report are "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements can generally be identified as such by reference to this footnote or because the context of the statement will include words such as the Company "believes," "anticipates," "expects," "plans," or "estimates" or words of similar meaning. Similarly, statements that describe future plans, objectives, outlooks, targets, guidance or goals are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially, unfavorably or favorably, from those anticipated as of the date of this report. Certain of such risks and uncertainties are described in close proximity to such statements or elsewhere in this report, including under the caption "Risk Factors" in Item 1A and under "Cautionary Statements" in Item 7 of this report. Shareholders, potential investors, and other readers are urged to consider these factors in evaluating the forward-looking statements and cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included in the Outlook section are only made as of January 30, 2018 and the remaining forward-looking statements in this report are only made as of the date of the filing of this report (February 21, 2018), and the Company disclaims any obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

### **Overview<sup>(1)</sup>**

The Company's net income for 2017 was \$521.8 million, or \$3.02 per diluted share, compared to \$692.2 million, or \$3.83 per diluted share, in 2016. Operating income from the Motorcycles segment was down \$157.4 million compared to 2016 primarily due to a 7.9% decrease in wholesale motorcycle shipments. Operating income from the Financial Services segment in 2017 was slightly lower than the prior year, decreasing \$0.2 million, or 0.1%.

Worldwide independent dealer retail sales of new Harley-Davidson motorcycles decreased 6.7% in 2017 compared to the prior year. U.S. retail sales fell 8.5% and international retail sales decreased 3.9% compared to 2016. In the U.S., the 601+cc motorcycle industry continued to face significant challenges and international retail sales finished below the Company's expectations.

In 2017, the Company remained committed to a disciplined supply management approach focused on allowing U.S. dealers to achieve the right quantity and model-year mix of motorcycle inventory. The Company also focused on positioning its cost structure to better compete in the current environment. At the same time, the Company remained grounded in its long-term strategy and made good progress on its long-term objective to build riders globally. In 2017, the Company finished the year with a net increase of over 32,000 Harley-Davidson riders in the U.S. compared to the prior year. (Source: IHS Markit Motorcycles in Operation (MIO) data for On-Highway and Dual Purpose bikes in the U.S. as of January 1, 2018)

In 2018, the Company expects new Harley-Davidson motorcycle retail sales to grow internationally, but continues to expect challenges in the U.S. The Company's global retail expectations and disciplined supply strategy are reflected in its expectation for reduced wholesale shipments in 2018. In addition, to further improve its cost structure and maintain its world-class manufacturing operations, the Company is commencing a significant, multi-year manufacturing optimization plan anchored by the consolidation of its final assembly plant in Kansas City, Missouri into its plant in York, Pennsylvania. As the operations are consolidated, the Company expects approximately 800 jobs will be eliminated with the closure of Kansas City operations and approximately 450 jobs will be added in York by 2019. As part of this manufacturing optimization plan the Company will also close its wheel operations in Adelaide, Australia. Refer to the "Manufacturing Optimization Costs and Savings" below for further information.

As the Company looks forward, it will continue to focus on its long-term strategy of growing ridership in the U.S. and growing its reach and impact internationally, while growing market share and profitability globally. In 2018, the Company will continue to expand its independent dealer network outside the U.S. In addition, operations will begin at the Company's new facility in Thailand. This plant, like the Company's facility in Brazil, will support more competitive retail pricing in some of the

emerging markets that this plant will serve by reducing the tax and tariff burden that fully assembled imports carry in those markets.

In 2018, the Company will also continue to invest in new products. A portion of the benefit from the 2017 Tax Cuts and Jobs Act (2017 Tax Act) enacted in the U.S. in late 2017 will support the Company's objective to invest in high-impact product by redefining product in traditional spaces and expanding into new spaces such as the rapidly evolving electric vehicle landscape. The Company plans to bring Project Livewire, an electric Harley-Davidson motorcycle, to market within 18 months and will increase its investment in electric motorcycle technology, products and infrastructure in 2018 and beyond. The Company expects its increased commitment and investment will help accelerate the development of this market and assure its leadership in electric motorcycles.

#### **Outlook<sup>(1)</sup>**

On January 30, 2018 the Company announced the following expectations for 2018.

The Company expects to ship between 231,000 and 236,000 motorcycles to dealers in 2018, which is down approximately 2% to 4% from 2017. The Company's shipment expectation assumes that U.S. dealer retail sales will be down, partially offset by growth in international retail sales. The Company expects 2018 year-end U.S. retail inventory to be flat to 2017 and flat to up in international markets as it continues to add new dealers.

During 2018, the Company expects retail sales to be positively impacted by:

- Increased focus and investment on growing global ridership
- New product momentum with model-year 2018 motorcycles and the addition of new high-impact models yet to be introduced
- A rebound in emerging-market retail sales performance
- Expansion of the international dealer network

However, these positive impacts are expected to be more than offset by strong headwinds including:

- A very weak U.S. industry for new motorcycles driven by flat to declining total demand for combined new and used motorcycles and soft, but improving, Harley-Davidson used motorcycle prices
- Competitive pressure from continued new product introductions throughout markets globally, particularly in lower price, smaller displacement motorcycles

Operating income as a percent of revenue for the Motorcycles segment is expected to be approximately 9.5% to 10.5% for the full year 2018. This reduction of approximately 2 to 3 percentage points compared to 2017, is primarily due to expected manufacturing optimization plan costs of \$120 to \$140 million. Also, operating margin will be reduced by approximately 0.2 percentage points due to the adoption of an accounting standard update that will require the Company to present the non-service cost components of its pension and postretirement plan expense as non-operating income. The Company estimates this will result in approximately \$10 million of non-operating income in 2018 that would have been included in operating income under existing accounting standards. The new presentation will be applied retrospectively to prior periods in the Company's results for 2018 and forward.

Gross margin as a percent of revenue in 2018 is expected to benefit from pricing on model-year 2018 and 2019 motorcycles, a more favorable foreign currency exchange environment than 2017 and positive mix. However, the Company expects these positive impacts to be more than offset by rising steel and aluminum costs and increased manufacturing expense.

Manufacturing expense is expected to be higher than in 2017, due in part to increased depreciation from recent capital investments related to the new model-year 2018 Softail motorcycles. However, the larger driver of increased manufacturing costs in 2018, as compared to 2017, will be higher costs of \$20 to \$25 million due to temporary inefficiencies related to the manufacturing optimization plan.

The Company expects selling, administrative and engineering expense to be higher in 2018 compared to 2017, but level with 2017 when expressed as a percent of revenue. The Company expects selling, administrative and engineering expense to be up behind increased investments in marketing and product development as the Company works to grow ridership globally.

In the first quarter of 2018, the Company expects to ship 60,000 to 65,000 motorcycles to dealers, which is down approximately 8% to 15% percent from 2017. While the Company expects U.S. retail inventory will be tighter than in the first quarter of 2017, it believes the composition of previous and current model-year motorcycles will be considerably improved from last year. The Company expects Motorcycles segment operating income as a percent of revenue in the first quarter of

2018 to be down approximately 5 percentage points due to approximately \$57 million of restructuring expense related to the manufacturing optimization plan, lost absorption from lower production and higher selling, administrative and engineering expense as marketing and product development expenses increase.

Additionally, as the Company increases its investment in electric motorcycle technology, products and infrastructure it expects to spend an incremental \$25 to \$50 million per year over the next several years.

The Company expects operating income from Financial Services to be down in 2018 compared to 2017 due to lower net interest income, partially offset by a lower provision for credit losses.

Capital expenditures in 2018 are expected to be \$250 to \$270 million, which includes approximately \$50 million to support the manufacturing optimization plan. The Company anticipates it will have the ability to fund all capital expenditures in 2018 with cash flows generated by operations.

Finally, the Company expects its full year effective tax rate will be approximately 23.5% to 25%, down approximately 10 percentage points from the rate that would have been expected excluding the impact of the 2017 Tax Act. This guidance excludes the effect of potential future adjustments associated with revisions to the \$53.1 million tax expense recorded in the fourth quarter of 2017 related to the 2017 Tax Act, other new tax legislation or audit settlements. Given the complexity and timing of the 2017 Tax Act, the Company has recorded the impact of the 2017 Tax Act in the fourth quarter of 2017 based on reasonable estimates and considers these estimates to be provisional under SEC Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118). Future guidance, interpretations and pronouncements may add clarity to the numerous aspects of the 2017 Tax Act. This future clarification may give rise to additional unanticipated considerations and revisions to the Company's provisional estimates related to the 2017 Tax Act included in the Company's 2017 income tax provision. Any such adjustments will be recorded as discrete income tax expenses or benefits in future periods.

#### Manufacturing Optimization Plan Costs and Savings<sup>(1)</sup>

The following table summarizes the expected costs and savings associated with the Company's manufacturing optimization plan which is described in more detail in the "Overview" above. The restructuring costs relate to employee termination benefits, accelerated depreciation and other project implementation costs.

(in millions)	2018	2019	2020	Total
Cost related to temporary inefficiencies	\$ 20 - \$ 25	\$15 - \$20	n/a	\$ 35 - \$ 45
Restructuring expenses	\$100 - \$115	\$35 - \$40	n/a	\$135 - \$155
	\$120 - \$140	\$50 - \$60		\$170 - \$200
% cash	70%	75%		70%
	2018	2019	2020	Annual On-going
Annual cash savings	-	\$25 - \$30	\$45 - \$50	\$65 - \$75

The Company expects total capital expenditures of \$75 million associated with the manufacturing optimization plan through 2019.

## Results of Operations 2017 Compared to 2016

### Consolidated Results

(in thousands, except earnings per share)	2017	2016	(Decrease) Increase	% Change
Operating income from Motorcycles & Related Products	\$ 615,958	\$ 773,406	\$ (157,448)	(20.4)%
Operating income from Financial Services	275,305	275,530	(225)	(0.1)
Operating income	891,263	1,048,936	(157,673)	(15.0)
Investment income	3,580	4,645	(1,065)	(22.9)
Interest expense	31,004	29,670	1,334	4.5
Income before income taxes	863,839	1,023,911	(160,072)	(15.6)
Provision for income taxes	342,080	331,747	10,333	3.1
Net income	\$ 521,759	\$ 692,164	\$ (170,405)	(24.6)%
Diluted earnings per share	\$ 3.02	\$ 3.83	\$ (0.81)	(21.1)%

Consolidated operating income was down 15.0% in 2017 driven by a decrease in operating income from the Motorcycles segment which was down \$157.4 million compared to 2016. Operating income for the Financial Services segment decreased by \$0.2 million during 2017 as compared to 2016. Please refer to the “Motorcycles and Related Products Segment” and “Financial Services Segment” discussions following for a more detailed discussion of the factors affecting operating income.

The effective income tax rate for 2017 was 39.6% compared to 32.4% for 2016. The higher effective income tax rate was primarily due to the impact of the 2017 Tax Act enacted in December 2017. The 2017 Tax Act reduces the federal corporate income tax rate beginning in 2018 from 35% to 21%; however, because the 2017 Tax Act was enacted in 2017, the Company was required to remeasure its net deferred tax assets in the fourth quarter. The impact of remeasuring the deferred tax asset balances combined with other adjustments related to the 2017 Tax Act resulted in a non-cash income tax charge of \$53.1 million in the fourth quarter of 2017.

Diluted earnings per share were \$3.02 in 2017, down 21.1% compared to 2016. Diluted earnings per share were adversely impacted by the 24.6% decrease in net income, but benefited from lower diluted weighted average shares outstanding. Diluted weighted average shares outstanding decreased from 180.5 million in 2016 to 172.9 million in 2017 driven by the Company's repurchases of common stock. Please refer to "Liquidity and Capital Resources" for additional information concerning the Company's share repurchase activity.

## Motorcycle Retail Sales and Registration Data

### Harley-Davidson Motorcycle Retail Sales<sup>(a)</sup>

The following table includes retail unit sales of new Harley-Davidson motorcycles:

	2017	2016	Decrease	% Change
United States	147,972	161,658	(13,686)	(8.5)%
Europe <sup>(b)</sup>	39,773	39,942	(169)	(0.4)
EMEA - Other	5,162	5,896	(734)	(12.4)
Total EMEA	44,935	45,838	(903)	(2.0)
Japan	9,506	10,279	(773)	(7.5)
Asia Pacific - Other	20,842	22,610	(1,768)	(7.8)
Total Asia Pacific	30,348	32,889	(2,541)	(7.7)
Latin America	9,452	9,701	(249)	(2.6)
Canada	10,081	10,203	(122)	(1.2)
Total International Retail Sales	94,816	98,631	(3,815)	(3.9)
Total Worldwide Retail Sales	242,788	260,289	(17,501)	(6.7)%

- (a) Data source for retail sales figures shown above is new sales warranty and registration information provided by Harley-Davidson dealers and compiled by the Company. The Company must rely on information that its dealers supply concerning new retail sales, and the Company does not regularly verify the information that its dealers supply. This information is subject to revision.
- (b) Includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

In the U.S., retail sales of new Harley-Davidson motorcycles were lower than in 2016 driven by ongoing industry weakness and limited availability of model-year 2018 product. The Company believes the industry for new motorcycles continued to be adversely impacted by soft used motorcycle prices, although prices did improve in the fourth quarter of 2017 on a year-over-year basis. In addition, retail sales of used Harley-Davidson motorcycles in the U.S., which the Company believes is an important indicator of overall demand for the Company's motorcycles, were up through November 2017 year-to-date. Combined retail sales of new and used Harley-Davidson motorcycles in the U.S. were down slightly on a year-to-date basis through November 2017, as compared to the same period in 2016. However, the Company's 2017 November year-to-date share of combined new and used motorcycles registered increased for the ninth consecutive year. (Source for used data: IHS Markit Used Registrations for On-Highway and Dual Purpose motorcycles with engines 601 and greater in the U.S. from 2008 through November 2017).

Strong prices for used Harley-Davidson motorcycles in the U.S. are key to the Company's focus on driving value for its riders, dealers and the brand. In the fourth quarter of 2017, positive momentum in used motorcycle pricing continued from the third quarter. Used Harley-Davidson motorcycle wholesale prices at auction remained above year-ago levels, and third-party pricing services continued to publish higher retail values year-over-year for used Harley-Davidson motorcycles. Finally, for the second consecutive quarter, dealership data in the fourth quarter indicated that prices for used Harley-Davidson motorcycles in the broader used motorcycle market were up in aggregate, particularly in the Harley-Davidson dealer network.

The Company's U.S. market share of 601+cc motorcycles for 2017 was 50.7%, down 0.5 percentage points compared to 2016 (Source: Motorcycle Industry Council).

International retail sales in 2017 were below expectations; however, the Company continues to believe that its strong brand, products and expanded distribution will drive growth in international markets over time. In EMEA, retail sales in Europe were down slightly from 2016 while other EMEA markets decreased 12.4% behind softness in emerging markets including Russia, Middle East and South Africa. In Asia Pacific, retail sales were down compared to 2016 on softness in Japan and Australia and lower retail sales in emerging markets compared to 2016. Retail sales in Latin America during 2017 were down on softness in Mexico partially offset by an increase in Brazil. Canada retail sales were down slightly from the prior year.

Despite the difficult year in international markets, there were positive developments. The Company believes its new model-year 2018 Softail motorcycles are being very well received by customers internationally. In the fourth quarter of 2017, the Company experienced strong sell-through rates with limited availability throughout the quarter. The Company believes the strong customer response to the new Softail models, coupled with the fact that international retail sales generally include a greater mix of Softail models than in the U.S., is a good early indicator of the potential impact of these new models.<sup>(1)</sup> Additionally, in line with the Company's strategy to increase brand access internationally, it continued to expand the international dealer network. The Company added 57 and 40 new international dealers during 2017 and 2016, respectively. The Company plans to add a total of 150 to 200 new international dealerships from 2016 through 2020.<sup>(1)</sup> The Company remains committed to its long-term international growth strategy and expects to return to international retail sales growth in 2018.<sup>(1)</sup>

#### Motorcycle Registration Data - 601+cc<sup>(a)</sup>

The following table includes industry retail motorcycle registration data:

	2017	2016	Decrease	% Change
United States <sup>(b)</sup>	288,802	311,710	(22,908)	(7.3)%
Europe <sup>(c)</sup>	390,619	391,936	(1,317)	(0.3)%

- (a) Data includes on-road 601+cc models. On-road 601+cc models include dual purpose models, three-wheeled motorcycles and autocycles. Registration data for Harley-Davidson Street<sup>®</sup> 500 motorcycles is not included in this table.
- (b) United States industry data is derived from information provided by Motorcycle Industry Council (MIC). This third-party data is subject to revision and update.
- (c) Europe data includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom. Industry retail motorcycle registration data includes 601+cc models derived from information provided by Association des Constructeurs Europeens de Motoycles (ACEM), an independent agency. This third-party data is subject to revision and update.

#### Motorcycles and Related Products Segment

##### Motorcycle Unit Shipments

The following table includes wholesale motorcycle unit shipments for the Motorcycles segment:

	2017		2016		Unit Decrease	Unit % Change
	Units	Mix %	Units	Mix %		
United States	144,893	60.0%	161,839	61.7%	(16,946)	(10.5)%
International	96,605	40.0%	100,382	38.3%	(3,777)	(3.8)
Harley-Davidson motorcycle units	241,498	100.0%	262,221	100.0%	(20,723)	(7.9)%
Touring motorcycle units	99,745	41.3%	107,410	41.0%	(7,665)	(7.1)%
Cruiser motorcycle units	87,344	36.2%	93,422	35.6%	(6,078)	(6.5)
Sportster <sup>®</sup> / Street motorcycle units	54,409	22.5%	61,389	23.4%	(6,980)	(11.4)
Harley-Davidson motorcycle units	241,498	100.0%	262,221	100.0%	(20,723)	(7.9)%

During 2017, wholesale shipments of Harley-Davidson motorcycles were down 7.9% compared to the prior year, slightly more than the 6.7% decrease in dealer retail sales of new Harley-Davidson motorcycles. International shipments as a percentage of the total were up slightly in 2017 as compared to 2016. Shipments of Cruiser motorcycles increased as a percentage of total shipments in 2017 behind the launch of the new model-year 2018 Softail motorcycles. The Softail motorcycle platform was completely redesigned for model-year 2018 and merged the former Softail and Dyna platforms.

Dealer inventory of new Harley-Davidson motorcycles in the U.S. at the end of 2017 was down approximately 3,000 motorcycles compared to the end of 2016. The Company believes its supply management discipline delivered the intended results and the dealer network is well-positioned for 2018.<sup>(1)</sup>

## Segment Results

The following table includes the condensed statement of operations for the Motorcycles segment (in thousands):

	2017	2016	(Decrease) Increase	% Change
Revenue:				
Motorcycles	\$ 3,825,206	\$ 4,122,113	\$ (296,907)	(7.2)%
Parts & Accessories	804,363	842,637	(38,274)	(4.5)
General Merchandise	262,776	284,583	(21,807)	(7.7)
Other	22,682	22,043	639	2.9
Total revenue	4,915,027	5,271,376	(356,349)	(6.8)
Cost of goods sold	3,261,683	3,419,710	(158,027)	(4.6)
Gross profit	1,653,344	1,851,666	(198,322)	(10.7)
Selling & administrative expense	866,083	907,059	(40,976)	(4.5)
Engineering expense	171,303	171,201	102	0.1
Operating expense	1,037,386	1,078,260	(40,874)	(3.8)
Operating income from Motorcycles	\$ 615,958	\$ 773,406	\$ (157,448)	(20.4)%

The following table includes the estimated impact of significant factors affecting the comparability of net revenue, cost of goods sold and gross profit from 2016 to 2017 (in millions):

	Net Revenue	Cost of Goods Sold	Gross Profit
2016	\$ 5,272	\$ 3,420	\$ 1,852
Volume	(435)	(264)	(171)
Price, net of related costs	120	59	61
Foreign currency exchange rates and hedging	13	(3)	16
Shipment mix	(55)	(18)	(37)
Raw material prices	—	17	(17)
Manufacturing and other costs	—	51	(51)
Total	(357)	(158)	(199)
2017	\$ 4,915	\$ 3,262	\$ 1,653

The following factors affected the comparability of net revenue, cost of goods sold and gross profit from 2016 to 2017:

- The decrease in volume was due to lower wholesale motorcycle shipments, as well as lower P&A and general merchandise sales. P&A and general merchandise sales were down due in large part to lower motorcycle shipments and lower retail motorcycle sales.
- On average, wholesale prices for motorcycles shipped in 2017 were higher than in the prior year resulting in a favorable impact on revenue. The positive impact on revenue was partially offset by increased costs related to the additional content added to motorcycles shipped in 2017 as compared to last year.
- Revenue was positively impacted by slightly stronger weighted-average foreign currency rates, relative to the U.S. dollar, as compared to last year. In addition, cost was favorably impacted by a higher net gain resulting from the remeasurement of foreign-denominated balance sheet accounts net of losses incurred on hedging activities, as compared to last year.
- Shipment mix changes resulted in a negative impact on gross profit resulting from unfavorable changes in the mix of models within motorcycle families as well as changes in P&A product mix.
- Raw material prices were higher due primarily to increased steel and aluminum costs.
- Manufacturing costs were negatively impacted by lower fixed cost absorption due to lower production volumes, higher model-year startup costs and higher depreciation.

Operating expense which consists of selling, administrative and engineering expenses, was down compared to 2016. The decrease in spending was due in large part to aggressive cost management, lower employee costs following a 2016 reorganization and the non-recurrence of related employee termination costs recorded in the fourth quarter of 2016.

During the fourth quarter of 2017, the Company recorded a \$29.4 million charge associated with the previously disclosed NHTSA investigation opened in 2016 related to certain motorcycles equipped with anti-lock braking systems. In January 2018, the Company announced a voluntary recall of model-year 2008-2011 Touring and V-ROD® motorcycles which the Company believes addresses the NHTSA investigation. Despite this charge, overall warranty and recall costs in 2017 were favorable compared to 2016 driven by lower year-over-year warranty expense.

### Financial Services Segment

#### Segment Results

The following table includes the condensed statement of operations for the Financial Services segment (in thousands):

	2017	2016	Increase (Decrease)	% Change
Interest income	\$ 633,113	\$ 628,432	\$ 4,681	0.7 %
Other income	97,151	85,788	11,363	13.2
Securitization and servicing income	1,933	10,862	(8,929)	(82.2)
Financial services revenue	732,197	725,082	7,115	1.0
Interest expense	180,193	173,756	6,437	3.7
Provision for credit losses	132,444	136,617	(4,173)	(3.1)
Operating expenses	144,255	139,179	5,076	3.6
Financial Services expense	456,892	449,552	7,340	1.6
Operating income from Financial Services	\$ 275,305	\$ 275,530	\$ (225)	(0.1)%

Interest income was favorable in 2017 due to higher average retail receivables partially offset by lower average wholesale receivables and lower average yields across the portfolios. Other income was favorable due to increased licensing revenue and investment income. Securitization and servicing income was lower primarily due to a \$9.3 million gain on the sale of finance receivables recognized as a result of the second quarter 2016 off-balance sheet asset-backed securitization. There was no comparable transaction in the current year.

Interest expense increased due to a higher cost of funds, partially offset by lower average outstanding debt.

The provision for credit losses decreased \$4.2 million compared to 2016. The retail motorcycle provision decreased \$6.5 million during 2017 as a result of a smaller increase in the retail reserve rate and lower receivables partially offset by higher retail credit losses. Credit losses were higher as a result of unfavorable performance across the retail motorcycle portfolio. The wholesale provision increased \$1.0 million due to a smaller decrease in the wholesale reserve rate compared to 2016.

Annual losses on the Company's retail motorcycle loans were 1.90% during 2017 compared to 1.83% in 2016. The 30-day delinquency rate for retail motorcycle loans at December 31, 2017 decreased to 4.21% from 4.25% at December 31, 2016.

Changes in the allowance for credit losses on finance receivables were as follows (in thousands):

	2017	2016
Balance, beginning of period	\$ 173,343	\$ 147,178
Provision for credit losses	132,444	136,617
Charge-offs, net of recoveries	(113,316)	(107,161)
Other <sup>(a)</sup>	—	(3,291)
Balance, end of period	\$ 192,471	\$ 173,343

(a) Related to the sale of finance receivables during the second quarter of 2016 with a principal balance of \$301.8 million through an off-balance sheet asset-backed securitization transaction (see Note 10 of the Notes to Consolidated Financial Statements for additional information).

At December 31, 2017, the allowance for credit losses on finance receivables was \$186.3 million for retail receivables and \$6.2 million for wholesale receivables. At December 31, 2016, the allowance for credit losses on finance receivables was \$166.8 million for retail receivables and \$6.5 million for wholesale receivables.

The Company's periodic evaluation of the adequacy of the allowance for credit losses on finance receivables is generally based on the Company's past loan loss experience, known and inherent risks in the portfolio, current economic conditions and the estimated value of any underlying collateral. Please refer to Note 5 of the Notes to Consolidated Financial Statements for further discussion regarding the Company's allowance for credit losses on finance receivables.

## Results of Operations 2016 Compared to 2015

### Consolidated Results

(in thousands, except earnings per share)	2016	2015	(Decrease) Increase	% Change
Operating income from Motorcycles & Related Products	\$ 773,406	\$ 875,490	\$ (102,084)	(11.7)%
Operating income from Financial Services	275,530	280,205	(4,675)	(1.7)
Operating income	1,048,936	1,155,695	(106,759)	(9.2)
Investment income	4,645	6,585	(1,940)	(29.5)
Interest expense	29,670	12,117	17,553	144.9
Income before income taxes	1,023,911	1,150,163	(126,252)	(11.0)
Provision for income taxes	331,747	397,956	(66,209)	(16.6)
Net income	\$ 692,164	\$ 752,207	\$ (60,043)	(8.0)%
Diluted earnings per share	\$ 3.83	\$ 3.69	\$ 0.14	3.8 %

Consolidated operating income was down 9.2% in 2016 driven by a decrease in operating income from the Motorcycles segment which decreased by \$102.1 million compared to 2015. Operating income for the Financial Services segment decreased by \$4.7 million during 2016 as compared to 2015. Please refer to the "Motorcycles and Related Products Segment" and "Financial Services Segment" discussions following for a more detailed discussion of the factors affecting operating income.

Corporate interest expense was higher in 2016 compared to 2015 due to the issuance of corporate debt in the third quarter of 2015. The Company issued \$750.0 million of senior unsecured notes in the third quarter of 2015 and utilized the proceeds to fund the repurchase of common stock in the third and fourth quarters of 2015.

The effective income tax rate for 2016 was 32.4% compared to 34.6% for 2015. The lower effective income tax rate was primarily driven by the successful closure of various tax audits in 2016.

Diluted earnings per share were \$3.83 in 2016, up 3.8% compared to 2015. Diluted earnings per share were adversely impacted by the 8.0% decrease in net income, but benefited from lower diluted weighted average shares outstanding. Diluted weighted average shares outstanding decreased from 203.7 million in 2015 to 180.5 million in 2016 driven by the Company's repurchases of common stock. Please refer to "Liquidity and Capital Resources" for additional information concerning the Company's share repurchase activity.

## Motorcycles Retail Sales and Registration Data

### Harley-Davidson Motorcycle Retail Sales<sup>(a)</sup>

The following table includes retail unit sales of Harley-Davidson motorcycles:

	2016	2015	(Decrease) Increase	% Change
United States	161,658	168,240	(6,582)	(3.9)%
Europe <sup>(b)</sup>	39,942	36,894	3,048	8.3
EMEA - Other	5,896	6,393	(497)	(7.8)
Total EMEA	45,838	43,287	2,551	5.9
Japan	10,279	9,700	579	6.0
Asia Pacific - Other	22,610	22,558	52	0.2
Total Asia Pacific	32,889	32,258	631	2.0
Latin America	9,701	11,173	(1,472)	(13.2)
Canada	10,203	9,669	534	5.5
Total International Retail Sales	98,631	96,387	2,244	2.3
Total Worldwide Retail Sales	260,289	264,627	(4,338)	(1.6)%

- (a) Data source for retail sales figures shown above is new sales warranty and registration information provided by Harley-Davidson dealers and compiled by the Company. The Company must rely on information that its dealers supply concerning new retail sales and the Company does not regularly verify the information that its dealers supply. This information is subject to revision.
- (b) Includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

Worldwide independent dealer retail sales of Harley-Davidson motorcycles decreased 1.6% during 2016 compared to 2015. Retail sales of Harley-Davidson motorcycles decreased 3.9% in the United States and increased 2.3% internationally in 2016. The Company believes its spending to drive demand mitigated the effects of the intense global competitive environment, including the expanded price gaps to the competition in the U.S. and the impact of new product introductions. For example, the positive response to its Milwaukee-Eight™ engine drove significantly improved touring motorcycle sales and U.S. Harley-Davidson market share gains in the fourth quarter of 2016.

The Company believes 2016 U.S. retail sales of its motorcycles were negatively impacted by intense competitive activity behind discounting and new competitor products. The Company believes the U.S. industry was also adversely affected by weakness in oil-dependent areas and soft used motorcycle values, compounded by economic uncertainty. The Company also believes 2016 retail sales in the U.S. were negatively impacted by lower wholesale shipments of Harley-Davidson motorcycles in the fourth quarter. The Company's shipments of its model-year 2017 motorcycles were limited during the fourth quarter as U.S. dealers focused on selling model-year 2016 motorcycles.

The Company's U.S. market share of 601+cc motorcycles for 2016 was 51.2%, up 1.0 percentage point compared to 2015 (Source: Motorcycle Industry Council). The Company believes its U.S. market share growth was driven by its demand driving spending focused on growing product awareness and ridership and the favorable response to its model-year 2016 S-model cruisers and its new model-year 2017 motorcycles featuring the Milwaukee-Eight™ engine.

In EMEA, retail sales of Harley-Davidson motorcycles for 2016 increased 5.9% compared to the prior year due in part to a positive reception to its model-year 2016 S-model cruisers and its new model-year 2017 motorcycles featuring the Milwaukee-Eight™ engine.

In Asia Pacific, retail sales of Harley-Davidson motorcycles for 2016 increased 2.0% compared to the prior year. Overall growth in Asia Pacific was partially offset by lower sales in India and Indonesia. In India, the Company believes retail sales of Harley-Davidson motorcycles were negatively impacted by India's currency demonetization in the fourth quarter of 2016. In

Indonesia, retail sales of Harley-Davidson motorcycles were lower as the Company is reestablishing its dealer network in that market.

Retail sales of Harley-Davidson motorcycles in Latin America for 2016 decreased 13.2% compared to the prior year. The Company believes retail sales in Brazil continued to be negatively impacted by a price increase on its motorcycles initiated in the first quarter of 2016 and by a slowing economy, consumer uncertainty and aggressive price competition.

Retail sales of Harley-Davidson motorcycles in Canada increased 5.5% in 2016 compared to 2015. The Company believes the market responded favorably to the change to a direct distribution model implemented in July 2015 and pricing adjustments that were implemented with the model-year 2016 motorcycles.

International retail sales as a percent of total retail sales in 2016 were 37.9% compared to 36.4% in 2015.

#### Motorcycle Registration Data - 601+cc<sup>(a)</sup>

The following table includes industry retail motorcycle registration data:

	2016	2015	(Decrease) Increase	% Change
United States <sup>(b)</sup>	311,710	328,818	(17,108)	(5.2)%
Europe <sup>(c)</sup>	391,936	351,773	40,163	11.4 %

- (a) Data includes on-road 601+cc models. On-road 601+cc models include dual purpose models, three-wheeled motorcycles and autocycles. Registration data for Harley-Davidson Street<sup>®</sup> 500 motorcycles is not included in this table.
- (b) United States industry data is derived from information provided by Motorcycle Industry Council (MIC). This third-party data is subject to revision and update.
- (c) Europe data includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom. Industry retail motorcycle registration data includes 601+cc models derived from information provided by Association des Constructeurs Europeens de Motocycles (ACEM), an independent agency. This third-party data is subject to revision and update.

#### Motorcycles and Related Products Segment

##### Motorcycle Unit Shipments

The following table includes wholesale motorcycle unit shipments for the Motorcycles segment:

	2016		2015		Unit (Decrease) Increase	Unit % Change
	Units	Mix %	Units	Mix %		
United States	161,839	61.7%	170,688	64.1%	(8,849)	(5.2)%
International	100,382	38.3%	95,694	35.9%	4,688	4.9
Harley-Davidson motorcycle units	262,221	100.0%	266,382	100.0%	(4,161)	(1.6)%
Touring motorcycle units	107,410	41.0%	114,768	43.1%	(7,358)	(6.4)%
Cruiser motorcycle units	93,422	35.6%	89,207	33.5%	4,215	4.7
Sportster <sup>®</sup> / Street motorcycle units	61,389	23.4%	62,407	23.4%	(1,018)	(1.6)
Harley-Davidson motorcycle units	262,221	100.0%	266,382	100.0%	(4,161)	(1.6)%

During 2016, wholesale shipments of Harley-Davidson motorcycles were down 1.6% compared to the prior year in line with the 1.6% decrease in dealer retail sales of new Harley-Davidson motorcycles. International shipments as a percentage of the total were up in 2016 as compared to 2015. In addition, shipments of Cruiser motorcycles as a percentage of total shipments increased in 2016 compared to the prior year driven by the strong acceptance of the model-year 2016 S-model motorcycles. Touring motorcycle shipments were down in 2016; however, in the fourth quarter of 2016, the shipment mix of Touring motorcycles increased reflecting the high demand for the new 2017 Touring motorcycles featuring the Milwaukee-Eight<sup>™</sup> engine. Dealer retail inventory of new Harley-Davidson motorcycles in the U.S. at the end of 2016 was approximately flat compared to the end of 2015.

## Segment Results

The following table includes the condensed statement of operations for the Motorcycles segment (in thousands):

	2016	2015	(Decrease) Increase	% Change
<b>Revenue:</b>				
Motorcycles	\$ 4,122,113	\$ 4,127,739	\$ (5,626)	(0.1)%
Parts & Accessories	842,637	862,645	(20,008)	(2.3)
General Merchandise	284,583	292,310	(7,727)	(2.6)
Other	22,043	26,050	(4,007)	(15.4)
Total revenue	5,271,376	5,308,744	(37,368)	(0.7)
Cost of goods sold	3,419,710	3,356,284	63,426	1.9
Gross profit	1,851,666	1,952,460	(100,794)	(5.2)
Selling & administrative expense	907,059	916,669	(9,610)	(1.0)
Engineering expense	171,201	160,301	10,900	6.8
Operating expense	1,078,260	1,076,970	1,290	0.1
Operating income from Motorcycles	\$ 773,406	\$ 875,490	\$ (102,084)	(11.7)%

The following table includes the estimated impact of the significant factors affecting the comparability of net revenue, cost of goods sold and gross profit from 2015 to 2016 (in millions):

	Net Revenue	Cost of Goods Sold	Gross Profit
2015	\$ 5,309	\$ 3,357	\$ 1,952
Volume	(109)	(62)	(47)
Price, net of related costs	93	39	54
Foreign currency exchange rates and hedging	(3)	45	(48)
Shipment mix	(18)	(5)	(13)
Raw material prices	—	(18)	18
Manufacturing and other costs	—	64	(64)
Total	(37)	63	(100)
2016	\$ 5,272	\$ 3,420	\$ 1,852

The following factors affected the comparability of net revenue, cost of goods sold and gross profit from 2015 to 2016:

- Volume decreases were driven by lower wholesale motorcycle shipments, as well as decreases in sales of parts and accessories and general merchandise.
- On average, wholesale prices on the Company's 2016 and 2017 model-year motorcycles are higher than the prior model-years resulting in the favorable impact on revenue during the period. The impact of revenue favorability resulting from model-year price increases on gross profit was partially offset by increases in cost related to the additional content added to the 2016 and 2017 model-year motorcycles.
- Gross profit was negatively impacted by foreign currency due to lower hedge gains, given the significant gains experienced in the prior year, and lower revenues behind a slightly stronger U.S. dollar relative to its foreign currency exposures.
- Shipment mix changes negatively impacted gross profit primarily due to changes in motorcycle family mix, driven by strong customer demand for the Company's model-year 2016 S-model cruiser motorcycles, and model mix within its motorcycle families.
- Manufacturing costs for 2016 were negatively impacted by higher costs related to retooling and start-up costs at its Pilgrim Road manufacturing facility associated with the Milwaukee-Eight™ engine, the implementation of the Company's ERP system at the Company's Kansas City manufacturing facility and a higher fixed cost per unit due to lower volumes, partially offset by favorable costs related to parts and accessories.

Operating expense, which consists of selling, administrative and engineering expenses, was largely flat in 2016 compared to 2015. In 2016, the Company significantly increased spending on marketing and product development to drive demand.

However, these expense increases were mostly offset by decreases related to other items, including lower employee costs on fewer employees and lower reorganization costs. Reorganization costs, included in selling and administrative expenses, in the fourth quarters of 2016 and 2015, were \$18.2 million and \$23.3 million, respectively.

### Financial Services Segment

#### Segment Results

The following table includes the condensed statements of operations for the Financial Services segment (in thousands):

	2016	2015	Increase (Decrease)	% Change
Interest income	\$ 628,432	\$ 605,770	\$ 22,662	3.7 %
Other income	85,788	80,888	4,900	6.1
Securitization and servicing income	10,862	—	10,862	—
Financial services revenue	725,082	686,658	38,424	5.6
Interest expense	173,756	161,983	11,773	7.3
Provision for credit losses	136,617	101,345	35,272	34.8
Operating expense	139,179	143,125	(3,946)	(2.8)
Financial Services expense	449,552	406,453	43,099	10.6
Operating income from Financial Services	\$ 275,530	\$ 280,205	\$ (4,675)	(1.7)%

Interest income was favorable in 2016 due to higher average receivables in the retail and wholesale portfolios. Other income was favorable primarily due to increased revenue from credit card licensing, insurance and protection products and international licensing revenue. Securitization and servicing income was higher primarily due to a \$9.3 million gain on the sale of finance receivables with a principal balance of \$301.8 million through an off-balance sheet asset-backed securitization during the second quarter of 2016. There was no comparable transaction in the prior year.

Interest expense increased due to a higher cost of funds and higher average debt outstanding, partially offset by a lower loss on the extinguishment of a portion of the Company's 6.80% medium-term notes than in 2015.

The provision for credit losses increased \$35.3 million compared to 2015. The retail motorcycle provision increased \$39.8 million during 2016 as a result of higher credit losses and increases in the retail reserve rate. Credit losses were higher as a result of deteriorating performance across the portfolio, lower used motorcycle values at auction, and continued unfavorable performance in oil-dependent areas.

Annual losses on the Company's retail motorcycle loans were 1.83% during 2016 compared to 1.42% in 2015. The 30-day delinquency rate for retail motorcycle loans at December 31, 2016 increased to 4.25% from 3.78% at December 31, 2015.

Changes in the allowance for credit losses on finance receivables were as follows (in thousands):

	2016	2015
Balance, beginning of period	\$ 147,178	\$ 127,364
Provision for credit losses	136,617	101,345
Charge-offs, net of recoveries	(107,161)	(81,531)
Other <sup>(a)</sup>	(3,291)	—
Balance, end of period	\$ 173,343	\$ 147,178

(a) Related to the sale of finance receivables during the second quarter of 2016 with a principal balance of \$301.8 million through an off-balance sheet asset-backed securitization transaction (see Note 10 of the Notes to Consolidated Financial Statements for additional information).

At December 31, 2016, the allowance for credit losses on finance receivables was \$166.8 million for retail receivables and \$6.5 million for wholesale receivables. At December 31, 2015, the allowance for credit losses on finance receivables was \$139.3 million for retail receivables and \$7.9 million for wholesale receivables.

The Company's periodic evaluation of the adequacy of the allowance for credit losses on finance receivables is generally based on the Company's past loan loss experience, known and inherent risks in the portfolio, current economic conditions and the estimated value of any underlying collateral. Please refer to Note 5 of the Notes to Consolidated Financial Statements for further discussion regarding the Company's allowance for credit losses on finance receivables.

## Other Matters

### New Accounting Standards Not Yet Adopted

Refer to Note 1. Summary of Significant Accounting Policies of the Notes to the Financial Statements for a discussion of new accounting standards that will become effective for the Company in 2018, 2019 and 2020.

### Critical Accounting Estimates

The Company's financial statements are based on the selection and application of significant accounting policies, which require management to make significant estimates and assumptions. Management believes that the following are some of the more critical judgment areas in the application of accounting policies that currently affect the Company's financial condition and results of operations. Management has discussed the development and selection of these critical accounting estimates with the Audit and Finance Committee of the Board of Directors.

*Allowance for Credit Losses on Finance Receivables* – The allowance for uncollectible accounts is maintained at a level management believes is adequate to cover the losses of principal in the existing finance receivables portfolio.

The retail portfolio consists of a large number of small balance, homogeneous finance receivables. The Company performs a periodic and systematic collective evaluation of the adequacy of the retail allowance. The Company utilizes loss forecast models which consider a variety of factors including, but not limited to, historical loss trends, origination or vintage analysis, known and inherent risks in the portfolio, the value of the underlying collateral, recovery rates and current economic conditions including items such as unemployment rates.

The wholesale portfolio is primarily composed of large balance, non-homogeneous finance receivables. The Company's wholesale allowance evaluation is first based on a loan-by-loan review. A specific allowance is established for wholesale finance receivables determined to be individually impaired when management concludes that the borrower will not be able to make full payment of contractual amounts due based on the original terms of the loan agreement. The impairment is determined based on the cash that the Company expects to receive discounted at the loan's original interest rate or the fair value of the collateral, if the loan is collateral-dependent. Finance receivables in the wholesale portfolio that are not individually evaluated for impairment are segregated, based on similar risk characteristics, according to the Company's internal risk rating system and collectively evaluated for impairment. The related allowance is based on factors such as the Company's past loan loss experience, the specific borrower's financial performance as well as ability to repay, current economic conditions as well as the value of the underlying collateral.

*Product Warranty and Recalls* – Estimated warranty costs are accrued at the time of sale and are based on a combination of historical claim cost data and other known factors that may affect future warranty claims. The estimated costs associated with voluntary recalls are accrued in the period that management approves and commits to the recall. The accrued cost of a recall is based on an estimate of the cost to repair each affected motorcycle and the number of motorcycles expected to be repaired based on historical data concerning the percentage of affected customers that take advantage of recall offers. In the case of both warranty and recall costs, as actual experience becomes available it is used to update the accruals.

The factors affecting actual warranty and recall costs can be volatile. As a result, actual warranty claims experience and recall costs may differ from estimates, which could lead to material changes in the Company's accrued warranty and recall costs. The Company's warranty and recall liabilities are discussed further in Note 1 of the Notes to Consolidated Financial Statements.

*Pensions and Other Postretirement Healthcare Benefits* – The Company has a defined benefit pension plan and several postretirement healthcare benefit plans, which cover employees of the Motorcycles segment. The Company also has unfunded supplemental employee retirement plan agreements (SERPA) with certain employees, which were instituted to replace benefits lost under the Tax Revenue Reconciliation Act of 1993.

U.S. GAAP requires that companies recognize in their statement of financial position a liability for defined benefit pension and postretirement plans that are underfunded or an asset for defined benefit pension and postretirement benefit plans that are overfunded.

Pension, SERPA and postretirement healthcare obligations and costs are calculated through actuarial valuations. The valuation of benefit obligations and net periodic benefit costs relies on key assumptions including discount rates, mortality, long-term expected return on plan assets, future compensation and healthcare cost trend rates.

The Company determines its discount rate assumptions by referencing high-quality long-term bond rates that are matched to the duration of its own benefit obligations. Based on this analysis, the Company decreased the weighted-average discount rate for pension and SERPA obligations from 4.30% as of December 31, 2016 to 3.71% as of December 31, 2017. The Company decreased the weighted-average discount rate for postretirement healthcare obligations from 4.03% to 3.52%. The Company determines its healthcare trend assumption for the postretirement healthcare obligation by considering factors such as estimated healthcare inflation, the utilization of healthcare benefits and changes in the health of plan participants. Based on the Company's assessment of this data as of December 31, 2017, the Company set its healthcare cost trend rate at 7.00% as of December 31, 2017. The Company expects the healthcare cost trend rate to reach its ultimate rate of 5.00% by 2026.<sup>(1)</sup> These assumption changes were reflected immediately in the benefit obligation and will be amortized into net periodic benefit costs over future periods.

Plan assets are measured at fair value and are subject to market volatility. In estimating the expected return on plan assets, the Company considers the historical returns on plan assets, adjusted to reflect the current view of the long-term investment market.

Changes in the funded status of defined benefit pension and postretirement benefit plans resulting from the difference between assumptions and actual results are initially recognized in other comprehensive income and amortized to expense over future periods. The following information is provided to illustrate the sensitivity of pension and postretirement healthcare obligations and costs to changes in these major assumptions (in thousands):

	Amounts based on current assumptions	Impact of a 1% decrease in the discount rate	Impact of a 1% decrease in the expected return on assets	Impact of a 1% increase in the healthcare cost trend rate
<b>2017 Net periodic benefit costs</b>				
Pension and SERPA	\$ 20,286	\$ 27,460	\$ 19,507	n/a
Postretirement healthcare	\$ 9,615	\$ 1,162	\$ 1,741	\$ 1,687
<b>2017 Benefit obligations</b>				
Pension and SERPA	\$ 2,201,021	\$ 358,953	n/a	n/a
Postretirement healthcare	\$ 338,488	\$ 31,824	n/a	\$ 11,984

This information should not be viewed as predictive of future amounts. The analysis of the impact of a 1% change in the table above does not take into account the cost related to special termination benefits. The calculation of pension, SERPA and postretirement healthcare obligations and costs is based on many factors in addition to those discussed here. This information should be considered in combination with the information provided in Note 12 of the Notes to Consolidated Financial Statements.

*Income Taxes* – The Company accounts for income taxes in accordance with ASC Topic 740, Income Taxes (Topic 740). Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and other loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The Company is subject to income taxes in the U.S. and numerous foreign jurisdictions. These tax laws and regulations are complex and significant judgment is required in determining the Company's worldwide provision for income taxes and recording the related deferred tax assets and liabilities. In December 2017, the 2017 Tax Act was enacted into law introducing significant changes to the U.S. tax code including a reduction in the U.S. corporate income tax rate from 35% to 21%. In accordance with Topic 740, the Company's 2017 financial statements reflect the impacts of the 2017 Tax Act based on reasonable estimates, and the Company considers these estimates to be provisional under SAB 118. Future guidance, interpretations and pronouncements may add clarity to the numerous aspects of the 2017 Tax Act that may impact the Company. Future clarifications may give rise to additional unanticipated impacts on the Company's tax liabilities or effective tax rate and revisions to the Company's provisional estimates related to the 2017 Tax Act included in the Company's 2017 income tax provision. Any such adjustments will be recorded as discrete income tax expenses or benefits in future periods. The provisional amount recorded in the 2017 provision for income taxes related to the enactment of the 2017 Tax Act was \$53.1 million.

In the ordinary course of the Company's business, there are transactions and calculations where the ultimate tax determination is uncertain. Accruals for unrecognized tax benefits are provided for in accordance with the requirements of Topic 740. An unrecognized tax benefit represents the difference between the recognition of benefits related to items for income tax reporting purposes and financial reporting purposes. The unrecognized tax benefit is included within other long-term liabilities in the Consolidated Balance Sheets. The Company has a liability for interest and penalties on exposure items, if applicable, which is recorded as a component of the overall income tax provision. The Company is regularly audited by tax authorities as a normal course of business. Although the outcome of tax audits is always uncertain, the Company believes that it has appropriate support for the positions taken on its tax returns and that its annual tax provision includes amounts sufficient to pay any assessments. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

### Contractual Obligations

A summary of the Company's expected payments for significant contractual obligations as of December 31, 2017 is as follows (in thousands):

	2018	2019-2020	2021-2022	Thereafter	Total
Principal payments on debt	\$ 2,405,569	\$ 2,693,007	\$ 1,159,715	\$ 750,000	\$ 7,008,291
Interest payments on debt	160,265	182,093	79,803	366,375	788,536
Operating lease payments	15,074	23,826	14,715	8,379	61,994
	<u>\$ 2,580,908</u>	<u>\$ 2,898,926</u>	<u>\$ 1,254,233</u>	<u>\$ 1,124,754</u>	<u>\$ 7,858,821</u>

Interest for floating rate instruments assumes December 31, 2017 rates remain constant.

As of December 31, 2017, the Company generally had no significant purchase obligations, other than those created in the ordinary course of business. Purchase orders issued for inventory and supplies used in product manufacturing generally do not become firm commitments until 90 days prior to expected delivery and can be modified to a certain extent until 30 days prior to expected delivery.

The Company has long-term obligations related to its pension, SERPA and postretirement healthcare plans at December 31, 2017. The Company's retirement plan obligations and expected future contributions and payments related to these plans are provided in Note 12 of the Notes to Consolidated Financial Statements.

As described in Note 11 of the Notes to Consolidated Financial Statements, the Company has unrecognized tax benefits of \$72.2 million and accrued interest and penalties of \$30.9 million as of December 31, 2017. However, the Company cannot make a reasonably reliable estimate of the period of cash settlement for either the liability for unrecognized tax benefits or accrued interest and penalties.

### Commitments and Contingencies

The Company is subject to lawsuits and other claims related to environmental, product and other matters. In determining costs to accrue related to these items, the Company carefully analyzes cases and considers the likelihood of adverse judgments or outcomes, as well as the potential range of possible loss. Any amounts accrued for these matters are monitored on an ongoing basis and are updated based on new developments or new information as it becomes available for each matter.

*Environmental Protection Agency Notice:*

In December 2009, the Company received formal, written requests for information from the United States Environmental Protection Agency (EPA) regarding: (i) certificates of conformity for motorcycle emissions and related designations and labels, (ii) aftermarket parts, and (iii) warranty claims on emissions related components. The Company promptly submitted written responses to the EPA's inquiry and has engaged in information exchanges and discussions with the EPA. In August 2016, the Company entered into a consent decree with the EPA regarding these issues, and the consent decree was subsequently revised in July 2017 (the Settlement). In the Settlement, the Company agreed to, among other things, pay a fine, and not sell tuning products unless they are approved by the EPA or California Air Resources Board. In December 2017, the EPA filed the Settlement with the U.S. District Court for the District of Columbia for the purpose of obtaining court approval of the Settlement. Three amicus briefs opposing portions of the Settlement were filed with the court by the deadline of January 31, 2018. The Company anticipates the court will make a decision whether or not to finalize the Settlement in the following months. The Company has an accrual associated with this matter which is included in accrued liabilities in the Consolidated Balance Sheets, and as a result, if it is finalized, the Settlement would not have a material adverse effect on the Company's financial condition or results of operations. The Settlement is not final until it is approved by the court, and if it is not approved by the court, the Company cannot reasonably estimate the impact of any remedies the EPA might seek beyond the Company's current reserve for this matter.

*York Environmental Matters:*

The Company is involved with government agencies and groups of potentially responsible parties related to a matter involving the cleanup of soil and groundwater contamination at its York, Pennsylvania facility. The York facility was formerly used by the U.S. Navy and AMF prior to the purchase of the York facility by the Company from AMF in 1981. Although the Company is not certain as to the full extent of the environmental contamination at the York facility, it has been working with the Pennsylvania Department of Environmental Protection (PADEP) since 1986 in undertaking environmental investigation and remediation activities, including a site-wide remedial investigation/feasibility study (RI/FS).

In January 1995, the Company entered into a settlement agreement (the Agreement) with the Navy, and the parties amended the Agreement in 2013 to address ordnance and explosive waste. The Agreement calls for the Navy and the Company to contribute amounts into a trust equal to 53% and 47%, respectively, of costs associated with environmental investigation and remediation activities at the York facility (Response Costs). The trust administers the payment of the Response Costs incurred at the York facility as covered by the Agreement.

The Company has an accrual for its estimate of its share of the future Response Costs at the York facility which is included in other long-term liabilities in the Consolidated Balance Sheets. While much of the work on the RI/FS is complete, it is still under agency review and given the uncertainty that exists concerning the nature and scope of additional environmental investigation and remediation that may ultimately be required under the RI/FS that is finally approved or otherwise at the York facility, the Company is unable to make a reasonable estimate of those additional costs, if any, that may result.

The estimate of the Company's future Response Costs that will be incurred at the York facility is based on reports of independent environmental consultants retained by the Company, the actual costs incurred to date and the estimated costs to complete the necessary investigation and remediation activities.

*Product Liability Matters:*

The Company is involved in product liability suits related to the operation of its business. The Company accrues for claim exposures that are probable of occurrence and can be reasonably estimated. The Company also maintains insurance coverage for product liability exposures. The Company believes that its accruals and insurance coverage are adequate and that product liability suits will not have a material adverse effect on the Company's consolidated financial statements.<sup>(1)</sup>

*National Highway Traffic Safety Administration Matters:*

In July 2016, the National Highway Traffic Safety Administration (NHTSA) began an investigation into certain of the Company's motorcycles equipped with anti-lock braking systems (ABS). NHTSA's investigation is in response to rider complaints related to brake failures and applies to model-year 2008-2013 Touring and model-year 2008-2017 V-ROD® motorcycles. NHTSA noted that Harley-Davidson has a two-year brake fluid replacement interval that owners either are unaware of or ignore. During 2017, the Company estimated and recorded a \$29.4 million accrual associated with the NHTSA matter which is included in accrued liabilities. On January 30, 2018, the Company announced a voluntary recall, which offers a free brake fluid flush for model-year 2008-2011 Touring and V-ROD® motorcycles. The Company believes the accrued liability it has recorded will adequately cover the cost of the recall.

## Off-Balance Sheet Arrangements

The Company participates in asset-backed financing both through asset-backed securitization transactions and through asset-backed commercial paper conduit facilities. In the Company's asset-backed financing programs, the Company transfers retail motorcycle finance receivables to special purpose entities (SPE), which are considered Variable Interest Entities (VIE) under U.S. GAAP. Each SPE then converts those assets into cash, through the issuance of debt. The Company retains servicing rights for all of the retail motorcycle finance receivables transferred to SPEs as part of an asset-backed financing.

The SPEs are separate legal entities that assume the risks and rewards of ownership of the retail motorcycle finance receivables they hold. The assets of the VIEs are not available to pay other obligations or claims of the Company's creditors. The Company's economic exposure related to the VIEs is generally limited to restricted cash reserve accounts, retained interests and ordinary representations and warranties and related covenants. The VIEs have a limited life and generally terminate upon final distribution of amounts owed to investors.

The accounting treatment for asset-backed financings depends on the terms of the related transaction and the Company's continuing involvement with the VIE. Most of the Company's asset-backed financings do not meet the criteria to be treated as a sale for accounting purposes because, in addition to retaining servicing rights, the Company retains a financial interest in the VIE in the form of a debt security. These transactions are treated as secured borrowings. As secured borrowings, the retail motorcycle finance receivables remain on the balance sheet with a corresponding obligation reflected as debt.

During the second quarter of 2016, the Company sold finance receivables with a principal balance of \$301.8 million into a securitization VIE. The transaction met the criteria to be treated as a sale for accounting purposes and resulted in an off-balance sheet arrangement because the Company did not retain any financial interest in the VIE beyond servicing rights and ordinary representations and warranties and related covenants. Upon sale, the retail motorcycle finance receivables were removed from the Company's balance sheet and a gain of \$9.3 million was recognized in Financial Services Revenue. For more information see Note 10 of the Notes to Consolidated Financial Statements.

## Liquidity and Capital Resources as of December 31, 2017

Over the long-term, the Company expects that its business model will continue to generate cash that will allow it to invest in the business, fund future growth opportunities and return value to shareholders.<sup>(1)</sup> The Company believes the Motorcycles operations will continue to be primarily funded through cash flows generated by operations.<sup>(1)</sup> The Company's Financial Services operations will continue to be funded with unsecured debt, unsecured commercial paper, asset-backed commercial paper conduit facilities, committed unsecured bank facilities and asset-backed securitizations.

The Company's strategy is to maintain a minimum of twelve months of its projected liquidity needs through a combination of cash and cash equivalents and availability under credit facilities. The following table summarizes the Company's cash and cash equivalents and availability under credit and conduit facilities (in thousands):

	December 31, 2017
Cash and cash equivalents	\$ 687,521
Credit facilities <sup>(a)</sup>	291,518
Asset-backed U.S. commercial paper conduit facilities <sup>(a)</sup>	620,543
Asset-backed Canadian commercial paper conduit facility <sup>(a)</sup>	491
Total availability under credit and conduit facilities	912,552
Total	\$ 1,600,073

(a) Includes facilities expiring in the next twelve months some of which the Company expects to renew prior to expiration.<sup>(1)</sup>

The Company recognizes that it must continue to adjust its business to changes in the lending environment. The Company intends to continue with a diversified funding profile through a combination of short-term and long-term funding vehicles and to pursue a variety of sources to obtain cost-effective funding.<sup>(1)</sup> The Financial Services operations could be negatively affected by higher costs of funding and the increased difficulty of raising, or potential inability to raise, funding in the short-term and long-term capital markets.<sup>(1)</sup> These negative consequences could in turn adversely affect the Company's business and results of operations in various ways, including through higher costs of capital, reduced funds available through its Financial Services

operations to provide loans to independent dealers and their retail customers, and dilution to existing shareholders through the use of alternative sources of capital.

### Cash Flow Activity

The following table summarizes the cash flow activity of continuing operations for the years ended December 31, 2017, 2016 and 2015 (in thousands):

	2017	2016	2015
Net cash provided by operating activities	\$ 1,005,061	\$ 1,174,339	\$ 1,100,118
Net cash used by investing activities	(562,468)	(392,731)	(915,848)
Net cash used by financing activities	(541,803)	(734,390)	(354,064)
Effect of exchange rate changes on cash and cash equivalents	26,747	(9,443)	(14,677)
Net (decrease) increase in cash and cash equivalents	<u>\$ (72,463)</u>	<u>\$ 37,775</u>	<u>\$ (184,471)</u>

### Operating Activities

The decrease in operating cash flow in 2017 compared to 2016 was due primarily to lower net income, unfavorable changes in working capital and higher retirement plan contributions. These negative impacts were partially offset by lower net cash outflows for wholesale lending.

The increase in operating cash flow in 2016 compared to 2015 was due primarily to lower net cash outflows from wholesale lending and favorable changes in working capital driven by a reduction in inventory during 2016. These favorable impacts were partially offset by the impact of a retirement plan contribution and lower net income.

During 2017, the Company voluntarily contributed \$25.0 million to its qualified pension plan and \$15.0 million to its postretirement healthcare plans. This compares to a qualified pension plan contribution of \$25.0 million in 2016 and no contributions in 2015. The Company expects that no qualified pension contributions will be required in 2018.<sup>(1)</sup> The Company also expects that 2018 postretirement healthcare plan benefits and benefits due under the SERPA will be paid by the Company or funded with plan assets.<sup>(1)</sup> The Company's expected future contributions and benefit payments related to these plans are provided in Note 12 of the Notes to Consolidated Financial Statements.<sup>(1)</sup>

### Investing Activities

The Company's investing activities consist primarily of capital expenditures, net changes in retail finance receivables and short-term investment activity. Capital expenditures were \$206.3 million, \$256.3 million and \$260.0 million during 2017, 2016 and 2015, respectively.

Net cash outflows for finance receivables in 2017, which consisted primarily of retail finance receivables, were \$125.8 million lower than 2016 primarily as a result of a decrease in retail motorcycle loan originations during 2017. Similarly, 2016 net cash outflows for finance receivables were \$125.5 million lower than 2015 primarily due to lower retail motorcycle loan originations during 2016.

Cash inflows from maturities of marketable securities were \$6.9 million, \$40.0 million and \$11.5 million in 2017, 2016 and 2015, respectively.

During 2016, the Company completed a sale of finance receivables through an off-balance sheet asset-backed securitization. The proceeds from the sale of finance receivables, which positively impacted cash flow, were \$312.6 million. There were no comparable transactions in 2017 or 2015.

During 2015, the Company purchased certain assets and liabilities from Fred Deeley Imports, Ltd. resulting in a \$59.9 million cash outflow. There were no business acquisitions in 2017 or 2016.

### Financing Activities

The Company's financing activities consist primarily of dividend payments, share repurchases and debt activity.

The Company paid dividends of \$1.46 per share totaling \$251.9 million during 2017, \$1.40 per share totaling \$252.3 million during 2016 and \$1.24 per share totaling \$249.3 million during 2015.

Cash outflows from share repurchases were \$465.3 million, \$465.3 million and \$1,537.0 million for 2017, 2016 and 2015, respectively. Share repurchases during 2017, 2016 and 2015 included 8.8 million, 9.9 million and 28.0 million shares of

common stock, respectively, related to discretionary share repurchases and shares of common stock that employees surrendered to satisfy withholding taxes in connection with the vesting of restricted stock awards. In February 2016, the Company's Board of Directors separately authorized the Company to buy back up to an additional 20.0 million shares of its common stock with no dollar limit or expiration date of which 10.6 million shares remained available at December 31, 2017. In February 2018, the Company's Board of Directors authorized the Company to repurchase up to 15.0 million additional shares of its common stock with no dollar limit or expiration date.

Financing cash flows related to debt activity resulted in net cash inflows / (outflows) of \$155.5 million, (\$78.3) million and \$1.40 billion for 2017, 2016 and 2015 respectively. The Company's total outstanding debt consisted of the following as of December 31, 2017, 2016 and 2015 (in thousands):

	2017	2016	2015
Unsecured commercial paper	\$ 1,273,482	\$ 1,055,708	\$ 1,201,380
Asset-backed Canadian commercial paper conduit facility	174,779	149,338	153,839
Asset-backed U.S. commercial paper conduit facilities	279,457	—	—
Medium-term notes, net	4,165,706	4,064,940	3,316,949
Senior unsecured notes, net	741,961	741,306	740,653
Asset-backed securitization debt, net	352,624	796,275	1,459,377
<b>Total debt</b>	<b>\$ 6,988,009</b>	<b>\$ 6,807,567</b>	<b>\$ 6,872,198</b>

To access the debt capital markets, the Company relies on credit rating agencies to assign short-term and long-term credit ratings. Generally, lower credit ratings result in higher borrowing costs and reduced access to debt capital markets. A credit rating agency may change or withdraw the Company's ratings based on its assessment of the Company's current and future ability to meet interest and principal repayment obligations. The Company's short-term debt ratings affect its ability to issue unsecured commercial paper. The Company's short- and long-term debt ratings as of January 2018 were as follows:

	Short-Term	Long-Term	Outlook
Moody's	P2	A3	Stable
Standard & Poor's	A2	A-	Negative
Fitch	F1	A	Stable

*Credit Facilities* – In May 2017, the Company entered into a \$100.0 million 364-day credit facility which matures in April 2018. The Company also has a \$675.0 million five-year credit facility which matures in April 2019 and a \$765.0 million five-year credit facility which matures in April 2021. The new 364-day credit facility and the five-year credit facilities (together, the Global Credit Facilities) bear interest at variable interest rates, which may be adjusted upward or downward depending on certain criteria, such as credit ratings. The Global Credit Facilities also require the Company to pay a fee based on the average daily unused portion of the aggregate commitments under the Global Credit Facilities. The Global Credit Facilities are committed facilities primarily used to support the Company's unsecured commercial paper program. Additionally, during the second quarter of 2017, the Company renewed its \$25.0 million credit facility which had expired in May 2017. The \$25.0 million credit facility bears interest at variable interest rates, and the Company must pay a fee based on the unused portion of the \$25.0 million commitment. The credit facility expires in May 2018.

*Unsecured Commercial Paper* – Subject to limitations, the Company could issue unsecured commercial paper of up to \$1.54 billion as of December 31, 2017 supported by the Global Credit Facilities, as discussed above. Outstanding unsecured commercial paper may not exceed the unused portion of the Global Credit Facilities. Maturities may range up to 365 days from the issuance date. The Company intends to repay unsecured commercial paper as it matures with additional unsecured commercial paper or through other means, such as borrowing under the Global Credit Facilities, borrowing under its asset-backed U.S. commercial paper conduit facilities or through the use of operating cash flow and cash on hand.<sup>(1)</sup>

*Medium-Term Notes* – The Company has the following medium-term notes (collectively, the Notes) issued and outstanding at December 31, 2017 (in thousands):

Principal Amount	Rate	Issue Date	Maturity Date
\$877,488	6.80%	May 2008	June 2018
\$600,000	2.25%	January 2016	January 2019
\$150,000	Floating-rate <sup>(a)</sup>	March 2017	March 2019
\$600,000	2.40%	September 2014	September 2019
\$600,000	2.15%	February 2015	February 2020
\$350,000	2.40%	March 2017	June 2020
\$600,000	2.85%	January 2016	January 2021
\$400,000	2.55%	June 2017	June 2022

(a) Floating interest rate based on LIBOR plus 35 bps.

The Notes provide for semi-annual interest payments and principal due at maturity.

*Senior Unsecured Notes* – In July 2015, the Company issued \$750.0 million of senior unsecured notes in an underwritten offering. The senior unsecured notes provide for semi-annual interest payments and principal due at maturity. \$450.0 million of the senior unsecured notes mature in July 2025 and have an interest rate of 3.50%, and \$300.0 million of the senior unsecured notes mature in July 2045 and have an interest rate of 4.625%. The Company used the proceeds from the debt to repurchase shares of its common stock in 2015.

*On-Balance Sheet Asset-Backed Canadian Commercial Paper Conduit Facility* – The Company has a revolving facility agreement (Canadian Conduit) with a Canadian bank-sponsored asset-backed commercial paper conduit. Under the agreement, the Canadian Conduit is contractually committed, at the Company's option, to purchase from the Company eligible Canadian retail motorcycle finance receivables for proceeds up to C\$220.0 million. The transferred assets are restricted as collateral for the payment of the debt. The terms for this facility provide for interest on the outstanding principal based on prevailing market interest rates plus a specified margin. The Canadian Conduit also provides for a program fee and an unused commitment fee based on the unused portion of the total aggregate commitment of C\$220.0 million. There is no amortization schedule; however, the debt is reduced monthly as available collections on the related finance receivables are applied to outstanding principal. Upon expiration of the Canadian Conduit, any outstanding principal will continue to be reduced monthly through available collections. Unless earlier terminated or extended by mutual agreement of the Company and the lenders, as of December 31, 2017, the Canadian Conduit has an expiration date of June 30, 2018. The contractual maturity of the debt is approximately 5 years.

During 2017 and 2016, the Company transferred \$105.4 million and \$71.1 million, respectively, of Canadian retail motorcycle finance receivables to the Canadian Conduit for proceeds of \$87.0 million and \$62.4 million, respectively.

*On-Balance Sheet Asset-Backed U.S. Commercial Paper Conduit Facilities VIE* – On December 13, 2017, the Company renewed its existing \$300.0 million and \$600.0 million revolving facility agreements with a third-party bank-sponsored asset-backed U.S. commercial paper conduit. Availability under the revolving facilities (together, the U.S. Conduit Facilities) is based on, among other things, the amount of eligible U.S. retail motorcycle receivables held by the relevant SPE as collateral.

During 2017, the Company transferred \$429.7 million of U.S. retail motorcycle finance receivables to an SPE which, in turn, issued \$383.3 million of debt under the U.S. Conduit Facilities. The VIE did not borrow under the U.S. Conduit Facilities during 2016 and did not have an outstanding balance at December 31, 2016. The contractual maturity of the debt is approximately 5 years.

The terms for this debt provide for interest on the outstanding principal based on prevailing commercial paper rates or LIBOR to the extent the advance is not funded by a conduit lender through the issuance of commercial paper plus, in each case, a program fee based on outstanding principal. The U.S. Conduit Facilities also provide for an unused commitment fee based on the unused portion of the total aggregate commitment of \$900.0 million. There is no amortization schedule; however, the debt will be reduced monthly as available collections on the related finance receivables are applied to outstanding principal. Upon expiration of the U.S. Conduit Facilities, any outstanding principal will continue to be reduced monthly through available collections. Unless earlier terminated or extended by mutual agreement of the Company and the lenders, the U.S. Conduit Facilities have an expiration date of December 12, 2018.

*Asset-Backed Securitization VIEs* – For all of its asset-backed securitization transactions, the Company transfers U.S. retail motorcycle finance receivables to separate VIEs, which in turn issue secured notes with various maturities and interest rates to investors. All of the notes held by the VIEs are secured by future collections of the purchased U.S. retail motorcycle finance receivables. The U.S. retail motorcycle finance receivables included in the asset-backed securitization transactions are not available to pay other obligations or claims of the Company's creditors until the associated debt and other obligations are satisfied. Restricted cash balances held by the VIEs are used only to support the asset-backed securitizations.

The accounting treatment for asset-backed securitizations depends on the terms of the related transaction and the Company's continuing involvement with the VIE. Most of the Company's asset-backed securitizations do not meet the criteria to be accounted for as a sale because, in addition to retaining servicing rights, the Company retains a financial interest in the VIE in the form of a debt security. These transactions are treated as secured borrowings. As secured borrowings, the retail motorcycle finance receivables remain on the balance sheet with a corresponding obligation reflected as debt. There is no amortization schedule for the secured notes; however, the debt is reduced monthly as available collections on the related retail motorcycle finance receivables are applied to outstanding principal. The secured notes' contractual lives have various maturities ranging from 2019 to 2022.

There were no on or off-balance sheet asset-backed securitization transactions during 2017. During the second quarter 2016, the Company sold U.S. retail motorcycle finance receivables with a principal balance of \$301.8 million into an asset-backed securitization VIE, and the transaction met the criteria to be accounted for as a sale because the Company did not retain any financial interest in the VIE beyond servicing rights and ordinary representations and warranties and related covenants. Upon the sale, the retail motorcycle finance receivables were removed from the Company's balance sheet and a gain of \$9.3 million was recognized in Financial Services revenue.

For more information see Note 10 of the Notes to Consolidated Financial Statements.

*Support Agreement* - The Company has a support agreement with HDFS whereby, if required, the Company agrees to provide HDFS with financial support to maintain HDFS' fixed-charge coverage at 1.25 and minimum net worth of \$40.0 million. Support may be provided at the Company's option as capital contributions or loans. Accordingly, certain debt covenants may restrict the Company's ability to withdraw funds from HDFS outside the normal course of business. No amount has ever been provided to HDFS under the support agreement.

*Operating and Financial Covenants* – HDFS and the Company are subject to various operating and financial covenants related to the credit facilities and various operating covenants under the Notes and the U.S. and Canadian asset-backed commercial paper conduit facilities. The more significant covenants are described below.

The operating covenants limit the Company's and HDFS' ability to:

- assume or incur certain liens;
- participate in certain mergers or consolidations; and
- purchase or hold margin stock.

Under the current financial covenants of the Global Credit Facilities, the consolidated debt to equity ratio of HDFS cannot exceed 10.00 to 1.00 as of the end of any fiscal quarter. In addition, the ratio of the Company's consolidated debt to the Company's consolidated debt and equity, in each case excluding the debt of HDFS and its subsidiaries, cannot exceed 0.70 to 1.00 as of the end of any fiscal quarter. No financial covenants are required under the Notes or the U.S. or Canadian asset-backed commercial paper conduit facilities.

At December 31, 2017, 2016 and 2015, HDFS and the Company remained in compliance with all of the then existing covenants.

#### **Cautionary Statements**

The Company's ability to meet the targets and expectations noted depends upon, among other factors, the Company's ability to (i) execute its business strategy, (ii) execute its strategy of growing ridership, globally, (iii) effectively execute its manufacturing optimization plan within expected costs and timing, (iv) develop and introduce products, services and experiences that are successful in the marketplace, (v) manage the impact that prices for and supply of used motorcycles may have on its business, including on retail sales of new motorcycles, (vi) balance production volumes for its new motorcycles with consumer demand, including in circumstances where competitors may be supplying new motorcycles to the market in excess of demand at reduced prices, (vii) manage through changes in general economic and business conditions, including changing capital, credit and retail markets, and the changing political environment, (viii) manage risks that arise through expanding international manufacturing, operations and sales, (ix) successfully execute the Company's manufacturing strategy, including its flexible production strategy, (x) prevent and detect any issues with its motorcycles or any associated

manufacturing processes to avoid delays in new model launches, recall campaigns, regulatory agency investigations, increased warranty costs or litigation and adverse effects on its reputation and brand strength, and carry out any product programs or recalls within expected costs and timing, (xi) continue to manage the relationships and agreements that the Company has with its labor unions to help drive long-term competitiveness, (xii) accurately estimate and adjust to fluctuations in foreign currency exchange rates, interest rates and commodity prices, (xiii) manage the credit quality, the loan servicing and collection activities, and the recovery rates of HDFS' loan portfolio, (xiv) retain and attract talented employees, (xv) prevent a cybersecurity breach involving consumer, employee, dealer, supplier, or Company data and respond to evolving regulatory requirements regarding data security, (xvi) continue to develop the capabilities of its distributors and dealers and manage the risks that its independent dealers may have difficulty obtaining capital and managing through changing economic conditions and consumer demand, (xvii) adjust to tax reform, healthcare inflation and reform and pension reform, and successfully estimate the impact of any such reform on the Company's business, (xviii) manage through the effects inconsistent and unpredictable weather patterns may have on retail sales of motorcycles, (xix) manage supply chain issues, including quality issues and any unexpected interruptions or price increases caused by raw material shortages or natural disasters, (xx) implement and manage enterprise-wide information technology systems, including systems at its manufacturing facilities, (xxi) manage changes and prepare for requirements in legislative and regulatory environments for its products, services and operations, (xxii) manage its exposure to product liability claims and commercial or contractual disputes, and (xxiii) successfully access the capital and/or credit markets on terms (including interest rates) that are acceptable to the Company and within its expectations.

In addition, the Company could experience delays or disruptions in its operations as a result of work stoppages, strikes, natural causes, terrorism or other factors. Other factors are described in risk factors that the Company has disclosed in documents previously filed with the Securities and Exchange Commission.

The Company's ability to sell its motorcycles and related products and services and to meet its financial expectations also depends on the ability of the Company's independent dealers to sell its motorcycles and related products and services to retail customers. The Company depends on the capability and financial capacity of its independent dealers and distributors to develop and implement effective retail sales plans to create demand for the motorcycles and related products and services they purchase from the Company. In addition, the Company's independent dealers and distributors may experience difficulties in operating their businesses and selling Harley-Davidson motorcycles and related products and services as a result of weather, economic conditions or other factors.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

The Company is exposed to market risk from changes in foreign exchange rates, commodity prices and interest rates. To reduce such risks, the Company selectively uses derivative financial instruments. All hedging transactions are authorized and executed pursuant to regularly reviewed policies and procedures, which prohibit the use of financial instruments for speculative trading purposes. Sensitivity analysis is used to manage and monitor foreign exchange and interest rate risk.

The Company sells its products internationally and in most markets those sales are made in the foreign country's local currency. As a result, the Company's earnings are affected by fluctuations in the value of the U.S. dollar relative to foreign currency. The Company's most significant foreign currency risk relates to the Euro, the Australian dollar, the Japanese yen, the Brazilian real, the Canadian dollar, the British pound and the Mexican peso. The Company utilizes foreign currency contracts to mitigate the effect of certain currencies' fluctuations on earnings. The foreign currency contracts are entered into with banks and allow the Company to exchange a specified amount of foreign currency for U.S. dollars at a future date, based on a fixed exchange rate. At December 31, 2017 and December 31, 2016, the notional U.S. dollar value of outstanding Euro, Australian dollar, Japanese yen, Brazilian real, Canadian dollar and Mexican peso foreign currency contracts was \$675.7 million and \$554.6 million, respectively. The Company estimates that a uniform 10% weakening in the value of the U.S. dollar relative to the currencies underlying these contracts would result in a decrease in the fair value of the contracts of approximately \$67.2 million and \$52.2 million as of December 31, 2017 and December 31, 2016, respectively. Further disclosure relating to the fair value of derivative financial instruments is included in Note 7 of the Notes to Consolidated Financial Statements.

The Company's earnings are affected by changes in the prices of commodities used in the production of motorcycles. The Company uses derivative instruments on a limited basis to hedge the prices of certain commodities. At December 31, 2017, the notional value of these instruments was \$5.4 million and their fair value was a net asset of \$0.3 million. As of December 31, 2016, the notional value of these instruments was \$6.0 million and their fair value was a net asset of \$0.5 million. The potential decrease in fair value of these contracts from a 10% adverse change in the underlying commodity prices would not be significant.

HDFS' earnings are affected by changes in interest rates. HDFS' interest-rate sensitive financial instruments include finance receivables and debt. With the exception of short-term commercial paper and debt issued through the commercial paper

conduit facilities, the majority of HDFS' debt instruments at December 31, 2017 have fixed interest rates. A one-percentage point increase in the interest rate on commercial paper and debt issued through the commercial paper conduit facilities would increase Financial Services interest expense in 2018 by approximately \$15 million. This analysis does not consider the effects of the reduced level of overall economic activity that could exist in such an environment. Further, in the event of a change in interest rates, HDFS may take actions to mitigate its exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, the sensitivity analysis does not account for these impacts.

*Item 8. Consolidated Financial Statements and Supplementary Data*

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Harley-Davidson, Inc.

### Opinion on Internal Control over Financial Reporting

We have audited Harley-Davidson, Inc.'s internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Harley-Davidson, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Harley-Davidson, Inc. as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and financial statement schedule listed in the Index at item 15(a) and our report dated February 21, 2018 expressed an unqualified opinion thereon.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definitions and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP  
Milwaukee, Wisconsin  
February 21, 2018

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Harley-Davidson, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Harley-Davidson, Inc. as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and financial statement schedule listed in the Index at item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Harley-Davidson, Inc. at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 21, 2018 expressed an unqualified opinion thereon.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to fraud or error. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to fraud or error, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1982

Milwaukee, Wisconsin

February 21, 2018

**HARLEY-DAVIDSON, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**Years ended December 31, 2017, 2016 and 2015**  
(In thousands, except per share amounts)

	2017	2016	2015
<b>Revenue:</b>			
Motorcycles and Related Products	\$ 4,915,027	\$ 5,271,376	\$ 5,308,744
Financial Services	732,197	725,082	686,658
Total revenue	5,647,224	5,996,458	5,995,402
<b>Costs and expenses:</b>			
Motorcycles and Related Products cost of goods sold	3,261,683	3,419,710	3,356,284
Financial Services interest expense	180,193	173,756	161,983
Financial Services provision for credit losses	132,444	136,617	101,345
Selling, administrative and engineering expense	1,181,641	1,217,439	1,220,095
Total costs and expenses	4,755,961	4,947,522	4,839,707
Operating income	891,263	1,048,936	1,155,695
Investment income	3,580	4,645	6,585
Interest expense	31,004	29,670	12,117
Income before provision for income taxes	863,839	1,023,911	1,150,163
Provision for income taxes	342,080	331,747	397,956
Net income	\$ 521,759	\$ 692,164	\$ 752,207
<b>Earnings per common share:</b>			
Basic	\$ 3.03	\$ 3.85	\$ 3.71
Diluted	\$ 3.02	\$ 3.83	\$ 3.69
Cash dividends per common share	\$ 1.46	\$ 1.40	\$ 1.24

The accompanying notes are an integral part of the consolidated financial statements.

**HARLEY-DAVIDSON, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**Years ended December 31, 2017, 2016 and 2015**  
**(In thousands)**

	2017	2016	2015
Net income	\$ 521,759	\$ 692,164	\$ 752,207
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	46,280	(9,288)	(55,362)
Derivative financial instruments	(29,778)	6,638	(13,156)
Marketable securities	1,194	(100)	(394)
Pension and postretirement benefit plans	47,636	52,574	(31,350)
Total other comprehensive income (loss), net of tax	65,332	49,824	(100,262)
Comprehensive income	\$ 587,091	\$ 741,988	\$ 651,945

The accompanying notes are an integral part of the consolidated financial statements.

**HARLEY-DAVIDSON, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**December 31, 2017 and 2016**  
**(In thousands, except share amounts)**

	2017	2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 687,521	\$ 759,984
Marketable securities	—	5,519
Accounts receivable, net	329,986	285,106
Finance receivables, net	2,105,662	2,076,261
Inventories	538,202	499,917
Restricted cash	47,518	52,574
Other current assets	175,853	174,491
Total current assets	3,884,742	3,853,852
Finance receivables, net	4,859,424	4,759,197
Property, plant and equipment, net	967,781	981,593
Prepaid pension costs	19,816	—
Goodwill	55,947	53,391
Deferred income taxes	109,073	167,729
Other long-term assets	75,889	74,478
	<u>\$ 9,972,672</u>	<u>\$ 9,890,240</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 227,597	\$ 235,318
Accrued liabilities	529,822	486,652
Short-term debt	1,273,482	1,055,708
Current portion of long-term debt, net	1,127,269	1,084,884
Total current liabilities	3,158,170	2,862,562
Long-term debt, net	4,587,258	4,666,975
Pension liability	54,606	84,442
Postretirement healthcare liability	118,753	173,267
Other long-term liabilities	209,608	182,836
Commitments and contingencies (Note 14)		
Shareholders' equity:		
Preferred stock, none issued	—	—
Common stock, 181,286,547 and 180,595,054 shares issued, respectively	1,813	1,806
Additional paid-in-capital	1,422,808	1,381,862
Retained earnings	1,607,570	1,337,673
Accumulated other comprehensive loss	(500,049)	(565,381)
Treasury stock (13,195,731 and 4,647,345 shares, respectively), at cost	(687,865)	(235,802)
Total shareholders' equity	1,844,277	1,920,158
	<u>\$ 9,972,672</u>	<u>\$ 9,890,240</u>

**HARLEY-DAVIDSON, INC.**  
**CONSOLIDATED BALANCE SHEETS (continued)**  
**December 31, 2017 and 2016**  
**(In thousands, except share amounts)**

	<u>2017</u>	<u>2016</u>
Balances held by consolidated variable interest entities (Note 10)		
Current finance receivables, net	\$ 194,813	\$ 225,289
Other assets	\$ 2,148	\$ 2,781
Non-current finance receivables, net	\$ 521,940	\$ 643,047
Restricted cash - current and non-current	\$ 48,706	\$ 57,057
Current portion of long-term debt, net	\$ 209,247	\$ 241,396
Long-term debt, net	\$ 422,834	\$ 554,879

The accompanying notes are an integral part of the consolidated financial statements.

**HARLEY-DAVIDSON, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years ended December 31, 2017, 2016 and 2015**  
**(In thousands)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net cash provided by operating activities (Note 2)	\$ 1,005,061	\$ 1,174,339	\$ 1,100,118
Cash flows from investing activities:			
Capital expenditures	(206,294)	(256,263)	(259,974)
Origination of finance receivables	(3,591,948)	(3,664,495)	(3,751,830)
Collections on finance receivables	3,228,311	3,175,031	3,136,885
Proceeds from finance receivables sold	—	312,571	—
Sales and redemptions of marketable securities	6,916	40,014	11,507
Acquisition of business	—	—	(59,910)
Other	547	411	7,474
Net cash used by investing activities	(562,468)	(392,731)	(915,848)
Cash flows from financing activities:			
Proceeds from issuance of medium-term notes	893,668	1,193,396	595,386
Repayments of medium-term notes	(800,000)	(451,336)	(610,331)
Proceeds from issuance of senior unsecured notes	—	—	740,385
Proceeds from securitization debt	—	—	1,195,668
Repayments of securitization debt	(444,671)	(665,400)	(1,008,135)
Borrowings of asset-backed commercial paper	469,932	62,396	87,442
Repayments of asset-backed commercial paper	(176,227)	(71,500)	(72,727)
Net increase (decrease) in credit facilities and unsecured commercial paper	212,809	(145,812)	469,473
Net change in restricted cash	8,458	43,495	11,410
Dividends paid	(251,862)	(252,321)	(249,262)
Purchase of common stock for treasury	(465,263)	(465,341)	(1,537,020)
Excess tax benefits from share-based payments	—	2,251	3,468
Issuance of common stock under employee stock option plans	11,353	15,782	20,179
Net cash used by financing activities	(541,803)	(734,390)	(354,064)
Effect of exchange rate changes on cash and cash equivalents	26,747	(9,443)	(14,677)
Net (decrease) increase in cash and cash equivalents	<u>\$ (72,463)</u>	<u>\$ 37,775</u>	<u>\$ (184,471)</u>
Cash and cash equivalents:			
Cash and cash equivalents—beginning of period	\$ 759,984	\$ 722,209	\$ 906,680
Net (decrease) increase in cash and cash equivalents	(72,463)	37,775	(184,471)
Cash and cash equivalents—end of period	<u>\$ 687,521</u>	<u>\$ 759,984</u>	<u>\$ 722,209</u>

The accompanying notes are an integral part of the consolidated financial statements.

**HARLEY-DAVIDSON, INC.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**Years ended December 31, 2017, 2016 and 2015**  
(In thousands, except share amounts)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Balance	Total
	Issued Shares	Balance					
Balance December 31, 2014	344,174,653	\$ 3,442	\$ 1,265,257	\$ 8,459,040	\$ (514,943)	\$ (6,303,510)	\$ 2,909,286
Net income	—	—	—	752,207	—	—	752,207
Total other comprehensive loss, net of tax (Note 8)	—	—	—	—	(100,262)	—	(100,262)
Dividends	—	—	—	(249,262)	—	—	(249,262)
Repurchase of common stock	—	—	—	—	—	(1,537,020)	(1,537,020)
Share-based compensation and 401(k) match made with Treasury shares	—	—	39,457	—	—	1,394	40,851
Issuance of nonvested stock	162,193	2	(2)	—	—	—	—
Exercise of stock options	518,858	5	20,174	—	—	—	20,179
Tax benefit of equity awards	—	—	3,675	—	—	—	3,675
Balance December 31, 2015	344,855,704	\$ 3,449	\$ 1,328,561	\$ 8,961,985	\$ (615,205)	\$ (7,839,136)	\$ 1,839,654
Net income	—	—	—	692,164	—	—	692,164
Total other comprehensive income, net of tax (Note 8)	—	—	—	—	49,824	—	49,824
Dividends	—	—	—	(252,321)	—	—	(252,321)
Repurchase of common stock	—	—	—	—	—	(465,341)	(465,341)
Share-based compensation and 401(k) match made with Treasury shares	—	—	36,956	—	—	2,870	39,826
Issuance of nonvested stock	272,479	2	(2)	—	—	—	—
Exercise of stock options	466,871	5	15,777	—	—	—	15,782
Tax benefit of equity awards	—	—	570	—	—	—	570
Retirement of treasury stock	(165,000,000)	(1,650)	—	(8,064,155)	—	8,065,805	—
Balance December 31, 2016	180,595,054	\$ 1,806	\$ 1,381,862	\$ 1,337,673	\$ (565,381)	\$ (235,802)	\$ 1,920,158
Net income	—	—	—	521,759	—	—	521,759
Total other comprehensive income, net of tax (Note 8)	—	—	—	—	65,332	—	65,332
Dividends	—	—	—	(251,862)	—	—	(251,862)
Repurchase of common stock	—	—	—	—	—	(465,263)	(465,263)
Share-based compensation and 401(k) match made with Treasury shares	—	—	29,600	—	—	13,200	42,800
Issuance of nonvested stock	408,950	4	(4)	—	—	—	—
Exercise of stock options	282,543	3	11,350	—	—	—	11,353
Balance December 31, 2017	181,286,547	\$ 1,813	\$ 1,422,808	\$ 1,607,570	\$ (500,049)	\$ (687,865)	\$ 1,844,277

The accompanying notes are an integral part of the consolidated financial statements.

**HARLEY-DAVIDSON, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

*Principles of Consolidation and Basis of Presentation* – The consolidated financial statements include the accounts of Harley-Davidson, Inc. and its wholly-owned subsidiaries (the Company), including the accounts of the groups of companies doing business as Harley-Davidson Motor Company (HDMC) and Harley-Davidson Financial Services (HDFS). In addition, certain variable interest entities (VIEs) related to secured financing are consolidated as the Company is the primary beneficiary. All intercompany accounts and transactions are eliminated.

All of the Company's subsidiaries are wholly owned and are included in the consolidated financial statements. Substantially all of the Company's international subsidiaries use their respective local currency as their functional currency. Assets and liabilities of international subsidiaries have been translated at period-end exchange rates, and revenues and expenses have been translated using average exchange rates for the period. Monetary assets and liabilities denominated in a currency that is different from an entity's functional currency are remeasured from the transactional currency to the entity's functional currency on a monthly basis. The effect of this remeasurement is reported in Motorcycle and Related Products cost of goods sold. The pre-tax gain for foreign currency remeasurements was \$15.0 million for the year ended 2017. The pre-tax loss for foreign currency remeasurements was \$15.1 million and \$21.5 million for the years ended 2016 and 2015, respectively.

The Company operates in two reportable segments: Motorcycles & Related Products (Motorcycles) and Financial Services.

*Use of Estimates* – The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

*Cash and Cash Equivalents* – The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

*Marketable Securities* – The Company's marketable securities consisted of the following at December 31 (in thousands):

	2017	2016
Available-for-sale securities: corporate bonds	\$ —	\$ 5,519
Trading securities: mutual funds	48,006	38,119
<b>Total marketable securities</b>	<b>\$ 48,006</b>	<b>\$ 43,638</b>

The Company's available-for-sale securities were carried at fair value with any unrealized gains or losses reported in other comprehensive income. During 2017 and 2016, unrealized losses were not material. There were no available-for-sale securities outstanding at December 31, 2017.

The Company's trading securities relate to investments held by the Company to fund certain deferred compensation obligations. The trading securities are carried at fair value with gains and losses recorded in net income and investments are included in other long-term assets on the consolidated balance sheets.

*Accounts Receivable, Net* – The Company's motorcycles and related products are sold to independent dealers outside the U.S. and Canada generally on open account and the resulting receivables are included in accounts receivable in the Company's consolidated balance sheets. The allowance for doubtful accounts deducted from total accounts receivable was \$4.1 million and \$2.7 million as of December 31, 2017 and 2016, respectively. Accounts receivable are written down once management determines that the specific customer does not have the ability to repay the balance in full. The Company's sales of motorcycles and related products in the U.S. and Canada are financed by the purchasing dealers through HDFS and the related receivables are included in finance receivables in the consolidated balance sheets.

*Finance Receivables, Net* – Finance receivables include both retail and wholesale finance receivables, net, including amounts held by consolidated VIEs. Finance receivables are recorded in the financial statements at amortized cost net of an allowance for credit losses. The provision for credit losses on finance receivables is charged to earnings in amounts sufficient to maintain the allowance for credit losses at a level that is adequate to cover estimated losses of principal inherent in the existing portfolio. Portions of the allowance for credit losses are specified to cover estimated losses on finance receivables specifically identified for impairment. The unspecified portion of the allowance covers estimated losses on finance receivables which are collectively reviewed for impairment. Finance receivables are considered impaired when management determines it is probable that the Company will be unable to collect all amounts due according to the terms of the loan agreement.

The retail portfolio primarily consists of a large number of small balance, homogeneous finance receivables. The Company performs a periodic and systematic collective evaluation of the adequacy of the retail allowance for credit losses. The Company utilizes loss forecast models which consider a variety of factors including, but not limited to, historical loss trends, origination or vintage analysis, known and inherent risks in the portfolio, the value of the underlying collateral, recovery rates and current economic conditions including items such as unemployment rates. Retail finance receivables are not evaluated individually for impairment prior to charge-off and therefore are not reported as impaired loans.

The wholesale portfolio is primarily composed of large balance, non-homogeneous loans. The Company's wholesale allowance evaluation is first based on a loan-by-loan review. A specific allowance for credit losses is established for wholesale finance receivables determined to be individually impaired when management concludes that the borrower will not be able to make full payment of contractual amounts due based on the original terms of the loan agreement. The impairment is determined based on the cash that the Company expects to receive discounted at the loan's original interest rate or the fair value of the collateral, if the loan is collateral-dependent. Finance receivables in the wholesale portfolio that are not individually evaluated for impairment are segregated, based on similar risk characteristics, according to the Company's internal risk rating system and collectively evaluated for impairment. The related allowance is based on factors such as the Company's past loan loss experience, the specific borrower's financial performance as well as ability to repay, current economic conditions as well as the value of the underlying collateral.

Impaired finance receivables also include loans that have been modified in troubled debt restructurings as a concession to borrowers experiencing financial difficulty. Generally, it is the Company's policy not to change the terms and conditions of finance receivables. However, to minimize the economic loss, the Company may modify certain impaired finance receivables in troubled debt restructurings. Total restructured finance receivables are not significant.

Repossessed inventory representing recovered collateral on impaired finance receivables is recorded at the lower of cost or net realizable value. In the period during which the collateral is repossessed, the related finance receivable is adjusted to the fair value of the collateral through a charge to the allowance for credit losses and reclassified to repossessed inventory. Repossessed inventory is included in other current assets and was \$19.6 million and \$19.3 million at December 31, 2017 and 2016, respectively.

*Asset-Backed Financing* – The Company participates in asset-backed financing both through asset-backed securitization transactions and through asset-backed commercial paper conduit facilities. In the Company's asset-backed financing programs, the Company transfers retail motorcycle finance receivables to special purpose entities (SPE), which are considered VIEs under U.S. GAAP. Each SPE then converts those assets into cash, through the issuance of debt. The Company retains servicing rights for all of the retail motorcycle finance receivables transferred to SPEs as part of an asset-backed financing. The accounting treatment for asset-backed financings depends on the terms of the related transaction and the Company's continuing involvement with the VIE.

In transactions where the Company has power over the significant activities of the VIE and has an obligation to absorb losses or the right to receive benefits from the VIE that are potentially significant to the VIE, the Company is the primary beneficiary of the VIE and consolidates the VIE within its consolidated financial statements. On a consolidated basis, the asset-backed financing is treated as a secured borrowing in this type of transaction and is referred to as an on-balance sheet asset-backed financing.

In transactions where the Company is not the primary beneficiary of the VIE, the Company must determine whether it can achieve a sale for accounting purposes under ASC Topic 860, "Transfers and Servicing." To achieve a sale for accounting purposes, the assets being transferred must be legally isolated, not be constrained by restrictions from further transfer, and be deemed to be beyond the Company's control. If the Company does not meet all these criteria for sale accounting, then the transaction is accounted for as a secured borrowing and is referred to as an on-balance sheet asset-backed financing.

If the Company meets all three of the sale criteria above, the transaction is recorded as a sale for accounting purposes and is referred to as an off-balance sheet asset-backed financing. Upon sale, the retail motorcycle finance receivables are removed from the Company's balance sheet and a gain or loss is recognized for the difference between the cash proceeds received, the assets derecognized, and the liabilities recognized as part of the transaction. The gain or loss on sale is included in Financial Services revenue in the Consolidated Statement of Income.

The Company is not required, and does not currently intend, to provide any additional financial support to the on or off-balance sheet VIEs associated with these transactions. Investors and creditors in these transactions only have recourse to the assets held by the VIEs.

*Inventories* – Substantially all inventories located in the United States are valued using the last-in, first-out (LIFO) method. Other inventories totaling \$234.9 million at December 31, 2017 and \$221.7 million at December 31, 2016 are valued at the lower of cost or net realizable value using the first-in, first-out (FIFO) method.

*Property, Plant and Equipment* – Property, plant and equipment is recorded at cost. Depreciation is determined on the straight-line basis over the estimated useful lives of the assets. The following useful lives are used to depreciate the various classes of property, plant and equipment: buildings – 30 years; building equipment and land improvements – 7 years; machinery and equipment – 3 to 10 years; furniture and fixtures – 5 years; and software – 3 to 7 years. Accelerated methods of depreciation are used for income tax purposes.

*Goodwill* – Goodwill represents the excess of acquisition cost over the fair value of the net assets purchased. Goodwill is tested for impairment, based on financial data related to the reporting unit to which it has been assigned, at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The impairment test involves comparing the estimated fair value of the reporting unit associated with the goodwill to its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, goodwill must be adjusted to its implied fair value. During 2017 and 2016, the Company performed a quantitative test on its goodwill balances for impairment and no adjustments were recorded to goodwill as a result of those reviews.

*Long-lived Assets* – The Company periodically evaluates the carrying value of long-lived assets to be held and used when events and circumstances warrant such review. If the carrying value of a long-lived asset is considered impaired, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset for assets to be held and used. The Company also reviews the useful life of its long-lived assets when events and circumstances indicate that the actual useful life may be shorter than originally estimated. In the event that the actual useful life is deemed to be shorter than the original useful life, depreciation is adjusted prospectively so that the remaining book value is depreciated over the revised useful life.

Asset groups classified as held for sale are measured at the lower of carrying amount or fair value less cost to sell, and a loss is recognized for any initial adjustment required to reduce the carrying amount to the fair value less cost to sell in the period the held for sale criteria are met. The fair value less cost to sell must be assessed each reporting period the asset group remains classified as held for sale. Gains or losses not previously recognized resulting from the sale of an asset group will be recognized on the date of sale.

*Product Warranty and Recall* – The Company currently provides a standard two-year limited warranty on all new motorcycles sold worldwide, except for Japan, where the Company provides a standard three-year limited warranty on all new motorcycles sold. In addition, the Company offers a one-year warranty for Parts & Accessories (P&A). The warranty coverage for the retail customer generally begins when the product is sold to a retail customer. The Company accrues for future warranty claims using an estimated cost based primarily on historical Company claim information. Additionally, the Company has from time to time initiated certain voluntary recall campaigns. The Company accrues for the estimated cost associated with voluntary recalls in the period that management approves and commits to the recall.

Changes in the Company’s warranty and recall liability were as follows (in thousands):

	2017	2016	2015
Balance, beginning of period	\$ 79,482	\$ 74,217	\$ 69,250
Warranties issued during the period	57,834	60,215	59,259
Settlements made during the period	(82,554)	(99,298)	(96,529)
Recalls and changes to pre-existing warranty liabilities	39,438	44,348	42,237
Balance, end of period	<u>\$ 94,200</u>	<u>\$ 79,482</u>	<u>\$ 74,217</u>

The liability associated with recalls, including the amount recorded in 2017 in connection with the NHTSA matter discussed in Note 14, was \$35.3 million, \$13.6 million and \$10.2 million at December 31, 2017, 2016 and 2015, respectively.

*Derivative Financial Instruments* – The Company is exposed to certain risks such as foreign currency exchange rate risk, interest rate risk and commodity price risk. To reduce its exposure to such risks, the Company selectively uses derivative financial instruments. All derivative transactions are authorized and executed pursuant to regularly reviewed policies and procedures, which prohibit the use of financial instruments for speculative trading purposes.

All derivative instruments are recognized on the balance sheet at fair value (see Note 6). In accordance with ASC Topic 815, “Derivatives and Hedging,” the accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. Changes in

the fair value of derivatives that are designated as fair value hedges, along with the gain or loss on the hedged item, are recorded in current period earnings. For derivative instruments that are designated as cash flow hedges, the effective portion of gains and losses that result from changes in the fair value of derivative instruments is initially recorded in other comprehensive income (OCI) and subsequently reclassified into earnings when the hedged item affects income. The Company assesses, at both the inception of each hedge and on an on-going basis, whether the derivatives that are used in its hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. Any ineffective portion is immediately recognized in earnings. No component of a hedging derivative instrument's gain or loss is excluded from the assessment of hedge effectiveness. Derivative instruments that do not qualify for hedge accounting are recorded at fair value and any changes in fair value are recorded in current period earnings. Refer to Note 7 for a detailed description of the Company's derivative instruments.

*Motorcycles and Related Products Revenue Recognition* – Sales are recorded when title and ownership is transferred, which is generally when products are shipped to wholesale customers (independent dealers). The Company may offer sales incentive programs to both wholesale and retail customers designed to promote the sale of motorcycles and related products. The total costs of these programs are generally recognized as revenue reductions and are accrued at the later of the date the related sales are recorded or the date the incentive program is both approved and communicated.

*Financial Services Revenue Recognition* – Interest income on finance receivables is recorded as earned and is based on the average outstanding daily balance for wholesale and retail receivables. Accrued and uncollected interest is classified with finance receivables. Certain loan origination costs related to finance receivables, including payments made to dealers for certain retail loans, are deferred and recorded within finance receivables, and amortized over the estimated life of the contract.

Retail finance receivables are contractually delinquent if the minimum payment is not received by the specified due date. Retail finance receivables are generally charged-off when the receivable is 120 days or more delinquent, the related asset is repossessed or the receivable is otherwise deemed uncollectible. All retail finance receivables accrue interest until either collected or charged-off. Accordingly, as of December 31, 2017 and 2016, all retail finance receivables are accounted for as interest-earning receivables.

Wholesale finance receivables are delinquent if the minimum payment is not received by the contractual due date. Wholesale finance receivables are written down once management determines that the specific borrower does not have the ability to repay the loan in full. Interest continues to accrue on past due finance receivables until the date the finance receivable becomes uncollectible and the finance receivable is placed on non-accrual status. The Company will resume accruing interest on these accounts when payments are current according to the terms of the loans and future payments are reasonably assured. While on non-accrual status, all cash received is applied to principal or interest as appropriate.

Insurance and protection product revenue, including revenue from the sale of extended service contracts, is recognized when contractually earned. Deferred revenue related to extended service contracts was \$4.7 million and \$4.5 million as of December 31, 2017 and 2016, respectively.

*Research and Development Expenses* – Expenditures for research activities relating to product development and improvement are charged against income as incurred and included within selling, administrative and engineering expenses in the consolidated statement of income. Research and development expenses were \$175.2 million, \$172.3 million and \$161.2 million for 2017, 2016 and 2015, respectively.

*Advertising Costs* – The Company expenses the production cost of advertising the first time the advertising takes place. Advertising costs relate to the Company's efforts to promote its products and brands through the use of media. During 2017, 2016 and 2015, the Company incurred \$135.5 million, \$137.4 million and \$119.8 million in advertising costs, respectively.

*Shipping and Handling Costs* – The Company classifies shipping and handling costs as a component of cost of goods sold.

*Share-Based Award Compensation Costs* – The Company recognizes the cost of its share-based awards in its statement of income. The cost of each share-based equity award is based on the grant date fair value and the cost of each share-based cash-settled award is based on the settlement date fair value. Share-based award expense is recognized on a straight-line basis over the service or performance periods of the awards. The expense recognized reflects the number of awards that are ultimately expected to vest based on the service and, if applicable, performance requirements of each award. Total share-based award compensation expense recognized by the Company during 2017, 2016 and 2015 was \$32.5 million, \$32.3 million and \$29.4 million, respectively, or \$20.5 million, \$20.4 million and \$18.5 million net of taxes, respectively.

*Income Tax Expense* – The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes.

## New Accounting Standards

### *Accounting Standards Recently Adopted*

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-09 Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (ASU 2016-09). ASU 2016-09 amends the guidance on several aspects of accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, accounting for forfeitures, and classification on the statement of cash flows. The Company adopted ASU 2016-09 on January 1, 2017. The Company elected to apply the amendments related to the classification of excess tax benefits on the statement of cash flows on a prospective basis, and prior periods were not adjusted. The adoption of ASU 2016-09 did not have a material impact on the Company's consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11 Inventory (Topic 330): Simplifying the Measurement of Inventory (ASU 2015-11). ASU 2015-11 simplifies the subsequent measurement of inventory by using only the lower of cost or net realizable value. ASU 2015-11 does not apply to inventory measured using the last-in, first-out method. The Company adopted ASU 2015-11 on January 1, 2017. The adoption of ASU 2015-11 did not have a material impact on the Company's consolidated financial statements.

### *Accounting Standards Not Yet Adopted*

In May 2014, the FASB issued ASU No. 2014-09 Revenue from Contracts with Customers (ASU 2014-09). ASU 2014-09 is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU No. 2015-14 Revenue from Contracts with Customers: Deferral of Effective Date (ASU 2015-14) to defer the effective date of the new revenue recognition standard by one year to fiscal years beginning after December 15, 2017 and interim periods therein. The Company will adopt the new revenue recognition guidance on January 1, 2018 using the modified retrospective method by recording the cumulative effect of initially applying the new standard as an increase of approximately \$6 million to the opening balance of retained earnings. The on-going application of the new guidance is not expected to have a material impact on the Company's financial statements.

In January 2016, the FASB issued ASU No. 2016-01 Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities (ASU 2016-01). ASU 2016-01 enhances the existing financial instruments reporting model by modifying fair value measurement tools, simplifying impairment assessments for certain equity instruments and modifying overall presentation and disclosure requirements. The Company is required to adopt ASU 2016-01 for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017 on a prospective basis. The Company does not expect the adoption of ASU 2016-01 to have a material impact on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02 Leases (Topic 842) (ASU 2016-02). ASU 2016-02 amends the existing lease accounting model by requiring a lessee to recognize the rights and obligations resulting from certain leases as assets and liabilities on the balance sheet. ASU 2016-02 also requires a company to disclose key information about their leasing arrangements. The Company is required to adopt ASU 2016-02 for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 using a modified retrospective approach. Early adoption is permitted. The Company is currently in the process of gathering and analyzing information necessary to quantify the impact of adopting ASU 2016-02 and evaluating the transition practical expedients it will apply upon adoption.

In July 2016, the FASB issued ASU No. 2016-13 Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13). ASU 2016-13 changes how to recognize expected credit losses on financial assets. The standard requires a more timely recognition of credit losses on loans and other financial assets and also provides additional transparency about credit risk. The current credit loss standard generally requires that a loss actually be incurred before it is recognized, while the new standard will require recognition of full lifetime expected losses upon initial recognition of the financial instrument. The Company is required to adopt ASU 2016-13 for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019 on a modified retrospective basis. Early adoption is permitted for fiscal years beginning after December 15, 2018. An entity should apply the standard by recording a cumulative effect adjustment to retained earnings upon adoption. Adoption of this standard will impact how the Company recognizes credit losses on its financial instruments. The Company is currently evaluating the impact of adoption of ASU 2016-13 but anticipates the adoption of ASU 2016-13 will result in an increase in the annual provision for credit losses and the related allowance for credit losses.

In August 2016, the FASB issued ASU No. 2016-15 Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (ASU 2016-15). ASU 2016-15 addresses eight specific cash flow issues with the objective of

reducing diversity in practice regarding how certain cash receipts and cash payments are presented in the statement of cash flows. The standard provides guidance on the classification of the following items: (1) debt prepayment or debt extinguishment costs, (2) settlement of zero-coupon debt instruments, (3) contingent consideration payments made after a business combination, (4) proceeds from the settlement of insurance claims, (5) proceeds from the settlement of corporate-owned life insurance policies, (6) distributions received from equity method investments, (7) beneficial interests in securitization transactions, and (8) separately identifiable cash flows. The Company is required to adopt ASU 2016-15 for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017 on a retrospective basis. Early adoption is permitted, including adoption in an interim period. The Company does not expect the adoption of ASU 2016-15 to have a material impact on its financial statements.

In October 2016, the FASB issued ASU No. 2016-16 Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory (ASU 2016-16). ASU 2016-16 states that an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Two common assets included in the scope of the ASU are intellectual property and property, plant and equipment. The Company is required to adopt ASU 2016-16 for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017 using a modified retrospective approach with a cumulative-effect adjustment to retained earnings. The Company does not expect the adoption of ASU 2016-16 to have a material impact on its financial statements.

In November 2016, the FASB issued ASU No. 2016-18 Statement of Cash Flows (Topic 230): Restricted Cash (ASU 2016-18). ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. As such, restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Company is required to adopt ASU 2016-18 for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017 on a retrospective basis. Early adoption is permitted, including adoption in an interim period. Subsequent to the adoption of ASU 2016-18, the change in restricted cash will be excluded from financing activities and included in the change in total cash which will include restricted cash in addition to cash and cash equivalents.

In January 2017, the FASB issued ASU No. 2017-04 Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment (ASU 2017-04). ASU 2017-04 simplifies the subsequent measurement of goodwill by eliminating the requirement to calculate the implied fair value of goodwill. Rather, the goodwill impairment is calculated by comparing the fair value of a reporting unit to its carrying value, and an impairment loss is recognized for the amount by which the carrying amount exceeds the fair value, limited to the total goodwill allocated to the reporting unit. All reporting units apply the same impairment test under the new standard. The Company is required to adopt ASU 2017-04 for its annual and any interim goodwill impairment tests in fiscal years beginning after December 15, 2019 on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017.

In March 2017, the FASB issued ASU No. 2017-07 Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (ASU 2017-07). ASU 2017-07 amends ASC 715, Compensation - Retirement Benefits by requiring employers to present the service cost component of net periodic benefit cost in the same income statement line item as other employee compensation costs arising from services rendered during the period. Other components of the net periodic benefit cost will be presented separately from the line item that includes the service cost and outside of any subtotal of operating income. The guidance also limits the components that are eligible for capitalization in assets. The Company is required to adopt ASU 2017-07 for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted as of the beginning of an annual period for which interim or annual financial statements have not been issued or made available for issuance. The amendments related to the presentation of the components of net periodic benefit cost should be applied retrospectively. The amendments related to the capitalization of certain components in assets should be applied prospectively. The Company's net periodic benefit cost components are disclosed in Note 12.

In August 2017, the FASB issued ASU No. 2017-12 Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities (ASU 2017-12). ASU 2017-12 amends ASC 815, Derivatives and Hedging to improve the financial reporting of hedging relationships and to simplify the application of the hedge accounting guidance. The ASU makes various updates to the hedge accounting model, including changing the recognition and presentation of changes in the fair value of the hedging instrument and amending disclosure requirements, among other things. The Company is required to adopt ASU 2017-12 for fiscal years beginning after December 15, 2018, and for interim periods within those fiscal years. Early adoption is permitted in any interim period after issuance of the ASU. For cash flow and net investment hedges existing at the date of adoption, the Company must apply a cumulative-effect adjustment as of the beginning of the fiscal year in which the standard

is adopted. The amendments related to presentation and disclosure are required prospectively. The Company is currently evaluating the impact of adoption of ASU 2017-12.

In February 2018, the FASB issued ASU No. 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (ASU 2018-02). Under existing U.S. GAAP, the effects of changes in tax rates and laws on deferred tax balances are recorded as a component of income tax expense in the period in which the law was enacted. When deferred tax balances related to items originally recorded in accumulated other comprehensive income are adjusted, certain tax effects become stranded in accumulated other comprehensive income. The amendments in ASU 2018-02 allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the 2017 Tax Cuts and Jobs Act. The amendments in this ASU also require certain disclosures about stranded tax effects. The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption in any period is permitted. The Company's provisional adjustments recorded in 2017 to account for the impact of the 2017 Tax Cuts and Jobs Act resulted in stranded tax effects. The Company is currently evaluating the timing and impact of adopting ASU 2018-02.

## 2. Additional Balance Sheet and Cash Flow Information

The following information represents additional detail for selected line items included in the consolidated balance sheets at December 31, and the statements of cash flows for the years ended December 31.

### Balance Sheet Information:

*Inventories, net (in thousands):*

	2017	2016
Raw materials and work in process	\$ 161,664	\$ 140,639
Motorcycle finished goods	289,530	285,281
Parts and accessories and general merchandise	139,363	122,264
Inventory at lower of FIFO cost or net realizable value	590,557	548,184
Excess of FIFO over LIFO cost	(52,355)	(48,267)
Total inventories, net	<u>\$ 538,202</u>	<u>\$ 499,917</u>

Inventory obsolescence reserves deducted from FIFO cost were \$38.7 million and \$39.9 million as of December 31, 2017 and 2016, respectively.

*Property, plant and equipment, at cost (in thousands):*

	2017	2016
Land and related improvements	\$ 70,256	\$ 65,533
Buildings and related improvements	464,454	464,200
Machinery and equipment	1,890,126	1,887,269
Software	660,090	630,114
Construction in progress	200,396	214,409
	3,285,322	3,261,525
Accumulated depreciation	(2,317,541)	(2,279,932)
Total property, plant and equipment, net	<u>\$ 967,781</u>	<u>\$ 981,593</u>

*Accrued liabilities (in thousands):*

	<b>2017</b>	<b>2016</b>
Payroll, employee benefits and related expenses	\$ 124,093	\$ 148,221
Warranty and recalls	75,089	57,698
Sales incentive programs	48,309	43,218
Tax-related accruals	25,944	26,140
Fair value of derivative financial instruments	21,308	142
Accrued interest	40,347	42,788
Other	194,732	168,445
Total accrued liabilities	<u>\$ 529,822</u>	<u>\$ 486,652</u>

**Cash Flow Information:**

The reconciliation of net income to net cash provided by operating activities of continuing operations is as follows (in thousands):

	2017	2016	2015
<b>Cash flows from operating activities:</b>			
Net income	\$ 521,759	\$ 692,164	\$ 752,207
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>			
Depreciation and amortization of intangibles	222,188	209,555	198,074
Amortization of deferred loan origination costs	82,911	86,681	93,546
Amortization of financing origination fees	8,045	9,252	9,975
Provision for long-term employee benefits	29,900	38,273	60,824
Employee benefit plan contributions and payments	(63,277)	(55,809)	(28,490)
Stock compensation expense	32,491	32,336	29,433
Net change in wholesale finance receivables related to sales	35,172	(3,233)	(113,970)
Provision for credit losses	132,444	136,617	101,345
Gain on off-balance sheet asset-backed securitization	—	(9,269)	—
Loss on debt extinguishment	—	118	1,099
Deferred income taxes	50,855	(165)	(16,484)
Other, net	8,559	(6,907)	20,913
<b>Changes in current assets and liabilities:</b>			
Accounts receivable, net	(18,149)	(45,934)	(13,665)
Finance receivables – accrued interest and other	(1,313)	(1,489)	(3,046)
Inventories	(20,584)	85,072	(155,222)
Accounts payable and accrued liabilities	10,128	38,237	138,823
Derivative instruments	1,866	(3,413)	(5,615)
Other	(27,934)	(27,747)	30,371
<b>Total adjustments</b>	<b>483,302</b>	<b>482,175</b>	<b>347,911</b>
<b>Net cash provided by operating activities</b>	<b>\$ 1,005,061</b>	<b>\$ 1,174,339</b>	<b>\$ 1,100,118</b>

Cash paid during the period for interest and income taxes (in thousands):

	2017	2016	2015
Interest	\$ 204,866	\$ 185,804	\$ 148,654
Income taxes	\$ 300,113	\$ 356,553	\$ 371,547

Interest paid represents interest payments of HDFFS (included in financial services interest expense) and interest payments of the Company (included in interest expense).

**3. Acquisition**

On August 4, 2015, the Company completed its purchase of certain assets and liabilities from Fred Deeley Imports, Ltd. (Deeley Imports) including, among other things, the acquisition of the exclusive right to distribute the Company's motorcycles and other products in Canada (Transaction) for total consideration of \$59.9 million. The majority equity owner of Deeley Imports, prior to the transaction closing, was also a member of the Board of Directors of the Company. The acquisition of the Canadian distribution rights allowed the Company to align its distribution in Canada with its global go-to-market approach.

The financial impact of the acquisition, which was part of the Motorcycles segment, has been included in the Company's consolidated financial statements from the date of acquisition. Proforma information reflecting this acquisition has not been disclosed as the proforma impact on consolidated net income was not material.

The following table summarizes the fair values of the Deeley Imports assets acquired and liabilities assumed at the date of acquisition (in thousands):

	August 4, 2015
Current assets	\$ 11,088
Property, plant and equipment	144
Intangible assets	20,842
Goodwill	28,567
Total assets	60,641
Current liabilities	731
Net assets acquired	\$ 59,910

As noted above, in conjunction with the acquisition of certain assets and assumption of certain liabilities of Deeley Imports, the Company recorded goodwill of \$28.6 million, all of which the Company believes is tax deductible, and intangible assets with an initial fair value of \$20.8 million. Of the total intangible assets acquired, \$13.3 million was assigned to reacquired distribution rights with a useful life of two years and \$7.5 million was assigned to customer relationships with a useful life of twenty years. The Company agreed to reimburse Deeley Imports for certain severance costs associated with the Transaction resulting in \$3.3 million of expense included in selling, administrative and engineering expense in the third quarter of 2015. The Company did not acquire any cash as part of the Transaction.

#### 4. Goodwill and Intangible Assets

The following table summarizes changes in the carrying amount of goodwill in the Motorcycles segment for the following years ended December 31 (in thousands):

	2017	2016	2015
Balance, beginning of period	\$ 53,391	\$ 54,182	\$ 27,752
Business acquisitions	—	—	28,567
Currency translation	2,556	(791)	(2,137)
Balance, end of period	\$ 55,947	\$ 53,391	\$ 54,182

The following table summarizes the Motorcycles segment intangible assets other than goodwill at December 31 (in thousands):

	2017			Estimated useful life (years)
	Gross Carrying Amount	Accumulated Amortization	Net	
Intangible assets other than goodwill				
Reacquired distribution rights	\$ 13,933	\$ (13,933)	\$ —	2
Customer relationships	7,860	(950)	6,910	20
Total other intangible assets	\$ 21,793	\$ (14,883)	\$ 6,910	
	2016			Estimated useful life (years)
	Gross Carrying Amount	Accumulated Amortization	Net	
Intangible assets other than goodwill				
Reacquired distribution rights	\$ 12,928	\$ (9,157)	\$ 3,771	2
Customer relationships	7,293	(517)	6,776	20
Total other intangible assets	\$ 20,221	\$ (9,674)	\$ 10,547	

Intangible assets other than goodwill are included in other long-term assets on the Company's consolidated balance sheets. The gross carrying amounts at December 31 differ from the acquisition date amounts due to changes in foreign currency exchange rates.

Total amortization expense of other intangible assets was \$4.2 million, \$7.0 million and \$2.8 million for 2017, 2016 and 2015, respectively. The Company estimates future amortization to be as follows (in thousands):

	Estimated Amortization
2018	\$ 384
2019	384
2020	384
2021	384
2022	384
Thereafter	4,990
<b>Total</b>	<b>\$ 6,910</b>

The Financial Services segment had no goodwill or intangible assets at December 31, 2017 and 2016.

## 5. Finance Receivables

Finance receivables, net at December 31 for the past five years were as follows (in thousands):

	2017	2016	2015	2014	2013
<b>Wholesale</b>					
United States	\$ 939,621	\$ 961,150	\$ 965,379	\$ 903,380	\$ 800,491
Canada	77,336	65,440	58,481	48,941	44,721
Total wholesale	1,016,957	1,026,590	1,023,860	952,321	845,212
<b>Retail</b>					
United States	5,901,002	5,769,410	5,803,071	5,398,006	5,051,245
Canada	239,598	212,801	188,400	209,918	213,799
Total retail	6,140,600	5,982,211	5,991,471	5,607,924	5,265,044
	7,157,557	7,008,801	7,015,331	6,560,245	6,110,256
Allowance for credit losses	(192,471)	(173,343)	(147,178)	(127,364)	(110,693)
<b>Total finance receivables, net</b>	<b>\$ 6,965,086</b>	<b>\$ 6,835,458</b>	<b>\$ 6,868,153</b>	<b>\$ 6,432,881</b>	<b>\$ 5,999,563</b>

The Company offers wholesale financing to the Company's independent dealers

Wholesale loans to dealers are generally secured by financed inventory or property and are originated in the U.S. and Canada. Wholesale finance receivables are related primarily to motorcycles and related parts and accessories sales.

The Company provides retail financial services to customers of the Company's independent dealers in the U.S. and Canada. The origination of retail loans is a separate and distinct transaction between the Company and the retail customer, unrelated to the Company's sale of product to its dealers. Retail finance receivables consist of secured promissory notes and secured installment contracts and are primarily related to sales of motorcycles to the dealers' customers. The Company holds either titles or liens on titles to vehicles financed by promissory notes and installment sales contracts. As of December 31, 2017 and 2016, approximately 11% of gross outstanding retail finance receivables were originated in Texas; there were no other states that accounted for more than 10% of gross outstanding retail finance receivables.

Unused lines of credit extended to the Company's wholesale finance customers totaled \$1.27 billion and \$1.32 billion at December 31, 2017 and 2016, respectively. Approved but unfunded retail finance loans totaled \$166.3 million and \$177.9 million at December 31, 2017 and 2016, respectively.

Wholesale finance receivables are generally contractually due within one year. On December 31, 2017, contractual maturities of finance receivables were as follows (in thousands):

	United States	Canada	Total
2018	\$ 2,018,646	\$ 126,345	\$ 2,144,991
2019	1,160,372	51,764	1,212,136
2020	1,251,444	56,173	1,307,617
2021	1,250,821	60,957	1,311,778
2022	1,144,281	21,695	1,165,976
Thereafter	15,059	—	15,059
Total	\$ 6,840,623	\$ 316,934	\$ 7,157,557

The allowance for credit losses on finance receivables is comprised of individual components relating to wholesale and retail finance receivables. Changes in the allowance for credit losses on finance receivables by portfolio for the year ended December 31 were as follows (in thousands):

	2017		
	Retail	Wholesale	Total
Balance, beginning of period	\$ 166,810	\$ 6,533	\$ 173,343
Provision for credit losses	132,760	(316)	132,444
Charge-offs	(160,972)	—	(160,972)
Recoveries	47,656	—	47,656
Balance, end of period	\$ 186,254	\$ 6,217	\$ 192,471
	2016		
	Retail	Wholesale	Total
Balance, beginning of period	\$ 139,320	\$ 7,858	\$ 147,178
Provision for credit losses	137,942	(1,325)	136,617
Charge-offs	(148,566)	—	(148,566)
Recoveries	41,405	—	41,405
Other <sup>(a)</sup>	(3,291)	—	(3,291)
Balance, end of period	\$ 166,810	\$ 6,533	\$ 173,343
	2015		
	Retail	Wholesale	Total
Balance, beginning of period	\$ 122,025	\$ 5,339	\$ 127,364
Provision for credit losses	98,826	2,519	101,345
Charge-offs	(123,911)	—	(123,911)
Recoveries	42,380	—	42,380
Balance, end of period	\$ 139,320	\$ 7,858	\$ 147,178

(a) Related to the sale of finance receivables during the second quarter of 2016 with a principal balance of \$301.8 million through an off-balance sheet asset-backed securitization transaction (see Note 10 for additional information).

There were no finance receivables individually evaluated for impairment on December 31, 2017 or 2016. The allowance for credit losses and finance receivables by portfolio, collectively evaluated for impairment, at December 31 was as follows (in thousands):

	2017		
	Retail	Wholesale	Total
Allowance for credit losses, ending balance:			
Individually evaluated for impairment	\$ —	\$ —	\$ —
Collectively evaluated for impairment	186,254	6,217	192,471
Total allowance for credit losses	\$ 186,254	\$ 6,217	\$ 192,471
Finance receivables, ending balance:			
Individually evaluated for impairment	\$ —	\$ —	\$ —
Collectively evaluated for impairment	6,140,600	1,016,957	7,157,557
Total finance receivables	\$ 6,140,600	\$ 1,016,957	\$ 7,157,557
	2016		
	Retail	Wholesale	Total
Allowance for credit losses, ending balance:			
Individually evaluated for impairment	\$ —	\$ —	\$ —
Collectively evaluated for impairment	166,810	6,533	173,343
Total allowance for credit losses	\$ 166,810	\$ 6,533	\$ 173,343
Finance receivables, ending balance:			
Individually evaluated for impairment	\$ —	\$ —	\$ —
Collectively evaluated for impairment	5,982,211	1,026,590	7,008,801
Total finance receivables	\$ 5,982,211	\$ 1,026,590	\$ 7,008,801

Finance receivables are considered impaired when management determines it is probable that the Company will be unable to collect all amounts due according to the loan agreement. As retail finance receivables are collectively and not individually reviewed for impairment, this portfolio does not have specifically impaired finance receivables. At December 31, 2017 and 2016, there were no wholesale finance receivables that were on non-accrual status or individually deemed to be impaired under ASC Topic 310, "Receivables."

An analysis of the aging of past due finance receivables at December 31 was as follows (in thousands):

	2017					
	Current	31-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Total Finance Receivables
Retail	\$ 5,913,473	\$ 139,629	\$ 47,539	\$ 39,959	\$ 227,127	\$ 6,140,600
Wholesale	1,016,000	595	245	117	957	1,016,957
Total	\$ 6,929,473	\$ 140,224	\$ 47,784	\$ 40,076	\$ 228,084	\$ 7,157,557
	2016					
	Current	31-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Total Finance Receivables
Retail	\$ 5,760,818	\$ 131,302	\$ 49,642	\$ 40,449	\$ 221,393	\$ 5,982,211
Wholesale	1,024,995	1,000	319	276	1,595	1,026,590
Total	\$ 6,785,813	\$ 132,302	\$ 49,961	\$ 40,725	\$ 222,988	\$ 7,008,801

The recorded investment of retail and wholesale finance receivables, excluding non-accrual status finance receivables, that were contractually past due 90 days or more at December 31 for the past five years was as follows (in thousands):

	2017	2016	2015	2014	2013
United States	\$ 39,051	\$ 39,399	\$ 31,677	\$ 27,800	\$ 23,770
Canada	1,025	1,326	1,192	1,118	1,031
Total	\$ 40,076	\$ 40,725	\$ 32,869	\$ 28,918	\$ 24,801

A significant part of managing the Company's finance receivable portfolios includes the assessment of credit risk associated with each borrower. As the credit risk varies between the retail and wholesale portfolios, the Company utilizes different credit risk indicators for each portfolio.

The Company manages retail credit risk through its credit approval policy and ongoing collection efforts. The Company uses FICO scores, a standard credit rating measurement, to differentiate the expected default rates of retail credit applicants, enabling the Company to better evaluate credit applicants for approval and to tailor pricing according to this assessment. Retail loans with a FICO score of 640 or above at origination are considered prime, and loans with a FICO score below 640 are considered sub-prime. These credit quality indicators are determined at the time of loan origination and are not updated subsequent to the loan origination date.

The recorded investment of retail finance receivables, by credit quality indicator, at December 31 was as follows (in thousands):

	2017	2016
Prime	\$ 4,966,193	\$ 4,768,420
Sub-prime	1,174,407	1,213,791
Total	\$ 6,140,600	\$ 5,982,211

The Company's credit risk on the wholesale portfolio is different from that of the retail portfolio. Whereas the retail portfolio represents a relatively homogeneous pool of retail finance receivables that exhibit more consistent loss patterns, the wholesale portfolio exposures are less consistent. The Company utilizes an internal credit risk rating system to manage credit risk exposure consistently across wholesale borrowers and evaluates credit risk factors for each borrower. The Company uses the following internal credit quality indicators, based on an internal risk rating system, listed from highest level of risk to lowest level of risk, for the wholesale portfolio: Doubtful, Substandard, Special Mention, Medium Risk and Low Risk. Based upon management's review, the dealers classified in the Doubtful category are the dealers with the greatest likelihood of being charged-off, while the dealers classified as Low Risk are least likely to be charged-off. The internal rating system considers factors such as the specific borrower's ability to repay and the estimated value of any collateral. Dealer risk rating classifications are reviewed and updated on a quarterly basis.

The recorded investment of wholesale finance receivables, by internal credit quality indicator, at December 31 was as follows (in thousands):

	2017	2016
Doubtful	\$ 688	\$ 1,333
Substandard	3,837	1,773
Special Mention	26,866	30,152
Medium Risk	9,917	14,620
Low Risk	975,649	978,712
Total	\$ 1,016,957	\$ 1,026,590

## 6. Fair Value

The Company assesses the inputs used to measure fair value using a three-tier hierarchy.

Level 1 inputs include quoted prices for identical instruments and are the most observable.

Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates, foreign currency exchange rates, and commodity prices. The Company uses the market approach to derive the fair value for its level 2 fair value

measurements. Forward contracts for foreign currency and commodities are valued using current quoted forward rates and prices; and investments in marketable securities and cash equivalents are valued using publicly quoted prices.

Level 3 inputs are not observable in the market and include management's judgments about the assumptions market participants would use in pricing the asset or liability.

#### *Recurring Fair Value Measurements*

The following tables present information about the Company's assets and liabilities measured at fair value on a recurring basis as of December 31 (in thousands):

	2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Cash equivalents	\$ 488,432	\$ 358,500	\$ 129,932	\$ —
Marketable securities	48,006	48,006	—	—
Derivatives	1,769	—	1,769	—
Total	<u>\$ 538,207</u>	<u>\$ 406,506</u>	<u>\$ 131,701</u>	<u>\$ —</u>
<b>Liabilities:</b>				
Derivatives	\$ 21,308	\$ —	\$ 21,308	\$ —
	2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Cash equivalents	\$ 531,519	\$ 426,266	\$ 105,253	\$ —
Marketable securities	43,638	38,119	5,519	—
Derivatives	29,034	—	29,034	—
Total	<u>\$ 604,191</u>	<u>\$ 464,385</u>	<u>\$ 139,806</u>	<u>\$ —</u>
<b>Liabilities:</b>				
Derivatives	\$ 142	\$ —	\$ 142	\$ —

#### *Nonrecurring Fair Value Measurements*

Repossessed inventory is recorded at the lower of cost or net realizable value through a nonrecurring fair value measurement. Repossessed inventory was \$19.6 million and \$19.3 million at December 31, 2017 and 2016, for which the fair value adjustment was \$9.0 million and \$9.3 million at December 31, 2017 and 2016, respectively. Fair value is estimated using Level 2 inputs based on the recent market values of repossessed inventory.

#### *Fair Value of Financial Instruments Measured at Cost*

The carrying value of the Company's cash and cash equivalents and restricted cash approximates their fair values.

The following table summarizes the fair value and carrying value of the Company's remaining financial instruments that are measured at cost or amortized cost at December 31 (in thousands):

	2017		2016	
	Fair Value	Carrying Value	Fair Value	Carrying Value
<b>Assets:</b>				
Finance receivables, net	\$ 7,021,549	\$ 6,965,086	\$ 6,921,037	\$ 6,835,458
<b>Liabilities:</b>				
Unsecured commercial paper	\$ 1,273,482	\$ 1,273,482	\$ 1,055,708	\$ 1,055,708
Asset-backed U.S. commercial paper conduit facilities	\$ 279,457	\$ 279,457	\$ —	\$ —
Asset-backed Canadian commercial paper conduit facility	\$ 174,779	\$ 174,779	\$ 149,338	\$ 149,338
Medium-term notes	\$ 4,189,092	\$ 4,165,706	\$ 4,139,462	\$ 4,064,940
Senior unsecured notes	\$ 784,433	\$ 741,961	\$ 744,552	\$ 741,306
Asset-backed securitization debt	\$ 351,767	\$ 352,624	\$ 797,688	\$ 796,275

*Finance Receivables, Net* – The carrying value of retail and wholesale finance receivables in the financial statements is amortized cost less an allowance for credit losses. The fair value of retail finance receivables is generally calculated by discounting future cash flows using an estimated discount rate that reflects current credit, interest rate and prepayment risks associated with similar types of instruments. Fair value is determined based on Level 3 inputs. The amortized cost basis of wholesale finance receivables approximates fair value because they either are short-term or have interest rates that adjust with changes in market interest rates.

*Debt* – The carrying value of debt in the financial statements is generally amortized cost, net of discounts and debt issuance costs. The carrying value of unsecured commercial paper calculated using Level 2 inputs approximates fair value due to its short maturity. The carrying value of debt provided under the U.S. conduit facilities and Canadian conduit facility calculated using Level 2 inputs approximates fair value since the interest rates charged under the facility are tied directly to market rates and fluctuate as market rates change. The fair values of the medium-term notes and senior unsecured notes are estimated based upon rates currently available for debt with similar terms and remaining maturities (Level 2 inputs). The fair value of the debt related to on-balance sheet asset-backed securitization transactions is estimated based on pricing currently available for transactions with similar terms and maturities (Level 2 inputs).

## 7. Derivative Instruments and Hedging Activities

The Company is exposed to certain risks such as foreign currency exchange rate risk, interest rate risk and commodity price risk. To reduce its exposure to such risks, the Company selectively uses derivative financial instruments. All derivative transactions are authorized and executed pursuant to regularly reviewed policies and procedures, which prohibit the use of financial instruments for speculative trading purposes.

All derivative instruments are recognized on the balance sheet at fair value. In accordance with ASC Topic 815, "Derivatives and Hedging," the accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. Changes in the fair value of derivatives that are designated as fair value hedges, along with the gain or loss on the hedged item, are recorded in current period earnings. For derivative instruments that are designated as cash flow hedges, the effective portion of gains and losses that result from changes in the fair value of derivative instruments is initially recorded in other comprehensive income (OCI) and subsequently reclassified into earnings when the hedged item affects income. The Company assesses, both at the inception of each hedge and on an on-going basis, whether the derivatives that are used in its hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. Any ineffective portion is immediately recognized in earnings. No component of a hedging derivative instrument's gain or loss is excluded from the assessment of hedge effectiveness. Derivative instruments that do not qualify for hedge accounting are recorded at fair value and any changes in fair value are recorded in current period earnings.

The Company sells its products internationally, and in most markets those sales are made in the foreign country's local currency. As a result, the Company's earnings can be affected by fluctuations in the value of the U.S. dollar relative to foreign currency. The Company utilizes foreign currency exchange contracts to mitigate the effects of the Euro, the Australian dollar, the Japanese yen, the Brazilian real, the Canadian dollar and the Mexican peso. The foreign currency exchange contracts are entered into with banks and allow the Company to exchange a specified amount of foreign currency for U.S. dollars at a future date, based on a fixed exchange rate.

The Company utilizes commodity contracts to hedge portions of the cost of certain commodities consumed in the Company's motorcycle production and distribution operations.

The Company's foreign currency exchange contracts and commodity contracts generally have maturities of less than one year.

The Company entered into treasury rate lock contracts to fix the interest rate on a portion of the principal related to the issuance of long-term debt. The treasury rate lock contracts have since settled and the loss at settlement was recorded in accumulated other comprehensive loss which is being reclassified into earnings over the life of the debt.

The following tables summarize the fair value of the Company's derivative financial instruments at December 31 (in thousands):

Derivatives Designated As Hedging Instruments Under ASC Topic 815	2017			2016		
	Notional Value	Asset Fair Value <sup>(a)</sup>	Liability Fair Value <sup>(b)</sup>	Notional Value	Asset Fair Value <sup>(a)</sup>	Liability Fair Value <sup>(b)</sup>
Foreign currency contracts <sup>(c)</sup>	\$ 675,724	\$ 1,388	\$ 21,239	\$ 554,551	\$ 28,528	\$ 142
Commodities contracts <sup>(c)</sup>	915	—	69	992	177	—
<b>Total</b>	<b>\$ 676,639</b>	<b>\$ 1,388</b>	<b>\$ 21,308</b>	<b>\$ 555,543</b>	<b>\$ 28,705</b>	<b>\$ 142</b>

Derivatives Not Designated As Hedging Instruments Under ASC Topic 815	2017			2016		
	Notional Value	Asset Fair Value <sup>(a)</sup>	Liability Fair Value <sup>(b)</sup>	Notional Value	Asset Fair Value <sup>(a)</sup>	Liability Fair Value <sup>(b)</sup>
Commodities contracts	\$ 4,532	\$ 381	\$ —	\$ 5,025	\$ 329	\$ —
<b>Total</b>	<b>\$ 4,532</b>	<b>\$ 381</b>	<b>\$ —</b>	<b>\$ 5,025</b>	<b>\$ 329</b>	<b>\$ —</b>

(a) Included in other current assets

(b) Included in accrued liabilities

(c) Derivative designated as a cash flow hedge

The following tables summarize the amount of gains and losses for the following years ended December 31 related to derivative financial instruments designated as cash flow hedges (in thousands):

Cash Flow Hedges	Amount of Gain/(Loss) Recognized in OCI, before tax		
	2017	2016	2015
Foreign currency contracts	\$ (53,964)	\$ 28,099	\$ 45,810
Commodities contracts	(246)	77	(421)
Treasury rate locks	(719)	—	(7,381)
<b>Total</b>	<b>\$ (54,929)</b>	<b>\$ 28,176</b>	<b>\$ 38,008</b>

Cash Flow Hedges	Amount of Gain/(Loss) Reclassified from AOCL into Income			
	2017	2016	2015	Expected to be Reclassified Over the Next Twelve Months
Foreign currency contracts <sup>(a)</sup>	\$ (7,202)	\$ 18,253	\$ 59,730	\$ (20,178)
Commodities contracts <sup>(a)</sup>	—	(258)	(677)	(69)
Treasury rate locks <sup>(b)</sup>	(442)	(362)	(151)	(506)
<b>Total</b>	<b>\$ (7,644)</b>	<b>\$ 17,633</b>	<b>\$ 58,902</b>	<b>\$ (20,753)</b>

(a) Gain/(loss) reclassified from accumulated other comprehensive loss (AOCL) to income is included in cost of goods sold

(b) Gain/(loss) reclassified from AOCL to income is included in interest expense

For the years ended December 31, 2017 and 2016, the cash flow hedges were highly effective and, as a result, the amount of hedge ineffectiveness was not material. No amounts were excluded from effectiveness testing.

The following table summarizes the amount of gains and losses for the years ended December 31 related to derivative financial instruments not designated as hedging instruments (in thousands):

Derivatives not Designated as Hedges	Amount of Gain/(Loss) Recognized in Income on Derivative		
	2017	2016	2015
Commodities contracts <sup>(a)</sup>	\$ 503	\$ 167	\$ (648)
Total	\$ 503	\$ 167	\$ (648)

(a) Gain/(loss) recognized in income is included in cost of goods sold

#### 8. Accumulated Other Comprehensive Loss

The following table sets forth the changes in accumulated other comprehensive loss (AOCL) for the years ended December 31 (in thousands):

	2017				
	Foreign currency translation adjustments	Marketable securities	Derivative financial instruments	Pension and postretirement benefit plans	Total
Balance, beginning of period	\$ (68,132)	\$ (1,194)	\$ 12,524	\$ (508,579)	\$ (565,381)
Other comprehensive income (loss) before reclassifications	52,145	1,896	(54,929)	24,321	23,433
Income tax	(5,865)	(702)	20,338	(5,711)	8,060
Net other comprehensive income (loss) before reclassifications	46,280	1,194	(34,591)	18,610	31,493
Reclassifications:					
Realized (gains) losses - foreign currency contracts <sup>(a)</sup>	—	—	7,202	—	7,202
Realized (gains) losses - treasury rate locks <sup>(b)</sup>	—	—	442	—	442
Prior service credits <sup>(c)</sup>	—	—	—	(1,153)	(1,153)
Actuarial losses <sup>(c)</sup>	—	—	—	47,254	47,254
Total before tax	—	—	7,644	46,101	53,745
Income tax benefit	—	—	(2,831)	(17,075)	(19,906)
Net reclassifications	—	—	4,813	29,026	33,839
Other comprehensive income (loss)	46,280	1,194	(29,778)	47,636	65,332
Balance, end of period	\$ (21,852)	\$ —	\$ (17,254)	\$ (460,943)	\$ (500,049)

	2016				
	Foreign currency translation adjustments	Marketable securities	Derivative financial instruments	Pension and postretirement benefit plans	Total
Balance, beginning of period	\$ (58,844)	\$ (1,094)	\$ 5,886	\$ (561,153)	\$ (615,205)
Other comprehensive (loss) income before reclassifications	(7,591)	(159)	28,176	33,937	54,363
Income tax	(1,697)	59	(10,436)	(12,570)	(24,644)
Net other comprehensive (loss) income before reclassifications	(9,288)	(100)	17,740	21,367	29,719
Reclassifications:					
Realized (gains) losses - foreign currency contracts <sup>(a)</sup>	—	—	(18,253)	—	(18,253)
Realized (gains) losses - commodities contracts <sup>(a)</sup>	—	—	258	—	258
Realized (gains) losses - treasury rate lock <sup>(b)</sup>	—	—	362	—	362
Prior service credits <sup>(c)</sup>	—	—	—	(1,784)	(1,784)
Actuarial losses <sup>(c)</sup>	—	—	—	49,888	49,888
Curtailment and settlement losses <sup>(c)</sup>	—	—	—	1,463	1,463
Total before tax	—	—	(17,633)	49,567	31,934
Income tax expense (benefit)	—	—	6,531	(18,360)	(11,829)
Net reclassifications	—	—	(11,102)	31,207	20,105
Other comprehensive (loss) income	(9,288)	(100)	6,638	52,574	49,824
Balance, end of period	\$ (68,132)	\$ (1,194)	\$ 12,524	\$ (508,579)	\$ (565,381)
	2015				
	Foreign currency translation adjustments	Marketable securities	Derivative financial instruments	Pension and postretirement benefit plans	Total
Balance, beginning of period	\$ (3,482)	\$ (700)	\$ 19,042	\$ (529,803)	\$ (514,943)
Other comprehensive (loss) income before reclassifications	(48,309)	(626)	38,008	(106,059)	(116,986)
Income tax	(7,053)	232	(14,079)	39,284	18,384
Net other comprehensive (loss) income before reclassifications	(55,362)	(394)	23,929	(66,775)	(98,602)
Reclassifications:					
Realized (gains) losses - foreign currency contracts <sup>(a)</sup>	—	—	(59,730)	—	(59,730)
Realized (gains) losses - commodities contracts <sup>(a)</sup>	—	—	677	—	677
Realized (gains) losses - treasury rate lock <sup>(b)</sup>	—	—	151	—	151
Prior service credits <sup>(c)</sup>	—	—	—	(2,782)	(2,782)
Actuarial losses <sup>(c)</sup>	—	—	—	58,680	58,680
Curtailment and settlement losses <sup>(c)</sup>	—	—	—	368	368
Total before tax	—	—	(58,902)	56,266	(2,636)
Income tax expense (benefit)	—	—	21,817	(20,841)	976
Net reclassifications	—	—	(37,085)	35,425	(1,660)
Other comprehensive loss	(55,362)	(394)	(13,156)	(31,350)	(100,262)
Balance, end of period	\$ (58,844)	\$ (1,094)	\$ 5,886	\$ (561,153)	\$ (615,205)

(a) Amounts reclassified to net income are included in Motorcycles and Related Products cost of goods sold.

(b) Amounts reclassified to net income are presented in interest expense.

(c) Amounts reclassified are included in the computation of net periodic benefit cost. See Note 12 for information related to pension and postretirement benefit plans.

## 9. Debt

Debt with a contractual term less than one year is generally classified as short-term debt and consisted of the following as of December 31 (in thousands):

	2017	2016
Unsecured commercial paper	\$ 1,273,482	\$ 1,055,708
Total short-term debt	<u>\$ 1,273,482</u>	<u>\$ 1,055,708</u>

Debt with a contractual term greater than one year is generally classified as long-term debt and consisted of the following as of December 31 (in thousands):

	2017	2016
<b>Secured debt (Note 10)</b>		
Asset-backed Canadian commercial paper conduit facility	\$ 174,779	\$ 149,338
Asset-backed U.S. commercial paper conduit facilities	279,457	—
Asset-backed securitization debt	353,085	797,755
Less: unamortized discount and debt issuance costs	(461)	(1,480)
Total secured debt	<u>806,860</u>	<u>945,613</u>
<b>Unsecured notes (at par value)</b>		
2.70% Medium-term notes due in 2017, issued January 2012	—	400,000
1.55% Medium-term notes due in 2017, issued November 2014	—	400,000
6.80% Medium-term notes due in 2018, issued May 2008	877,488	877,488
2.25% Medium-term notes due in 2019, issued January 2016	600,000	600,000
Floating-rate Medium-term notes due in 2019, issued March 2017 <sup>(a)</sup>	150,000	—
2.40% Medium-term notes due in 2019, issued September 2014	600,000	600,000
2.15% Medium-term notes due in 2020, issued February 2015	600,000	600,000
2.40% Medium-term notes due in 2020, issued March 2017	350,000	—
2.85% Medium-term notes due in 2021, issued January 2016	600,000	600,000
2.55% Medium-term notes due in 2022, issued June 2017	400,000	—
3.50% Senior unsecured notes due in 2025, issued July 2015	450,000	450,000
4.625% Senior unsecured notes due in 2045, issued July 2015	300,000	300,000
Less: unamortized discount and debt issuance costs	(19,821)	(21,242)
Gross long-term debt	5,714,527	5,751,859
Less: current portion of long-term debt, net of unamortized discount and issuance costs	(1,127,269)	(1,084,884)
Total long-term debt	<u>\$ 4,587,258</u>	<u>\$ 4,666,975</u>

(a) Floating interest rate based on LIBOR plus 35 bps.

A summary of the Company's expected principal payments for debt obligations as of December 31, 2017 is as follows (in thousands):

2018	\$	2,405,569
2019		1,594,518
2020		1,098,489
2021		721,705
2022		438,010
Thereafter		750,000
Total	\$	7,008,291

Commercial paper maturities may range up to 365 days from the issuance date. The weighted-average interest rate of outstanding commercial paper balances was 1.48% and 0.93% at December 31, 2017 and 2016, respectively.

In May 2017, the Company entered into a \$100.0 million 364-day credit facility which matures in April 2018. The Company also has a \$675.0 million five-year credit facility which matures in April 2019 and a \$765.0 million five-year credit facility which matures in April 2021. The new 364-day credit facility and the five-year credit facilities (together, the Global Credit Facilities) bear interest at variable interest rates, which may be adjusted upward or downward depending on certain criteria, such as credit ratings. The Global Credit Facilities also require the Company to pay a fee based on the average daily unused portion of the aggregate commitments under the Global Credit Facilities. The Global Credit Facilities are committed facilities and primarily used to support the Company's unsecured commercial paper program. Additionally, during the second quarter of 2017, the Company renewed its \$25.0 million credit facility which expired in May 2017. The \$25.0 million credit facility bears interest at variable interest rates, and the Company must pay a fee based on the unused portion of the \$25.0 million commitment. The credit facility expires in May 2018.

All of the Company's unsecured notes provide for semi-annual interest payments and principal due at maturity.

During 2017, the Company did not repurchase any of its medium-term notes. During 2016 and 2015, the Company repurchased an aggregate of \$1.2 million and \$9.3 million, respectively, of its 6.80% medium-term notes which mature in June 2018. As a result, the Company recognized in financial services interest expense \$0.1 million and \$1.1 million of loss on extinguishment of debt, respectively, which included unamortized discounts and fees. During March and November 2017, \$400.0 million of 2.70% and \$400.0 million of 1.55% medium-term notes matured, respectively, and the principal and accrued interest were paid in full.

HDFS and the Company are subject to various operating and financial covenants related to the credit facilities and various operating covenants under the Notes and the U.S. and Canadian asset-backed commercial paper conduit facilities. The more significant covenants are described below.

The operating covenants limit the Company's and HDFS' ability to:

- Assume or incur certain liens;
- Participate in certain mergers or consolidations; and
- Purchase or hold margin stock.

Under the current financial covenants of the Global Credit Facilities, the consolidated debt to equity ratio of HDFS cannot exceed 10.00 to 1.00 as of the end of any fiscal quarter. In addition, the ratio of the Company's consolidated debt to the Company's consolidated debt and equity, in each case excluding the debt of HDFS and its subsidiaries, cannot exceed 0.70 to 1.00 as of the end of any fiscal quarter. No financial covenants are required under the Notes or the U.S. or Canadian asset-backed commercial paper conduit facilities. At December 31, 2017 and 2016, HDFS and the Company remained in compliance with all of these covenants.

## 10. Asset-Backed Financing

The Company participates in asset-backed financing both through asset-backed securitization transactions and through asset-backed commercial paper conduit facilities. See Note 1 for more information on the Company's accounting for asset-backed financings and VIEs.

The following table shows the assets and liabilities related to the on-balance sheet asset-backed financings included in the financial statements at December 31 (in thousands):

	2017					
	Finance receivables	Allowance for credit losses	Restricted cash	Other assets	Total assets	Asset-backed debt
<b>On-balance sheet assets and liabilities</b>						
Consolidated VIEs						
Asset-backed securitizations	\$ 439,301	\$ (13,686)	\$ 34,919	\$ 1,260	\$ 461,794	\$ 352,624
Asset-backed U.S. commercial paper conduit facilities	300,530	(9,392)	13,787	888	305,813	279,457
Unconsolidated VIEs						
Asset-backed Canadian commercial paper conduit facility	203,691	(3,746)	9,983	470	210,398	174,779
<b>Total on-balance sheet assets and liabilities</b>	<b>\$ 943,522</b>	<b>\$ (26,824)</b>	<b>\$ 58,689</b>	<b>\$ 2,618</b>	<b>\$ 978,005</b>	<b>\$ 806,860</b>

	2016					
	Finance receivables	Allowance for credit losses	Restricted cash	Other assets	Total assets	Asset-backed debt
<b>On-balance sheet assets and liabilities</b>						
Consolidated VIEs						
Asset-backed securitizations	\$ 893,804	\$ (25,468)	\$ 57,057	\$ 2,452	\$ 927,845	\$ 796,275
Asset-backed U.S. commercial paper conduit facilities	—	—	—	329	329	—
Unconsolidated VIEs						
Asset-backed Canadian commercial paper conduit facility	165,719	(3,573)	10,090	426	172,662	149,338
<b>Total on-balance sheet assets and liabilities</b>	<b>\$ 1,059,523</b>	<b>\$ (29,041)</b>	<b>\$ 67,147</b>	<b>\$ 3,207</b>	<b>\$ 1,100,836</b>	<b>\$ 945,613</b>

*On-Balance Sheet Asset-Backed Securitization VIEs*

The Company transfers U.S. retail motorcycle finance receivables to SPEs which in turn issue secured notes to investors, with various maturities and interest rates, secured by future collections of the purchased U.S. retail motorcycle finance receivables. Each on-balance sheet asset-backed securitization SPE is a separate legal entity and the U.S. retail motorcycle finance receivables included in the asset-backed securitizations are only available for payment of the secured debt and other obligations arising from the asset-backed securitization transactions and are not available to pay other obligations or claims of the Company's creditors until the associated secured debt and other obligations are satisfied. Restricted cash balances held by the SPEs are used only to support the securitizations. There are no amortization schedules for the secured notes; however, the debt is reduced monthly as available collections on the related U.S. retail motorcycle finance receivables are applied to outstanding principal. The secured notes' contractual lives have various maturities ranging from 2019 to 2022.

The Company is the primary beneficiary of its on-balance sheet asset-backed securitization VIEs because it retains servicing rights and a residual interest in the VIEs in the form of a debt security. As the servicer, the Company is the variable interest holder with the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. As a residual interest holder, the Company has the obligation to absorb losses and the right to receive benefits which could potentially be significant to the VIE.

There were no on-balance sheet asset-backed securitization transactions during 2017 or 2016. At December 31, 2017, the Company's consolidated balance sheet included outstanding balances related to the following secured notes with the related maturity dates and interest rates (in thousands):

Issue Date	Principal Amount at Date of Issuance	Weighted-Average Rate at Date of Issuance	Contractual Maturity Date
May 2015	\$500,000	0.88%	May 2016 - December 2022
January 2015	\$700,000	0.89%	February 2016 - August 2022
April 2014	\$850,000	0.66%	April 2015 - October 2021

In addition, outstanding balances related to the following secured notes included in the Company's consolidated balance sheet at December 31, 2016 were repaid during 2017 (in thousands):

Issue Date	Principal Amount at Date of Issuance	Weighted-Average Rate at Date of Issuance	Contractual Maturity Date
April 2013	\$650,000	0.57%	May 2014 - December 2020

For the years ended December 31, 2017 and 2016, interest expense on the secured notes was \$7.9 million and \$13.1 million, respectively, which is included in financial services interest expense. The weighted average interest rate of the outstanding on-balance sheet asset-backed securitization transactions was 1.53% and 1.31% at December 31, 2017 and 2016, respectively.

*On-Balance Sheet Asset-Backed U.S. Commercial Paper Conduit Facilities VIE*

On December 13, 2017, the Company renewed its existing \$300.0 million and \$600.0 million revolving facility agreements with a third party bank-sponsored asset-backed U.S. commercial paper conduit. Availability under the revolving facilities (together, the U.S. Conduit Facilities) is based on, among other things, the amount of eligible U.S. retail motorcycle finance receivables held by the SPE as collateral.

Under the U.S. Conduit Facilities, the Company may transfer U.S. retail motorcycle finance receivables to an SPE, which in turn may issue debt to the third party bank-sponsored asset-backed commercial paper conduit. The assets of the SPE are restricted as collateral for the payment of the debt or other obligations arising in the transaction and are not available to pay other obligations or claims of the Company's creditors. The terms for this debt provide for interest on the outstanding principal based on prevailing commercial paper rates or LIBOR to the extent the advance is not funded by a conduit lender through the issuance of commercial paper plus, in each case, a program fee based on outstanding principal. The U.S. Conduit Facilities also provide for an unused commitment fee based on the unused portion of the total aggregate commitment of \$900.0 million. There is no amortization schedule; however, the debt will be reduced monthly as available collections on the related finance receivables are applied to outstanding principal. Upon expiration of the U.S. Conduit Facilities, any outstanding principal will continue to be reduced monthly through available collections. Unless earlier terminated or extended by mutual agreement of the Company and the lenders, the U.S. Conduit Facilities have an expiration date of December 12, 2018.

The Company is the primary beneficiary of its U.S. Conduit Facilities VIE because it retains servicing rights and a residual interest in the VIE in the form of a debt security. As the servicer, the Company is the variable interest holder with the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. As a residual interest holder, the Company has the obligation to absorb losses and the right to receive benefits which could potentially be significant to the VIE.

During 2017, the Company transferred \$429.7 million of U.S. retail motorcycle finance receivables to an SPE which, in turn, issued \$383.3 million of debt under the U.S. Conduit Facilities. The VIE did not borrow under the U.S. Conduit Facilities during 2016 and did not have an outstanding balance at December 31, 2016. The contractual maturity of the debt is approximately 5 years.

For the year ended December 31, 2017, the Company recorded interest expense of \$7.1 million under the U.S. Conduit Facilities. The weighted average interest rate of the outstanding U.S. Conduit Facilities was 2.33% at December 31, 2017. For the year ended December 31, 2016, interest expense was \$1.3 million related to the unused portion of the total aggregate commitment. Interest expense on the U.S. Conduit Facilities is included in financial services interest expense.

*On-Balance Sheet Asset-Backed Canadian Commercial Paper Conduit Facility*

In June 2017, the Company amended its facility agreement (Canadian Conduit) with a Canadian bank-sponsored asset-backed commercial paper conduit. Under the agreement, the Canadian Conduit is contractually committed, at the Company's option, to purchase eligible Canadian retail motorcycle finance receivables for proceeds up to C\$220.0 million. The transferred assets are restricted as collateral for the payment of debt. The terms for this debt provide for interest on the outstanding principal based on prevailing market interest rates plus a specified margin. The Canadian Conduit also provides for a program fee and an unused commitment fee based on the unused portion of the total aggregate commitment of C\$220.0 million. There is no amortization schedule; however, the debt is reduced monthly as available collections on the related finance receivables are applied to outstanding principal. Upon expiration of the Canadian Conduit, any outstanding principal will continue to be reduced monthly through available collections. The contractual maturity of the debt is approximately 5 years. Unless earlier terminated or extended by mutual agreement of the Company and the lenders, the Canadian Conduit expires on June 30, 2018.

During 2017 and 2016, the Company transferred \$105.4 million and \$71.1 million, respectively, of Canadian retail motorcycle finance receivables to the Canadian Conduit for proceeds of \$87.0 million and \$62.4 million, respectively.

For the years ended December 31, 2017 and 2016, the Company recorded interest expense of \$2.6 million and \$2.7 million, respectively, on the secured notes. Interest expense on the Canadian Conduit is included in financial services interest expense. The weighted average interest rate of the outstanding Canadian Conduit was 1.96% and 1.84% at December 31, 2017 and 2016.

The Company is not the primary beneficiary of the Canadian bank-sponsored, multi-seller conduit VIE; therefore, the Company doesn't consolidate the VIE. However, the Company treats the conduit facility as a secured borrowing as it maintains effective control over the assets transferred to the VIE and therefore doesn't meet the requirements for sale accounting.

As the Company participates in and does not consolidate the Canadian bank-sponsored, multi-seller conduit VIE, the maximum exposure to loss associated with this VIE, which would only be incurred in the unlikely event that all the finance receivables and underlying collateral have no residual value, is \$35.6 million at December 31, 2017. The maximum exposure is not an indication of the Company's expected loss exposure.

#### *Off-Balance Sheet Asset-Backed Securitization VIE*

There were no off-balance sheet asset-backed securitization transactions during the year ended December 31, 2017. During the second quarter of 2016, the Company sold retail motorcycle finance receivables with a principal balance of \$301.8 million into a securitization VIE that was not consolidated, recognized a gain of \$9.3 million and received cash proceeds of \$312.6 million. Similar to an on-balance sheet asset-backed securitization, the Company transferred U.S. retail motorcycle finance receivables to an SPE which in turn issued secured notes to investors, with various maturities and interest rates, secured by future collections of the purchased U.S. retail motorcycle finance receivables. The off-balance sheet asset-backed securitization SPE is a separate legal entity, and the U.S. retail motorcycle finance receivables included in the term asset-backed securitization are only available for payment of the secured debt and other obligations arising from the asset-backed securitization transaction and are not available to pay other obligations or claims of the Company's creditors. In an on-balance sheet asset-backed securitization, the Company retains a financial interest in the VIE in the form of a debt security. As part of this off-balance sheet securitization, the Company did not retain any financial interest in the VIE beyond servicing rights and ordinary representations and warranties and related covenants.

The Company is not the primary beneficiary of the off-balance sheet asset-backed securitization VIE because it only retained servicing rights and does not have the obligation to absorb losses or the right to receive benefits from the VIE which could potentially be significant to the VIE. Accordingly, this transaction met the accounting sale requirements under ASC Topic 860 and was recorded as a sale for accounting purposes. Upon the sale, the retail motorcycle finance receivables were removed from the Company's balance sheet and a gain was recognized for the difference between the cash proceeds received, the assets derecognized and the liabilities recognized as part of the transaction. The gain on sale was included in financial services revenue in the Consolidated Statement of Income.

At December 31, 2017, the assets of this off-balance sheet asset-backed securitization VIE were \$146.4 million and represented the current unpaid principal balance of the retail motorcycle finance receivables, which was the Company's maximum exposure to loss in the off-balance sheet VIE at December 31, 2017. This is based on the unlikely event that all the receivables have underwriting defects or other defects that trigger a violation of certain covenants and that the underlying collateral has no residual value. This maximum exposure is not an indication of expected losses.

#### *Servicing Activities*

The Company services all retail motorcycle finance receivables that it originates. When the Company transfers retail motorcycle finance receivables to SPEs through asset-backed financings, the Company retains the right to service the finance receivables and receives servicing fees based on the securitized finance receivables balance and certain ancillary fees. In on-balance sheet asset-backed financing, servicing fees are eliminated in consolidation and therefore are not recorded on a consolidated basis. In off-balance sheet asset-backed financings, servicing fees and ancillary fees are recorded in Financial Services revenue in the Consolidated Statement of Income. The fees the Company is paid for servicing represent adequate compensation, and, consequently, the Company does not recognize a servicing asset or liability. The Company recognized servicing fee income of \$1.9 million and \$1.6 million for the years ended December 31, 2017 and December 31, 2016, respectively.

The unpaid principal balance of serviced retail motorcycle finance receivables at December 31 was as follows (in thousands):

	2017	2016
On-balance sheet retail motorcycle finance receivables	\$ 5,993,185	\$ 5,839,467
Off-balance sheet retail motorcycle finance receivables	146,425	236,706
<b>Total serviced retail motorcycle finance receivables</b>	<b>\$ 6,139,610</b>	<b>\$ 6,076,173</b>

The balance of serviced finance receivables 30 days or more delinquent at December 31 was as follows (in thousands):

	Amount 30 days or more past due:	
	2017	2016
On-balance sheet retail motorcycle finance receivables	\$ 227,127	\$ 221,393
Off-balance sheet retail motorcycle finance receivables	2,106	1,858
<b>Total serviced retail motorcycle finance receivables</b>	<b>\$ 229,233</b>	<b>\$ 223,251</b>

Credit losses, net of recoveries for the serviced finance receivables for the years ended December 31 were as follows (in thousands):

	2017	2016
On-balance sheet retail motorcycle finance receivables	\$ 113,316	\$ 107,161
Off-balance sheet retail motorcycle finance receivables	1,191	820
<b>Total serviced retail motorcycle finance receivables</b>	<b>\$ 114,507</b>	<b>\$ 107,981</b>

## 11. Income Taxes

On December 22, 2017, "H.R.1", also known as the "Tax Cuts and Jobs Act" (2017 Tax Act) was signed into law. The 2017 Tax Act resulted in an income tax charge of \$53.1 million, all of which the Company regards as provisional. Given the complexity and timing of the 2017 Tax Act, the Company has recorded the impact of the 2017 Tax Act based on reasonable estimates and considers these estimates to be provisional under SEC Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118). The Company was impacted by the following aspects of the 2017 Tax Act: the remeasurement of net deferred tax assets resulting from the federal income tax rate change from 35% to 21%, a one-time transition tax related to the inclusion of deferred foreign earnings in U.S. taxable income, the write-off of foreign tax credit deferred tax assets related to withholding tax on foreign dividend payments, state tax estimates related to the conformity of federal tax law changes (notably the transition tax and 100% expensing of certain qualified property acquired and placed in service after September 27, 2017), and other smaller items.

The 2017 Tax Act requires companies to include in taxable income the earnings of certain foreign subsidiaries that were previously deferred for U.S. tax purposes. This inclusion results in a one-time transition tax and creates new deferred tax liabilities related to foreign earnings. The Company has made a reasonable estimate of the effects of this foreign inclusion in its 2017 U.S. taxable income and to its deferred tax balances based on the Company's interpretation of the computations and intent of Congress as defined in the 2017 Tax Act. The one-time transition tax which is based on the Company's accumulated post-1986 deferred foreign earnings did not have a significant impact on income tax expense. Uncertainty concerning the transition tax exists due to the lack of guidance within the 2017 Tax Act regarding certain highly technical aspects of the current year tax calculation as well as the deferred tax impacts. It is expected that future guidance will be issued that will enable the Company to refine these calculations.

U.S. federal taxable income is the base starting point for determining most state jurisdictions' taxable income. Each of the 50 states is free to individually adopt a potentially different level of conformity to federal tax law each time it changes. This variability creates significant uncertainty for state income tax purposes, especially with regard to states that do not have "rolling conformity" to follow enacted federal tax law. It is expected that each state will provide guidance related to their conformity to the Act in the future that will enable the Company to refine the state tax current year and deferred tax impacts.

Finally, the Company believes future guidance, interpretations and pronouncements will add clarity to the numerous aspects of the 2017 Tax Act that may impact the Company. Future clarifications may give rise to additional unanticipated

impacts on the Company's tax liabilities or effective tax rate and revisions to the Company's provisional estimates related to the impacts of the 2017 Tax Act on the Company's income tax provision.

Provision for income taxes for the years ended December 31 consists of the following (in thousands):

	2017	2016	2015
<b>Current:</b>			
Federal	\$ 245,189	\$ 284,489	\$ 363,803
State	24,898	28,406	37,811
Foreign	21,138	19,017	12,826
	<u>291,225</u>	<u>331,912</u>	<u>414,440</u>
<b>Deferred:</b>			
Federal	47,046	(4,250)	(15,474)
State	2,688	7,038	(2,264)
Foreign	1,121	(2,953)	1,254
	<u>50,855</u>	<u>(165)</u>	<u>(16,484)</u>
<b>Total</b>	<u>\$ 342,080</u>	<u>\$ 331,747</u>	<u>\$ 397,956</u>

The components of income before income taxes for the years ended December 31 were as follows (in thousands):

	2017	2016	2015
Domestic	\$ 788,878	\$ 954,138	\$ 1,101,427
Foreign	74,961	69,773	48,736
<b>Total</b>	<u>\$ 863,839</u>	<u>\$ 1,023,911</u>	<u>\$ 1,150,163</u>

The provision for income taxes differs from the amount that would be provided by applying the statutory U.S. corporate income tax rate due to the following items for the years ended December 31:

	2017	2016	2015
Provision at statutory rate	35.0 %	35.0 %	35.0 %
State taxes, net of federal benefit	1.9	1.8	1.8
Foreign rate differential	(0.8)	(0.6)	(0.4)
Domestic manufacturing deduction	(2.2)	(2.1)	(2.1)
Research and development credit	(0.7)	(0.4)	(0.4)
Unrecognized tax benefits including interest and penalties	2.3	(1.3)	1.1
Valuation allowance adjustments	(0.1)	0.1	(0.1)
Deferred remeasurement for rate change	5.5	—	—
Tax reform territorial tax	(0.1)	—	—
Adjustments for previously accrued taxes	(1.2)	0.2	(0.1)
Other	—	(0.3)	(0.2)
<b>Provision for income taxes</b>	<u>39.6 %</u>	<u>32.4 %</u>	<u>34.6 %</u>

The principal components of the Company's deferred tax assets and liabilities as of December 31 include the following (in thousands):

	2017	2016
<b>Deferred tax assets:</b>		
Accruals not yet tax deductible	\$ 92,158	\$ 141,961
Pension and postretirement benefit plan obligations	37,357	88,741
Stock compensation	12,669	19,051
Net operating loss carryforward	33,171	33,587
Valuation allowance	(21,561)	(30,953)
Other, net	52,422	56,903
	<u>206,216</u>	<u>309,290</u>
<b>Deferred tax liabilities:</b>		
Depreciation, tax in excess of book	(88,989)	(139,268)
Other	(8,154)	(2,293)
	<u>(97,143)</u>	<u>(141,561)</u>
<b>Total</b>	<u>\$ 109,073</u>	<u>\$ 167,729</u>

The Company reviews its deferred tax asset valuation allowances on a quarterly basis, or whenever events or changes in circumstances indicate that a review is required. In determining the requirement for a valuation allowance, the historical and projected financial results of the legal entity or consolidated group recording the net deferred tax asset is considered, along with any positive or negative evidence including tax law changes. Since future financial results and tax law may differ from previous estimates, periodic adjustments to the Company's valuation allowances may be necessary.

At December 31, 2017, the Company had approximately \$291.1 million gross state operating loss carryforwards expiring in 2031. At December 31, 2017 the Company also had Wisconsin research and development credit carryforwards of \$11.3 million expiring in 2028. The Company had a deferred tax asset of \$27.1 million as of December 31, 2017 for the benefit of these losses and credits. A valuation allowance of \$4.5 million has been established against the deferred tax asset, which is a decrease of \$0.1 million from the prior year.

The Company has foreign net operating losses (NOL) totaling \$6.1 million as of December 31, 2017. It has a valuation allowance of \$17.1 million against both the NOLs and other deferred tax assets of \$11.0 million. The valuation allowance on foreign net operating losses decreased by \$9.2 million, reflecting movement related to realizability assessment on additional earnings and loss, as well as movements related to foreign currency rates.

The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes. Changes in the Company's gross liability for unrecognized tax benefits, excluding interest and penalties, were as follows (in thousands):

	2017	2016
Unrecognized tax benefits, beginning of period	\$ 55,539	\$ 73,100
Increase in unrecognized tax benefits for tax positions taken in a prior period	9,513	2,828
Decrease in unrecognized tax benefits for tax positions taken in a prior period	(3,749)	(21,061)
Increase in unrecognized tax benefits for tax positions taken in the current period	13,779	7,402
Statute lapses	—	(1,907)
Settlements with taxing authorities	(2,852)	(4,823)
Unrecognized tax benefits, end of period	<u>\$ 72,230</u>	<u>\$ 55,539</u>

The amount of unrecognized tax benefits as of December 31, 2017 that, if recognized, would affect the effective tax rate was \$63.1 million.

The total gross amount of expense related to interest and penalties associated with unrecognized tax benefits recognized during 2017 in the Company's Consolidated Statements of Income was \$2.8 million.

The total gross amount of interest and penalties associated with unrecognized tax benefits recognized at December 31, 2017 in the Company's Consolidated Balance Sheets was \$30.9 million.

The Company does not expect a significant increase or decrease to the total amounts of unrecognized tax benefits related to continuing operations during the fiscal year ending December 31, 2018. However, the Company is under regular audit by tax authorities. The Company believes that it has appropriate support for the positions taken on its tax returns and that its annual tax provision includes amounts sufficient to pay any assessments. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

The Company or one of its subsidiaries files income tax returns in the U.S. federal and Wisconsin state jurisdictions and various other state and foreign jurisdictions. The Company is no longer subject to income tax examinations for Wisconsin state income taxes before 2013 or for U.S. federal income taxes before 2014.

## **12. Employee Benefit Plans and Other Postretirement Benefits**

The Company has a qualified defined benefit pension plan and several postretirement healthcare benefit plans, which cover employees of the Motorcycles segment. The Company also has unfunded supplemental employee retirement plan agreements (SERPA) with certain employees which were instituted to replace benefits lost under the Tax Revenue Reconciliation Act of 1993.

Pension benefits are based primarily on years of service and, for certain plans, levels of compensation. Employees are eligible to receive postretirement healthcare benefits upon attaining age 55 after rendering at least 10 years of service to the Company. Some of the plans require employee contributions to partially offset benefit costs.

## Obligations and Funded Status:

The following table provides the changes in the benefit obligations, fair value of plan assets and funded status of the Company's pension, SERPA and postretirement healthcare plans as of the Company's December 31, 2017 and 2016 measurement dates (in thousands):

	Pension and SERPA Benefits		Postretirement Healthcare Benefits	
	2017	2016	2017	2016
Change in benefit obligation:				
Benefit obligation, beginning of period	\$ 1,986,435	\$ 2,009,000	\$ 346,431	\$ 354,739
Service cost	31,584	33,437	7,500	7,478
Interest cost	85,076	90,827	13,648	14,814
Actuarial losses (gains)	195,444	13,481	(8,408)	(4,647)
Plan participant contributions	—	—	2,525	2,669
Plan amendments	(13,227)	—	—	—
Benefits paid	(84,291)	(160,310)	(23,208)	(28,622)
Benefit obligation, end of period	2,201,021	1,986,435	338,488	346,431
Change in plan assets:				
Fair value of plan assets, beginning of period	1,899,889	1,841,967	170,092	156,765
Actual return on plan assets	320,144	188,376	32,445	13,327
Company contributions	25,000	25,000	15,000	—
Plan participant contributions	—	—	2,525	2,669
Benefits paid	(82,148)	(155,454)	(2,525)	(2,669)
Fair value of plan assets, end of period	2,162,885	1,899,889	217,537	170,092
Funded status of the plans, December 31	\$ (38,136)	\$ (86,546)	\$ (120,951)	\$ (176,339)
Amounts recognized in the Consolidated Balance Sheets, December 31:				
Prepaid benefit costs (long-term assets)	\$ 19,816	\$ —	\$ —	\$ —
Accrued benefit liability (current liabilities)	(3,346)	(2,104)	(2,198)	(3,072)
Accrued benefit liability (long-term liabilities)	(54,606)	(84,442)	(118,753)	(173,267)
Net amount recognized	\$ (38,136)	\$ (86,546)	\$ (120,951)	\$ (176,339)

The funded status of the qualified pension plan and the SERPA plans are combined above. Plan level information for plans with projected benefit obligations (PBO) or accumulated benefit obligations (ABO) in excess of the fair value of plan assets at December 31 is presented below (in millions):

	2017	2016
Plans with PBOs in excess of fair value of plan assets:		
PBO	\$ 58.0	\$ 1,986.4
Fair value of plan assets	\$ —	\$ 1,899.9
Plans with ABOs in excess of fair value of plan assets:		
PBO	\$ 58.0	\$ 52.3
ABO	\$ 42.1	\$ 38.4
Fair value of plan assets	\$ —	\$ —

The total ABO for all the Company's pension and SERPA plans combined was \$2.10 billion and \$1.90 billion as of December 31, 2017 and 2016, respectively.

**Benefit Costs:**

Components of net periodic benefit costs for the years ended December 31 (in thousands):

	Pension and SERPA Benefits			Postretirement Healthcare Benefits		
	2017	2016	2015	2017	2016	2015
Service cost	\$ 31,584	\$ 33,437	\$ 40,039	\$ 7,500	\$ 7,478	\$ 8,259
Interest cost	85,076	90,827	87,345	13,648	14,814	14,166
Special early retirement benefits	—	—	10,563	—	—	622
Expected return on plan assets	(141,385)	(145,781)	(144,929)	(12,623)	(12,069)	(11,506)
Amortization of unrecognized:						
Prior service cost (credit)	1,018	1,019	435	(2,171)	(2,803)	(3,217)
Net loss	43,993	46,351	54,709	3,261	3,537	3,971
Settlement loss	—	1,463	368	—	—	—
Net periodic benefit cost	\$ 20,286	\$ 27,316	\$ 48,530	\$ 9,615	\$ 10,957	\$ 12,295

Net periodic benefit costs are allocated among selling, administrative and engineering expense, cost of goods sold and inventory.

The expected return on plan assets is calculated based on the market-related value of plan assets. The market-related value of plan assets is different from the fair value in that asset gains/losses are smoothed over a five year period.

Unrecognized gains and losses related to plan obligations and assets are initially recorded in other comprehensive income and result from actual experience that differs from assumed or expected results, and the impacts of changes in assumptions. Unrecognized plan asset gains and losses not yet reflected in the market-related value of plan assets are not subject to amortization. Remaining unrecognized gains and losses that exceed 10% of the greater of the projected benefit obligation or the market-related value of plan assets are amortized to earnings over the estimated future service period of active plan participants. The impacts of plan amendments, if any, are amortized over the estimated future service period of plan participants at the time of the amendment.

Amounts included in accumulated other comprehensive loss, net of tax, at December 31, 2017 which have not yet been recognized in net periodic benefit cost are as follows (in thousands):

	Pension and SERPA Benefits	Postretirement Healthcare Benefits	Total
Prior service credit	\$ (4,136)	\$ (5,871)	\$ (10,007)
Net actuarial loss	450,754	20,196	470,950
Total	\$ 446,618	\$ 14,325	\$ 460,943

Amounts expected to be recognized in net periodic benefit cost, net of tax, during the year ended December 31, 2018 are as follows (in thousands):

	Pension and SERPA Benefits	Postretirement Healthcare Benefits	Total
Prior service credit	\$ (329)	\$ (1,409)	\$ (1,738)
Net actuarial loss	45,364	1,391	46,755
Total	\$ 45,035	\$ (18)	\$ 45,017

**Assumptions:**

Weighted-average assumptions used to determine benefit obligations and net periodic benefit cost at December 31 were as follows:

	Pension and SERPA Benefits			Postretirement Healthcare Benefits		
	2017	2016	2015	2017	2016	2015
Assumptions for benefit obligations:						
Discount rate	3.71%	4.30%	4.53%	3.52%	4.03%	4.29%
Rate of compensation	3.43%	3.50%	3.50%	n/a	n/a	n/a
Assumptions for net periodic benefit cost:						
Discount rate	4.30%	4.53%	4.21%	4.03%	4.29%	3.99%
Expected return on plan assets	7.25%	7.50%	7.75%	7.25%	7.50%	7.70%
Rate of compensation increase	3.50%	3.50%	4.00%	n/a	n/a	n/a

**Plan Assets:**

*Pension Plan Assets* - The Company's investment objective is to ensure assets are sufficient to pay benefits while mitigating the volatility of retirement plan assets or liabilities recorded in the balance sheet. The Company mitigates volatility through asset diversification and partial asset/liability matching. The investment portfolio for the Company's pension plan assets contains a diversified blend of equity and fixed-income investments. The Company's current overall targeted asset allocation as a percentage of total market value was approximately 63% equities and 37% fixed-income and cash. Assets are rebalanced regularly to keep the actual allocation in line with targets. Equity holdings primarily include investments in small-, medium- and large-cap companies in the U.S. (including Company stock), investments in developed and emerging foreign markets and other investments such as private equity and real estate. Fixed-income holdings consist of U.S. government and agency securities, state and municipal bonds, corporate bonds from diversified industries and foreign obligations. In addition, cash equivalent balances are maintained at levels adequate to meet near-term plan expenses and benefit payments. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews.

*Postretirement Healthcare Plan Assets* - The Company's investment objective is to maximize the return on assets to help pay the benefits by prudently investing in equities, fixed income and alternative assets. The Company's current overall targeted asset allocation as a percentage of total market value was approximately 69% equities and 31% fixed-income and cash. Equity holdings primarily include investments in small-, medium-, and large-cap companies in the U.S., investments in developed and emerging foreign markets and other investments such as private equity and real estate. Fixed-income holdings consist of U.S. government and agency securities, state and municipal bonds, corporate bonds from diversified industries and foreign obligations. In addition, cash equivalent balances are maintained at levels adequate to meet near-term plan expenses and benefit payments. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews.

The following tables present the fair values of the plan assets related to the Company's pension and postretirement healthcare plans within the fair value hierarchy as defined in Note 6.

The fair values of the Company's pension plan assets as of December 31, 2017 were as follows (in thousands):

	Balance as of December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Cash and cash equivalents	\$ 51,082	\$ 1,057	\$ 50,025
Equity holdings:			
U.S. companies	722,527	705,111	17,416
Foreign companies	78,765	78,765	—
Harley-Davidson common stock	64,800	64,800	—
Pooled equity funds	416,881	416,881	—
Other	119	119	—
Total equity holdings	<u>1,283,092</u>	<u>1,265,676</u>	<u>17,416</u>
Fixed-income holdings:			
U.S. Treasuries	39,866	39,866	—
Federal agencies	29,188	—	29,188
Corporate bonds	462,563	—	462,563
Pooled fixed income funds	189,361	61,875	127,486
Foreign bonds	81,732	—	81,732
Municipal bonds	11,800	—	11,800
Total fixed-income holdings	<u>814,510</u>	<u>101,741</u>	<u>712,769</u>
Total assets in the fair value hierarchy	2,148,684	<u>\$ 1,368,474</u>	<u>\$ 780,210</u>
Assets measured at net asset value as a practical expedient:			
Limited partnership interests	9,099		
Real estate investment trust	5,102		
Total pension plan assets	<u>\$ 2,162,885</u>		

Included in the pension plan assets are 1,273,592 shares of the Company's common stock with a market value of \$64.8 million at December 31, 2017.

The fair values of the Company's postretirement healthcare plan assets as of December 31, 2017 were as follows (in thousands):

	Balance as of December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Cash and cash equivalents	\$ 19,317	\$ —	\$ 19,317
Equity holdings:			
U.S. companies	101,720	101,720	—
Foreign companies	19,498	19,495	3
Pooled equity funds	23,563	23,563	—
Other	14	14	—
Total equity holdings	144,795	144,792	3
Fixed-income holdings:			
U.S. Treasuries	6,803	6,803	—
Federal agencies	5,060	—	5,060
Corporate bonds	6,756	—	6,756
Pooled fixed income funds	27,461	27,461	—
Foreign bonds	311	—	311
Municipal bonds	284	—	284
Total fixed-income holdings	46,675	34,264	12,411
Total assets in the fair value hierarchy	210,787	\$ 179,056	\$ 31,731
Assets measured at net asset value as a practical expedient:			
Real estate investment trust	6,750		
Total postretirement healthcare plan assets	\$ 217,537		

The fair values of the Company's pension plan assets as of December 31, 2016 were as follows (in thousands):

	Balance as of December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Cash and cash equivalents	\$ 84,548	\$ 1,284	\$ 83,264
Equity holdings:			
U.S. companies	603,568	586,302	17,266
Foreign companies	50,256	50,256	—
Harley-Davidson common stock	74,301	74,301	—
Pooled equity funds	316,225	316,225	—
Other	105	105	—
Total equity holdings	<u>1,044,455</u>	<u>1,027,189</u>	<u>17,266</u>
Fixed-income holdings:			
U.S. Treasuries	41,089	41,089	—
Federal agencies	36,210	—	36,210
Corporate bonds	418,522	—	418,522
Pooled fixed income funds	170,741	57,543	113,198
Foreign bonds	69,871	—	69,871
Municipal bonds	12,509	—	12,509
Total fixed-income holdings	<u>748,942</u>	<u>98,632</u>	<u>650,310</u>
Total assets in the fair value hierarchy	<u>1,877,945</u>	<u>\$ 1,127,105</u>	<u>\$ 750,840</u>
Assets measured at net asset value as a practical expedient:			
Limited partnership interests	9,321		
Real estate investment trust	12,623		
Total pension plan assets	<u>\$ 1,899,889</u>		

Included in the pension plan assets are 1,273,592 shares of the Company's common stock with a market value of \$74.3 million at December 31, 2016.

The fair values of the Company's postretirement healthcare plan assets as of December 31, 2016 were as follows (in thousands):

	Balance as of December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Cash and cash equivalents	\$ 4,442	\$ 1,180	\$ 3,262
Equity holdings:			
U.S. companies	84,643	84,643	—
Foreign companies	14,190	13,995	195
Pooled equity funds	19,132	19,132	—
Other	9	9	—
Total equity holdings	117,974	117,779	195
Fixed-income holdings:			
U.S. Treasuries	12,262	12,262	—
Federal agencies	7,364	—	7,364
Corporate bonds	11,750	—	11,750
Pooled fixed income funds	9,690	—	9,690
Foreign bonds	633	—	633
Municipal bonds	459	—	459
Total fixed-income holdings	42,158	12,262	29,896
Total assets in the fair value hierarchy	164,574	\$ 131,221	\$ 33,353
Assets measured at net asset value as a practical expedient:			
Real estate investment trust	5,518		
Total postretirement healthcare plan assets	\$ 170,092		

No plan assets are expected to be returned to the Company during the fiscal year ending December 31, 2018.

For 2018, the Company's overall expected long-term rate of return is 7.25% for pension assets and 7.25% for postretirement healthcare plan assets. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based on historical returns adjusted to reflect the current view of the long-term investment market.

#### Postretirement Healthcare Cost:

The weighted-average healthcare cost trend rate used in determining the accumulated postretirement benefit obligation of the healthcare plans was as follows:

	2017	2016
Healthcare cost trend rate for next year	7.00%	7.25%
Rate to which the cost trend rate is assumed to decline (the ultimate rate)	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2026	2021

This healthcare cost trend rate assumption can have a significant effect on the amounts reported. A one-percentage-point change in the assumed healthcare cost trend rate would have the following effects (in thousands):

	One Percent Increase	One Percent Decrease
Total of service and interest cost components in 2017	\$ 648	\$ (623)
Accumulated benefit obligation as of December 31, 2017	\$ 11,984	\$ (10,940)

**Future Contributions and Benefit Payments:**

During 2017, the Company voluntarily contributed \$25.0 million to its qualified pension plan and \$15.0 million to its postretirement healthcare plans. No pension plan contributions are required in 2018. The Company expects that 2018 postretirement healthcare plan benefits and benefits due under the SERPA plans will be paid by the Company or funded with plan assets.

The expected benefit payments for the next five years and thereafter were as follows (in thousands):

	Pension Benefits	SERPA Benefits	Postretirement Healthcare Benefits
2018	\$ 90,510	\$ 3,346	\$ 28,446
2019	\$ 92,694	\$ 2,325	\$ 28,309
2020	\$ 95,930	\$ 2,843	\$ 27,351
2021	\$ 98,109	\$ 3,294	\$ 26,175
2022	\$ 102,258	\$ 3,528	\$ 25,096
2023-2027	\$ 574,745	\$ 27,719	\$ 120,438

**Defined Contribution Plans:**

The Company has various defined contribution benefit plans that in total cover substantially all full-time employees. Employees can make voluntary contributions in accordance with the provisions of their respective plan, which includes a 401(k) tax deferral option. The Company expensed \$19.0 million, \$18.2 million and \$18.0 million for Company contributions during 2017, 2016 and 2015, respectively.

**13. Leases**

The Company operates certain administrative, manufacturing, warehouse and testing facilities and equipment under lease arrangements that are accounted for as operating leases. Total rental expense was \$15.1 million, \$14.4 million and \$15.0 million for 2017, 2016 and 2015, respectively.

Future minimum operating lease payments at December 31, 2017 were as follows (in thousands):

2018	\$ 15,074
2019	14,225
2020	9,601
2021	8,523
2022	6,192
Thereafter	8,379
Total operating lease payments	<u>\$ 61,994</u>

**14. Commitments and Contingencies**

The Company is subject to lawsuits and other claims related to environmental, product and other matters. In determining costs to accrue related to these items, the Company carefully analyzes cases and considers the likelihood of adverse judgments or outcomes, as well as the potential range of possible loss. Any amounts accrued for these matters are monitored on an ongoing basis and are updated based on new developments or new information as it becomes available for each matter.

*Environmental Protection Agency Notice:*

In December 2009, the Company received formal, written requests for information from the United States Environmental Protection Agency (EPA) regarding: (i) certificates of conformity for motorcycle emissions and related designations and labels, (ii) aftermarket parts, and (iii) warranty claims on emissions related components. The Company promptly submitted written responses to the EPA's inquiry and has engaged in information exchanges and discussions with the EPA. In August 2016, the Company entered into a consent decree with the EPA regarding these issues, and the consent decree was subsequently revised in July 2017 (the Settlement). In the Settlement, the Company agreed to, among other things, pay a fine, and not sell tuning products unless they are approved by the EPA or California Air Resources Board. In December 2017, the EPA filed the Settlement with the U.S. District Court for the District of Columbia for the purpose of obtaining court approval of the Settlement. Three amicus briefs opposing portions of the Settlement were filed with the court by the deadline of January 31, 2018. The Company anticipates the court will make a decision whether or not to finalize the Settlement in the following months. The Company has an accrual associated with this matter which is included in accrued liabilities in the Consolidated Balance Sheets, and as a result, if it is finalized, the Settlement would not have a material adverse effect on the Company's financial condition or results of operations. The Settlement is not final until it is approved by the court, and if it is not approved by the court, the Company cannot reasonably estimate the impact of any remedies the EPA might seek beyond the Company's current reserve for this matter.

*York Environmental Matters:*

The Company is involved with government agencies and groups of potentially responsible parties related to a matter involving the cleanup of soil and groundwater contamination at its York, Pennsylvania facility. The York facility was formerly used by the U.S. Navy and AMF prior to the purchase of the York facility by the Company from AMF in 1981. Although the Company is not certain as to the full extent of the environmental contamination at the York facility, it has been working with the Pennsylvania Department of Environmental Protection (PADEP) since 1986 in undertaking environmental investigation and remediation activities, including a site-wide remedial investigation/feasibility study (RI/FS).

In January 1995, the Company entered into a settlement agreement (the Agreement) with the Navy, and the parties amended the Agreement in 2013 to address ordnance and explosive waste. The Agreement calls for the Navy and the Company to contribute amounts into a trust equal to 53% and 47%, respectively, of costs associated with environmental investigation and remediation activities at the York facility (Response Costs). The trust administers the payment of the Response Costs incurred at the York facility as covered by the Agreement.

The Company has an accrual for its estimate of its share of the future Response Costs at the York facility which is included in other long-term liabilities in the Consolidated Balance Sheets. While much of the work on the RI/FS is complete, it is still under agency review and given the uncertainty that exists concerning the nature and scope of additional environmental investigation and remediation that may ultimately be required under the RI/FS that is finally approved or otherwise at the York facility, the Company is unable to make a reasonable estimate of those additional costs, if any, that may result.

The estimate of the Company's future Response Costs that will be incurred at the York facility is based on reports of independent environmental consultants retained by the Company, the actual costs incurred to date and the estimated costs to complete the necessary investigation and remediation activities.

*Product Liability Matters:*

The Company is involved in product liability suits related to the operation of its business. The Company accrues for claim exposures that are probable of occurrence and can be reasonably estimated. The Company also maintains insurance coverage for product liability exposures. The Company believes that its accruals and insurance coverage are adequate and that product liability suits will not have a material adverse effect on the Company's consolidated financial statements.

*National Highway Traffic Safety Administration Matters:*

In July 2016, the National Highway Traffic Safety Administration (NHTSA) began an investigation into certain of the Company's motorcycles equipped with anti-lock braking systems (ABS). NHTSA's investigation is in response to rider complaints related to brake failures and applies to model-year 2008-2013 Touring and model-year 2008-2017 V-ROD® motorcycles. NHTSA noted that Harley-Davidson has a two-year brake fluid replacement interval that owners either are unaware of or ignore. During 2017, the Company estimated and recorded a \$29.4 million accrual associated with the NHTSA matter which is included in accrued liabilities. On January 30, 2018, the Company announced a voluntary recall which offers a free brake fluid flush for model-year 2008-2011 Touring and V-ROD® motorcycles. The Company believes the accrued liability it has recorded will adequately cover the cost of the recall.

## 15. Capital Stock

### Common Stock:

The Company is authorized to issue 800,000,000 shares of common stock of \$0.01 par value. There were 168.1 million and 175.9 million common shares outstanding as of December 31, 2017 and 2016, respectively. During 2016, the Company retired 165.0 million shares of its treasury stock.

During 2017, the Company repurchased 8.8 million shares of its common stock at a weighted-average price of \$53. This includes 0.2 million shares of common stock that were repurchased from employees that surrendered stock to satisfy withholding taxes in connection with the vesting of restricted stock awards. The remaining repurchases were made pursuant to the following authorizations (in millions of shares):

Board of Directors' Authorization	Shares Repurchased			Authorization Remaining at December 31, 2017
	2017	2016	2015	
1997 Authorization	—	—	0.9	—
2007 Authorization	—	—	0.9	—
2014 Authorization	—	—	20.0	—
2015 Authorization	—	9.0	6.0	—
2016 Authorization	8.7	0.7	—	10.6
Total	8.7	9.7	27.8	10.6

*1997 Authorization* – The Company had an authorization from its Board of Directors (originally adopted December 1997) to repurchase shares of its outstanding common stock under which the cumulative number of shares repurchased, at the time of any repurchase, shall not exceed the sum of (1) the number of shares issued in connection with the exercise of stock options occurring on or after January 1, 2004, and (2) 1% of the issued and outstanding common stock of the Company on January 1 of the current year, adjusted for any stock split.

*2007 Authorization* – In December 2007, the Company's Board of Directors separately authorized the Company to buy back up to 20.0 million shares of its common stock with no dollar limit or expiration date.

*2014 Authorization* – In February 2014, the Company's Board of Directors separately authorized the Company to buy back up to 20.0 million shares of its common stock with no dollar limit or expiration date.

*2015 Authorization* – In June 2015, the Company's Board of Directors separately authorized the Company to buy back up to 15.0 million shares of its common stock with no dollar limit or expiration date.

*2016 Authorization* – In February 2016, the Company's Board of Directors separately authorized the Company to buy back up to 20.0 million shares of its common stock with no dollar limit or expiration date.

### Preferred Stock:

The Company is authorized to issue 2,000,000 shares of preferred stock of \$1.00 par value, none of which is outstanding.

## 16. Share-Based Awards

The Company has a share-based compensation plan which was approved by its shareholders in April 2014 (Plan) under which the Board of Directors may grant to employees share-based awards including restricted stock units (RSUs), performance shares, nonqualified stock options and stock appreciation rights (SARs). Performance shares include a three-year performance period with vesting based on achievement of internal performance targets. Forfeitures are estimated at the grant date and adjusted when it is likely to change. RSUs granted under the Plan vest ratably over a three-year period with the first one-third of the grant vesting one year after the date of grant. Dividends are paid on RSUs settled with stock and performance shares settled with stock. Dividend equivalents are paid on RSUs and performance shares settled with cash. The options and SARs granted under the Plan have an exercise price equal to the fair market value of the underlying stock at the date of grant and vest ratably over a three-year period with the first one-third of the grant becoming exercisable one year after the date of grant. The options and SARs expire 10 years from the date of grant. At December 31, 2017, there were 10.8 million shares of common stock available for future awards under the Plan.

**Restricted Stock Units and Performance Shares Settled in Stock:**

The fair value of RSUs and performance shares settled in stock is determined based on the market price of the Company's shares on the grant date. The following table summarizes the activity for these awards for the year ended December 31, 2017 (in thousands except for per share amounts):

	Shares / Units	Grant Date Fair Value Per Share
Nonvested, beginning of period	1,371	\$ 46
Granted	730	\$ 56
Vested	(408)	\$ 51
Forfeited	(92)	\$ 50
Nonvested, end of period	<u>1,601</u>	<u>\$ 49</u>

As of December 31, 2017, there was \$33.9 million of unrecognized compensation cost related to RSUs and performance shares settled in stock (net of estimated forfeitures) that is expected to be recognized over a weighted-average period of 1.7 years.

**Restricted Stock Units and Performance Shares Settled in Cash:**

RSUs and performance shares that are settled in cash are recorded in the Company's consolidated balance sheets as a liability until vested. The fair value is determined based on the market price of the Company's stock and is remeasured at each balance sheet date. The following table summarizes the activity for these awards for the year ended December 31, 2017 (in thousands except for per share amounts):

	Units	Weighted-Average Grant Date Fair Value Per Share
Nonvested, beginning of period	124	\$ 54
Granted	56	\$ 52
Vested	(49)	\$ 60
Forfeited	(30)	\$ 59
Nonvested, end of period	<u>101</u>	<u>\$ 53</u>

**Stock Options:**

There were no stock options granted in 2017 and 2016. In 2015, the Company estimated the grant date fair value of its option awards granted using a lattice-based option valuation model. The Company believes that the lattice-based option valuation model provided a more precise estimate of fair value than the Black-Scholes option pricing model. Lattice-based option valuation models utilize ranges of assumptions over the expected term of the options. The Company used implied volatility to determine the expected volatility of its stock. The Company used historical data to estimate option exercise and employee termination within the valuation model. The expected term of options granted was derived from the output of the option valuation model and represents the average period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Assumptions used in calculating the lattice-based fair value of options granted during 2015 were as follows:

	2015
Expected average term (in years)	6.0
Expected volatility	24% - 30%
Weighted average volatility	28%
Expected dividend yield	2.0%
Risk-free interest rate	0.1% - 2.0%

The following table summarizes the stock option transactions for the year ended December 31, 2017 (in thousands except for per share amounts):

	Options	Weighted-Average Price
Options outstanding, beginning of period	1,878	\$ 49
Options exercised	(282)	\$ 40
Options forfeited	(192)	\$ 68
Options outstanding, end of period	1,404	\$ 48
Exercisable, end of period	1,309	\$ 47

The weighted-average fair value of options granted during the year ended December 31, 2015 was \$13.

As of December 31, 2017, there was \$0.1 million of unrecognized compensation cost related to stock options that is expected to be recognized over a weighted-average period of 0.1 year.

The following table summarizes the aggregate intrinsic value related to options outstanding, exercisable and exercised as of and for the years ended December 31 (in thousands):

	2017	2016	2015
Exercised	\$ 4,051	\$ 9,595	\$ 9,890
Outstanding	\$ 11,711	\$ 22,383	\$ 16,605
Exercisable	\$ 11,711	\$ 22,383	\$ 16,605

The Company's policy is to issue new shares of common stock upon the exercise of employee stock options.

Stock options outstanding at December 31, 2017 were as follows (options in thousands):

Price Range	Weighted-Average Contractual Life	Options	Weighted-Average Exercise Price
\$10.01 to \$20	1.2	151	\$ 13
\$20.01 to \$30	2.1	145	\$ 24
\$30.01 to \$40	0.1	37	\$ 39
\$40.01 to \$50	3.6	239	\$ 44
\$50.01 to \$60	4.6	193	\$ 52
\$60.01 to \$70	5.2	639	\$ 63
Options outstanding	4.0	1,404	\$ 48
Options exercisable	3.7	1,309	\$ 47

#### Stock Appreciation Rights (SARs):

There were no SARs granted in 2017 or 2016. SARs vest under the same terms and conditions as options; however, they are settled in cash equal to their settlement date fair value. As a result, SARs are recorded in the Company's consolidated balance sheets as a liability until the date of exercise. The fair value of each SAR award is estimated using a lattice-based valuation model. In accordance with ASC Topic 718, "Stock Compensation," the fair value of each SAR award is recalculated at the end of each reporting period and the liability and expense adjusted based on the new fair value and the percent vested. The assumptions used to determine the fair value of the SAR awards at December 31, 2017 and 2016 were as follows:

	2017	2016
Expected average term (in years)	5.7	5.2 - 5.7
Expected volatility	28% - 31%	28% - 31%
Expected dividend yield	2.9%	2.4%
Risk-free interest rate	1.3% - 2.5%	0.5% - 2.6%

The following table summarizes the SAR transactions for the year ended December 31, 2017 (in thousands except for per share amounts):

	SARs	Weighted-Average Price
Outstanding, beginning of period	75	\$ 37
Granted	—	\$ —
Exercised	(32)	\$ 31
Forfeited	(16)	\$ 62
Outstanding, end of period	27	\$ 30
Exercisable, end of period	27	\$ 30

The weighted-average fair value of SARs granted during the year ended December 31, 2015 was \$13.

## 17. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share from continuing operations for the years ended December 31 (in thousands except for per share amounts):

	2017	2016	2015
<b>Numerator:</b>			
Income used in computing basic and diluted earnings per share	\$ 521,759	\$ 692,164	\$ 752,207
<b>Denominator:</b>			
Denominator for basic earnings per share-weighted-average common shares	171,995	179,676	202,681
Effect of dilutive securities – employee stock compensation plan	937	859	1,005
Denominator for diluted earnings per share- adjusted weighted-average shares outstanding	172,932	180,535	203,686
<b>Earnings per common share:</b>			
Basic	\$ 3.03	\$ 3.85	\$ 3.71
Diluted	\$ 3.02	\$ 3.83	\$ 3.69

Options to purchase 0.8 million, 1.4 million and 1.0 million weighted-average shares of common stock outstanding during 2017, 2016 and 2015, respectively, were not included in the Company's computation of dilutive securities because the exercise price was greater than the market price and therefore the effect would have been anti-dilutive.

The Company has a share-based compensation plan under which employees may be granted share-based awards, including restricted stock units (RSUs). Non-forfeitable dividend equivalents are paid on unvested RSUs. As such, RSUs are considered participating securities under the two-class method of calculating earnings per share as described in ASC Topic 260, "Earnings per Share." The two-class method of calculating earnings per share did not have a material impact on the Company's earnings per share calculation as of December 31, 2017, 2016 and 2015.

## 18. Reportable Segments and Geographic Information

### Reportable Segments:

Harley-Davidson, Inc. is the parent company for the groups of companies doing business as Harley-Davidson Motor Company (HDMC) and Harley-Davidson Financial Services (HDFS). The Company operates in two segments: the Motorcycles & Related Products (Motorcycles) segment and the Financial Services segment. The Company's reportable segments are strategic business units that offer different products and services and are managed separately based on the fundamental differences in their operations.

The Motorcycles segment consists of HDMC which designs, manufactures and sells at wholesale on-road Harley-Davidson motorcycles as well as motorcycle parts, accessories, general merchandise and related services. The Company's products are sold to retail customers through a network of independent dealers. The Company conducts business on a global basis, with sales in the United States, Canada, Latin America, Europe/Middle East/Africa (EMEA) and Asia Pacific.

The Financial Services segment consists of HDFS which provides wholesale and retail financing and provides insurance and insurance-related programs primarily to Harley-Davidson dealers and their retail customers. HDFS conducts business principally in the United States and Canada.

Information by segment is set forth below for the years ended December 31 (in thousands):

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Motorcycles net revenue	\$ 4,915,027	\$ 5,271,376	\$ 5,308,744
Gross profit	1,653,344	1,851,666	1,952,460
Selling, administrative and engineering expense	1,037,386	1,078,260	1,076,970
Operating income from Motorcycles	615,958	773,406	875,490
Financial Services revenue	732,197	725,082	686,658
Financial Services expense	456,892	449,552	406,453
Operating income from Financial Services	275,305	275,530	280,205
Operating income	\$ 891,263	\$ 1,048,936	\$ 1,155,695

Financial Services revenue includes \$6.9 million, \$4.4 million and \$6.9 million of interest that HDMC paid to HDFS on wholesale finance receivables in 2017, 2016 and 2015, respectively. The offsetting cost of these interest incentives was recorded as a reduction to Motorcycles revenue.

Information by segment is set forth below as of December 31 (in thousands):

	<b>Motorcycles</b>	<b>Financial Services</b>	<b>Consolidated</b>
<b><u>2017</u></b>			
Total assets	\$ 2,449,603	\$ 7,523,069	\$ 9,972,672
Depreciation and amortization	\$ 215,639	\$ 6,549	\$ 222,188
Capital expenditures	\$ 193,204	\$ 13,090	\$ 206,294
<b><u>2016</u></b>			
Total assets	\$ 2,490,450	\$ 7,399,790	\$ 9,890,240
Depreciation and amortization	\$ 202,122	\$ 7,433	\$ 209,555
Capital expenditures	\$ 245,316	\$ 10,947	\$ 256,263
<b><u>2015</u></b>			
Total assets	\$ 2,522,249	\$ 7,450,728	\$ 9,972,977
Depreciation and amortization	\$ 188,926	\$ 9,148	\$ 198,074
Capital expenditures	\$ 249,772	\$ 10,202	\$ 259,974

## Geographic Information:

Included in the consolidated financial statements are the following amounts relating to geographic locations for the years ended December 31 (in thousands):

	2017	2016	2015
<b>Revenue from Motorcycles<sup>(a)</sup>:</b>			
United States	\$ 3,215,513	\$ 3,579,129	\$ 3,768,069
EMEA	790,725	798,489	728,198
Japan	180,938	200,309	162,675
Canada	232,883	212,099	178,042
Australia and New Zealand	168,670	181,809	165,854
Other foreign countries	326,298	299,541	305,906
Total revenue from Motorcycles	\$ 4,915,027	\$ 5,271,376	\$ 5,308,744
<b>Revenue from Financial Services<sup>(a)</sup>:</b>			
United States	\$ 698,383	\$ 692,784	\$ 656,888
Europe	6,845	6,528	5,373
Canada	22,580	21,626	21,180
Other foreign countries	4,389	4,144	3,217
Total revenue from Financial Services	\$ 732,197	\$ 725,082	\$ 686,658
<b>Long-lived assets<sup>(b)</sup>:</b>			
United States	\$ 912,032	\$ 943,479	\$ 915,509
International	55,749	38,114	26,909
Total long-lived assets	\$ 967,781	\$ 981,593	\$ 942,418

(a) Revenue is attributed to geographic regions based on location of customer.

(b) Long-lived assets include all long-term assets except those specifically excluded under ASC Topic 280, "Segment Reporting," such as deferred income taxes and finance receivables.

## 19. Related Party Transactions

A former director of the Company was Chairman and Chief Executive Officer and an equity owner of Fred Deeley Imports Ltd. (Deeley Imports) when certain of its assets and liabilities were acquired by the Company in 2015. Deeley Imports was the exclusive distributor of the Company's motorcycles in Canada until August 2015 when the Company completed its purchase of certain assets and liabilities from Deeley Imports including, among other things, the acquisition of the exclusive right to distribute the Company's motorcycles and other products in Canada. The Company recorded Motorcycles and Related Products revenue and Financial Services revenue from Deeley Imports during 2015 of \$117.3 million prior to the acquisition. As a result of the acquisition, the Company no longer does business with Deeley Imports. Refer to Note 3 for further details.

Upon the termination of the distribution agreement between the Company and Deeley Imports, the Company entered into dealer agreements with approximately 66 dealers in Canada, all of which had preexisting dealer agreements with Deeley Imports. These new Canadian dealer agreements included an agreement with Trev Deeley Motorcycles for the operation of a Harley-Davidson dealership located in Richmond, British Columbia. Trev Deeley Motorcycles is owned by the Darren James 2014 Trust, of which a former director of the Company is the sole trustee and his son is the beneficiary. The former director of the Company retired from the Board of Directors in April 2017 at which time he was no longer considered a related party.

The Company recorded Motorcycles and Related Products revenue and Financial Services revenue from Trev Deeley Motorcycles during 2017 and 2016 of \$5.8 million and \$5.3 million, respectively, and had finance receivables balances due from Trev Deeley Motorcycles of \$0.3 million and \$0.5 million at December 31, 2017 and 2016, respectively.

## 20. Supplemental Consolidating Data

The supplemental consolidating data for the periods noted is presented for informational purposes. The supplemental consolidating data may be different than segment information presented elsewhere due to the allocation of intercompany eliminations to reporting segments. All supplemental data is presented in thousands.

**Year Ended December 31, 2017**

	<b>HDMC Entities</b>	<b>HDFS Entities</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Revenue:</b>				
Motorcycles and Related Products	\$ 4,925,003	\$ —	\$ (9,976)	\$ 4,915,027
Financial Services	—	734,008	(1,811)	732,197
Total revenue	4,925,003	734,008	(11,787)	5,647,224
<b>Costs and expenses:</b>				
Motorcycles and Related Products cost of goods sold	3,261,683	—	—	3,261,683
Financial Services interest expense	—	180,193	—	180,193
Financial Services provision for credit losses	—	132,444	—	132,444
Selling, administrative and engineering expense	1,038,994	154,232	(11,585)	1,181,641
Total costs and expenses	4,300,677	466,869	(11,585)	4,755,961
Operating income	624,326	267,139	(202)	891,263
Investment income	199,580	—	(196,000)	3,580
Interest expense	31,004	—	—	31,004
Income before provision for income taxes	792,902	267,139	(196,202)	863,839
Provision for income taxes	214,175	127,905	—	342,080
Net income	\$ 578,727	\$ 139,234	\$ (196,202)	\$ 521,759

**Year Ended December 31, 2016**

	<b>HDMC Entities</b>	<b>HDFS Entities</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Revenue:</b>				
Motorcycles and Related Products	\$ 5,281,355	\$ —	\$ (9,979)	\$ 5,271,376
Financial Services	—	726,736	(1,654)	725,082
Total revenue	5,281,355	726,736	(11,633)	5,996,458
<b>Costs and expenses:</b>				
Motorcycles and Related Products cost of goods sold	3,419,710	—	—	3,419,710
Financial Services interest expense	—	173,756	—	173,756
Financial Services provision for credit losses	—	136,617	—	136,617
Selling, administrative and engineering expense	1,080,020	149,157	(11,738)	1,217,439
Total costs and expenses	4,499,730	459,530	(11,738)	4,947,522
Operating income	781,625	267,206	105	1,048,936
Investment income	187,645	—	(183,000)	4,645
Interest expense	29,670	—	—	29,670
Income before provision for income taxes	939,600	267,206	(182,895)	1,023,911
Provision for income taxes	231,986	99,761	—	331,747
Net income	\$ 707,614	\$ 167,445	\$ (182,895)	\$ 692,164

**Year Ended December 31, 2015**

	<b>HDMC Entities</b>	<b>HDFS Entities</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Revenue:</b>				
Motorcycles and Related Products	\$ 5,318,850	\$ —	\$ (10,106)	\$ 5,308,744
Financial Services	—	688,211	(1,553)	686,658
Total revenue	5,318,850	688,211	(11,659)	5,995,402
<b>Costs and expenses:</b>				
Motorcycles and Related Products cost of goods sold	3,356,284	—	—	3,356,284
Financial Services interest expense	—	161,983	—	161,983
Financial Services provision for credit losses	—	101,345	—	101,345
Selling, administrative and engineering expense	1,078,525	153,229	(11,659)	1,220,095
Total costs and expenses	4,434,809	416,557	(11,659)	4,839,707
Operating income	884,041	271,654	—	1,155,695
Investment income	106,585	—	(100,000)	6,585
Interest expense	12,117	—	—	12,117
Income before provision for income taxes	978,509	271,654	(100,000)	1,150,163
Provision for income taxes	300,499	97,457	—	397,956
Net income	\$ 678,010	\$ 174,197	\$ (100,000)	\$ 752,207

December 31, 2017

	HDMC Entities	HDFS Entities	Eliminations	Consolidated
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 338,186	\$ 349,335	\$ —	\$ 687,521
Accounts receivable, net	483,709	—	(153,723)	329,986
Finance receivables, net	—	2,105,662	—	2,105,662
Inventories	538,202	—	—	538,202
Restricted cash	—	47,518	—	47,518
Other current assets	132,999	48,521	(5,667)	175,853
Total current assets	1,493,096	2,551,036	(159,390)	3,884,742
Finance receivables, net	—	4,859,424	—	4,859,424
Property, plant and equipment, net	922,280	45,501	—	967,781
Prepaid pension costs	19,816	—	—	19,816
Goodwill	55,947	—	—	55,947
Deferred income taxes	66,877	43,515	(1,319)	109,073
Other long-term assets	138,344	23,593	(86,048)	75,889
	\$ 2,696,360	\$ 7,523,069	\$ (246,757)	\$ 9,972,672
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Current liabilities:				
Accounts payable	\$ 214,263	\$ 167,057	\$ (153,723)	\$ 227,597
Accrued liabilities	444,028	90,942	(5,148)	529,822
Short-term debt	—	1,273,482	—	1,273,482
Current portion of long-term debt, net	—	1,127,269	—	1,127,269
Total current liabilities	658,291	2,658,750	(158,871)	3,158,170
Long-term debt, net	741,961	3,845,297	—	4,587,258
Pension liability	54,606	—	—	54,606
Postretirement healthcare liability	118,753	—	—	118,753
Other long-term liabilities	171,200	35,503	2,905	209,608
Commitments and contingencies (Note 14)				
Shareholders' equity	951,549	983,519	(90,791)	1,844,277
	\$ 2,696,360	\$ 7,523,069	\$ (246,757)	\$ 9,972,672

December 31, 2016

	HDMC Entities	HDFS Entities	Eliminations	Consolidated
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 425,540	\$ 334,444	\$ —	\$ 759,984
Marketable securities	5,019	500	—	5,519
Accounts receivable, net	450,186	—	(165,080)	285,106
Finance receivables, net	—	2,076,261	—	2,076,261
Inventories	499,917	—	—	499,917
Restricted cash	—	52,574	—	52,574
Other current assets	127,606	46,934	(49)	174,491
Total current assets	1,508,268	2,510,713	(165,129)	3,853,852
Finance receivables, net	—	4,759,197	—	4,759,197
Property, plant and equipment, net	942,634	38,959	—	981,593
Goodwill	53,391	—	—	53,391
Deferred income taxes	103,487	66,152	(1,910)	167,729
Other long-term assets	132,835	24,769	(83,126)	74,478
	\$ 2,740,615	\$ 7,399,790	\$ (250,165)	\$ 9,890,240
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Current liabilities:				
Accounts payable	\$ 219,353	\$ 181,045	\$ (165,080)	\$ 235,318
Accrued liabilities	395,907	90,910	(165)	486,652
Short-term debt	—	1,055,708	—	1,055,708
Current portion of long-term debt, net	—	1,084,884	—	1,084,884
Total current liabilities	615,260	2,412,547	(165,245)	2,862,562
Long-term debt, net	741,306	3,925,669	—	4,666,975
Pension liability	84,442	—	—	84,442
Postretirement healthcare liability	173,267	—	—	173,267
Other long-term liabilities	150,391	29,697	2,748	182,836
Commitments and contingencies (Note 14)				
Shareholders' equity	975,949	1,031,877	(87,668)	1,920,158
	\$ 2,740,615	\$ 7,399,790	\$ (250,165)	\$ 9,890,240

Year Ended December 31, 2017

	HDMC Entities	HDFS Entities	Eliminations	Consolidated
<b>Cash flows from operating activities:</b>				
Net income	\$ 578,727	\$ 139,234	\$ (196,202)	\$ 521,759
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>				
Depreciation and amortization of intangibles	215,639	6,549	—	222,188
Amortization of deferred loan origination costs	—	82,911	—	82,911
Amortization of financing origination fees	655	7,390	—	8,045
Provision for long-term employee benefits	29,900	—	—	29,900
Employee benefit plan contributions and payments	(63,277)	—	—	(63,277)
Stock compensation expense	29,570	2,921	—	32,491
Net change in wholesale finance receivables related to sales	—	—	35,172	35,172
Provision for credit losses	—	132,444	—	132,444
Deferred income taxes	29,949	21,497	(591)	50,855
Other, net	4,858	3,498	203	8,559
<b>Changes in current assets and liabilities:</b>				
Accounts receivable, net	(6,792)	—	(11,357)	(18,149)
Finance receivables—accrued interest and other	—	(1,313)	—	(1,313)
Inventories	(20,584)	—	—	(20,584)
Accounts payable and accrued liabilities	9,753	(11,497)	11,872	10,128
Derivative instruments	1,785	81	—	1,866
Other	(31,868)	(1,684)	5,618	(27,934)
Total adjustments	199,588	242,797	40,917	483,302
Net cash provided by operating activities	778,315	382,031	(155,285)	1,005,061
<b>Cash flows from investing activities:</b>				
Capital expenditures	(193,204)	(13,090)	—	(206,294)
Origination of finance receivables	—	(7,109,624)	3,517,676	(3,591,948)
Collections on finance receivables	—	6,786,702	(3,558,391)	3,228,311
Sales and redemptions of marketable securities	6,916	—	—	6,916
Other	547	—	—	547
Net cash used by investing activities	(185,741)	(336,012)	(40,715)	(562,468)

	Year Ended December 31, 2017			
	HDMC Entities	HDFS Entities	Eliminations	Consolidated
<b>Cash flows from financing activities:</b>				
Proceeds from issuance of medium-term notes	—	893,668	—	893,668
Repayments of medium-term notes	—	(800,000)	—	(800,000)
Repayments of securitization debt	—	(444,671)	—	(444,671)
Borrowings of asset-backed commercial paper	—	469,932	—	469,932
Repayments of asset-backed commercial paper	—	(176,227)	—	(176,227)
Net increase in credit facilities and unsecured commercial paper	—	212,809	—	212,809
Net change in restricted cash	—	8,458	—	8,458
Dividends paid	(251,862)	(196,000)	196,000	(251,862)
Purchase of common stock for treasury	(465,263)	—	—	(465,263)
Issuance of common stock under employee stock option plans	11,353	—	—	11,353
Net cash used by financing activities	(705,772)	(32,031)	196,000	(541,803)
Effect of exchange rate changes on cash and cash equivalents	25,844	903	—	26,747
Net (decrease) increase in cash and cash equivalents	\$ (87,354)	\$ 14,891	\$ —	\$ (72,463)
<b>Cash and cash equivalents:</b>				
Cash and cash equivalents—beginning of period	\$ 425,540	\$ 334,444	\$ —	\$ 759,984
Net (decrease) increase in cash and cash equivalents	(87,354)	14,891	—	(72,463)
Cash and cash equivalents—end of period	\$ 338,186	\$ 349,335	\$ —	\$ 687,521

**Year Ended December 31, 2016**

	<b>HDMC Entities</b>	<b>HDFS Entities</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Cash flows from operating activities:</b>				
Net income	\$ 707,614	\$ 167,445	\$ (182,895)	\$ 692,164
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>				
Depreciation and amortization of intangibles	202,122	7,433	—	209,555
Amortization of deferred loan origination costs	—	86,681	—	86,681
Amortization of financing origination fees	654	8,598	—	9,252
Provision for long-term employee benefits	38,273	—	—	38,273
Employee benefit plan contributions and payments	(55,809)	—	—	(55,809)
Stock compensation expense	29,811	2,525	—	32,336
Net change in wholesale finance receivables related to sales	—	—	(3,233)	(3,233)
Provision for credit losses	—	136,617	—	136,617
Gain on off-balance sheet asset-backed securitization	—	(9,269)	—	(9,269)
Loss on debt extinguishment	—	118	—	118
Deferred income taxes	7,772	(7,705)	(232)	(165)
Other, net	(7,041)	239	(105)	(6,907)
<b>Changes in current assets and liabilities:</b>				
Accounts receivable, net	(67,621)	—	21,687	(45,934)
Finance receivables – accrued interest and other	—	(1,489)	—	(1,489)
Inventories	85,072	—	—	85,072
Accounts payable and accrued liabilities	26,005	25,027	(12,795)	38,237
Derivative instruments	(3,413)	—	—	(3,413)
Other	(25,415)	(2,332)	—	(27,747)
Total adjustments	230,410	246,443	5,322	482,175
Net cash provided by operating activities	938,024	413,888	(177,573)	1,174,339
<b>Cash flows from investing activities:</b>				
Capital expenditures	(245,316)	(10,947)	—	(256,263)
Origination of finance receivables	—	(7,420,177)	3,755,682	(3,664,495)
Collections on finance receivables	—	6,936,140	(3,761,109)	3,175,031
Proceeds from finance receivables sold	—	312,571	—	312,571
Sales and redemptions of marketable securities	40,014	—	—	40,014
Other	411	—	—	411
Net cash used by investing activities	(204,891)	(182,413)	(5,427)	(392,731)

	Year Ended December 31, 2016			
	HDMC Entities	HDFS Entities	Eliminations	Consolidated
Cash flows from financing activities:				
Proceeds from issuance of medium-term notes	—	1,193,396	—	1,193,396
Repayments of medium-term notes	—	(451,336)	—	(451,336)
Repayments of securitization debt	—	(665,400)	—	(665,400)
Borrowings of asset-backed commercial paper	—	62,396	—	62,396
Repayments of asset-backed commercial paper	—	(71,500)	—	(71,500)
Net decrease in credit facilities and unsecured commercial paper	—	(145,812)	—	(145,812)
Net change in restricted cash	—	43,495	—	43,495
Dividends paid	(252,321)	(183,000)	183,000	(252,321)
Purchase of common stock for treasury	(465,341)	—	—	(465,341)
Excess tax benefits from share-based payments	2,251	—	—	2,251
Issuance of common stock under employee stock option plans	15,782	—	—	15,782
Net cash used by financing activities	(699,629)	(217,761)	183,000	(734,390)
Effect of exchange rate changes on cash and cash equivalents	(8,407)	(1,036)	—	(9,443)
Net increase in cash and cash equivalents	\$ 25,097	\$ 12,678	\$ —	\$ 37,775
Cash and cash equivalents:				
Cash and cash equivalents – beginning of period	\$ 400,443	\$ 321,766	\$ —	\$ 722,209
Net increase in cash and cash equivalents	25,097	12,678	—	37,775
Cash and cash equivalents – end of period	\$ 425,540	\$ 334,444	\$ —	\$ 759,984

Year Ended December 31, 2015

	HDMC Entities	HDFS Entities	Eliminations	Consolidated
<b>Cash flows from operating activities:</b>				
Net income	\$ 678,010	\$ 174,197	\$ (100,000)	\$ 752,207
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>				
Depreciation and amortization of intangibles	188,926	9,148	—	198,074
Amortization of deferred loan origination costs	—	93,546	—	93,546
Amortization of financing origination fees	267	9,708	—	9,975
Provision for long-term employee benefits	60,824	—	—	60,824
Employee benefit plan contributions and payments	(28,490)	—	—	(28,490)
Stock compensation expense	26,775	2,658	—	29,433
Net change in wholesale finance receivables related to sales	—	—	(113,970)	(113,970)
Provision for credit losses	—	101,345	—	101,345
Loss on debt extinguishment	—	1,099	—	1,099
Deferred income taxes	(4,792)	(11,692)	—	(16,484)
Other, net	19,625	1,288	—	20,913
<b>Changes in current assets and liabilities:</b>				
Accounts receivable, net	4,055	—	(17,720)	(13,665)
Finance receivables – accrued interest and other	—	(3,046)	—	(3,046)
Inventories	(155,222)	—	—	(155,222)
Accounts payable and accrued liabilities	81,929	18,539	38,355	138,823
Derivative instruments	(5,615)	—	—	(5,615)
Other	33,658	(3,287)	—	30,371
Total adjustments	221,940	219,306	(93,335)	347,911
Net cash provided by operating activities	899,950	393,503	(193,335)	1,100,118
<b>Cash flows from investing activities:</b>				
Capital expenditures	(249,772)	(10,202)	—	(259,974)
Origination of finance receivables	—	(7,836,279)	4,084,449	(3,751,830)
Collections on finance receivables	—	7,127,999	(3,991,114)	3,136,885
Sales and redemptions of marketable securities	11,507	—	—	11,507
Acquisition of business	(59,910)	—	—	(59,910)
Other	7,474	—	—	7,474
Net cash used by investing activities	(290,701)	(718,482)	93,335	(915,848)

	Year Ended December 31, 2015			
	HDMC Entities	HDFS Entities	Eliminations	Consolidated
<b>Cash flows from financing activities:</b>				
Proceeds from issuance of medium-term notes	—	595,386	—	595,386
Repayments of medium-term notes	—	(610,331)	—	(610,331)
Proceeds from issuance of senior unsecured notes	740,385	—	—	740,385
Intercompany borrowing activity	250,000	(250,000)	—	—
Proceeds from securitization debt	—	1,195,668	—	1,195,668
Repayments of securitization debt	—	(1,008,135)	—	(1,008,135)
Borrowings of asset-backed commercial paper	—	87,442	—	87,442
Repayments of asset-backed commercial paper	—	(72,727)	—	(72,727)
Net increase in credit facilities and unsecured commercial paper	—	469,473	—	469,473
Net change in restricted cash	—	11,410	—	11,410
Dividends paid	(249,262)	(100,000)	100,000	(249,262)
Purchase of common stock for treasury	(1,537,020)	—	—	(1,537,020)
Excess tax benefits from share-based payments	3,468	—	—	3,468
Issuance of common stock under employee stock option plans	20,179	—	—	20,179
Net cash (used by) provided by financing activities	(772,250)	318,186	100,000	(354,064)
Effect of exchange rate changes on cash and cash equivalents	(10,451)	(4,226)	—	(14,677)
Net decrease in cash and cash equivalents	\$ (173,452)	\$ (11,019)	\$ —	\$ (184,471)
<b>Cash and cash equivalents:</b>				
Cash and cash equivalents – beginning of period	\$ 573,895	\$ 332,785	\$ —	\$ 906,680
Net decrease in cash and cash equivalents	(173,452)	(11,019)	—	(184,471)
Cash and cash equivalents – end of period	\$ 400,443	\$ 321,766	\$ —	\$ 722,209

## 21. Subsequent Events

On January 25, 2018, the Board of Directors of the Company approved a plan to further improve its manufacturing operations and cost structure by commencing a multi-year manufacturing optimization plan anchored by the consolidation of its motorcycle assembly plant in Kansas City, Missouri, into its plant in York, Pennsylvania. The Company expects to incur restructuring and other consolidation costs of \$170 to \$200 million related to this plan through 2019, of which approximately 70% will be cash charges.

In February 2018, HDFS issued \$350.0 million of medium-term notes that mature in February 2023 and have an annual interest rate of 3.35%.

SUPPLEMENTARY DATA  
Quarterly financial data (unaudited)  
(In millions, except per share data)

	1 <sup>st</sup> Quarter		2 <sup>nd</sup> Quarter		3 <sup>rd</sup> Quarter		4 <sup>th</sup> Quarter	
	Mar 26, 2017	Mar 27, 2016	June 25, 2017	June 26, 2016	Sep 24, 2017	Sep 25, 2016	Dec 31, 2017	Dec 31, 2016
<b>Motorcycles:</b>								
Revenue	\$ 1,328.7	\$ 1,576.6	\$ 1,577.1	\$ 1,670.1	\$ 962.1	\$ 1,091.6	\$ 1,047.0	\$ 933.0
Operating income	\$ 238.8	\$ 332.5	\$ 319.6	\$ 322.7	\$ 19.6	\$ 108.9	\$ 37.8	\$ 9.3
<b>Financial Services:</b>								
Revenue	\$ 173.2	\$ 173.4	\$ 188.0	\$ 191.0	\$ 189.1	\$ 183.2	\$ 181.9	\$ 177.6
Operating income	\$ 52.6	\$ 56.4	\$ 81.9	\$ 89.6	\$ 77.1	\$ 69.4	\$ 63.7	\$ 60.1
<b>Consolidated:</b>								
Income before taxes	\$ 284.7	\$ 382.4	\$ 394.4	\$ 405.9	\$ 89.9	\$ 173.0	\$ 94.8	\$ 62.6
Net income	\$ 186.4	\$ 250.5	\$ 258.9	\$ 280.4	\$ 68.2	\$ 114.1	\$ 8.3	\$ 47.2
<b>Earnings per common share:</b>								
Basic	\$ 1.06	\$ 1.37	\$ 1.48	\$ 1.55	\$ 0.40	\$ 0.64	\$ 0.05	\$ 0.27
Diluted	\$ 1.05	\$ 1.36	\$ 1.48	\$ 1.55	\$ 0.40	\$ 0.64	\$ 0.05	\$ 0.27

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

In accordance with Rule 13a-15(b) of the Securities Exchange Act of 1934 (the Exchange Act), as of the end of the period covered by this Annual Report on Form 10-K, the Company's management evaluated, with the participation of the Company's President and Chief Executive Officer and the Senior Vice President and Chief Financial Officer, the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based upon their evaluation of these disclosure controls and procedures, the President and Chief Executive Officer and the Senior Vice President and Chief Financial Officer have concluded that the disclosure controls and procedures were effective as of the end of the period covered by this Annual Report on Form 10-K to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the Securities and Exchange Commission rules and forms, and to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its President and Chief Executive Officer and its Senior Vice President and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure.

**Management's Report on Internal Control over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of management, including the principal executive officer and principal financial officer, management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the criteria established in *Internal Control – Integrated Framework* (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on management's evaluation under the framework in *Internal Control – Integrated Framework*, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2017. Ernst & Young LLP, an independent registered public accounting firm, has audited the Consolidated Financial Statements included in this Annual Report on Form 10-K and, as part of its audit, has issued an attestation report, included herein, on the effectiveness of the Company's internal control over financial reporting.

### **Attestation Report of Independent Registered Public Accounting Firm**

The attestation report required under this Item 9A is contained in Item 8 of Part II of this Annual Report on Form 10-K under the heading “Report of Independent Registered Public Accounting Firm.”

### **Changes in Internal Controls**

There were no changes in the Company’s internal control over financial reporting that occurred during the quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

### **Item 9B. Other Information**

On February 20, 2018, the Company entered into a Transition Agreement with Michelle A. Kumbier, who is the Chief Operating Officer of HDMC. The Transition Agreement becomes effective upon a change of control of the Company (as defined in the Transition Agreement). It provides for certain benefits upon the termination of Ms. Kumbier’s employment following a change of control. This agreement is substantially the same as the Transition Agreements to which the Company is a party with its Chief Executive Officer and its Chief Financial Officer.

## **PART III**

### **Item 10. Directors, Executive Officers and Corporate Governance**

The information to be included in the Company’s definitive proxy statement for the 2018 annual meeting of shareholders, which will be filed on or about March 26, 2018 (the Proxy Statement), under the captions “Questions and Answers about the Company – Who are our Executive Officers for SEC Purposes?,” “Corporate Governance Principles and Board Matters – Audit and Finance Committee,” “Proposal I – Election of Directors,” “Section 16(a) Beneficial Ownership Reporting Compliance,” “Audit and Finance Committee Report,” and “Corporate Governance Principles and Board Matters – Independence of Directors” is incorporated by reference herein.

The Company has adopted the Harley-Davidson, Inc. Financial Code of Ethics applicable to the Company’s chief executive officer, the chief financial officer, the principal accounting officer and the controller and other persons performing similar finance functions. The Company has posted a copy of the Harley-Davidson, Inc. Financial Code of Ethics on the Company’s website at <http://investor.harley-davidson.com/>. The Company intends to satisfy the disclosure requirements under Item 5.05 of the Securities and Exchange Commission’s Current Report on Form 8-K regarding amendments to, or waivers from, the Harley-Davidson, Inc. Financial Code of Ethics by posting such information on its website at [www.harley-davidson.com](http://www.harley-davidson.com). The Company is not including the information contained on or available through its website as a part of, or incorporating such information by reference into, this Annual Report on Form 10-K.

### **Item 11. Executive Compensation**

The information to be included in the Proxy Statement under the captions “Executive Compensation” and “Human Resources Committee Report on Executive Compensation” is incorporated by reference herein.

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

Information to be included in the Proxy Statement under the caption “Common Stock Ownership of Certain Beneficial Owners and Management” is incorporated by reference herein.

The following table provides information about the Company's equity compensation plans (including individual compensation arrangements) as of December 31, 2017:

Plan Category	Number of securities to be issued upon the exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
<b>Equity compensation plans approved by shareholders:</b>			
Management employees	1,404,287	\$ 48.13	10,768,576
<b>Equity compensation plans not approved by shareholders:</b>			
Union employees:			
Kansas City, MO	—	\$ —	26,718
York, PA	—	\$ —	96,770
Non employees:			
Board of Directors	—	\$ —	33,466
	—	\$ —	156,954
Total all plans	<u>1,404,287</u>		<u>10,925,530</u>

Plan documents for each of the Company's equity compensation plans have been filed with the Securities and Exchange Commission on a timely basis and are included in the list of exhibits to this annual report on Form 10-K. Equity compensation plans not submitted to shareholders for approval were adopted prior to current regulations requiring such approval and have not been materially altered since adoption.

The material features of the union employees' stock option awards are the same as those of the management employees' stock option awards. Under the Company's management and union plans, stock options have an exercise price equal to the fair market value of the underlying stock at the date of grant and expire ten years from the date of grant. Stock options vest ratably over a three-year period with the first one-third of the grant becoming exercisable one year after the date of grant.

The Director Compensation Policy provides non-employee Directors with compensation that includes an annual retainer as well as a grant of share units. The payment of share units is deferred until a director ceases to serve as a director and the share units are payable at that time in actual shares of common stock. The Director Compensation Policy also provides that a non-employee Director may elect to receive 50% or 100% of the annual retainer to be paid in each calendar year in the form of common stock based upon the fair market value of the common stock at the time of the annual meeting of shareholders. Each Director must receive a minimum of one-half of his or her annual retainer in common stock until the Director reaches the Director stock ownership guidelines defined below.

In May 2016, the Board approved "Board of Directors and Senior Executive Stock Ownership Guidelines" (Ownership Guidelines). The Ownership Guidelines stipulate that all Directors hold five times their annual retainer in shares of Common Stock and Vice Presidents, General Managers or higher (Senior Executives) hold from two times to six times of their base salary in shares of common stock, or certain rights to acquire common stock, depending on their level. The Directors and Senior Executives have five years from the date they are elected a Director or become a senior executive to accumulate the appropriate number of shares of common stock. Restricted stock, restricted stock units, shares held in 401(k) accounts, shares issuable under vested unexercised stock options, performance shares and performance share units (at target amount), stock appreciation rights, deferred stock units and shares of common stock held directly count toward satisfying the guidelines for common stock ownership.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information to be included in the Proxy Statement under the caption "Certain Transactions" and "Corporate Governance Principles and Board Matters – Independence of Directors" is incorporated by reference herein.

**Item 14. Principal Accounting Fees and Services**

The information to be included in the Proxy Statement under the caption "Ratification of Selection of Independent Registered Public Accounting Firm – Fees Paid to Ernst & Young LLP" is incorporated by reference herein.

## PART IV

### **Item 15. Exhibits and Financial Statements**

(a) The following documents are filed as part of this Form 10-K:

(1) Financial Statements	
Consolidated statements of income for each of the three years in the period ended December 31, 2017	<a href="#">50</a>
Consolidated statements of comprehensive income for each of the three years in the period ended December 31, 2017	<a href="#">51</a>
Consolidated balance sheets at December 31, 2017 and December 31, 2016	<a href="#">52</a>
Consolidated statements of cash flows for each of the three years in the period ended December 31, 2017	<a href="#">54</a>
Consolidated statements of shareholders' equity for each of the three years in the period ended December 31, 2017	<a href="#">55</a>
Notes to consolidated financial statements	<a href="#">56</a>
(2) Financial Statement Schedule	
Schedule II – Valuation and qualifying accounts	<a href="#">113</a>
(3) Exhibits	<a href="#">114</a>

Reference is made to the separate Index to Exhibits contained on pages 114 through 118 filed herewith.

All other schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedules.

### **Item 16. Form 10-K Summary**

None.

**HARLEY-DAVIDSON, INC.**  
**CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS**  
**Years ended December 31, 2017, 2016 and 2015**  
(In thousands)

	2017	2016	2015
<b>Accounts receivable – allowance for doubtful accounts</b>			
Balance, beginning of period	\$ 2,741	\$ 2,905	\$ 3,458
Provision charged to expense	1,328	(101)	266
Reserve adjustments	99	(63)	(276)
Write-offs, net of recoveries	(77)	—	(543)
Balance, end of period	<u>\$ 4,091</u>	<u>\$ 2,741</u>	<u>\$ 2,905</u>
<b>Finance receivables – allowance for credit losses</b>			
Balance, beginning of period	\$ 173,343	\$ 147,178	\$ 127,364
Provision for credit losses	132,444	136,617	101,345
Charge-offs, net of recoveries	(113,316)	(107,161)	(81,531)
Other <sup>(a)</sup>	—	(3,291)	—
Balance, end of period	<u>\$ 192,471</u>	<u>\$ 173,343</u>	<u>\$ 147,178</u>
<b>Inventories – allowance for obsolescence<sup>(b)</sup></b>			
Balance, beginning of period	\$ 39,873	\$ 26,740	\$ 17,775
Provision charged to expense	16,940	21,137	19,564
Reserve adjustments	306	(88)	(1,028)
Write-offs, net of recoveries	(18,450)	(7,916)	(9,571)
Balance, end of period	<u>\$ 38,669</u>	<u>\$ 39,873</u>	<u>\$ 26,740</u>
<b>Deferred tax assets – valuation allowance</b>			
Balance, beginning of period	\$ 30,953	\$ 20,659	\$ 25,462
Adjustments	(9,392)	10,294	(4,803)
Balance, end of period	<u>\$ 21,561</u>	<u>\$ 30,953</u>	<u>\$ 20,659</u>

(a) Related to the sale of finance receivables during the second quarter of 2016 with a principal balance of \$301.8 million through an off-balance sheet asset-backed securitization transaction (see Note 10 for additional information).

(b) Inventory obsolescence reserves deducted from cost determined on first-in, first-out (FIFO) basis, before deductions for last-in, first-out (LIFO) valuation reserves.

**INDEX TO EXHIBITS**  
[Items 15(a)(3) and 15(c)]

<b>Exhibit No.</b>	<b>Description</b>
<a href="#">2.1</a>	Asset Purchase Agreement, dated April 30, 2015, among Harley-Davidson Canada LP, Fred Deeley Imports Ltd. and Harley-Davidson Motor Company, Inc., as amended (incorporated herein by reference to Exhibit 2.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 28, 2015 (File No. 1-9183))
<a href="#">3.1</a>	Restated Articles of Incorporation as amended through April 27, 2015 (incorporated herein by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2015 (File No. 1-9183))
<a href="#">3.2</a>	Harley-Davidson, Inc. By-Laws, as amended through April 27, 2015 (incorporated herein by reference by reference to Exhibit 3.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2015 (File No. 1-9183))
<a href="#">4.1</a>	Indenture to provide for the issuance of indebtedness dated as of November 21, 2003 between Harley-Davidson Funding Corp., Issuer, Harley-Davidson Financial Services, Inc. and Harley-Davidson Credit Corp., Guarantors, to BNY Midwest Trust Company, Trustee (incorporated herein by reference to Exhibit 4.4 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 1-9183))
<a href="#">4.2</a>	5-Year Credit Agreement, dated as of April 7, 2014, among the Company, certain subsidiaries of the Company, the financial institutions parties thereto and JPMorgan Chase Bank, N.A., as among other things, global administrative agent (incorporated herein by reference to Exhibit 4.1 to the Registrant's Quarterly Current on Form 10-Q for the quarter ended March 30, 2014 (File No. 1-9183))
<a href="#">4.3</a>	Officers' Certificate, dated May 22, 2008, pursuant to Sections 102 and 301 of the Indenture, dated November 21, 2003, with the forms of 6.80% Medium-Term Notes, Series C due 2018 (incorporated herein by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated May 15, 2008 (File No. 1-9183))
<a href="#">4.4</a>	Indenture, dated as of March 4, 2011, among Harley-Davidson Financial Services, Inc., Issuer, Harley-Davidson Credit Corp., Guarantor, and Bank of New York Mellon Trust Company, N.A., Trustee (incorporated herein by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated March 1, 2011 (File No. 1-9183))
<a href="#">4.5</a>	Officers' Certificate, dated September 16, 2014, pursuant to Sections 102 and 301 of the Indenture, dated March 4, 2011, with the forms of 2.400% Medium-Term Notes due 2019 (incorporated herein by reference to Exhibit 4.14 to the Registrant's Annual Report of Form 10-K for the year ended December 31, 2014 (File No. 1-9183))
<a href="#">4.6</a>	Officers' Certificate, dated February 26, 2015, pursuant to Sections 102 and 301 of the Indenture, dated March 4, 2011, with the form of 2.150% Medium-Term Notes due 2020 (incorporated herein by reference to Exhibit 4.10 to the Registrant's Annual Report of Form 10-K for the year ended December 31, 2015 (File No. 1-9183))
<a href="#">4.7</a>	Indenture, dated July 28, 2015, by and between Harley-Davidson, Inc. and The Bank of New York Mellon Trust Company, N.A., as Trustee. (incorporated herein by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated July 28, 2015 (File No. 1-9183))
<a href="#">4.8</a>	Officers' Certificate, dated July 28, 2015 establishing the form of 3.500% Senior Notes due 2025 and 4.625% Senior Notes due 2045 (incorporated herein by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated July 28, 2015 (File No. 1-9183))
<a href="#">4.9</a>	Officers' Certificate dated January 8, 2016, pursuant to Sections 102 and 301 of the Indenture, dated March 4, 2011, with the form of 2.250% Medium-Term Notes due 2019 (incorporated herein by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated January 5, 2016 (File No. 1-9183))
<a href="#">4.10</a>	Officers' Certificate, dated January 8, 2016, pursuant to Sections 102 and 301 of the Indenture, dated March 4, 2011, with the form of 2.850% Medium-Term Notes due 2021 (incorporated herein by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K dated January 5, 2016 (File No. 1-9183))
<a href="#">4.11</a>	Amendment No. 2 to 5-Year Credit Agreement, dated as of April 7, 2014, among the Company, certain subsidiaries of the Company, the financial institutions parties thereto and JPMorgan Chase Bank, N.A., as among other things, global administrative agent, relating to the 5-Year Credit Agreement, dated as of April 13, 2012, among the Company, certain subsidiaries of the Company, the financial institutions parties thereto and JPMorgan Chase Bank, N.A., as among other things, global administrative agent. (incorporated herein by reference to Exhibit 4.15 to the Registrant's Annual Report of Form 10-K for the year ended December 31, 2015 (File No. 1-9183))
<a href="#">4.12</a>	5-Year Credit Agreement, dated as of April 7, 2016 among the Company, certain subsidiaries of the Company, the financial institutions parties thereto and JPMorgan Chase Bank, N.A., as among other things, global administrative agent (incorporated herein by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 27, 2016 (File No. 1-9183))

Various instruments relating to the Company's long-term debt described in this report need not be filed herewith pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K. The registrant, by signing this report, agrees to furnish the Securities and Exchange Commission, upon its request, with a copy of any such instrument.

\* Represents a management contract or compensatory plan, contract or arrangement in which a director or named executive officer of the Company participated.

**INDEX TO EXHIBITS**  
[Items 15(a)(3) and 15(c)]

<b>Exhibit No.</b>	<b>Description</b>
<a href="#">4.13</a>	Amendment No. 1 5-year Credit Agreement, dated as of April 7, 2016, among the Company, certain subsidiaries of the Company, the financial institutions parties thereto, and JPMorgan Chase Bank, N.A., as, among other things, global administrative agent, relating to the 5-year Credit Agreement, dated as of April 7, 2014 among the Company, certain subsidiaries of the Company, the financial institutions parties thereto and JPMorgan Chase Bank, N.A., as among other things, global administrative agent (incorporated herein by reference to Exhibit 4.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 27, 2016 (File No. 1-9183))
<a href="#">4.14</a>	Officers' Certificate, dated March 10, 2017, pursuant to Sections 102 and 301 of the Indenture, dated March 4, 2011, with the form of 2.400% Medium-Term Notes due 2020
<a href="#">4.15</a>	Officers' Certificate, dated March 10, 2017, pursuant to Sections 102 and 301 of the Indenture, dated March 4, 2011, with the form of Floating Rate Medium-Term Notes due 2019
<a href="#">4.16</a>	364-Day Credit Agreement, dated as of May 1, 2017, among the Company, certain subsidiaries of the Company, the financial institutions parties thereto and JPMorgan Chase Bank, N.A., as, among other things, global administrative agent
<a href="#">4.17</a>	Officers' Certificate, dated June 9, 2017, pursuant to Sections 102 and 301 of the Indenture, dated March 4, 2011, with the form of 2.550% Medium-Term Notes due 2022
<a href="#">10.1*</a>	Harley-Davidson, Inc. 2004 Incentive Stock Plan as amended through April 28, 2007 (incorporated herein by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 1, 2007 (File No. 1-9183))
<a href="#">10.2*</a>	Harley-Davidson, Inc. 2009 Incentive Stock Plan (incorporated herein by reference to Appendix A to the Company's definitive proxy statement on Schedule 14A for the Company's Annual Meeting of Shareholders held on April 25, 2009 filed on April 3, 2009 (File No. 1-9183))
<a href="#">10.3*</a>	Harley-Davidson, Inc. 2014 Incentive Stock Plan (incorporated herein by reference to Appendix A to the Company's definitive proxy statement on Schedule 14A for the Company's Annual Meeting of Shareholders held on April 26, 2014 filed on March 14, 2014 (File No. 1-9183))
<a href="#">10.4*</a>	Amended and Restated Harley-Davidson, Inc. Director Stock Plan as amended effective December 1, 2014 (incorporated herein by reference to Exhibit 10.6 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014 (File No. 1-9183))
<a href="#">10.5*</a>	Director Compensation Policy approved April 29, 2016 (incorporated herein by reference from Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 26, 2016 (File No. 1-9183))
<a href="#">10.6*</a>	Deferred Compensation Plan for Nonemployee Directors as amended and restated effective January 1, 2009 (incorporated herein by reference to Exhibit 10.14 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-9183))
<a href="#">10.7*</a>	Harley-Davidson Management Deferred Compensation Plan as amended and restated effective January 1, 2017 (incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 25, 2016 (File No. 1-9183))
<a href="#">10.8*</a>	Harley-Davidson, Inc. Employee Incentive Plan (incorporated herein by reference to the Appendix to the Company's definitive proxy statement on Schedule 14A for the Company's Annual Meeting of Shareholders held April 25, 2015 (File No. 1-9183))
<a href="#">10.9*</a>	Harley-Davidson, Inc. Short-Term Incentive Plan for Senior Executives (incorporated herein by reference to Appendix D to the Company's definitive proxy statement on Schedule 14A for the Company's Annual Meeting of Shareholders held April 30, 2011 (File No. 1-9183))
<a href="#">10.10*</a>	Harley-Davidson Pension Benefit Restoration Plan as amended and restated effective January 1, 2009 (incorporated herein by reference to Exhibit 10.9 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-9183))
<a href="#">10.11*</a>	Form of Notice of Grant of Stock Options and Option Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2009 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 28, 2010 (File No. 1-9183))
<a href="#">10.12*</a>	Form of Notice of Grant of Stock Options and Option Agreement (Transition Agreement) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2009 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 28, 2010 (File No. 1-9183))
<a href="#">10.13*</a>	Form of Notice of Special Grant of Stock Options and Option Agreement (Transition Agreement) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2009 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 28, 2010 (File No. 1-9183))
<a href="#">10.14*</a>	Form of Notice of Award of Restricted Stock and Restricted Stock Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2009 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 28, 2010 (File No. 1-9183))

\* Represents a management contract or compensatory plan, contract or arrangement in which a director or named executive officer of the Company participated.

**INDEX TO EXHIBITS**  
[Items 15(a)(3) and 15(c)]

<b>Exhibit No.</b>	<b>Description</b>
<a href="#"><u>10.15*</u></a>	Form of Notice of Award of Restricted Stock and Restricted Stock Agreement (Transition Agreement) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2009 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 28, 2010 (File No. 1-9183))
<a href="#"><u>10.16*</u></a>	Form of Notice of Grant of Stock Appreciation Rights and Stock Appreciation Rights Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2009 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.10 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 28, 2010 (File No. 1-9183))
<a href="#"><u>10.17*</u></a>	Form of Notice of Award of Restricted Stock Units and Restricted Stock Unit Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2009 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 28, 2010 (File No. 1-9183))
<a href="#"><u>10.18*</u></a>	Form of Notice of Award of Restricted Stock Units and Restricted Stock Unit Agreement (Transition Agreement) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2009 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 28, 2010 (File No. 1-9183))
<a href="#"><u>10.19*</u></a>	Form of Notice of Award of Restricted Stock Units and Restricted Stock Unit Agreement (International) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2009 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 28, 2010 (File No. 1-9183))
<a href="#"><u>10.20*</u></a>	Form of Notice of Grant of Stock Options and Option Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2009 Incentive Stock Plan to each of Messrs. Hund, Levatich and Olin (incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated May 1, 2009 (File No. 1-9183))
<a href="#"><u>10.21*</u></a>	Form of Notice of Grant of Restricted Stock and Restricted Stock Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2009 Incentive Stock Plan to Mr. Hund (incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated May 1, 2009 (File No. 1-9183))
<a href="#"><u>10.22*</u></a>	Form of Notice of Grant of Stock Options and Option Agreement of Harley-Davidson, Inc. under the Harley-Davidson Inc. 1995 Stock Option Plan and the Harley-Davidson, Inc. 2004 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.21 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 1-9183))
<a href="#"><u>10.23*</u></a>	Form of Notice of Special Grant of Stock Options and Option Agreement of Harley-Davidson, Inc. under the Harley-Davidson Inc. 1995 Stock Option Plan and the Harley-Davidson, Inc. 2004 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.22 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 1-9183))
<a href="#"><u>10.24*</u></a>	Form of Notice of Award of Restricted Stock and Restricted Stock Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2004 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2009 (File No. 1-9183))
<a href="#"><u>10.25*</u></a>	Form of Notice of Special Award of Restricted Stock and Restricted Stock Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2004 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 1, 2007 (File No. 1-9183))
<a href="#"><u>10.26*</u></a>	Form of Notice of Award of Restricted Stock Unit and Restricted Stock Unit Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2004 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 1, 2007 (File No. 1-9183))
<a href="#"><u>10.27*</u></a>	Form of Notice of Grant Award of Stock Options and Stock Option Agreement (Standard) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2015 (File No. 1-9183))
<a href="#"><u>10.28*</u></a>	Form of Notice of Grant Award of Stock Options and Stock Option Agreement (Transition Agreement) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2015 (File No. 1-9183))
<a href="#"><u>10.29*</u></a>	Form of Notice of Grant Award of Restricted Stock Units and Restricted Stock Unit Agreement (Deferred) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2015 (File No. 1-9183))
<a href="#"><u>10.30*</u></a>	Form of Notice of Grant Award of Restricted Stock Units and Restricted Stock Unit Agreement (International) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2015 (File No. 1-9183))
<a href="#"><u>10.31*</u></a>	Form of Notice of Grant Award of Restricted Stock Units and Restricted Stock Unit Agreement (Special) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2015 (File No. 1-9183))
<a href="#"><u>10.32*</u></a>	Form of Notice of Grant Award of Restricted Stock Units and Restricted Stock Unit Agreement (Standard) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2015 (File No. 1-9183))

\* Represents a management contract or compensatory plan, contract or arrangement in which a director or named executive officer of the Company participated.

**INDEX TO EXHIBITS**  
[Items 15(a)(3) and 15(c)]

<b>Exhibit No.</b>	<b>Description</b>
<a href="#"><u>10.33*</u></a>	Form of Notice of Grant Award of Restricted Stock Units and Restricted Stock Unit Agreement (Transition Agreement) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2015 (File No. 1-9183))
<a href="#"><u>10.34*</u></a>	Form of Notice of Grant Award of Restricted Stock Units and Restricted Stock Unit Agreement (Deferred) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2015 (File No. 1-9183))
<a href="#"><u>10.35*</u></a>	Form of Notice of Grant Award of Stock Appreciation Rights and Stock Appreciation Rights Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2015 (File No. 1-9183))
<a href="#"><u>10.36*</u></a>	Form of Executive Severance Plan between the Registrant and each of Messrs. Hund, Jones, Levatich and Olin
<a href="#"><u>10.37*</u></a>	Form of Transition Agreement between the Registrant and each of Messrs. Levatich and Olin (incorporated herein by reference to Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 1-9183))
<a href="#"><u>10.38*</u></a>	Transition Agreement between the Registrant and Mr. Hund dated November 30, 2009 (incorporated herein by reference to Exhibit 10.5 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 1-9183))
<a href="#"><u>10.39*</u></a>	Form of Aircraft Time Sharing Agreement between the Registrant and each of Messrs. Levatich, Olin, Jones and Hund and Madame Bischmann (incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 (File No. 1-9183))
<a href="#"><u>10.40*</u></a>	Form of Non-competition and Non-solicitation Agreement between Harley-Davidson Canada LP, Fred Deeley Imports Ltd. and Harley-Davidson Motor Company, Inc., as amended (incorporated herein by reference to exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 28, 2015 (File No. 1-9183))
<a href="#"><u>10.41*</u></a>	Form of Notice of Award of Performance Shares and Performance Shares Agreement (Standard) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.43 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 1-9183))
<a href="#"><u>10.42*</u></a>	Form of Notice of Award of Performance Share Units and Performance Share Unit Agreement (Standard International) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.44 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 1-9183))
<a href="#"><u>10.43*</u></a>	Form of Notice of Award of Performance Shares and Performance Shares Agreement (Transition Agreement) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.45 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 1-9183))
<a href="#"><u>10.44*</u></a>	Harley-Davidson Retiree Insurance Allowance Plan, as amended and restated effective January 1, 2016 (incorporated herein by reference to Exhibit 10.44 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 (File No. 1-9183))
<a href="#"><u>10.45*</u></a>	Form of Notice of Award of Performance Shares and Performance Share Agreement (Standard) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan first approved for use in February 2017 (incorporated herein by reference to Exhibit 10.1 to the Registrant's Annual Report on Form 10-Q for the quarter ended March 26, 2017 (File No. 1-9183))
<a href="#"><u>10.46*</u></a>	Form of Notice of Award of Performance Shares and Performance Share Agreement (Standard International) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan first approved for use in February 2017 (incorporated herein by reference to Exhibit 10.2 to the Registrant's Annual Report on Form 10-Q for the quarter ended March 26, 2017 (File No. 1-9183))
<a href="#"><u>10.47*</u></a>	Form of Notice of Award of Performance Shares and Performance Share Agreement (Transition Agreement) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan first approved for use in February 2017 (incorporated herein by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-Q for the quarter ended March 26, 2017 (File No. 1-9183))
<a href="#"><u>10.48*</u></a>	Form of Notice of Award of Performance Shares and Performance Share Agreement (Special Retention) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan first approved for use in February 2017 (incorporated herein by reference to Exhibit 10.4 to the Registrant's Annual Report on Form 10-Q for the quarter ended March 26, 2017 (File No. 1-9183))
<a href="#"><u>21</u></a>	List of Subsidiaries
<a href="#"><u>23</u></a>	Consent of Independent Registered Public Accounting Firm
<a href="#"><u>31.1</u></a>	Chief Executive Officer Certification pursuant to Rule 13a-14(a)
<a href="#"><u>31.2</u></a>	Chief Financial Officer Certification pursuant to Rule 13a-14(a)

\* Represents a management contract or compensatory plan, contract or arrangement in which a director or named executive officer of the Company participated.

**INDEX TO EXHIBITS**  
[Items 15(a)(3) and 15(c)]

<b>Exhibit No.</b>	<b>Description</b>
<a href="#">32</a>	Written Statement of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. §1350
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Various instruments relating to the Company's long-term debt described in this report need not be filed herewith pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K. The registrant, by signing this report, agrees to furnish the Securities and Exchange Commission, upon its request, with a copy of any such instrument.

\* Represents a management contract or compensatory plan, contract or arrangement in which a director or named executive officer of the Company participated.



Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 21, 2018.

<u>Name</u>	<u>Title</u>
<u>/S/ Matthew S. Levatich</u> Matthew S. Levatich	President and Chief Executive Officer (Principal executive officer)
<u>/S/ John A. Olin</u> John A. Olin	Senior Vice President and Chief Financial Officer (Principal financial officer)
<u>/S/ Mark R. Kometzke</u> Mark R. Kometzke	Chief Accounting Officer (Principal accounting officer)
<u>/S/ Troy Alstead</u> Troy Alstead	Director
<u>/S/ R. John Anderson</u> R. John Anderson	Director
<u>/S/ Michael J. Cave</u> Michael J. Cave	Non-Executive Chairman
<u>/S/ Allan Golston</u> Allan Golston	Director
<u>/S/ Sara L. Levinson</u> Sara L. Levinson	Director
<u>/S/ N. Thomas Linebarger</u> N. Thomas Linebarger	Director
<u>/S/ Brian Niccol</u> Brian Niccol	Director
<u>/S/ Maryrose Sylvester</u> Maryrose Sylvester	Director
<u>/S/ Jochen Zeitz</u> Jochen Zeitz	Director

**OFFICERS' CERTIFICATE  
OF  
HARLEY-DAVIDSON FINANCIAL SERVICES, INC.**

**Pursuant to Sections 102 and 301 of the Indenture**

Reference is made to the Indenture dated as of March 4, 2011 (the "Indenture") among Harley-Davidson Financial Services, Inc. (the "Company"), Harley-Davidson Credit Corp. (the "Guarantor") and The Bank of New York Mellon Trust Company, N.A., as trustee ("Trustee"). Terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

Pursuant to Sections 102 and 301 of the Indenture, the undersigned, Ryan Green and James Darrell Thomas, in their respective capacities as Vice President and Chief Financial Officer of the Company, and Vice President and Treasurer of the Company, hereby certify that:

- (1) There is hereby established a new series of Securities under the Indenture titled 2.400% Medium-Term Notes due 2020 (the "Notes").
- (2) The Notes shall be in substantially the form of Exhibit A hereto.
- (3) In addition to the terms provided in, or established pursuant to, the Indenture and the offering memorandum and the pricing supplement, both dated as of March 7, 2017, relating to the Notes (together referred to as the "Offering Memorandum"), the Notes, as authenticated and delivered, shall have the terms set forth in Exhibit A hereto (which terms are incorporated herein by reference and deemed to be set forth herein in full); provided, however, that in the event of a conflict between the provisions of the Notes and the Offering Memorandum, the provisions of the Notes shall prevail.
- (4) The Notes shall be registered in the name set forth on Exhibit A hereto and the Notes shall be delivered in the manner specified in the Administrative Procedures attached as Exhibit A to the Company Order delivered as of the date hereof and as described in the Private Placement Agency Agreement dated as of March 1, 2011, among the Company, the Guarantor and the agents party thereto.
- (5) The issuance of Notes designated as 2.400% Medium-Term Notes due 2020, in an initial aggregate principal amount of \$350,000,000, has been approved and authorized in accordance with the provisions of the Indenture pursuant to resolutions adopted by the Board of Directors of the Company by unanimous written consent dated as of February 20, 2017 and by this Officers' Certificate; provided, however, that the Company shall have the right to reopen the series of the Notes and issue additional Securities, which shall be part of the same series as the Notes initially issued (except for the issue date, the public offering price and, in some cases, the first interest payment date).

(6) All covenants and conditions precedent provided for in the Indenture relating to the establishment of the Notes, the terms of the Notes and the authentication and issuance of the Notes have been complied with.

(7) No Event of Default has occurred and is continuing and the execution and delivery of the Indenture will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, the certificate of incorporation or bylaws of the Company, or any order of any court or administrative agency entered in any proceeding to which the Company is a party or by which it is bound or to which it is subject.

Each of the undersigned officers of the Company further states (a) that he has read the applicable provisions of the Indenture, including but not limited to Section 301 thereof, and the definitions relating thereto in each case relating to the issuance, authentication and delivery of the Notes, (b) that the statements made in this certificate are based upon an investigation and examination of the provisions of the Indenture and upon the relevant books and records of the Company, (c) in the opinion of such officer, he has made such examination or investigation as is necessary to enable such officer to express an informed opinion as to whether or not the covenants and conditions set forth in the Indenture relating to the issuance, authentication and delivery of the Notes have been complied with and (d) in the opinion of such officer, such covenants and conditions relating to the issuance, authentication and delivery of the Notes have been complied with.

[Signature page follows]

IN WITNESS WHEREOF, each of the undersigned officers of the Company has affixed his signature this 10th day March, 2017.

/s/ Ryan O. Green

Name: Ryan Green

Title: Vice President and Chief Financial Officer of Harley-Davidson Financial Services, Inc.

/s/ J. Darrell Thomas

Name: J. Darrell Thomas

Title: Vice President and Treasurer  
of Harley-Davidson Financial Services, Inc.

[HDFS Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture – Fixed Rate Notes]

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**Exhibit A**  
**to**  
**Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture**

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**HARLEY-DAVIDSON FINANCIAL SERVICES, INC.  
2.400% MEDIUM-TERM NOTES DUE 2020**

**Fully and Unconditionally Guaranteed  
by Harley-Davidson Credit Corp.**

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITORY (AS DEFINED IN THE INDENTURE) OR A NOMINEE THEREOF. THIS GLOBAL SECURITY IS EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITORY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE AND, UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN DEFINITIVE FORM, THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY, OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY, OR BY THE DEPOSITORY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) (“DTC”), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND, ACCORDINGLY, NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY OTHER APPLICABLE JURISDICTION. BY ITS ACCEPTANCE HEREOF, THE HOLDER OF THIS SECURITY OR ANY INTEREST OR PARTICIPATION HEREIN (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, AND (2) AGREES TO OFFER, SELL OR OTHERWISE TRANSFER

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SUCH SECURITY, PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE THEREOF WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) ONLY (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHICH NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT, (E) TO AN ACCREDITED INVESTOR WITHIN THE MEANING OF SUBPARAGRAPH (a)(1), (2), (3) OR (7) OF RULE 501 OF REGULATION D UNDER THE SECURITIES ACT THAT IS ACQUIRING THIS SECURITY OR ANY INTEREST OR PARTICIPATION HEREIN FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN ACCREDITED INVESTOR, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY’S AND THE TRUSTEE’S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (i) PURSUANT TO CLAUSES (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (ii) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY BE COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

THE HOLDER OF THIS SECURITY WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE SECURITY EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH ABOVE.

HARLEY-DAVIDSON FINANCIAL SERVICES, INC.  
2.400% MEDIUM-TERM NOTES DUE 2020

Fully and Unconditionally Guaranteed  
by Harley-Davidson Credit Corp.

No. Principal Amount \$  
CUSIP No. as revised by the Schedule of  
ISIN No. Increases and Decreases in Global

Note attached hereto

Issue Price: 99.972%

Maturity Date: June 15, 2020

Original Issue Date: March 10, 2017

Index Maturity:

Original Issue Discount Note

Total Amount of OID:

Yield to Maturity: %

Initial Accrual Period OID:

Fixed Rate

Interest Rate: 2.400%

Floating Rate

Interest Rate Basis:

CD Rate

Specified Currency (if other than U.S. dollars): N/A

CMT Rate

CMT Reuters Page FRBCMT:

CMT Reuters Page FEDCMT:

Option To Receive Payments In Specified Currency (non-U.S. dollar denominated Note): N/A

Commercial Paper Rate

Federal Funds Rate

LIBOR

Authorized Denomination: Minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof

\_\_\_ Prime Rate

Place of Payment (if other than as set forth in the Indenture):  
N/A

\_\_\_ Treasury Rate

\_\_\_ Other

Spread (Plus Or Minus):

Initial Redemption Date:

Initial Redemption Percentage:

Annual Redemption Percentage Reduction:

Repayment Date:

Spread Multiplier: %

Renewable:  Yes  No

Extendible:  Yes  No

Interest Category:

Regular Floating Rate Note

Final Maturity Date:

Floating Rate/Fixed Rate Note

Fixed Rate Commencement Date:

Fixed Interest Rate: %

Inverse Floating Rate Note

Initial Interest Rate:

Initial Interest Reset Date:

Maximum Interest Rate: %

Interest Reset Dates:

Minimum Interest Rate: %

Interest Payment Dates (in the case of a Floating Rate Note and, in the case of a Fixed Rate Note, other than as set forth below): N/A

Regular Record Dates (if other than as set forth below): N/A

Interest Determination Dates (if other than as set forth below): N/A

Additional Amounts applicable for Company:

Yes

No

Additional Amounts applicable for Guarantor:

Yes

No

Addendum Attached

Yes

Other Provisions:

[X] No

Authorized Denomination (only if non-U.S. dollar denominated Note):  
N/A

Calculation Agent (if other than the Trustee): N/A

Interest Payment Period: N/A

Harley-Davidson Financial Services, Inc., a corporation duly organized under the laws of the State of Delaware (herein called the “Company,” which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the Principal Amount specified above, as revised by the Schedule of Increases and Decreases in Global Note attached hereto, on the Maturity Date specified above and to pay to the registered holder of this Note (the “Holder”) interest on said Principal Amount at a rate per annum specified above and upon the terms provided below under either the heading “Provisions Applicable to Fixed Rate Notes Only” or “Provisions Applicable to Floating Rate Notes Only.”

This Note is one of the Company’s duly authorized issue of notes in the series titled 2.400% Medium-Term Notes due 2020 (herein referred to as the “Notes”), all issued or to be issued under an indenture, dated as of March 4, 2011 (as may be supplemented from time to time, the “Indenture”), among the Company, Harley-Davidson Credit Corp. (the “Guarantor”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee,” which term includes any successor trustee under the Indenture), to which Indenture reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Trustee, the Company, the Guarantor and the Holders of the Notes and of the terms upon which the Notes are, and are to be, authenticated and delivered. The Notes of this series are limited (except as otherwise provided in the Indenture) to the aggregate principal amount established from time to time by the Company Board of Directors. The Notes of this series may be issued at various times with different maturity dates and different principal repayment provisions, may bear interest at different rates and may otherwise vary, all as provided in the Indenture. The Notes of this series may be subject to redemption upon notice and in accordance with the provisions of this Note and the Indenture. The Company and the Guarantor may defease the Notes of this series in accordance with the provisions of the Indenture.

To secure the due and punctual payment of principal, any premium, any interest and Additional Amounts (as defined in the Indenture) on this Note by the Company under the Indenture, when and as the same shall become due and payable, whether at the Maturity Date, by declaration of acceleration, call for redemption or otherwise, the Guarantor has unconditionally guaranteed this Note pursuant to the terms of the Guarantee endorsed hereon and in Section 1401 of the Indenture (the “Guarantee”).

As used herein, the term “Business Day” means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banks are authorized or

required by law, regulation or executive order to close in the City of New York; *provided, however*, that if a Specified Currency is specified above, the day is also not a day on which commercial banks are authorized or required by law, regulation or executive order to close in the Principal Financial Center (as defined below) of the country issuing such Specified Currency or, if such Specified Currency is the Euro, the day is also a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open; *provided further* that if LIBOR is indicated above to be an applicable Interest Rate Basis, the day is also a London Banking Day (as defined below).

“Principal Financial Center” means, unless otherwise provided in this Note, the capital city of the country issuing the Specified Currency; except that with respect to United States dollars, Australian dollars, Canadian dollars, South African rand and Swiss francs, the “Principal Financial Center” will be the City of New York, Sydney and (solely in the case of the Specified Currency) Melbourne, Toronto, Johannesburg and Zurich, respectively.

“London Banking Day” means a day which commercial banks are open for business, including dealings in U.S. dollars, in London.

#### **Provisions Applicable To Fixed Rate Notes Only:**

If the “Fixed Rate” line above is checked, unless otherwise specified above, the Company will pay interest semiannually on June 15 and December 15 of each year (each such date fixed for the payment of interest, an “Interest Payment Date”) commencing on December 15, 2017, and ending on the Maturity Date or upon earlier redemption or repayment to the person to whom principal is payable. Interest shall accrue from the Original Issue Date, or from the most recent Interest Payment Date to which interest has been paid or duly provided for on this Note to, but excluding, the next following Interest Payment Date, Maturity Date, or earlier date of redemption or repayment, as the case may be. Interest on Fixed Rate Notes will be computed by the Company on the basis of a 360-day year consisting of twelve 30-day months.

If any Interest Payment Date or the Maturity Date (or the date of earlier redemption or repayment) of this Fixed Rate Note falls on a day that is not a Business Day, the payment will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amount so payable for the period from and after such Interest Payment Date or the Maturity Date (or the date of earlier redemption or repayment), as the case may be.

#### **Provisions Applicable To Floating Rate Notes Only:**

If the “Floating Rate” line above is checked, the Company will pay interest on the Interest Payment Dates shown specified above at the Initial Interest Rate specified above until the first Interest Reset Date specified above following the Original Issue Date specified above and thereafter at a rate determined in accordance with the provisions hereinafter set forth under the headings “Determination of CD Rate,” “Determination of CMT Rate,” “Determination of Commercial Paper Rate,” “Determination of Federal Funds Rate,” “Determination of LIBOR,” “Determination of Prime Rate” or “Determination of Treasury Rate,” depending on whether the

Interest Rate Basis is the CD Rate, the CMT Rate, the Commercial Paper Rate, the Federal Funds Rate, LIBOR, the Prime Rate, the Treasury Rate or other Interest Rate Basis.

An interest payment shall be the amount of interest accrued from and including the Original Issue Date, or from and including the last Interest Payment Date to which interest has been paid, to, but excluding, the next following Interest Payment Date, Maturity Date, or date of earlier redemption or repayment, as the case may be (an “Interest Period”). Notwithstanding any provision herein to the contrary, the interest rate hereon shall not be greater than the Maximum Interest Rate, if any, or less than the Minimum Interest Rate, if any, specified above.

If any Interest Payment Date for any Floating Rate Note, other than an Interest Payment Date at maturity, would fall on a day that is not a Business Day, such Interest Payment Date will be the following day that is a Business Day, and interest will continue to accrue to the following Business Day, except that if LIBOR is the applicable Interest Rate Basis, if such Business Day is in the next succeeding calendar month, such Interest Payment Date will be the immediately preceding day that is a Business Day. If the Maturity Date (or date of earlier redemption or repayment) of any Floating Rate Note would fall on a day that is not a Business Day, the payment of interest and principal (and premium, if any) may be made on the next succeeding Business Day, and no interest on such payment will accrue for the period from and after the Maturity Date (or the date of earlier redemption or repayment).

Commencing with the first Interest Reset Date specified above following the Original Issue Date, the rate at which interest on this Note is payable shall be adjusted daily, weekly, monthly, quarterly, semi-annually or annually as specified above under “Interest Reset Dates.”

The interest rate borne by this Note will be determined as follows:

(i) Unless the Interest Category of this Note is specified above as a “Floating Rate/Fixed Rate Note” or an “Inverse Floating Rate Note” or in the event either “Other Provisions” or an Addendum hereto applies, in each case, relating to a different interest rate formula, this Note shall be designated as a “Regular Floating Rate Note” and, except as set forth below or specified above under “Other Provisions” or in an Addendum hereto, shall bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the applicable Spread Multiplier, if any; in each case as specified above. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note shall be payable shall be reset as of each Interest Reset Date specified above; *provided, however*, that the interest rate in effect for the period, if any, from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate.

(ii) If the Interest Category of this Note is specified above as a “Floating Rate/Fixed Rate Note” then, except as set forth below or specified above under “Other Provisions” or in an Addendum hereto, this Note shall bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the Spread Multiplier, if any, in each case as specified above. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note shall be payable shall be reset as of each Interest Reset Date; *provided, however*, that (y) the interest rate in effect for the

period, if any, from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate and (z) the interest rate in effect for the period commencing on, and including, the Fixed Rate Commencement Date specified above to the Maturity Date (or date of earlier redemption or repayment) shall be the Fixed Interest Rate specified above or, if no Fixed Interest Rate is so specified, the interest rate in effect on the day immediately preceding the Fixed Rate Commencement Date.

(iii) If the Interest Category of this Note is specified above as an “Inverse Floating Rate Note” then, except as set forth below or specified above under “Other Provisions” or in an Addendum hereto, this Note shall bear interest at (a) the Fixed Interest Rate specified above minus (b) the rate determined by reference to the applicable Interest Rate Basis or Bases:

(x) plus or minus the applicable Spread, if any, and/or

(y) multiplied by the applicable Spread Multiplier, if any, in each case as specified above;

*provided, however*, that, unless otherwise specified above under “Other Provisions” or in an Addendum hereto, the interest rate hereon shall not be less than zero. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note shall be payable shall be reset on each Interest Reset Date; *provided, however*, that the interest rate in effect for the period, if any, from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate set forth above.

The “Spread” is the number of basis points (one basis point equals one-hundredth of a percentage point) specified above to be added to or subtracted from the Interest Rate Basis for a Floating Rate Note, and the “Spread Multiplier” is the percentage specified above by which the Interest Rate Basis for such Floating Rate Note will be multiplied. Both a Spread and/or a Spread Multiplier may be applicable to the Interest Rate Basis for a particular Floating Rate Note, as set forth above.

Each such adjusted Interest Rate Basis shall be applicable on and after the Interest Reset Date to which it relates but not including the next succeeding Interest Reset Date. If any Interest Reset Date is a day that is not a Business Day, such Interest Reset Date shall be postponed to the next day that is a Business Day, except that if the rate of interest on this Note shall be determined by reference to LIBOR and such Business Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Business Day. In addition, if the Treasury Rate is the applicable Interest Rate Basis and the Interest Determination Date would otherwise fall on an Interest Reset Date, then the Interest Reset Date will be postponed to the next succeeding Business Day. Subject to applicable provisions of law (including usury laws) and except as specified in this Note, on each Interest Reset Date, the rate of interest on this Note shall be the rate determined in accordance with the provisions of the applicable heading below.

With respect to a Floating Rate Note, accrued interest shall be calculated by multiplying the principal amount thereof by an accrued interest factor. Such accrued interest factor will be computed by adding the interest factors calculated for each day in the Interest Period or from the

last date from which accrued interest is being calculated. The interest factor for each such day is computed by dividing the interest rate applicable to such day by 360, in the cases of CD Rate Notes, Commercial Paper Rate Notes, Federal Funds Rate Notes, LIBOR Notes and Prime Rate Notes or by the actual number of days in the year, in the cases of CMT Rate Notes and Treasury Rate Notes. The interest rate applicable to any day that is an Interest Reset Date will be the interest rate effective on such Interest Reset Date. The interest rate applicable to any other day will be the interest rate for the immediately preceding Interest Reset Date (or, if none, the Initial Interest Rate, as specified above).

The “Calculation Date,” where applicable, pertaining to an Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest Determination Date or, if any such day is not a Business Day, the next succeeding Business Day or (ii) the Business Day preceding the applicable Interest Payment Date or the Maturity Date (or the date of earlier redemption or repayment), as the case may be.

For Floating Rate Notes, The Bank of New York Mellon Trust Company, N.A. shall be the calculation agent unless another calculation agent is specified above (the “Calculation Agent”). The interest rate applicable to each interest period will be determined by the Calculation Agent on or prior to the applicable Calculation Date. At the request of the Holder, the Calculation Agent will provide the interest rate then in effect and, if determined, the interest rate which will become effective on the next Interest Reset Date.

All percentages resulting from any calculation of the rate of interest on a Floating Rate Note will be rounded, if necessary, to the nearest one hundred-thousandth of a percent (.000001), with five one-millionths of a percentage point rounded upward, and all dollar amounts used in or resulting from such calculation on Floating Rate Notes will be rounded to the nearest cent (with one-half cent being rounded upward).

**Determination of CD Rate.** If the Interest Rate Basis, as specified above, is, or is calculated by reference to, the CD Rate, unless otherwise specified above, the “CD Rate” for each Interest Reset Date will be determined by the Calculation Agent as of the second Business Day prior to such Interest Reset Date (a “CD Interest Determination Date”) and shall be the rate on the applicable CD Interest Determination Date for negotiable United States dollar certificates of deposit having the Index Maturity specified above as published in H.15(519) (as defined below) on such CD Interest Determination Date under the heading “CDs (secondary market).” If the rate referred to in the preceding sentence is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date, the CD Rate shall be the rate on the applicable CD Interest Determination Date for negotiable United States dollar certificates of deposit of the Index Maturity specified above as published in H.15 Daily Update (as defined below), or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “CDs (secondary market).” If the rate referred to in the preceding sentence is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date, the CD Rate shall be the rate on the applicable CD Interest Determination Date calculated by the Calculation Agent on the Notes as the arithmetic mean of the secondary market offered rates as of 10:00 a.m., New York City time, on the applicable CD Interest Determination Date, of three leading

non-bank dealers in negotiable United States dollar certificates of deposit in the City of New York (which may include an agent or its affiliates) selected by the Company for negotiable United States dollar certificates of deposit of major United States money market banks with a remaining maturity closest to the Index Maturity specified above in an amount that is representative for a single transaction in that market at that time. If the dealers selected by the Company as provided in the preceding sentence are not quoting as mentioned in such sentence, the CD Rate shall be the CD Rate in effect on the applicable CD Interest Determination Date.

“H.15(519)” means the weekly statistical release designated as H.15(519), or any successor publication, published by the Board of Governors of the Federal Reserve System.

“H.15 Daily Update” means the daily update of H.15(519), available through the world-wide-web site of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/h15/update>, or any successor site or publication.

**Determination of CMT Rate.** If the Interest Rate Basis, as specified above, is, or is calculated by reference to, the CMT Rate, unless otherwise specified above, the “CMT Rate” for each Interest Reset Date will be determined by the Calculation Agent as of the second Business Day prior to such Interest Reset Date (a “CMT Interest Determination Date”) and shall be, if “CMT Reuters Page FRBCMT” is specified above, the percentage equal to the yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, as the yield is displayed on Reuters, Inc. (or any successor or similar service), on page FRBCMT (or any other page as may replace the specified page on that service under the caption “Treasury Constant Maturities”) (“Reuters Page FRBCMT”). If the rate referred to in the preceding sentence does not appear on Reuters Page FRBCMT, the CMT Rate for such CMT Interest Determination Date will be a percentage equal to the yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, and for the applicable CMT Interest Determination Date as published in H.15(519) under the caption “Treasury Constant Maturities.” In the event the rate referred to in the preceding sentence does not appear in H.15(519), then the CMT Rate for such CMT Interest Determination Date will be the rate on the applicable CMT Interest Determination Date for the period of the Index Maturity specified above, as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate which would otherwise have been published in H.15(519). In the event the rate referred to in the preceding sentence is not published, the CMT Rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 p.m., New York City time, on the applicable CMT Interest Determination Date of three leading primary United States government securities dealers in the City of New York, which may include an agent of the Company or such agent’s affiliates (each a “Reference Dealer”), selected by the Company (from five Reference Dealers selected by the Company and eliminating the highest quotation (or, in the event of equality, one of the highest), and the lowest quotation (or, in the event of equality, one of the lowest)), for United States Treasury securities with an original maturity equal to the Index Maturity specified above, a remaining term to maturity no more than one year shorter than the Index Maturity specified above and in a principal amount that is

representative for a single transaction in the securities in the market at that time. If fewer than five but more than two of the prices referred to in the above sentence are provided as requested, the CMT Rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of the quotations shall be eliminated; *provided, however*, that if fewer than three prices referred to above are provided as requested, the CMT Rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m., New York City time, on the applicable CMT Interest Determination Date of three Reference Dealers selected by the Company from five Reference Dealers selected by the Company and eliminating the highest quotation or, in the event of equality, one of the highest and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity greater than the Index Maturity specified above, and a remaining term to maturity closest to the Index Maturity specified above, and in a principal amount that is representative for a single transaction in the securities in the market at that time. However, if fewer than five but more than two prices referred to above are provided as requested, the CMT Rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of the quotations will be eliminated. If fewer than three prices referred to above are provided as requested, the CMT Rate on the applicable CMT Interest Determination Date will be the CMT Rate in effect on the applicable CMT Interest Determination Date. If the CMT Reuters Page FEDCMT is specified above, the CMT Rate for such CMT Interest Determination Date will be a percentage equal to the one-week or one-month, as specified above, and will be the average yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, as the yield is displayed on Reuters, Inc. (or any successor service) on page FEDCMT (or any other page as may replace that specified page on that service) (“Reuters Page FEDCMT”), for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which the related CMT Interest Determination Date falls. If the rate referred to in the preceding sentence does not appear on Reuters Page FEDCMT, then the CMT Rate for such CMT Interest Determination Date will be a percentage equal to the one-week or one-month, as specified above, average yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, and for the week or month, as applicable, preceding the applicable CMT Interest Determination Date as published in H.15(519) opposite the caption “Treasury Constant Maturities.” If the rate referred to in the preceding sentence does not appear in H.15(519), then the CMT Rate for such CMT Interest Determination Date will be the one-week or one-month, as specified above, average yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, as otherwise announced by the Federal Reserve Bank of New York for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which the related CMT Interest Determination Date falls. If the Federal Reserve Bank of New York does not publish the rate referred to above, the rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 p.m., New York City time, on the applicable CMT Interest Determination Date of three Reference Dealers selected by the Company (from five Reference Dealers selected by the Company and eliminating the highest quotation (or, in the

event of equality, one of the highest), and the lowest quotation (or, in the event of equality, one of the lowest)), for United States Treasury securities with an original maturity equal to the Index Maturity specified above, and a remaining term to maturity no more than one year shorter than the Index Maturity specified above, and in a principal amount that is representative for a single transaction in the securities in the market at that time. If fewer than five but more than two of the prices referred to above are provided as requested, the rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of the quotations shall be eliminated. If fewer than three prices referred to above are provided as requested, the rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m., New York City time, on the applicable CMT Interest Determination Date of three Reference Dealers selected by the Company (from five Reference Dealers selected by the Company and eliminating the highest quotation or (in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for United States Treasury securities with an original maturity greater than the Index Maturity specified above, and a remaining term to maturity closest to the Index Maturity specified above and will be in a principal amount that is representative for a single transaction in the securities in the market at that time. If fewer than five but more than two prices referred to above are provided as requested, the rate will be calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of the quotations will be eliminated, or if fewer than three prices referred to above are provided as requested, the CMT Rate will be the CMT Rate in effect on the applicable CMT Interest Determination Date. If two United States Treasury securities with an original maturity greater than the Index Maturity as specified above have remaining terms to maturity equally close to the Index Maturity specified above, the quotes for the United States Treasury security with the shorter original remaining term to maturity will be used.

**Determination of Commercial Paper Rate.** If the Interest Rate Basis, as specified above, is, or is calculated by reference to, the Commercial Paper Rate, unless otherwise specified above, the “Commercial Paper Rate” for each Interest Reset Date will be determined by the Calculation Agent as of the second Business Day prior to such Interest Reset Date (a “Commercial Paper Interest Determination Date”) and shall be the Money Market Yield (as defined below) on such date of the rate for commercial paper having the Index Maturity as indicated above, as such rate shall be published in H.15(519) under the caption “Commercial Paper-Nonfinancial.” In the event that such rate is not published prior to 3:00 p.m., New York City time, on the applicable Calculation Date, then the Commercial Paper Rate shall be calculated by the Calculation Agent as the Money Market Yield of the Commercial Paper Rate on the applicable Commercial Paper Interest Determination Date for commercial paper having the Index Maturity specified above, published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “Commercial Paper-Nonfinancial.” If by 3:00 p.m., New York City time, on the applicable Calculation Date, such rate is not yet published as provided in the preceding sentence, then the Commercial Paper Rate on the applicable Commercial Paper Interest Determination Date shall be calculated by the Calculation Agent as the Money Market Yield of the arithmetic mean of the

offered rates at approximately 11:00 a.m., New York City time, on the applicable Commercial Paper Interest Determination Date of three leading dealers of United States dollar commercial paper in the City of New York, which may include an agent of the Company or such agent’s affiliates, selected by the Calculation Agent for commercial paper having the Index Maturity specified above, placed for industrial issuers whose bond rating is “Aa,” or the equivalent, from a nationally recognized statistical rating organization; *provided, however*, that if the dealers selected as aforesaid by the Company are not quoting offered rates as mentioned in this sentence, the Commercial Paper Rate will be the Commercial Paper Rate in effect on the applicable Commercial Paper Interest Determination Date.

“Money Market Yield” shall be a yield calculated in accordance with the following formula and expressed as a percentage:

$$\text{Money market yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where “D” refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal; and “M” refers to the actual number of days in the interest period for which interest is being calculated.

**Determination of Federal Funds Rate.** If the Interest Rate Basis, as specified above, is, or is calculated by reference to the Federal Funds Rate, unless otherwise specified above, the “Federal Funds Rate” with respect to each Interest Reset Date will be determined by the Calculation Agent as of the first Business Day prior to such Interest Reset Date (a “Federal Funds Interest Determination Date”) and shall be the rate on that date for United States dollar Federal Funds as published in H.15(519) under the heading “Federal Funds (Effective),” as displayed on Reuters, Inc. (or any successor service) on page FEDFUND01 (or any other page as may replace the applicable page on that service) (“Reuters Page FEDFUND01”) or, if such rate does not appear on Reuters Page FEDFUND01, or is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date, the rate on the applicable Federal Funds Interest Determination Date for United States dollar Federal Funds will be the rate on such Federal Funds Interest Determination Date as published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “Federal Funds (Effective).” If such rate is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date, the Federal Funds Rate will be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight United States dollar Federal Funds arranged by three leading brokers of United States dollar Federal Funds transactions in the City of New York, which may include an agent of the Company or such agent’s affiliates, selected by the Company before 9:00 a.m., New York City time, on the applicable Federal Funds Interest Determination Date; *provided, however*, that if the brokers selected as aforesaid by the Company are not quoting as mentioned in this sentence, the Federal Funds Rate will be the Federal Funds Rate in effect on the applicable Federal Funds Interest Determination Date.

**Determination of LIBOR.** If the Interest Rate Basis, as specified above, is, or is calculated by reference to, LIBOR, unless otherwise specified above, “LIBOR” for each Interest

Reset Date will be determined by the Calculation Agent as of the second London Banking Day prior to such Interest Reset Date (a “LIBOR Interest Determination Date”) and shall be the rate (express as a percentage per annum) for deposits in U.S. dollars having a three-month maturity that appears on Reuters LIBOR01 at approximately 11:00 a.m., London time, on the applicable LIBOR Interest Determination Date, or if Reuters LIBOR01 is not available on such date, the Calculation Agent will obtain such rate from Bloomberg’s page “BBAM.” If such rate does not appear on Reuters LIBOR01 or Bloomberg’s page “BBAM” on such LIBOR Interest Determination Date at approximately 11:00 a.m., London time, then the Calculation Agent will request the principal London office of each of four major banks in the London interbank market, as selected by the Company, to provide a quotation of the rate (expressed as a percentage per annum) offered by it to prime banks in the London interbank market for three-month deposits in U.S. dollars in a principal amount of at least \$1,000,000 at approximately 11:00 a.m., London time, on such LIBOR Interest Determination Date. If at least two such offered quotations are so provided, LIBOR determined on the applicable LIBOR Interest Determination Date calculated by the Calculation Agent will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Company will request each of three major banks in New York City, as selected by the Company, to provide a quotation of the rate (expressed as a percentage per annum), offered by it for loans in U.S. dollars to leading European banks having a three-month maturity in a principal amount of at least \$1,000,000 at approximately 11:00 a.m., New York City time, on such LIBOR Interest Determination Date. If at least two such rates are so provided, LIBOR determined on the applicable LIBOR Interest Determination Date calculated by the Calculation Agent will be the arithmetic mean of such rates. If fewer than two such rates are so provided, then LIBOR determined on the applicable LIBOR Interest Determination Date calculated by the Calculation Agent will be the rate in effect on the applicable LIBOR Interest Determination Date.

“Reuters LIBOR01” means the Capital Markets Report Screen LIBOR01 of Reuters, Inc. (or any successor or similar service or page), for the purpose of displaying the London interbank rates of major banks for U.S. dollars.

**Determination of Prime Rate.** If the Interest Rate Basis, as specified above, is, or is calculated by reference to, the Prime Rate, unless otherwise specified above, the “Prime Rate” with respect to each Interest Reset Date will be determined by the Calculation Agent as of the first Business Day prior to such Interest Reset Date (a “Prime Interest Determination Date”) and shall be the rate set forth on such date as published in H.15(519) under the caption “Bank Prime Loan,” or if not so published prior to 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Prime Interest Determination Date, then the Prime Rate will be as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying the applicable rate under the caption “Bank Prime Loan,” or if not so published prior to 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Prime Interest Determination Date, then the Prime Rate will be determined by the Calculation Agent as the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen US PRIME 1 Page (as defined below) as the particular bank’s prime rate or base lending rate as of 11:00 a.m., New York City time, on the applicable Prime Interest Determination Date. If fewer than four such rates are so published by 3:00 p.m.,

New York City time, on the applicable Calculation Date as shown on the Reuters Screen US PRIME 1 Page for the Prime Interest Determination Date, the Prime Rate will be determined by the Calculation Agent as the arithmetic mean of the prime rates or base lending rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on the applicable Prime Interest Determination Date by three major banks, which may include an agent of the Company or such agent's affiliates, in the City of New York selected by the Company. However, if the banks selected by the Company are not quoting as mentioned in the preceding sentence, the Prime Rate will be the Prime Rate in effect on the applicable Prime Interest Determination Date.

“Reuters Screen US PRIME 1 Page” means the display on the Reuter Money 3000 Service or any successor service on the “US PRIME 1 Page” or other page as may replace US PRIME 1 Page on that service for the purpose of displaying prime rates or base lending rates of major United States banks).

**Determination of Treasury Rate.** If the Interest Rate Basis, as specified above, is, or is calculated by reference to the Treasury Rate, unless otherwise specified above, the “Treasury Rate” for each Interest Reset Date will be the rate from the auction held on the applicable Interest Determination Date (the “Auction”) of direct obligations of the United States (“Treasury Bills”) having the Index Maturity, as specified above, as published under the caption “INVESTMENT RATE” on the display on Reuters, Inc. or any successor or similar service on page USAUCTION 10 or any other page as may replace page USAUCTION 10 on that service (“Reuters Page USAUCTION 10”) or page USAUCTION 11 on that service (“Reuters Page USAUCTION 11”), or, if the rate is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Treasury Rate Determination Date (as defined below), the Bond Equivalent Yield of the rate for the applicable Treasury Bills as published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “U.S. Government Securities/Treasury Bills/Auction High,” or, if the rate is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Treasury Rate Determination Date, the Bond Equivalent Yield of the auction rate of the applicable Treasury Bills announced by the United States Department of the Treasury, or, if the rate is not announced by the United States Department of the Treasury, or if the Auction is not held, the Bond Equivalent Yield of the rate on the applicable Treasury Rate Determination Date of Treasury Bills having the Index Maturity specified above, published in H.15(519) under the caption “U.S. Government Securities/Treasury Bills/Secondary Market,” or, if the rate is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Treasury Rate Determination Date, the rate on the applicable Treasury Rate Determination Date of the applicable Treasury Bills as published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “U.S. Government Securities/Treasury Bills/Secondary Market.” In the event that the results of the auction of Treasury Bills having the applicable Index Maturity specified above are not published or reported, as provided above, by 3:00 p.m., New York City time, on the applicable Calculation Date or if no such auction is held on such Treasury Rate Determination Date, then the Treasury Rate on the applicable Treasury Rate Determination Date shall be calculated by the Calculation Agent and shall be the Bond Equivalent Yield of the arithmetic

mean of the secondary market bid rates, as of approximately 3:30 p.m., New York City time, on the applicable Treasury Rate Determination Date, of three primary United States government securities dealers, which may include the agent or its affiliates, selected by the Company, for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity specified above; *provided, however*, that if the dealers selected as aforesaid by the Company are not quoting as mentioned in this sentence, the Treasury Rate will be the Treasury Rate in effect on the applicable Treasury Rate Determination Date.

The “Treasury Rate Determination Date” for any Interest Reset Date will be the day of the week in which such Interest Reset Date falls on which Treasury Bills would normally be auctioned. Treasury Bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except such auction may be held on the preceding Friday. If, as the result of a legal holiday, an auction is so held on the preceding Friday, such Friday will be the Treasury Rate Determination Date pertaining to the Interest Reset Date occurring in the next succeeding week.

“Bond Equivalent Yield” means a yield calculated in accordance with the following formula and expressed as a percentage:

$$\text{Bond Equivalent Yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where “D” refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis and expressed as a decimal; “N” refers to 365 or 366, as the case may be, and “M” refers to the actual number of days in the interest period for which interest is being calculated.

#### **Provisions Applicable To Both Fixed Rate Notes And Floating Rate Notes:**

The interest so payable on any Interest Payment Date will, subject to certain exceptions in the Indenture hereinafter referred to, be paid to the person in whose name this Note is registered at the close of business on the Regular Record Date (as defined below) immediately preceding such Interest Payment Date or, if the Interest Payment Date is the Maturity Date or the date of earlier redemption or repayment, to the person in whose name this Note is registered at the close of business on the Maturity Date or such earlier date of redemption or repayment; *provided, however*, that if the Original Issue Date is between a Regular Record Date and an Interest Payment Date or on an Interest Payment Date, interest for the period from and including the Original Issue Date to, but excluding, the Interest Payment Date relating to such Regular Record Date shall be paid on the next succeeding Interest Payment Date to the person in whose name this Note is registered on the close of business on the Regular Record Date preceding such Interest Payment Date. If this Note bears interest at a Fixed Rate, as specified above, unless otherwise specified above, the “Regular Record Date” with respect to any Interest Payment Date shall be the first day of June and December, preceding such Interest Payment Date, whether or not such date shall be a Business Day. If this Note bears interest at a Floating Rate, as specified above, the “Regular Record Date” with respect to any Interest Payment Date shall be the

fifteenth calendar day next preceding such Interest Payment Date, whether or not such date shall be a Business Day.

Payment of principal, premium, if any, and interest in respect of this Note due on the Maturity Date or any earlier redemption or repayment date will be made in immediately available funds upon presentation and surrender of this Note; *provided, however*, that if a Specified Currency is specified above and such payment is to be made in such Specified Currency in accordance with the provisions set forth below, such payment will be made by wire transfer of immediately available funds to an account with a bank designated by the Holder hereof at least 15 calendar days prior to the Maturity Date or such earlier redemption or repayment date, as the case may be, provided that such bank has appropriate facilities therefor and that this Note is presented and surrendered at the Place of Payment specified above in time for the Trustee to make such payment in such funds in accordance with its normal procedures. Payment of interest due on any Interest Payment Date, other than the Maturity Date or any earlier redemption or repayment date, will be made at the Place of Payment specified above.

Whenever in this Note or in the Indenture there is a reference, in any context, to the payment of the principal of, or interest, if any, on, or in respect of, the Notes, such payment shall be deemed to include the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect of such payment pursuant to the provisions hereof or thereof and express mention of the payment of Additional Amounts (if applicable) in any provision hereof or thereof shall not be construed as excluding Additional Amounts in those provisions hereof where such express mention is not made.

The Company is obligated to make payment of principal, premium, if any, and interest in respect of this Note in United States dollars or, if a Specified Currency is indicated above, in such Specified Currency (or, if such Specified Currency is not at the time of such payment legal tender for the payment of public and private debts of the country issuing such currency or, in the case of the Euro, in the member states of the European Union that have adopted the single currency in accordance with the Treaty Establishing the European Community, as amended by the Treaty on European Union, such other currency which is then such legal tender in such country or in the adopting member states of the European Union, as the case may be). If a Specified Currency is specified above, except as otherwise provided below, any such amounts so payable by the Company will be converted by a New York clearing house bank designated by the Company (the “Exchange Rate Agent”) into United States dollars for payment to the Holder of this Note.

If a Specified Currency is specified above, the Holder of this Note may elect to receive any amount payable hereunder in such Specified Currency. If the Holder of this Note shall not have duly made an election to receive all or a specified portion of any payment of principal, premium, if any, and/or interest in respect of this Note in such Specified Currency, any United States dollar amount to be received by the Holder of this Note will be based on the highest bid quotation in the City of New York received by the Exchange Rate Agent at approximately 11:00 a.m., New York City time, on the second Business Day preceding the applicable payment date from three recognized foreign exchange dealers (one of whom may be the Exchange Rate Agent)

selected by the Exchange Rate Agent and approved by the Company for the purchase by the quoting dealer of the Specified Currency for United States dollars for settlement on such payment date in the aggregate amount of the Specified Currency payable to all Holders of Notes scheduled to receive United States dollar payments and at which the applicable dealer commits to execute a contract. All currency exchange costs will be borne by the Holder of this Note by deductions from such payments. If three such bid quotations are not available, payments on this Note will be made in the Specified Currency.

If a Specified Currency is specified above, the Holder of this Note may elect to receive all or a specified portion of any payment of principal, premium, if any, and/or interest in respect of this Note in such Specified Currency by submitting a written request for such payment to the Trustee at the Place of Payment on or prior to the applicable Record Date or at least 15 calendar days prior to the Maturity Date (or any earlier redemption or repayment date), as the case may be. Such written request may be mailed or hand delivered or sent by facsimile transmission. The Holder of this Note may elect to receive all or a specified portion of all future payments in the Specified Currency in respect of such principal, premium, if any, and/or interest and need not file a separate election for each payment. Such election will remain in effect until revoked by written notice to the Trustee, but written notice of any such revocation must be received by the Trustee on or prior to the applicable Record Date or at least 15 calendar days prior to the Maturity Date (or any earlier redemption or repayment date), as the case may be.

If a Specified Currency is specified above and the Holder of this Note shall have duly made an election to receive all or a specified portion of any payment of principal, premium, if any, and/or interest in respect of this Note in such Specified Currency, but such Specified Currency is not available for such payment due to the imposition of exchange controls or other circumstances beyond the control of the Company, the Company will be entitled to satisfy its obligations to the Holder of this Note by making such payment in United States dollars on the basis of the Market Exchange Rate (as defined below) determined by the Exchange Rate Agent on the second Business Day prior to such payment date or, if such Market Exchange Rate is not then available, on the basis of the most recently available Market Exchange Rate on or before the date on which such payment is due. The “Market Exchange Rate” for the Specified Currency means the noon dollar buying rate in the City of New York for cable transfers of the Specified Currency as certified for customs purposes (or, if not so certified, as otherwise determined) by the Federal Reserve Bank of New York. Any payment made in United States dollars under such circumstances shall not constitute an Event of Default (as defined in the Indenture).

All determinations referred to above made by the Exchange Rate Agent shall be at its sole discretion and shall, in the absence of manifest error, be conclusive for all purposes and binding on the Holder of this Note.

In case an Event of Default (as defined in the Indenture) with respect to Notes of this series shall occur and be continuing, the principal amount (or, if the Note is an Original Issue Discount Note, such lesser portion of the principal amount as may be applicable) of the Notes of this series may be declared due and payable, and, with respect to certain Events of Default, shall automatically become due and payable, in each case in the manner and with the effect provided

in the Indenture. If this Note is an Original Issue Discount Note, in the event of an acceleration of the Maturity Date hereof, the amount payable to the Holder of this Note upon such acceleration will be determined by this Note but will be an amount less than the amount payable at the Maturity Date of this Note.

The Indenture permits, with certain exceptions as therein provided, the modification of the rights and obligations of the Company and the Guarantor and the rights of the Holders of the Securities (as defined in the Indenture) of each series to be affected by such modification under the Indenture at any time by the Company and the Guarantor with the consent of the holders of not less than a majority in aggregate principal amount of the Outstanding Securities (as defined in the Indenture) of each series to be affected by such modification. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Outstanding Securities of each series, on behalf of the Holders of all Securities of such series, to waive compliance by the Company and the Guarantor with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences.

This Note is issuable only in registered form without coupons in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof or other Authorized Denomination specified above.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note may be registered in the Security Register of this series upon surrender of this Note for registration of transfer at the Place of Payment specified above, duly endorsed by or accompanied by, a written instrument of transfer in form satisfactory to the Company and the Trustee, duly executed by the Holder hereof or his attorney duly authorized in writing, and thereupon a new Note or Notes of this series of Authorized Denomination and for the same aggregate principal amount, with the Guarantee endorsed thereon, will be issued to the designated transferee or transferees.

No service charge shall be made for any such registration of transfer, exchange or redemption of the Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Trustee, and any agent of the Company or the Trustee may treat the person in whose name this Note is registered in the Security Register as the owner of this Note for all purposes (other than for the determination of any Additional Amounts payable) and neither the Company nor the Trustee nor any such agent shall be affected by any notice to the contrary.

If so specified above, this Note will be redeemable at the Company's option on the date or dates specified prior to the Maturity Date at a price or prices, each as specified above, together with accrued interest to the date of redemption. This Note will not be subject to any sinking fund. If so redeemable, the Company may redeem this Note either in whole or from time to time in part, upon not less than 30, nor more than 60, days' notice before the date of redemption. If less than all of the Notes with like tenor and terms are to be redeemed, the Notes to be redeemed shall be selected by the Trustee by such method as the Trustee shall deem fair and appropriate.

This Note will be subject to redemption at the option of the Company, in whole or in part at any time prior to the Maturity Date, at a redemption price equal to the greater of (i) 100% of the principal amount of this Note to be redeemed, and (ii) as determined by the Quotation Agent (as defined below), the sum of the present values of the remaining scheduled payments of principal and interest on this Note to be redeemed (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus 15 basis points, plus accrued interest on the principal amount redeemed to, but not including, the date of redemption.

If any redemption date falls on a day that is not a Business Day, the related payment of the redemption price and interest will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next Business Day.

“Comparable Treasury Issue” means the U.S. Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

“Comparable Treasury Price” means, with respect to any redemption date, (i) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if fewer than five such Reference Treasury Dealer Quotations are obtained by the Quotation Agent, the average of all such quotations.

“Quotation Agent” means the Reference Treasury Dealer appointed by the Company.

“Reference Treasury Dealer” means (i) (1) each of Barclays Capital Inc., Citigroup Global Markets Inc. and Goldman, Sachs & Co. (and their respective successors) and (2) two other nationally recognized investment banking firms that are Primary Treasury Dealers specified from time to time by the Company; *provided, however*, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a “Primary Treasury Dealer”), the Company shall substitute therefor another Primary Treasury Dealer; and (ii) any other Primary Treasury Dealer selected by the Company.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

“Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield-to-maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Notice of any redemption will be delivered at least 30 days but not more than 60 days before the redemption date to the Holder hereof at its address as such address shall appear in the Security Register of the Company, except that redemption notices may be provided more than 60 days prior to the redemption date if the notice is issued in connection with the defeasance or discharge of the Notes and/or the Indenture. Unless the Company defaults in the payment of the redemption price on and after the redemption date, interest will cease to accrue on the principal amount of this Note called for redemption. Notwithstanding anything to the contrary in the foregoing, notice of any redemption to the Holder hereof may, in the Company's discretion, be subject to one or more conditions precedent, including completion of a corporate transaction. In such event, the related notice of redemption will describe each such condition and, if applicable, will state that, in the Company's discretion, the date of redemption may be delayed until such time as any or all such conditions shall be satisfied or waived, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied or waived by the date of redemption, or by the date of redemption as so delayed.

Subject to Section 403 of the Indenture, if an HDI Change of Control Triggering Event (as defined below) occurs, unless the Company has exercised its option to redeem this Note as described above, the Company will be required to make an offer (the "Change of Control Offer") to each Holder of the Notes to repurchase all or any part (equal to \$2,000 or an integral multiple of \$1,000 in excess thereof) of such Holder's Notes on the terms set forth herein. In the Change of Control Offer, the Company will be required to offer payment in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest, if any, on the Notes repurchased to the date of repurchase (the "Change of Control Payment").

Subject to Section 403 of the Indenture, within 30 days following any HDI Change of Control Triggering Event or, at the Company's option, prior to any HDI Change of Control (as defined below), but after public announcement by HDI (as defined below) of the transaction that constitutes, or would constitute upon consummation thereof, an HDI Change of Control, a notice will be delivered to Holders of the Notes describing the transaction that constitutes, or would constitute upon consummation thereof, the HDI Change of Control Triggering Event and offering to repurchase such Notes on the date specified in the notice. Such date will be no earlier than 30 days and no later than 60 days from the date such notice is delivered, other than as may be required by law (the "Change of Control Payment Date"). The notice will, if delivered prior to the date of consummation of the HDI Change of Control, state that the offer to purchase is conditioned on the HDI Change of Control Triggering Event occurring on or prior to the Change of Control Payment Date.

If any Change of Control Payment Date falls on a day that is not a Business Day, the related payment of the Change of Control Payment will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next Business Day.

On the Change of Control Payment Date, the Company will, to the extent lawful, (i) accept for payment all Notes or portions of Notes properly tendered and not validly withdrawn pursuant to the Change of Control Offer; (ii) deposit with the paying agent an amount equal to

the Change of Control Payment in respect of all such Notes or portions of Notes properly tendered and not validly withdrawn; and (iii) deliver or cause to be delivered to the Trustee such Notes properly accepted together with a Company Officers' Certificate (as defined in the Indenture) stating the aggregate principal amount of such Notes or portions of Notes being repurchased.

The Company will not be required to comply with the obligations relating to repurchasing the Notes if a third-party instead satisfies them.

The Company must comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any other securities laws and regulations applicable to the repurchase of the Notes. To the extent that the provisions of any such securities laws or regulations conflict with the Change of Control Offer provisions of the Notes, the Company will comply with those securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control Offer provisions of the Notes by virtue of any such compliance.

If Holders of not less than 95% in aggregate principal amount of the outstanding Notes properly tender and do not validly withdraw such amount of the Notes in a Change of Control Offer, and the Company, or any third-party making an offer to purchase the Notes in connection with an HDI Change of Control Triggering Event in lieu of the Company, purchase such amount of the Notes properly tendered and not validly withdrawn by such Holders, then the Company will have the right, upon notice described above, given not more than 30 days following the Change of Control Payment Date, to redeem all (but not less than all) of the aggregate principal amount of the Notes that remains outstanding following such purchase at a redemption price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date (subject to the right of Holders of record as of the close of business on the relevant Regular Record Date to receive interest on the applicable Interest Payment Date). If the redemption date falls on a day that is not a Business Day, the related payment of the redemption price and interest will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next Business Day.

For purposes of the Change of Control Offer provisions of the Notes, the following terms will be applicable:

"Below Investment Grade Rating Event" means the Notes cease to be rated an Investment Grade Rating by each of the Rating Agencies on any day within the 60-day period after the earlier of (1) the occurrence of an HDI Change of Control and (2) the first public announcement by Harley-Davidson, Inc. ("HDI") of the intention of HDI to effect an HDI Change of Control (which 60-day period will be extended for so long as any of the Rating Agencies has publicly announced that it is considering a possible downgrade of the rating of the notes of such series); *provided* that a Below Investment Grade Rating Event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular HDI Change of Control (and thus shall not be deemed a Below Investment Grade Rating Event for purposes of the definition of HDI Change of Control Triggering Event

hereunder) if any of the Rating Agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform the Trustee in writing at the Company's or its request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable HDI Change of Control (whether or not the applicable HDI Change of Control shall have occurred at the time of the Below Investment Grade Rating Event). The Trustee has no obligation to monitor the ratings of the Notes for purposes of determining the occurrence of a Below Investment Grade Rating Event.

“Fitch” means Fitch Ratings, Inc. and its successors.

“HDI Change of Control” means the occurrence of any of the following: (1) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any “person” (as that term is used in Section 13(d)(3) of the Exchange Act), other than HDI or one of its subsidiaries, becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the Voting Stock of HDI or other Voting Stock into which the Voting Stock of HDI is reclassified, consolidated, exchanged or changed, measured by voting power rather than number of shares; or (2) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation or as a pledge for security purposes only), in one or a series of related transactions, of all or substantially all of the assets of HDI and the assets of the subsidiaries of HDI, taken as a whole, to one or more “persons” (as that term is defined in the Indenture), other than HDI or one of its subsidiaries and other than any such transaction or series of related transactions where holders of Voting Stock of HDI outstanding immediately prior thereto hold voting stock of the transferee person representing a majority of the voting power of the transferee person's voting stock immediately after giving effect thereto. Notwithstanding the foregoing, a transaction will not be deemed to be an HDI Change of Control if (1) HDI becomes a direct or indirect wholly-owned subsidiary of a holding company and (2)(A) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Voting Stock of HDI immediately prior to that transaction or (B) immediately following that transaction no “person” (as that term is used in Section 13(d)(3) of the Exchange Act) (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company.

“HDI Change of Control Triggering Event” means the occurrence of both an HDI Change of Control and a Below Investment Grade Rating Event. Notwithstanding anything to the contrary, no HDI Change of Control Triggering Event will be deemed to have occurred in connection with any particular HDI Change of Control unless and until such HDI Change of Control has actually been consummated.

“Investment Grade Rating” means a rating equal to or higher than Baa3 by Moody's (or its equivalent under any successor rating category of Moody's), BBB- by S&P (or its equivalent under any successor rating category of S&P) and BBB- by Fitch (or its equivalent under any

successor rating category of Fitch), and the equivalent investment grade credit rating from any replacement Rating Agency or Rating Agencies selected by the Company.

“Moody’s” means Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors.

“Rating Agencies” means (1) each of Moody’s, S&P and Fitch, and (2) if any of Moody’s, S&P or Fitch (or in each case any replacement thereof appointed pursuant to this definition) ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons outside of the Company’s control, a “nationally recognized statistical rating organization” as defined under Section 3(a)(62) of the Exchange Act selected by the Company as a replacement agency for Moody’s, S&P and/or Fitch, as the case may be; provided that the Company shall give notice of any such replacement to the Trustee.

“S&P” means S&P Global Ratings, a division of S&P Global Inc. and its successors.

“Voting Stock” means, with respect to any specified “person” (as that term is used in Section 13(d)(3) of the Exchange Act), as of any date, the capital stock of such person that is at the time entitled to vote generally in the election of the board of directors of such person.

In lieu of Section 1005 of the Indenture, the following covenant shall apply:

Limitation on Liens. The Company and the Guarantor will not, nor will they permit any Subsidiary of the Company or the Guarantor to, issue or assume any Indebtedness secured by a Lien upon any Property (now owned or hereinafter acquired) of the Company or the Guarantor or any such Subsidiary without in any such case effectively providing concurrently with the issuance or assumption of any such Indebtedness that the Notes (together with, if the Company or the Guarantor shall so determine, any other Indebtedness of the Company or the Guarantor or any such Subsidiary ranking equally with the Notes then existing or thereafter created) shall be secured equally and ratably with such Indebtedness. The restrictions set forth in the immediately preceding sentence will not, however, apply if the aggregate amount of Indebtedness issued or assumed by the Company, the Guarantor or such Subsidiaries and so secured by Liens, together with all other Indebtedness of the Company, the Guarantor or such Subsidiaries which (if originally issued or assumed at such time) would otherwise be subject to such restrictions, but not including Indebtedness permitted to be secured under clauses (i) through (xiv) of the immediately following paragraph, does not at the time such secured Indebtedness is incurred exceed 15% of the Consolidated Net Tangible Assets.

The restrictions set forth above shall not apply to Indebtedness secured by:

(i) Liens existing on the date of the original issuance of the Notes;

(ii) Liens on any Property of any company existing at the time such company becomes a Subsidiary of the Company or the Guarantor, which Liens are not created in contemplation of such company becoming a Subsidiary of the Company or the Guarantor;

(iii) Liens on any Property existing at the time such Property is acquired by the Company, the Guarantor or a Subsidiary of the Company or the Guarantor, or Liens to secure the payment of all or any part of the purchase price of such Property upon the acquisition of such Property by the Company, the Guarantor or a Subsidiary of the Company or the Guarantor or to secure any Indebtedness incurred prior to, at the time of, or within 180 days after, the later of the date of acquisition of such Property and the date such Property is placed in service, for the purpose of financing all or any part of the purchase price thereof, or Liens to secure any Indebtedness incurred for the purpose of financing the cost to the Company, the Guarantor or a Subsidiary of the Company or the Guarantor of improvements to such acquired Property or to secure any Indebtedness incurred for the purpose of financing all or any part of the purchase price of the cost of construction of the Property subject to such Liens;

(iv) Liens securing any Indebtedness of the Company, a Subsidiary of the Company or the Guarantor owing to the Company, the Guarantor or to another Subsidiary of the Company or the Guarantor;

(v) Liens created in connection with a securitization or other asset-based financing;

(vi) Liens with respect to the payment of taxes, assessments or governmental charges in all cases which are not yet due or which are being contested in good faith;

(vii) statutory Liens of landlords and Liens of suppliers, mechanics, carriers, materialmen, warehousemen or workmen and other similar Liens imposed by law created in the ordinary course of business for amounts not yet due or which are being contested in good faith;

(viii) Liens incurred or deposits made in the ordinary course of business in connection with worker's compensation, unemployment insurance or other types of social security benefits or to secure the performance of bids, tenders, sales, contracts (other than for the repayment of borrowed money), surety, appeal and performance bonds;

(ix) Liens arising with respect to zoning restrictions, easements, licenses, reservations, covenants, rights-of-way, utility easements, building restrictions and other similar charges or encumbrances on the use of real property which do not interfere with the ordinary conduct of the business of the Company, the Guarantor or any of their respective Subsidiaries;

(x) Liens of attachment or judgment with respect to judgments, writs or warrants of attachment, or similar process against the Company, the Guarantor or any of their respective Subsidiaries;

(xi) Liens arising from leases, subleases or licenses granted to others which do not interfere in any material respect with the business of the Company, the Guarantor or any of their respective Subsidiaries;

(xii) any interest or title of the lessor in the Property subject to any operating lease (as determined in accordance with GAAP as in effect as of the date of the Indenture) entered into by the Company, the Guarantor or any of their respective Subsidiaries in the ordinary course of business;

(xiii) Liens, if any, in connection with any sale/leaseback transaction;

(xiv) Liens on assets pledged in respect of Indebtedness that has been defeased in accordance with the provisions thereof through the deposit of cash, cash equivalents or marketable securities (it being understood that cash collateral shall be deemed to include cash deposited with a trustee with respect to third party indebtedness); and

(xv) any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Lien referred to in the foregoing clauses (i) - (xiv); provided, however, that such new Lien is limited to the Property which was subject to the prior Lien immediately before such extension, renewal or replacement, and provided, further, that the principal amount of Indebtedness secured by the prior Lien immediately before such extension, renewal or replacement is not increased.

The Company may “reopen” a previously issued tranche of Notes and issue additional Notes of such tranche or establish additional terms of such tranche or issue notes with the same terms as previously issued Notes (except for the Original Issue Date, Issue Price and, if applicable, the initial Interest Payment Date).

The Company may at any time purchase this Note at any price in the open market or otherwise. Notes so purchased by the Company may be held or resold or, at the discretion of the Company, may be surrendered to the Trustee for cancellation.

For the avoidance of doubt, Article 4 of the Indenture, including without limitation Section 403 thereof, shall apply to the Notes.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligations of the Company and the Guarantor, which are absolute and unconditional, to pay the principal of, premium, if any, and interest on this Note, at the times, place and rate, and in the coin or currency, herein and in the Indenture prescribed.

This Note shall be governed by and construed in accordance with the laws of the State of New York.

By acceptance of this Note, the Holder hereof agrees to be bound by the provisions of the Indenture. Terms used herein which are defined in the Indenture shall have the respective meanings assigned thereto in the Indenture. This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by or on behalf of the Trustee under the Indenture.

**IN WITNESS WHEREOF**, the Company has caused this instrument to be duly executed, manually or by facsimile by an authorized signatory.

**HARLEY-DAVIDSON FINANCIAL SERVICES, INC.**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

Dated:

**TRUSTEE'S CERTIFICATE OF AUTHENTICATION**

This is one of the Securities of the series designated herein and referred to in the within-mentioned Indenture.

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**,  
as Trustee

By: \_\_\_\_\_  
Authorized Signatory

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GUARANTEE

For value received, undersigned hereby fully, irrevocably and unconditionally guarantees, pursuant to the terms of the Guarantee contained in Article Fourteen of the Indenture, to the Holder of this Note and to the Trustee, on behalf of the Holder, the due and punctual payment of the principal of, and any premium, interest and any Additional Amounts on, this Note, when and as the same shall become due and payable, whether at the stated maturity, by declaration of acceleration, call for redemption or otherwise, in accordance with the terms of this Note and the Indenture. This Guarantee will not be valid or obligatory for any purpose until the Trustee duly executes the certificate of authentication on the Note upon which this Guarantee is endorsed.

Dated:

HARLEY-DAVIDSON CREDIT CORP.,  
a Nevada corporation

By:\_\_\_\_\_  
Name:  
Title:

Attest:

By:\_\_\_\_\_  
Name:  
Title:

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## ABBREVIATIONS

The following abbreviations, when used in the inscription on this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

UNIF GIFT MIN ACT - \_\_\_\_\_ Custodian \_\_\_\_\_  
(Cust) (Minor)

TEN ENT - as tenants by the entireties

under Uniform Gifts to Minors Act

JT TEN - as joint tenants with right of  
survivorship and not as tenant  
in common

\_\_\_\_\_  
(State)

Additional abbreviations may also be used though not in the above list.

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ASSIGNMENT

**FOR VALUE RECEIVED**, the undersigned hereby sells, assigns and transfers unto:

(Please insert social security or other identifying number of assignee)

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(Name and address of assignee, including zip code,  
must be printed or typewritten)

the within Note, and all rights thereunder, hereby irrevocably constituting and appointing  
\_\_\_\_\_ attorney to transfer said Note on the books of the within Company, with full  
power of substitution in the premises.

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

NOTICE: The signature to this assignment must correspond with the name as it appears upon the within Note in every particular, without alteration or enlargement or any change whatever and must be guaranteed.

SIGNATURE(S) GUARANTEED:

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM) PURSUANT TO SEC RULE 17Ad-15.

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SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE

The following increases or decreases in this Global Note have been made

Date of Exchange	Amount of increase in Principal Amount of this Global Note	Amount of decrease in Principal Amount of this Global Note	Principal Amount of this Global Note following each decrease or increase	Signature of authorized signatory of Trustee
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**OFFICERS' CERTIFICATE  
OF  
HARLEY-DAVIDSON FINANCIAL SERVICES, INC.**

**Pursuant to Sections 102 and 301 of the Indenture**

Reference is made to the Indenture dated as of March 4, 2011 (the "Indenture") among Harley-Davidson Financial Services, Inc. (the "Company"), Harley-Davidson Credit Corp. (the "Guarantor") and The Bank of New York Mellon Trust Company, N.A., as trustee ("Trustee"). Terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

Pursuant to Sections 102 and 301 of the Indenture, the undersigned, Ryan Green and James Darrell Thomas, in their respective capacities as Vice President and Chief Financial Officer of the Company, and Vice President and Treasurer of the Company, hereby certify that:

(1) There is hereby established a new series of Securities under the Indenture titled Floating Rate Medium-Term Notes due 2019 (the "Notes").

(2) The Notes shall be in substantially the form of Exhibit A hereto.

(3) In addition to the terms provided in, or established pursuant to, the Indenture and the offering memorandum and the pricing supplement, both dated as of March 7, 2017, relating to the Notes (together referred to as the "Offering Memorandum"), the Notes, as authenticated and delivered, shall have the terms set forth in Exhibit A hereto (which terms are incorporated herein by reference and deemed to be set forth herein in full); provided, however, that in the event of a conflict between the provisions of the Notes and the Offering Memorandum, the provisions of the Notes shall prevail.

(4) The Notes shall be registered in the name set forth on Exhibit A hereto and the Notes shall be delivered in the manner specified in the Administrative Procedures attached as Exhibit A to the Company Order delivered as of the date hereof and as described in the Private Placement Agency Agreement dated as of March 1, 2011, among the Company, the Guarantor and the agents party thereto.

(5) The issuance of Notes designated as Floating Rate Medium-Term Notes due 2019, in an initial aggregate principal amount of \$150,000,000, has been approved and authorized in accordance with the provisions of the Indenture pursuant to resolutions adopted by the Board of Directors of the Company by unanimous written consent dated as of February 20, 2017 and by this Officers' Certificate; provided, however, that the Company shall have the right to reopen the series of the Notes and issue additional Securities, which shall be part of the same series as the Notes initially issued (except for the issue date, the public offering price and, in some cases, the first interest payment date).

(6) All covenants and conditions precedent provided for in the Indenture relating to the establishment of the Notes, the terms of the Notes and the authentication and issuance of the Notes have been complied with.

(7) No Event of Default has occurred and is continuing and the execution and delivery of the Indenture will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, the certificate of incorporation or bylaws of the Company, or any order of any court or administrative agency entered in any proceeding to which the Company is a party or by which it is bound or to which it is subject.

Each of the undersigned officers of the Company further states (a) that he has read the applicable provisions of the Indenture, including but not limited to Section 301 thereof, and the definitions relating thereto in each case relating to the issuance, authentication and delivery of the Notes, (b) that the statements made in this certificate are based upon an investigation and examination of the provisions of the Indenture and upon the relevant books and records of the Company, (c) in the opinion of such officer, he has made such examination or investigation as is necessary to enable such officer to express an informed opinion as to whether or not the covenants and conditions set forth in the Indenture relating to the issuance, authentication and delivery of the Notes have been complied with and (d) in the opinion of such officer, such covenants and conditions relating to the issuance, authentication and delivery of the Notes have been complied with.

[Signature page follows]

IN WITNESS WHEREOF, each of the undersigned officers of the Company has affixed his signature this 10th day March, 2017.

/s/ Ryan O. Green

Name: Ryan Green

Title: Vice President and Chief Financial Officer of Harley-Davidson Financial Services, Inc.

/s/ J. Darrell Thomas

Name: J. Darrell Thomas

Title: Vice President and Treasurer  
of Harley-Davidson Financial Services, Inc.

[HDFS Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture – Floating Rate Notes]

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**Exhibit A**

**to**

**Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture**

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**HARLEY-DAVIDSON FINANCIAL SERVICES, INC.  
FLOATING RATE MEDIUM-TERM NOTES DUE 2019**

**Fully and Unconditionally Guaranteed  
by Harley-Davidson Credit Corp.**

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITORY (AS DEFINED IN THE INDENTURE) OR A NOMINEE THEREOF. THIS GLOBAL SECURITY IS EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITORY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE AND, UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN DEFINITIVE FORM, THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY, OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY, OR BY THE DEPOSITORY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) (“DTC”), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND, ACCORDINGLY, NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY OTHER APPLICABLE JURISDICTION. BY ITS ACCEPTANCE HEREOF, THE HOLDER OF THIS SECURITY OR ANY INTEREST OR PARTICIPATION HEREIN (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, AND (2) AGREES TO OFFER, SELL OR OTHERWISE TRANSFER

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SUCH SECURITY, PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE THEREOF WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) ONLY (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHICH NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT, (E) TO AN ACCREDITED INVESTOR WITHIN THE MEANING OF SUBPARAGRAPH (a)(1), (2), (3) OR (7) OF RULE 501 OF REGULATION D UNDER THE SECURITIES ACT THAT IS ACQUIRING THIS SECURITY OR ANY INTEREST OR PARTICIPATION HEREIN FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN ACCREDITED INVESTOR, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY’S AND THE TRUSTEE’S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (i) PURSUANT TO CLAUSES (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (ii) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY BE COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

THE HOLDER OF THIS SECURITY WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE SECURITY EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH ABOVE.

HARLEY-DAVIDSON FINANCIAL SERVICES, INC.  
FLOATING RATE MEDIUM-TERM NOTES DUE 2019

Fully and Unconditionally Guaranteed  
by Harley-Davidson Credit Corp.

No. Principal Amount \$  
CUSIP No. as revised by the Schedule of  
ISIN No. Increases and Decreases in Global

Note attached hereto

Issue Price: 100.000%

Maturity Date: March 8, 2019

Original Issue Date: March 10, 2017

Index Maturity:

Original Issue Discount Note

Total Amount of OID:

Yield to Maturity: %

Initial Accrual Period OID:

Fixed Rate

Interest Rate:

Floating Rate

Interest Rate Basis:

CD Rate

Specified Currency (if other than U.S. dollars): N/A

CMT Rate

CMT Reuters Page FRBCMT:

CMT Reuters Page FEDCMT:

Option To Receive Payments In Specified Currency (non-U.S. dollar denominated Note): N/A

Commercial Paper Rate

Federal Funds Rate

LIBOR

Authorized Denomination: Minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof

\_\_\_ Prime Rate

Place of Payment (if other than as set forth in the Indenture):  
N/A

Treasury Rate

Other

Spread (Plus Or Minus): +35 basis points

Initial Redemption Date:

Initial Redemption Percentage:

Annual Redemption Percentage Reduction:

Repayment Date:

Spread Multiplier: %

Renewable:  Yes  No

Extendible:  Yes  No

Interest Category:

Regular Floating Rate Note

Final Maturity Date:

Floating Rate/Fixed Rate Note

Fixed Rate Commencement Date:

Fixed Interest Rate: %

Inverse Floating Rate Note

Initial Interest Rate: 3-month LIBOR on March 8, 2017 plus 35 basis points

Initial Interest Reset Date: June 8, 2017

Maximum Interest Rate: %

Interest Reset Dates: March 8, June 8, September 8 and December 8

Minimum Interest Rate: %

Interest Payment Dates (in the case of a Floating Rate Note and, in the case of a Fixed Rate Note, other than as set forth below): March 8, June 8, September 8 and December 8

Regular Record Dates (if other than as set forth below): February 21, May 24, August 24 and November 23

Interest Determination Dates (if other than as set forth below): for any interest period, the second London Business Day preceding such interest period, which, in the case of the initial interest period, is March 8, 2017

Additional Amounts applicable for Company:

Yes

No

Additional Amounts applicable for Guarantor:

Yes

No

Addendum Attached

Other Provisions: The optional redemption provisions described below shall not apply to this Note

Yes

No

Authorized Denomination (only if non-U.S. dollar denominated Note):  
N/A

Calculation Agent (if other than the Trustee): N/A

Interest Payment Period: N/A

Harley-Davidson Financial Services, Inc., a corporation duly organized under the laws of the State of Delaware (herein called the "Company," which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the Principal Amount specified above, as revised by the Schedule of Increases and Decreases in Global Note attached hereto, on the Maturity Date specified above and to pay to the registered holder of this Note (the "Holder") interest on said Principal Amount at a rate per annum specified above and upon the terms provided below under either the heading "Provisions Applicable to Fixed Rate Notes Only" or "Provisions Applicable to Floating Rate Notes Only."

This Note is one of the Company's duly authorized issue of notes in the series titled Floating Rate Medium-Term Notes due 2019 (herein referred to as the "Notes"), all issued or to be issued under an indenture, dated as of March 4, 2011 (as may be supplemented from time to time, the "Indenture"), among the Company, Harley-Davidson Credit Corp. (the "Guarantor") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Trustee, the Company, the Guarantor and the Holders of the Notes and of the terms upon which the Notes are, and are to be, authenticated and delivered. The Notes of this series are limited (except as otherwise provided in the Indenture) to the aggregate principal amount established from time to time by the Company Board of Directors. The Notes of this series may be issued at various times with different maturity dates and different principal repayment provisions, may bear interest at different rates and may otherwise vary, all as provided in the Indenture. The Notes of this series may be subject to redemption upon notice and in accordance with the provisions of this Note and the Indenture. The Company and the Guarantor may defease the Notes of this series in accordance with the provisions of the Indenture.

To secure the due and punctual payment of principal, any premium, any interest and Additional Amounts (as defined in the Indenture) on this Note by the Company under the Indenture, when and as the same shall become due and payable, whether at the Maturity Date, by

declaration of acceleration, call for redemption or otherwise, the Guarantor has unconditionally guaranteed this Note pursuant to the terms of the Guarantee endorsed hereon and in Section 1401 of the Indenture (the "Guarantee").

As used herein, the term "Business Day" means any Monday, Tuesday, Wednesday, Thursday or Friday which is not a day when banking institutions in the Place of Payment are authorized or obligated by law or executive order to be closed that is also a London Business Day (as defined below).

"London Business Day" means any day on which dealings in United States dollars are transacted in the London interbank market.

**Provisions Applicable To Fixed Rate Notes Only:**

If the "Fixed Rate" line above is checked, unless otherwise specified above, the Company will pay interest semiannually on June 15 and December 15 of each year (each such date fixed for the payment of interest, an "Interest Payment Date") commencing on December 15, 2017, and ending on the Maturity Date or upon earlier redemption or repayment to the person to whom principal is payable. Interest shall accrue from the Original Issue Date, or from the most recent Interest Payment Date to which interest has been paid or duly provided for on this Note to, but excluding, the next following Interest Payment Date, Maturity Date, or earlier date of redemption or repayment, as the case may be. Interest on Fixed Rate Notes will be computed by the Company on the basis of a 360-day year consisting of twelve 30-day months.

If any Interest Payment Date or the Maturity Date (or the date of earlier redemption or repayment) of this Fixed Rate Note falls on a day that is not a Business Day, the payment will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amount so payable for the period from and after such Interest Payment Date or the Maturity Date (or the date of earlier redemption or repayment), as the case may be.

**Provisions Applicable To Floating Rate Notes Only:**

If the "Floating Rate" line above is checked, the Company will pay interest on the Interest Payment Dates shown specified above at the Initial Interest Rate specified above until the first Interest Reset Date specified above following the Original Issue Date specified above and thereafter at a rate determined in accordance with the provisions hereinafter set forth under the headings "Determination of CD Rate," "Determination of CMT Rate," "Determination of Commercial Paper Rate," "Determination of Federal Funds Rate," "Determination of LIBOR," "Determination of Prime Rate" or "Determination of Treasury Rate," depending on whether the Interest Rate Basis is the CD Rate, the CMT Rate, the Commercial Paper Rate, the Federal Funds Rate, LIBOR, the Prime Rate, the Treasury Rate or other Interest Rate Basis.

An interest payment shall be the amount of interest accrued from and including the Original Issue Date, or from and including the last Interest Payment Date to which interest has been paid, to, but excluding, the next following Interest Payment Date, Maturity Date, or date of earlier redemption or repayment, as the case may be (an "Interest Period"). Notwithstanding any

provision herein to the contrary, (a) the interest rate hereon shall not be greater than the Maximum Interest Rate, if any, or less than the Minimum Interest Rate, if any, specified above, and (b) the interest rate will in no event be higher than the maximum rate permitted by New York law as the same may be modified by United States laws of general application. The Calculation Agent will, upon the request of any Holder, provide the interest rate then in effect. All calculations made by the Calculation Agent in the absence of manifest error will be conclusive for all purposes and binding on the Company and the Holders.

If any Interest Payment Date for any Floating Rate Note, other than an Interest Payment Date at maturity, would fall on a day that is not a Business Day, such Interest Payment Date will be the following day that is a Business Day, and interest will continue to accrue to the following Business Day, except that if LIBOR is the applicable Interest Rate Basis, if such Business Day is in the next succeeding calendar month, such Interest Payment Date will be the immediately preceding day that is a Business Day. If the Maturity Date (or date of earlier redemption or repayment) of any Floating Rate Note would fall on a day that is not a Business Day, the payment of interest and principal (and premium, if any) may be made on the next succeeding Business Day, and no interest on such payment will accrue for the period from and after the Maturity Date (or the date of earlier redemption or repayment).

Commencing with the first Interest Reset Date specified above following the Original Issue Date, the rate at which interest on this Note is payable shall be adjusted daily, weekly, monthly, quarterly, semi-annually or annually as specified above under "Interest Reset Dates."

The interest rate borne by this Note will be determined as follows:

(i) Unless the Interest Category of this Note is specified above as a "Floating Rate/Fixed Rate Note" or an "Inverse Floating Rate Note" or in the event either "Other Provisions" or an Addendum hereto applies, in each case, relating to a different interest rate formula, this Note shall be designated as a "Regular Floating Rate Note" and, except as set forth below or specified above under "Other Provisions" or in an Addendum hereto, shall bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the applicable Spread Multiplier, if any; in each case as specified above. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note shall be payable shall be reset as of each Interest Reset Date specified above; *provided, however*, that the interest rate in effect for the period, if any, from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate.

(ii) If the Interest Category of this Note is specified above as a "Floating Rate/Fixed Rate Note" then, except as set forth below or specified above under "Other Provisions" or in an Addendum hereto, this Note shall bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the Spread Multiplier, if any, in each case as specified above. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note shall be payable shall be reset as of each Interest Reset Date; *provided, however*, that (y) the interest rate in effect for the period, if any, from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate and (z) the interest rate in effect for the period commencing on, and including, the

Fixed Rate Commencement Date specified above to the Maturity Date (or date of earlier redemption or repayment) shall be the Fixed Interest Rate specified above or, if no Fixed Interest Rate is so specified, the interest rate in effect on the day immediately preceding the Fixed Rate Commencement Date.

(iii) If the Interest Category of this Note is specified above as an “Inverse Floating Rate Note” then, except as set forth below or specified above under “Other Provisions” or in an Addendum hereto, this Note shall bear interest at (a) the Fixed Interest Rate specified above minus (b) the rate determined by reference to the applicable Interest Rate Basis or Bases:

(x) plus or minus the applicable Spread, if any, and/or

(y) multiplied by the applicable Spread Multiplier, if any, in each case as specified above;

*provided, however*, that, unless otherwise specified above under “Other Provisions” or in an Addendum hereto, the interest rate hereon shall not be less than zero. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note shall be payable shall be reset on each Interest Reset Date; *provided, however*, that the interest rate in effect for the period, if any, from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate set forth above.

The “Spread” is the number of basis points (one basis point equals one-hundredth of a percentage point) specified above to be added to or subtracted from the Interest Rate Basis for a Floating Rate Note, and the “Spread Multiplier” is the percentage specified above by which the Interest Rate Basis for such Floating Rate Note will be multiplied. Both a Spread and/or a Spread Multiplier may be applicable to the Interest Rate Basis for a particular Floating Rate Note, as set forth above.

Each such adjusted Interest Rate Basis shall be applicable on and after the Interest Reset Date to which it relates but not including the next succeeding Interest Reset Date. If any Interest Reset Date is a day that is not a Business Day, such Interest Reset Date shall be postponed to the next day that is a Business Day, except that if the rate of interest on this Note shall be determined by reference to LIBOR and such Business Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Business Day. In addition, if the Treasury Rate is the applicable Interest Rate Basis and the Interest Determination Date would otherwise fall on an Interest Reset Date, then the Interest Reset Date will be postponed to the next succeeding Business Day. Subject to applicable provisions of law (including usury laws) and except as specified in this Note, on each Interest Reset Date, the rate of interest on this Note shall be the rate determined in accordance with the provisions of the applicable heading below.

With respect to a Floating Rate Note, accrued interest shall be calculated by multiplying the principal amount thereof by an accrued interest factor. Such accrued interest factor will be computed by adding the interest factors calculated for each day in the Interest Period or from the last date from which accrued interest is being calculated. The interest factor for each such day is computed by dividing the interest rate applicable to such day by 360, in the cases of CD Rate

Notes, Commercial Paper Rate Notes, Federal Funds Rate Notes, LIBOR Notes and Prime Rate Notes or by the actual number of days in the year, in the cases of CMT Rate Notes and Treasury Rate Notes. The interest rate applicable to any day that is an Interest Reset Date will be the interest rate effective on such Interest Reset Date. The interest rate applicable to any other day will be the interest rate for the immediately preceding Interest Reset Date (or, if none, the Initial Interest Rate, as specified above).

The “Calculation Date,” where applicable, pertaining to an Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest Determination Date or, if any such day is not a Business Day, the next succeeding Business Day or (ii) the Business Day preceding the applicable Interest Payment Date or the Maturity Date (or the date of earlier redemption or repayment), as the case may be.

For Floating Rate Notes, The Bank of New York Mellon Trust Company, N.A. shall be the calculation agent unless another calculation agent is specified above (the “Calculation Agent”). The interest rate applicable to each interest period will be determined by the Calculation Agent on or prior to the applicable Calculation Date. At the request of the Holder, the Calculation Agent will provide the interest rate then in effect and, if determined, the interest rate which will become effective on the next Interest Reset Date.

All percentages resulting from any calculation of the rate of interest on a Floating Rate Note will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (e.g., 8.986865% (or 0.08986865) being rounded to 8.98687% (or 0.0898687)) and all dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one-half cent being rounded upwards).

**Determination of CD Rate.** If the Interest Rate Basis, as specified above, is, or is calculated by reference to, the CD Rate, unless otherwise specified above, the “CD Rate” for each Interest Reset Date will be determined by the Calculation Agent as of the second Business Day prior to such Interest Reset Date (a “CD Interest Determination Date”) and shall be the rate on the applicable CD Interest Determination Date for negotiable United States dollar certificates of deposit having the Index Maturity specified above as published in H.15(519) (as defined below) on such CD Interest Determination Date under the heading “CDs (secondary market).” If the rate referred to in the preceding sentence is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date, the CD Rate shall be the rate on the applicable CD Interest Determination Date for negotiable United States dollar certificates of deposit of the Index Maturity specified above as published in H.15 Daily Update (as defined below), or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “CDs (secondary market).” If the rate referred to in the preceding sentence is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date, the CD Rate shall be the rate on the applicable CD Interest Determination Date calculated by the Calculation Agent on the Notes as the arithmetic mean of the secondary market offered rates as of 10:00 a.m., New York City time, on the applicable CD Interest Determination Date, of three leading non-bank dealers in negotiable United States dollar certificates of deposit in the City of New

York (which may include an agent or its affiliates) selected by the Company for negotiable United States dollar certificates of deposit of major United States money market banks with a remaining maturity closest to the Index Maturity specified above in an amount that is representative for a single transaction in that market at that time. If the dealers selected by the Company as provided in the preceding sentence are not quoting as mentioned in such sentence, the CD Rate shall be the CD Rate in effect on the applicable CD Interest Determination Date.

“H.15(519)” means the weekly statistical release designated as H.15(519), or any successor publication, published by the Board of Governors of the Federal Reserve System.

“H.15 Daily Update” means the daily update of H.15(519), available through the world-wide-web site of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/h15/update>, or any successor site or publication.

**Determination of CMT Rate.** If the Interest Rate Basis, as specified above, is, or is calculated by reference to, the CMT Rate, unless otherwise specified above, the “CMT Rate” for each Interest Reset Date will be determined by the Calculation Agent as of the second Business Day prior to such Interest Reset Date (a “CMT Interest Determination Date”) and shall be, if “CMT Reuters Page FRBCMT” is specified above, the percentage equal to the yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, as the yield is displayed on Reuters, Inc. (or any successor or similar service), on page FRBCMT (or any other page as may replace the specified page on that service under the caption “Treasury Constant Maturities”) (“Reuters Page FRBCMT”). If the rate referred to in the preceding sentence does not appear on Reuters Page FRBCMT, the CMT Rate for such CMT Interest Determination Date will be a percentage equal to the yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, and for the applicable CMT Interest Determination Date as published in H.15(519) under the caption “Treasury Constant Maturities.” In the event the rate referred to in the preceding sentence does not appear in H.15(519), then the CMT Rate for such CMT Interest Determination Date will be the rate on the applicable CMT Interest Determination Date for the period of the Index Maturity specified above, as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate which would otherwise have been published in H.15(519). In the event the rate referred to in the preceding sentence is not published, the CMT Rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 p.m., New York City time, on the applicable CMT Interest Determination Date of three leading primary United States government securities dealers in the City of New York, which may include an agent of the Company or such agent’s affiliates (each a “Reference Dealer”), selected by the Company (from five Reference Dealers selected by the Company and eliminating the highest quotation (or, in the event of equality, one of the highest), and the lowest quotation (or, in the event of equality, one of the lowest)), for United States Treasury securities with an original maturity equal to the Index Maturity specified above, a remaining term to maturity no more than one year shorter than the Index Maturity specified above and in a principal amount that is representative for a single transaction in the securities in the market at that time. If fewer than

five but more than two of the prices referred to in the above sentence are provided as requested, the CMT Rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of the quotations shall be eliminated; *provided, however*, that if fewer than three prices referred to above are provided as requested, the CMT Rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m., New York City time, on the applicable CMT Interest Determination Date of three Reference Dealers selected by the Company from five Reference Dealers selected by the Company and eliminating the highest quotation or, in the event of equality, one of the highest and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity greater than the Index Maturity specified above, and a remaining term to maturity closest to the Index Maturity specified above, and in a principal amount that is representative for a single transaction in the securities in the market at that time. However, if fewer than five but more than two prices referred to above are provided as requested, the CMT Rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of the quotations will be eliminated. If fewer than three prices referred to above are provided as requested, the CMT Rate on the applicable CMT Interest Determination Date will be the CMT Rate in effect on the applicable CMT Interest Determination Date. If the CMT Reuters Page FEDCMT is specified above, the CMT Rate for such CMT Interest Determination Date will be a percentage equal to the one-week or one-month, as specified above, and will be the average yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, as the yield is displayed on Reuters, Inc. (or any successor service) on page FEDCMT (or any other page as may replace that specified page on that service) (“Reuters Page FEDCMT”), for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which the related CMT Interest Determination Date falls. If the rate referred to in the preceding sentence does not appear on Reuters Page FEDCMT, then the CMT Rate for such CMT Interest Determination Date will be a percentage equal to the one-week or one-month, as specified above, average yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, and for the week or month, as applicable, preceding the applicable CMT Interest Determination Date as published in H.15(519) opposite the caption “Treasury Constant Maturities.” If the rate referred to in the preceding sentence does not appear in H.15(519), then the CMT Rate for such CMT Interest Determination Date will be the one-week or one-month, as specified above, average yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, as otherwise announced by the Federal Reserve Bank of New York for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which the related CMT Interest Determination Date falls. If the Federal Reserve Bank of New York does not publish the rate referred to above, the rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 p.m., New York City time, on the applicable CMT Interest Determination Date of three Reference Dealers selected by the Company (from five Reference Dealers selected by the Company and eliminating the highest quotation (or, in the event of equality, one of the highest), and the lowest quotation (or, in the event of equality, one of

the lowest)), for United States Treasury securities with an original maturity equal to the Index Maturity specified above, and a remaining term to maturity no more than one year shorter than the Index Maturity specified above, and in a principal amount that is representative for a single transaction in the securities in the market at that time. If fewer than five but more than two of the prices referred to above are provided as requested, the rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of the quotations shall be eliminated. If fewer than three prices referred to above are provided as requested, the rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m., New York City time, on the applicable CMT Interest Determination Date of three Reference Dealers selected by the Company (from five Reference Dealers selected by the Company and eliminating the highest quotation or (in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for United States Treasury securities with an original maturity greater than the Index Maturity specified above, and a remaining term to maturity closest to the Index Maturity specified above and will be in a principal amount that is representative for a single transaction in the securities in the market at that time. If fewer than five but more than two prices referred to above are provided as requested, the rate will be calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of the quotations will be eliminated, or if fewer than three prices referred to above are provided as requested, the CMT Rate will be the CMT Rate in effect on the applicable CMT Interest Determination Date. If two United States Treasury securities with an original maturity greater than the Index Maturity as specified above have remaining terms to maturity equally close to the Index Maturity specified above, the quotes for the United States Treasury security with the shorter original remaining term to maturity will be used.

**Determination of Commercial Paper Rate.** If the Interest Rate Basis, as specified above, is, or is calculated by reference to, the Commercial Paper Rate, unless otherwise specified above, the “Commercial Paper Rate” for each Interest Reset Date will be determined by the Calculation Agent as of the second Business Day prior to such Interest Reset Date (a “Commercial Paper Interest Determination Date”) and shall be the Money Market Yield (as defined below) on such date of the rate for commercial paper having the Index Maturity as indicated above, as such rate shall be published in H.15(519) under the caption “Commercial Paper-Nonfinancial.” In the event that such rate is not published prior to 3:00 p.m., New York City time, on the applicable Calculation Date, then the Commercial Paper Rate shall be calculated by the Calculation Agent as the Money Market Yield of the Commercial Paper Rate on the applicable Commercial Paper Interest Determination Date for commercial paper having the Index Maturity specified above, published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “Commercial Paper-Nonfinancial.” If by 3:00 p.m., New York City time, on the applicable Calculation Date, such rate is not yet published as provided in the preceding sentence, then the Commercial Paper Rate on the applicable Commercial Paper Interest Determination Date shall be calculated by the Calculation Agent as the Money Market Yield of the arithmetic mean of the offered rates at approximately 11:00 a.m., New York City time, on the applicable Commercial

Paper Interest Determination Date of three leading dealers of United States dollar commercial paper in the City of New York, which may include an agent of the Company or such agent's affiliates, selected by the Calculation Agent for commercial paper having the Index Maturity specified above, placed for industrial issuers whose bond rating is "Aa," or the equivalent, from a nationally recognized statistical rating organization; *provided, however*, that if the dealers selected as aforesaid by the Company are not quoting offered rates as mentioned in this sentence, the Commercial Paper Rate will be the Commercial Paper Rate in effect on the applicable Commercial Paper Interest Determination Date.

"Money Market Yield" shall be a yield calculated in accordance with the following formula and expressed as a percentage:

$$\text{Money market yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal; and "M" refers to the actual number of days in the interest period for which interest is being calculated.

**Determination of Federal Funds Rate.** If the Interest Rate Basis, as specified above, is, or is calculated by reference to the Federal Funds Rate, unless otherwise specified above, the "Federal Funds Rate" with respect to each Interest Reset Date will be determined by the Calculation Agent as of the first Business Day prior to such Interest Reset Date (a "Federal Funds Interest Determination Date") and shall be the rate on that date for United States dollar Federal Funds as published in H.15(519) under the heading "Federal Funds (Effective)," as displayed on Reuters, Inc. (or any successor service) on page FEDFUND01 (or any other page as may replace the applicable page on that service) ("Reuters Page FEDFUND01") or, if such rate does not appear on Reuters Page FEDFUND01, or is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date, the rate on the applicable Federal Funds Interest Determination Date for United States dollar Federal Funds will be the rate on such Federal Funds Interest Determination Date as published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption "Federal Funds (Effective)." If such rate is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date, the Federal Funds Rate will be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight United States dollar Federal Funds arranged by three leading brokers of United States dollar Federal Funds transactions in the City of New York, which may include an agent of the Company or such agent's affiliates, selected by the Company before 9:00 a.m., New York City time, on the applicable Federal Funds Interest Determination Date; *provided, however*, that if the brokers selected as aforesaid by the Company are not quoting as mentioned in this sentence, the Federal Funds Rate will be the Federal Funds Rate in effect on the applicable Federal Funds Interest Determination Date.

**Determination of LIBOR.** If the Interest Rate Basis, as specified above, is, or is calculated by reference to, LIBOR, unless otherwise specified above, "LIBOR" for each Interest Reset Date will be determined by the Calculation Agent as of the second London Business Day

prior to such Interest Reset Date (a “LIBOR Interest Determination Date”) and shall be the rate for deposits in United States dollars having a maturity of three months commencing on the first day of the applicable interest period that appears on Reuters Screen LIBOR01 Page as of 11:00 a.m., London time, on that Interest Determination Date. If no rate appears, then LIBOR, in respect of that Interest Determination Date, will be determined in accordance with the provisions described below. With respect to an Interest Determination Date on which no rate appears on Reuters Screen LIBOR01 Page, as specified above, the Company will request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Company, to provide the Calculation Agent with its offered quotation for deposits in United States dollars for the period of three months, commencing on the first day of the applicable interest period, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on that Interest Determination Date and in a principal amount that is representative for a single transaction in United States dollars in that market at that time. If at least two quotations are provided, then LIBOR on that Interest Determination Date will be the arithmetic mean of those quotations. If fewer than two quotations are provided, then LIBOR on the Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., New York City time, on the Interest Determination Date by three major banks in New York City selected by the Company for loans in United States dollars to leading European banks, having a three-month maturity and in a principal amount that is representative for a single transaction in United States dollars in that market at that time; provided that if the banks selected by the Company are not providing quotations in the manner described by this sentence, LIBOR will be the same as the rate determined for the immediately preceding Interest Reset Date or if there is no immediately preceding Interest Reset Date, LIBOR will be the same as the rate determined for the initial Interest Period.

“Reuters LIBOR01” means the display designated on page “LIBOR01” on Reuters (or such other page as may replace the LIBOR01 page on that service or any successor or similar service for the purpose of displaying London interbank offered rates for U.S. dollar deposits of major banks).

**Determination of Prime Rate.** If the Interest Rate Basis, as specified above, is, or is calculated by reference to, the Prime Rate, unless otherwise specified above, the “Prime Rate” with respect to each Interest Reset Date will be determined by the Calculation Agent as of the first Business Day prior to such Interest Reset Date (a “Prime Interest Determination Date”) and shall be the rate set forth on such date as published in H.15(519) under the caption “Bank Prime Loan,” or if not so published prior to 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Prime Interest Determination Date, then the Prime Rate. will be as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying the applicable rate under the caption “Bank Prime Loan,” or if not so published prior to 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Prime Interest Determination Date, then the Prime Rate will be determined by the Calculation Agent as the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen US PRIME 1 Page (as defined below) as the particular bank’s prime rate or base lending rate as of 11:00 a.m., New York City time, on the applicable Prime Interest Determination Date. If fewer than four such rates are so published by 3:00 p.m.,

New York City time, on the applicable Calculation Date as shown on the Reuters Screen US PRIME 1 Page for the Prime Interest Determination Date, the Prime Rate will be determined by the Calculation Agent as the arithmetic mean of the prime rates or base lending rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on the applicable Prime Interest Determination Date by three major banks, which may include an agent of the Company or such agent's affiliates, in the City of New York selected by the Company. However, if the banks selected by the Company are not quoting as mentioned in the preceding sentence, the Prime Rate will be the Prime Rate in effect on the applicable Prime Interest Determination Date.

“Reuters Screen US PRIME 1 Page” means the display on the Reuter Money 3000 Service or any successor service on the “US PRIME 1 Page” or other page as may replace US PRIME 1 Page on that service for the purpose of displaying prime rates or base lending rates of major United States banks).

**Determination of Treasury Rate.** If the Interest Rate Basis, as specified above, is, or is calculated by reference to the Treasury Rate, unless otherwise specified above, the “Treasury Rate” for each Interest Reset Date will be the rate from the auction held on the applicable Interest Determination Date (the “Auction”) of direct obligations of the United States (“Treasury Bills”) having the Index Maturity, as specified above, as published under the caption “INVESTMENT RATE” on the display on Reuters, Inc. or any successor or similar service on page USAUCTION 10 or any other page as may replace page USAUCTION 10 on that service (“Reuters Page USAUCTION 10”) or page USAUCTION 11 on that service (“Reuters Page USAUCTION 11”), or, if the rate is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Treasury Rate Determination Date (as defined below), the Bond Equivalent Yield of the rate for the applicable Treasury Bills as published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “U.S. Government Securities/Treasury Bills/Auction High,” or, if the rate is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Treasury Rate Determination Date, the Bond Equivalent Yield of the auction rate of the applicable Treasury Bills announced by the United States Department of the Treasury, or, if the rate is not announced by the United States Department of the Treasury, or if the Auction is not held, the Bond Equivalent Yield of the rate on the applicable Treasury Rate Determination Date of Treasury Bills having the Index Maturity specified above, published in H.15(519) under the caption “U.S. Government Securities/Treasury Bills/Secondary Market,” or, if the rate is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Treasury Rate Determination Date, the rate on the applicable Treasury Rate Determination Date of the applicable Treasury Bills as published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “U.S. Government Securities/Treasury Bills/Secondary Market.” In the event that the results of the auction of Treasury Bills having the applicable Index Maturity specified above are not published or reported, as provided above, by 3:00 p.m., New York City time, on the applicable Calculation Date or if no such auction is held on such Treasury Rate Determination Date, then the Treasury Rate on the applicable Treasury Rate Determination Date shall be calculated by the Calculation Agent and shall be the Bond Equivalent Yield of the arithmetic

mean of the secondary market bid rates, as of approximately 3:30 p.m., New York City time, on the applicable Treasury Rate Determination Date, of three primary United States government securities dealers, which may include the agent or its affiliates, selected by the Company, for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity specified above; *provided, however*, that if the dealers selected as aforesaid by the Company are not quoting as mentioned in this sentence, the Treasury Rate will be the Treasury Rate in effect on the applicable Treasury Rate Determination Date.

The “Treasury Rate Determination Date” for any Interest Reset Date will be the day of the week in which such Interest Reset Date falls on which Treasury Bills would normally be auctioned. Treasury Bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except such auction may be held on the preceding Friday. If, as the result of a legal holiday, an auction is so held on the preceding Friday, such Friday will be the Treasury Rate Determination Date pertaining to the Interest Reset Date occurring in the next succeeding week.

“Bond Equivalent Yield” means a yield calculated in accordance with the following formula and expressed as a percentage:

$$\text{Bond Equivalent Yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where “D” refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis and expressed as a decimal; “N” refers to 365 or 366, as the case may be, and “M” refers to the actual number of days in the interest period for which interest is being calculated.

#### **Provisions Applicable To Both Fixed Rate Notes And Floating Rate Notes:**

The interest so payable on any Interest Payment Date will, subject to certain exceptions in the Indenture hereinafter referred to, be paid to the person in whose name this Note is registered at the close of business on the Regular Record Date (as defined below) immediately preceding such Interest Payment Date or, if the Interest Payment Date is the Maturity Date or the date of earlier redemption or repayment, to the person in whose name this Note is registered at the close of business on the Maturity Date or such earlier date of redemption or repayment; *provided, however*, that if the Original Issue Date is between a Regular Record Date and an Interest Payment Date or on an Interest Payment Date, interest for the period from and including the Original Issue Date to, but excluding, the Interest Payment Date relating to such Regular Record Date shall be paid on the next succeeding Interest Payment Date to the person in whose name this Note is registered on the close of business on the Regular Record Date preceding such Interest Payment Date. If this Note bears interest at a Fixed Rate, as specified above, unless otherwise specified above, the “Regular Record Date” with respect to any Interest Payment Date shall be the first day of June and December, preceding such Interest Payment Date, whether or not such date shall be a Business Day. If this Note bears interest at a Floating Rate, as specified above, the “Regular Record Date” with respect to any Interest Payment Date shall be the

fifteenth calendar day next preceding such Interest Payment Date, whether or not such date shall be a Business Day.

Payment of principal, premium, if any, and interest in respect of this Note due on the Maturity Date or any earlier redemption or repayment date will be made in immediately available funds upon presentation and surrender of this Note; *provided, however*, that if a Specified Currency is specified above and such payment is to be made in such Specified Currency in accordance with the provisions set forth below, such payment will be made by wire transfer of immediately available funds to an account with a bank designated by the Holder hereof at least 15 calendar days prior to the Maturity Date or such earlier redemption or repayment date, as the case may be, provided that such bank has appropriate facilities therefor and that this Note is presented and surrendered at the Place of Payment specified above in time for the Trustee to make such payment in such funds in accordance with its normal procedures. Payment of interest due on any Interest Payment Date, other than the Maturity Date or any earlier redemption or repayment date, will be made at the Place of Payment specified above.

Whenever in this Note or in the Indenture there is a reference, in any context, to the payment of the principal of, or interest, if any, on, or in respect of, the Notes, such payment shall be deemed to include the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect of such payment pursuant to the provisions hereof or thereof and express mention of the payment of Additional Amounts (if applicable) in any provision hereof or thereof shall not be construed as excluding Additional Amounts in those provisions hereof where such express mention is not made.

The Company is obligated to make payment of principal, premium, if any, and interest in respect of this Note in United States dollars or, if a Specified Currency is indicated above, in such Specified Currency (or, if such Specified Currency is not at the time of such payment legal tender for the payment of public and private debts of the country issuing such currency or, in the case of the Euro, in the member states of the European Union that have adopted the single currency in accordance with the Treaty Establishing the European Community, as amended by the Treaty on European Union, such other currency which is then such legal tender in such country or in the adopting member states of the European Union, as the case may be). If a Specified Currency is specified above, except as otherwise provided below, any such amounts so payable by the Company will be converted by a New York clearing house bank designated by the Company (the “Exchange Rate Agent”) into United States dollars for payment to the Holder of this Note.

If a Specified Currency is specified above, the Holder of this Note may elect to receive any amount payable hereunder in such Specified Currency. If the Holder of this Note shall not have duly made an election to receive all or a specified portion of any payment of principal, premium, if any, and/or interest in respect of this Note in such Specified Currency, any United States dollar amount to be received by the Holder of this Note will be based on the highest bid quotation in the City of New York received by the Exchange Rate Agent at approximately 11:00 a.m., New York City time, on the second Business Day preceding the applicable payment date from three recognized foreign exchange dealers (one of whom may be the Exchange Rate Agent)

selected by the Exchange Rate Agent and approved by the Company for the purchase by the quoting dealer of the Specified Currency for United States dollars for settlement on such payment date in the aggregate amount of the Specified Currency payable to all Holders of Notes scheduled to receive United States dollar payments and at which the applicable dealer commits to execute a contract. All currency exchange costs will be borne by the Holder of this Note by deductions from such payments. If three such bid quotations are not available, payments on this Note will be made in the Specified Currency.

If a Specified Currency is specified above, the Holder of this Note may elect to receive all or a specified portion of any payment of principal, premium, if any, and/or interest in respect of this Note in such Specified Currency by submitting a written request for such payment to the Trustee at the Place of Payment on or prior to the applicable Record Date or at least 15 calendar days prior to the Maturity Date (or any earlier redemption or repayment date), as the case may be. Such written request may be mailed or hand delivered or sent by facsimile transmission. The Holder of this Note may elect to receive all or a specified portion of all future payments in the Specified Currency in respect of such principal, premium, if any, and/or interest and need not file a separate election for each payment. Such election will remain in effect until revoked by written notice to the Trustee, but written notice of any such revocation must be received by the Trustee on or prior to the applicable Record Date or at least 15 calendar days prior to the Maturity Date (or any earlier redemption or repayment date), as the case may be.

If a Specified Currency is specified above and the Holder of this Note shall have duly made an election to receive all or a specified portion of any payment of principal, premium, if any, and/or interest in respect of this Note in such Specified Currency, but such Specified Currency is not available for such payment due to the imposition of exchange controls or other circumstances beyond the control of the Company, the Company will be entitled to satisfy its obligations to the Holder of this Note by making such payment in United States dollars on the basis of the Market Exchange Rate (as defined below) determined by the Exchange Rate Agent on the second Business Day prior to such payment date or, if such Market Exchange Rate is not then available, on the basis of the most recently available Market Exchange Rate on or before the date on which such payment is due. The “Market Exchange Rate” for the Specified Currency means the noon dollar buying rate in the City of New York for cable transfers of the Specified Currency as certified for customs purposes (or, if not so certified, as otherwise determined) by the Federal Reserve Bank of New York. Any payment made in United States dollars under such circumstances shall not constitute an Event of Default (as defined in the Indenture).

All determinations referred to above made by the Exchange Rate Agent shall be at its sole discretion and shall, in the absence of manifest error, be conclusive for all purposes and binding on the Holder of this Note.

In case an Event of Default (as defined in the Indenture) with respect to Notes of this series shall occur and be continuing, the principal amount (or, if the Note is an Original Issue Discount Note, such lesser portion of the principal amount as may be applicable) of the Notes of this series may be declared due and payable, and, with respect to certain Events of Default, shall automatically become due and payable, in each case in the manner and with the effect provided

in the Indenture. If this Note is an Original Issue Discount Note, in the event of an acceleration of the Maturity Date hereof, the amount payable to the Holder of this Note upon such acceleration will be determined by this Note but will be an amount less than the amount payable at the Maturity Date of this Note.

The Indenture permits, with certain exceptions as therein provided, the modification of the rights and obligations of the Company and the Guarantor and the rights of the Holders of the Securities (as defined in the Indenture) of each series to be affected by such modification under the Indenture at any time by the Company and the Guarantor with the consent of the holders of not less than a majority in aggregate principal amount of the Outstanding Securities (as defined in the Indenture) of each series to be affected by such modification. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Outstanding Securities of each series, on behalf of the Holders of all Securities of such series, to waive compliance by the Company and the Guarantor with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences.

This Note is issuable only in registered form without coupons in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof or other Authorized Denomination specified above.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note may be registered in the Security Register of this series upon surrender of this Note for registration of transfer at the Place of Payment specified above, duly endorsed by or accompanied by, a written instrument of transfer in form satisfactory to the Company and the Trustee, duly executed by the Holder hereof or his attorney duly authorized in writing, and thereupon a new Note or Notes of this series of Authorized Denomination and for the same aggregate principal amount, with the Guarantee endorsed thereon, will be issued to the designated transferee or transferees.

No service charge shall be made for any such registration of transfer, exchange or redemption of the Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Trustee, and any agent of the Company or the Trustee may treat the person in whose name this Note is registered in the Security Register as the owner of this Note for all purposes (other than for the determination of any Additional Amounts payable) and neither the Company nor the Trustee nor any such agent shall be affected by any notice to the contrary.

If so specified above, this Note will be redeemable at the Company's option on the date or dates specified prior to the Maturity Date at a price or prices, each as specified above, together with accrued interest to the date of redemption. This Note will not be subject to any sinking fund. If so redeemable, the Company may redeem this Note either in whole or from time to time in part, upon not less than 30, nor more than 60, days' notice before the date of redemption. If less than all of the Notes with like tenor and terms are to be redeemed, the Notes to be redeemed shall be selected by the Trustee by such method as the Trustee shall deem fair and appropriate.

This Note will be subject to redemption at the option of the Company, in whole or in part at any time prior to the Maturity Date, at a redemption price equal to the greater of (i) 100% of the principal amount of this Note to be redeemed, and (ii) as determined by the Quotation Agent (as defined below), the sum of the present values of the remaining scheduled payments of principal and interest on this Note to be redeemed (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus 15 basis points, plus accrued interest on the principal amount redeemed to, but not including, the date of redemption.

If any redemption date falls on a day that is not a Business Day, the related payment of the redemption price and interest will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next Business Day.

“Comparable Treasury Issue” means the U.S. Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

“Comparable Treasury Price” means, with respect to any redemption date, (i) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if fewer than five such Reference Treasury Dealer Quotations are obtained by the Quotation Agent, the average of all such quotations.

“Quotation Agent” means the Reference Treasury Dealer appointed by the Company.

“Reference Treasury Dealer” means (i) (1) each of Barclays Capital Inc., Citigroup Global Markets Inc. and Goldman, Sachs & Co. (and their respective successors) and (2) two other nationally recognized investment banking firms that are Primary Treasury Dealers specified from time to time by the Company; *provided, however*, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a “Primary Treasury Dealer”), the Company shall substitute therefor another Primary Treasury Dealer; and (ii) any other Primary Treasury Dealer selected by the Company.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

“Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield-to-maturity of the Comparable Treasury Issue, assuming a price for

the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Notice of any redemption will be delivered at least 30 days but not more than 60 days before the redemption date to the Holder hereof at its address as such address shall appear in the Security Register of the Company, except that redemption notices may be provided more than 60 days prior to the redemption date if the notice is issued in connection with the defeasance or discharge of the Notes and/or the Indenture. Unless the Company defaults in the payment of the redemption price on and after the redemption date, interest will cease to accrue on the principal amount of this Note called for redemption. Notwithstanding anything to the contrary in the foregoing, notice of any redemption to the Holder hereof may, in the Company's discretion, be subject to one or more conditions precedent, including completion of a corporate transaction. In such event, the related notice of redemption will describe each such condition and, if applicable, will state that, in the Company's discretion, the date of redemption may be delayed until such time as any or all such conditions shall be satisfied or waived, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied or waived by the date of redemption, or by the date of redemption as so delayed.

Subject to Section 403 of the Indenture, if an HDI Change of Control Triggering Event (as defined below) occurs, unless the Company has exercised its option to redeem this Note as described above, the Company will be required to make an offer (the "Change of Control Offer") to each Holder of the Notes to repurchase all or any part (equal to \$2,000 or an integral multiple of \$1,000 in excess thereof) of such Holder's Notes on the terms set forth herein. In the Change of Control Offer, the Company will be required to offer payment in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest, if any, on the Notes repurchased to the date of repurchase (the "Change of Control Payment").

Subject to Section 403 of the Indenture, within 30 days following any HDI Change of Control Triggering Event or, at the Company's option, prior to any HDI Change of Control (as defined below), but after public announcement by HDI (as defined below) of the transaction that constitutes, or would constitute upon consummation thereof, an HDI Change of Control, a notice will be delivered to Holders of the Notes describing the transaction that constitutes, or would constitute upon consummation thereof, the HDI Change of Control Triggering Event and offering to repurchase such Notes on the date specified in the notice. Such date will be no earlier than 30 days and no later than 60 days from the date such notice is delivered, other than as may be required by law (the "Change of Control Payment Date"). The notice will, if delivered prior to the date of consummation of the HDI Change of Control, state that the offer to purchase is conditioned on the HDI Change of Control Triggering Event occurring on or prior to the Change of Control Payment Date.

If any Change of Control Payment Date falls on a day that is not a Business Day, the related payment of the Change of Control Payment will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next Business Day.

On the Change of Control Payment Date, the Company will, to the extent lawful, (i) accept for payment all Notes or portions of Notes properly tendered and not validly withdrawn pursuant to the Change of Control Offer; (ii) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all such Notes or portions of Notes properly tendered and not validly withdrawn; and (iii) deliver or cause to be delivered to the Trustee such Notes properly accepted together with a Company Officers' Certificate (as defined in the Indenture) stating the aggregate principal amount of such Notes or portions of Notes being repurchased.

The Company will not be required to comply with the obligations relating to repurchasing the Notes if a third-party instead satisfies them.

The Company must comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any other securities laws and regulations applicable to the repurchase of the Notes. To the extent that the provisions of any such securities laws or regulations conflict with the Change of Control Offer provisions of the Notes, the Company will comply with those securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control Offer provisions of the Notes by virtue of any such compliance.

If Holders of not less than 95% in aggregate principal amount of the outstanding Notes properly tender and do not validly withdraw such amount of the Notes in a Change of Control Offer, and the Company, or any third-party making an offer to purchase the Notes in connection with an HDI Change of Control Triggering Event in lieu of the Company, purchase such amount of the Notes properly tendered and not validly withdrawn by such Holders, then the Company will have the right, upon notice described above, given not more than 30 days following the Change of Control Payment Date, to redeem all (but not less than all) of the aggregate principal amount of the Notes that remains outstanding following such purchase at a redemption price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date (subject to the right of Holders of record as of the close of business on the relevant Regular Record Date to receive interest on the applicable Interest Payment Date). If the redemption date falls on a day that is not a Business Day, the related payment of the redemption price and interest will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next Business Day.

For purposes of the Change of Control Offer provisions of the Notes, the following terms will be applicable:

"Below Investment Grade Rating Event" means the Notes cease to be rated an Investment Grade Rating by each of the Rating Agencies on any day within the 60-day period after the earlier of (1) the occurrence of an HDI Change of Control and (2) the first public announcement by Harley-Davidson, Inc. ("HDI") of the intention of HDI to effect an HDI Change of Control (which 60-day period will be extended for so long as any of the Rating Agencies has publicly announced that it is considering a possible downgrade of the rating of the notes of such series); *provided* that a Below Investment Grade Rating Event otherwise arising by

virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular HDI Change of Control (and thus shall not be deemed a Below Investment Grade Rating Event for purposes of the definition of HDI Change of Control Triggering Event hereunder) if any of the Rating Agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform the Trustee in writing at the Company's or its request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable HDI Change of Control (whether or not the applicable HDI Change of Control shall have occurred at the time of the Below Investment Grade Rating Event). The Trustee has no obligation to monitor the ratings of the Notes for purposes of determining the occurrence of a Below Investment Grade Rating Event.

“Fitch” means Fitch Ratings, Inc. and its successors.

“HDI Change of Control” means the occurrence of any of the following: (1) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any “person” (as that term is used in Section 13(d)(3) of the Exchange Act), other than HDI or one of its subsidiaries, becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the Voting Stock of HDI or other Voting Stock into which the Voting Stock of HDI is reclassified, consolidated, exchanged or changed, measured by voting power rather than number of shares; or (2) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation or as a pledge for security purposes only), in one or a series of related transactions, of all or substantially all of the assets of HDI and the assets of the subsidiaries of HDI, taken as a whole, to one or more “persons” (as that term is defined in the Indenture), other than HDI or one of its subsidiaries and other than any such transaction or series of related transactions where holders of Voting Stock of HDI outstanding immediately prior thereto hold voting stock of the transferee person representing a majority of the voting power of the transferee person's voting stock immediately after giving effect thereto. Notwithstanding the foregoing, a transaction will not be deemed to be an HDI Change of Control if (1) HDI becomes a direct or indirect wholly-owned subsidiary of a holding company and (2)(A) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Voting Stock of HDI immediately prior to that transaction or (B) immediately following that transaction no “person” (as that term is used in Section 13(d)(3) of the Exchange Act) (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company.

“HDI Change of Control Triggering Event” means the occurrence of both an HDI Change of Control and a Below Investment Grade Rating Event. Notwithstanding anything to the contrary, no HDI Change of Control Triggering Event will be deemed to have occurred in connection with any particular HDI Change of Control unless and until such HDI Change of Control has actually been consummated.

“Investment Grade Rating” means a rating equal to or higher than Baa3 by Moody’s (or its equivalent under any successor rating category of Moody’s), BBB– by S&P (or its equivalent under any successor rating category of S&P) and BBB– by Fitch (or its equivalent under any successor rating category of Fitch), and the equivalent investment grade credit rating from any replacement Rating Agency or Rating Agencies selected by the Company.

“Moody’s” means Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors.

“Rating Agencies” means (1) each of Moody’s, S&P and Fitch, and (2) if any of Moody’s, S&P or Fitch (or in each case any replacement thereof appointed pursuant to this definition) ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons outside of the Company’s control, a “nationally recognized statistical rating organization” as defined under Section 3(a)(62) of the Exchange Act selected by the Company as a replacement agency for Moody’s, S&P and/or Fitch, as the case may be; provided that the Company shall give notice of any such replacement to the Trustee.

“S&P” means S&P Global Ratings, a division of S&P Global Inc. and its successors.

“Voting Stock” means, with respect to any specified “person” (as that term is used in Section 13(d)(3) of the Exchange Act), as of any date, the capital stock of such person that is at the time entitled to vote generally in the election of the board of directors of such person.

In lieu of Section 1005 of the Indenture, the following covenant shall apply:

Limitation on Liens. The Company and the Guarantor will not, nor will they permit any Subsidiary of the Company or the Guarantor to, issue or assume any Indebtedness secured by a Lien upon any Property (now owned or hereinafter acquired) of the Company or the Guarantor or any such Subsidiary without in any such case effectively providing concurrently with the issuance or assumption of any such Indebtedness that the Notes (together with, if the Company or the Guarantor shall so determine, any other Indebtedness of the Company or the Guarantor or any such Subsidiary ranking equally with the Notes then existing or thereafter created) shall be secured equally and ratably with such Indebtedness. The restrictions set forth in the immediately preceding sentence will not, however, apply if the aggregate amount of Indebtedness issued or assumed by the Company, the Guarantor or such Subsidiaries and so secured by Liens, together with all other Indebtedness of the Company, the Guarantor or such Subsidiaries which (if originally issued or assumed at such time) would otherwise be subject to such restrictions, but not including Indebtedness permitted to be secured under clauses (i) through (xiv) of the immediately following paragraph, does not at the time such secured Indebtedness is incurred exceed 15% of the Consolidated Net Tangible Assets.

The restrictions set forth above shall not apply to Indebtedness secured by:

- (i) Liens existing on the date of the original issuance of the Notes;

(ii) Liens on any Property of any company existing at the time such company becomes a Subsidiary of the Company or the Guarantor, which Liens are not created in contemplation of such company becoming a Subsidiary of the Company or the Guarantor;

(iii) Liens on any Property existing at the time such Property is acquired by the Company, the Guarantor or a Subsidiary of the Company or the Guarantor, or Liens to secure the payment of all or any part of the purchase price of such Property upon the acquisition of such Property by the Company, the Guarantor or a Subsidiary of the Company or the Guarantor or to secure any Indebtedness incurred prior to, at the time of, or within 180 days after, the later of the date of acquisition of such Property and the date such Property is placed in service, for the purpose of financing all or any part of the purchase price thereof, or Liens to secure any Indebtedness incurred for the purpose of financing the cost to the Company, the Guarantor or a Subsidiary of the Company or the Guarantor of improvements to such acquired Property or to secure any Indebtedness incurred for the purpose of financing all or any part of the purchase price of the cost of construction of the Property subject to such Liens;

(iv) Liens securing any Indebtedness of the Company, a Subsidiary of the Company or the Guarantor owing to the Company, the Guarantor or to another Subsidiary of the Company or the Guarantor;

(v) Liens created in connection with a securitization or other asset-based financing;

(vi) Liens with respect to the payment of taxes, assessments or governmental charges in all cases which are not yet due or which are being contested in good faith;

(vii) statutory Liens of landlords and Liens of suppliers, mechanics, carriers, materialmen, warehousemen or workmen and other similar Liens imposed by law created in the ordinary course of business for amounts not yet due or which are being contested in good faith;

(viii) Liens incurred or deposits made in the ordinary course of business in connection with worker's compensation, unemployment insurance or other types of social security benefits or to secure the performance of bids, tenders, sales, contracts (other than for the repayment of borrowed money), surety, appeal and performance bonds;

(ix) Liens arising with respect to zoning restrictions, easements, licenses, reservations, covenants, rights-of-way, utility easements, building restrictions and other similar charges or encumbrances on the use of real property which do not interfere with the ordinary conduct of the business of the Company, the Guarantor or any of their respective Subsidiaries;

(x) Liens of attachment or judgment with respect to judgments, writs or warrants of attachment, or similar process against the Company, the Guarantor or any of their respective Subsidiaries;

(xi) Liens arising from leases, subleases or licenses granted to others which do not interfere in any material respect with the business of the Company, the Guarantor or any of their respective Subsidiaries;

(xii) any interest or title of the lessor in the Property subject to any operating lease (as determined in accordance with GAAP as in effect as of the date of the Indenture) entered into by the Company, the Guarantor or any of their respective Subsidiaries in the ordinary course of business;

(xiii) Liens, if any, in connection with any sale/leaseback transaction;

(xiv) Liens on assets pledged in respect of Indebtedness that has been defeased in accordance with the provisions thereof through the deposit of cash, cash equivalents or marketable securities (it being understood that cash collateral shall be deemed to include cash deposited with a trustee with respect to third party indebtedness); and

(xv) any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Lien referred to in the foregoing clauses (i) - (xiv); provided, however, that such new Lien is limited to the Property which was subject to the prior Lien immediately before such extension, renewal or replacement, and provided, further, that the principal amount of Indebtedness secured by the prior Lien immediately before such extension, renewal or replacement is not increased.

The Company may “reopen” a previously issued tranche of Notes and issue additional Notes of such tranche or establish additional terms of such tranche or issue notes with the same terms as previously issued Notes (except for the Original Issue Date, Issue Price and, if applicable, the initial Interest Payment Date).

The Company may at any time purchase this Note at any price in the open market or otherwise. Notes so purchased by the Company may be held or resold or, at the discretion of the Company, may be surrendered to the Trustee for cancellation.

For the avoidance of doubt, Article 4 of the Indenture, including without limitation Section 403 thereof, shall apply to the Notes.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligations of the Company and the Guarantor, which are absolute and unconditional, to pay the principal of, premium, if any, and interest on this Note, at the times, place and rate, and in the coin or currency, herein and in the Indenture prescribed.

This Note shall be governed by and construed in accordance with the laws of the State of New York.

By acceptance of this Note, the Holder hereof agrees to be bound by the provisions of the Indenture. Terms used herein which are defined in the Indenture shall have the respective meanings assigned thereto in the Indenture. This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by or on behalf of the Trustee under the Indenture.

**IN WITNESS WHEREOF**, the Company has caused this instrument to be duly executed, manually or by facsimile by an authorized signatory.

**HARLEY-DAVIDSON FINANCIAL SERVICES, INC.**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

Dated:

**TRUSTEE'S CERTIFICATE OF AUTHENTICATION**

This is one of the Securities of the series designated herein and referred to in the within-mentioned Indenture.

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**,  
as Trustee

By: \_\_\_\_\_  
Authorized Signatory

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GUARANTEE

For value received, undersigned hereby fully, irrevocably and unconditionally guarantees, pursuant to the terms of the Guarantee contained in Article Fourteen of the Indenture, to the Holder of this Note and to the Trustee, on behalf of the Holder, the due and punctual payment of the principal of, and any premium, interest and any Additional Amounts on, this Note, when and as the same shall become due and payable, whether at the stated maturity, by declaration of acceleration, call for redemption or otherwise, in accordance with the terms of this Note and the Indenture. This Guarantee will not be valid or obligatory for any purpose until the Trustee duly executes the certificate of authentication on the Note upon which this Guarantee is endorsed.

Dated:

HARLEY-DAVIDSON CREDIT CORP.,  
a Nevada corporation

By:\_\_\_\_\_  
Name:  
Title:

Attest:

By:\_\_\_\_\_  
Name:  
Title:

---

## ABBREVIATIONS

The following abbreviations, when used in the inscription on this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

UNIF GIFT MIN ACT - \_\_\_\_\_ Custodian \_\_\_\_\_  
(Cust) (Minor)

TEN ENT - as tenants by the entireties

under Uniform Gifts to Minors Act

JT TEN - as joint tenants with right of  
survivorship and not as tenant  
in common

\_\_\_\_\_  
(State)

Additional abbreviations may also be used though not in the above list.

---

ASSIGNMENT

**FOR VALUE RECEIVED**, the undersigned hereby sells, assigns and transfers unto:

(Please insert social security or other identifying number of assignee)

---

(Name and address of assignee, including zip code,  
must be printed or typewritten)

the within Note, and all rights thereunder, hereby irrevocably constituting and appointing  
\_\_\_\_\_ attorney to transfer said Note on the books of the within Company, with full  
power of substitution in the premises.

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

NOTICE: The signature to this assignment must correspond with the name as it appears upon the within Note in every particular, without alteration or enlargement or any change whatever and must be guaranteed.

SIGNATURE(S) GUARANTEED:

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM) PURSUANT TO SEC RULE 17Ad-15.

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SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE

The following increases or decreases in this Global Note have been made

Date of Exchange	Amount of increase in Principal Amount of this Global Note	Amount of decrease in Principal Amount of this Global Note	Principal Amount of this Global Note following each decrease or increase	Signature of authorized signatory of Trustee
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**364-DAY CREDIT AGREEMENT**

Dated as of May 1, 2017

among

**HARLEY-DAVIDSON, INC. and HARLEY-DAVIDSON FINANCIAL SERVICES, INC.,**  
as the U.S. Borrowers,

**HARLEY-DAVIDSON CREDIT CORP.**  
as the Guarantor,

**THE INSTITUTIONS FROM TIME TO TIME PARTY HERETO,**  
as Lenders,

**JPMORGAN CHASE BANK, N.A.,**  
as Global Administrative Agent and

**CITIBANK, N.A.,**  
**U.S. BANK NATIONAL ASSOCIATION and**  
**THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.,**  
as Syndication Agents

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**JPMORGAN CHASE BANK, N.A., CITIGROUP GLOBAL MARKETS, INC.,**  
**U.S. BANK NATIONAL ASSOCIATION and**

**THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.,**  
as Co-Lead Arrangers  
and

**JPMORGAN CHASE BANK, N.A., CITIGROUP GLOBAL MARKETS, INC.,**  
**U.S. BANK NATIONAL ASSOCIATION and**  
**THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.,**  
as Joint Book Runners

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## EXHIBITS AND SCHEDULES

### Exhibits

- EXHIBIT A -- Commitments  
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- EXHIBIT B-1 -- Form of Syndicated Global Note  
(Definitions)
- EXHIBIT B-2 -- Form of Bid Rate Note  
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- EXHIBIT C -- Form of Assignment Agreement  
(§13.3)
- EXHIBIT D -- List of Closing Documents  
(§ 4.1)

**Schedules**

Schedule I -- Funding Protocols re: Syndicated Global Loans (Definitions, § 2.6)

Schedule II -- Intercompany Subordination Terms (Definitions)

Schedule 6.2.2(c) -- Liens (§ 6.2.2(c))

## 364-DAY CREDIT AGREEMENT

This 364-Day Credit Agreement dated as of May 1, 2017 is entered into among Harley-Davidson, Inc., a Wisconsin corporation, Harley-Davidson Financial Services, Inc., a Delaware corporation, Harley-Davidson Credit Corp., a Nevada corporation, the institutions from time to time a party hereto as Lenders, whether by execution of this Agreement or an assignment and assumption pursuant to Section 13.3, JPMorgan Chase Bank, N.A., as the Global Administrative Agent and Citibank, N.A., U.S. Bank National Association and The Bank of Tokyo-Mitsubishi UFJ, Ltd., each in its capacity as a Syndication Agent. The parties hereto agree as follows:

### ARTICLE I DEFINITIONS

1.1 Certain Defined Terms. **In addition to the terms defined in other sections of this Agreement, the following terms used in this Agreement shall have the following meanings, applicable both to the singular and the plural forms of the terms defined:**

As used in this Agreement:

“**Absolute Rate Auction**” has the meaning specified in Section 2.10(b)(i) hereof.

“**Advance**” means a Bid Rate Advance or Syndicated Global Advance.

“**Affiliate**” of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock, membership, ownership or other equity interests, by contract or otherwise.

“**Agent Party**” has the meaning assigned to such term in Section 14.1(c).

“**Aggregate Commitment**” means the aggregate of the Commitments of all the Syndicated Global Lenders, as reduced from time to time pursuant to the terms hereof. The initial Aggregate Commitment is \$100,000,000.

“**Agreement**” means this 364-Day Credit Agreement, as it may be amended, restated or otherwise modified and in effect from time to time.

“**Agreement Accounting Principles**” means, subject to Section 9.8, generally accepted accounting principles as in effect from time to time in the United States, applied in a manner consistent with that used by Harley in its preparation of its audited financial statements for the year ended December 31, 2016 (except for changes to such application as are concurred on by Harley’s independent public accountants); provided that, if Harley notifies the Global Administrative Agent that Harley wishes to amend Section 6.3 to eliminate the effect of any change in Agreement Accounting Principles (or in the application thereof) on the operation of such covenant (or if the Global Administrative Agent notifies Harley that the Required Lenders wish to amend Section 6.3 for such purpose), then Harley’s compliance with such section shall be determined on the basis of Agreement Accounting Principles in effect immediately before the relevant change in Agreement Accounting Principles became effective, until either such notice is withdrawn or such Section is amended in a manner satisfactory to Harley and the Required Lenders.

**“Alternate Base Rate”** means, for any day, a fluctuating interest rate per annum as shall be in effect from time to time, which rate per annum shall at all times be equal to the greatest of (a) the Prime Rate in effect on such day; (b) the sum of one-half of one percent (0.50%) and the NYFRB Rate in effect on such day; and (c) the Eurodollar Rate for a one month Interest Period on such day (or, if such day is not a Business Day, the immediately preceding Business Day) plus 1%; provided, further, that if any of the aforesaid rates shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement. Any change in the Alternate Base Rate due to a change in the Prime Rate, the NYFRB Rate or the Eurodollar Rate shall be effective on the effective date of such change.

**“Anti-Corruption Laws”** means all laws, rules, and regulations of any jurisdiction applicable to any Company or its Subsidiaries from time to time concerning or relating to bribery or corruption.

**“Applicable Commitment Fee Rate”** means 0.07%.

**“Applicable Margin”** means 1.00%.

**“Approved Fund”** means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

**“Arranger”** means JPMorgan Chase Bank, N.A., Citigroup Global Markets, Inc., U.S. Bank National Association or The Bank of Tokyo-Mitsubishi UFJ, Ltd. and **“Arrangers”** means, collectively, JPMorgan Chase Bank, N.A., Citigroup Global Markets, Inc., U.S. Bank National Association and The Bank of Tokyo-Mitsubishi UFJ, Ltd.

**“Authorized Officer”** means any of the chief executive officer, chief financial officer, any vice president, controller, treasurer or any other officer of the relevant Borrower from time to time designated by an Authorized Officer in writing to the Global Administrative Agent as an Authorized Officer, acting singly.

**“Bail-In Action”** means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

**“Bail-In Legislation”** means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

**“Bankruptcy Code”** is defined in Article XII hereof.

**“Base Rate Advance”** means a Syndicated Global Advance which bears interest at the Alternate Base Rate.

**“Base Rate Loan”** means a Syndicated Global Loan, or portion thereof, which bears interest at the Alternate Base Rate.

**“Bid Rate Advance”** means a borrowing consisting of simultaneous Bid Rate Loans to a Global Borrower from each of the Syndicated Global Lenders whose offer to make a Bid Rate Loan

as part of such borrowing has been accepted by such Global Borrower under the applicable auction bidding procedure described in Section 2.10.

“**Bid Rate Advance Borrowing Notice**” is defined in Section 2.10(b)(i) hereof.

“**Bid Rate Loan**” means a loan by a Syndicated Global Lender to a Global Borrower as part of a Bid Rate Advance resulting from the applicable auction bidding procedure described in Section 2.10.

“**Bid Rate Note**” means a promissory note of a Global Borrower payable to any Syndicated Global Lender, in substantially the form of Exhibit B-2 hereto, evidencing the indebtedness of such Global Borrower to such Syndicated Global Lender resulting from the Bid Rate Loans made by such Syndicated Global Lender to such Global Borrower.

“**Bid Rate Reduction**” means the reduction in availability under the Aggregate Commitment as a result of outstanding Bid Rate Loans.

“**Borrower**” means any of the U.S. Borrowers, and “**Borrowers**” means, collectively, the U.S. Borrowers.

“**Borrowing Date**” means a date on which an Advance or a Loan is made hereunder.

“**Borrowing Notice**” means a Syndicated Global Advance Borrowing Notice or a Bid Rate Advance Borrowing Notice.

“**Business Day**” means (i) with respect to any borrowing, payment or rate selection of Loans bearing interest at the Eurodollar Rate, a day (other than a Saturday or Sunday) on which banks are generally open for commercial banking business in New York, New York and on which dealings in United States Dollars are carried on in the London interbank market; and (ii) for all other purposes a day (other than a Saturday or Sunday) on which banks are generally open for commercial banking business in New York, New York.

“**Capitalized Lease**” of a Person means any lease of Property by such Person as lessee which would be capitalized on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

“**Capitalized Lease Obligations**” of a Person means the amount of the obligations of such Person under Capitalized Leases which would be capitalized on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles in effect as of the Closing Date.

“**Change**” is defined in Section 3.2 hereof.

“**Change of Control**” means any transaction or event as a result of which: (a) (i) any Person or two or more Persons acting in concert (other than any Related Person) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Commission under the Securities Exchange Act of 1934), directly or indirectly, of Voting Stock of Harley (or other securities convertible into such Voting Stock) representing 30% or more of the combined voting power of all Voting Stock of Harley; or (ii) during any period of up to 12 consecutive calendar months, commencing after the Closing Date, individuals who at the beginning of such 12-month period were directors of Harley shall cease for any reason to constitute a majority of the board of directors of

Harley (except to the extent that individuals who, at the beginning of such 12-month period, were directors of Harley were replaced by individuals (x) elected by a majority of the remaining members of the board of directors of Harley or (y) nominated for election by a majority of the remaining members of the board of directors of Harley and thereafter elected as directors by the shareholders of Harley or (z) approved or appointed by a majority of the remaining members of the board of directors of Harley) or (b) in each case other than as a result of a transaction permitted under Section 6.2.3, (i) Harley, directly or through one or more Subsidiaries, shall cease to own of record and beneficially, with sole voting power, in the aggregate, at least fifty-one percent (51%) of the issued and outstanding class or classes of Voting Stock of HDFS (such percentage measured by voting power rather than number of shares) or (ii) HDFS, directly or through one or more Subsidiaries, shall cease to own of record and beneficially, with sole voting power, all of the issued and outstanding Voting Stock of HDCC.

“**Closing Date**” means May 1, 2017.

“**Code**” means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

“**Commission**” means the Securities and Exchange Commission and any Person succeeding to the functions thereof.

“**Commitment**” means, for each Syndicated Global Lender, the obligation of such Syndicated Global Lender to make Syndicated Global Loans in an amount not exceeding the amount set forth on Exhibit A to this Agreement opposite its name thereon under the heading “Commitment” or contained in the assignment and assumption by which it became a Lender, as such amount may be modified from time to time pursuant to the terms of this Agreement or to give effect to any applicable assignment and assumption.

“**Communications**” has the meaning assigned to such term in Section 14.1(c).

“**Company**” means any Borrower or the Guarantor, individually, and “**Companies**” means each of the Borrowers and the Guarantor, collectively.

“**Consolidated**” refers to the consolidation of accounts (or Subsidiaries, as applicable) in accordance with Agreement Accounting Principles.

“**Consolidated Equity**” is defined in Section 6.3(A) hereof.

“**Consolidated Finco Debt**” is defined in Section 6.3(A) hereof.

“**Consolidated Net Income**” of any Person for any period means the Consolidated net income (or loss) of such Person for such period, as shall be determined in accordance with Agreement Accounting Principles.

“**Consolidated Net Worth**” of any Person means such Person’s Consolidated shareholders’ equity, as shall be determined in accordance with Agreement Accounting Principles.

“**Consolidated Opco Debt**” is defined in Section 6.3(A) hereof.

“**Consolidated Tangible Net Worth**” is defined in Section 6.3(A) hereof.

“**Consolidated Total Assets**” means, as of the date of any determination thereof, the Consolidated total assets of Harley and its Subsidiaries as of such date, as shall be determined in accordance with Agreement Accounting Principles.

“**Contingent Obligation**”, as applied to any Person, means any Contractual Obligation, contingent or otherwise, of that Person with respect to any Indebtedness of another or other obligation or liability of another, including, without limitation, any such Indebtedness, obligation or liability of another directly or indirectly guaranteed, endorsed (otherwise than for collection or deposit in the ordinary course of business), co-made or discounted or sold with recourse by that Person, or in respect of which that Person is otherwise directly or indirectly liable, including Contractual Obligations (contingent or otherwise) arising through any agreement to purchase, repurchase, or otherwise acquire such Indebtedness, obligation or liability or any security therefor, or to provide funds for the payment or discharge thereof (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), or to maintain solvency, assets, level of income, or other financial condition, or to make payment other than for value received. It is understood and agreed that the amount of liability in respect of any Contingent Obligation of any Person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation exists and (b) the maximum amount for which such Person may be liable pursuant to the terms of the instrument embodying such Contingent Obligation, unless such primary obligation and the maximum amount for which such Person may be liable are not stated or determinable, in which case the amount of such Contingent Obligation shall be such Person’s maximum reasonably anticipated liability in respect thereof as reasonably determined by Harley in good faith.

“**Contractual Obligation**”, as applied to any Person, means any provision of any equity or debt securities issued by that Person or any indenture, mortgage, deed of trust, security agreement, pledge agreement, guaranty, contract, undertaking, agreement or instrument, in any case in writing, to which that Person is a party or by which it or any of its properties is bound, or to which it or any of its properties is subject.

“**Conversion/Continuation Notice**” is defined in Section 2.8(D) hereof.

“**Cure Loan**” is defined in Section 8.2 hereof.

“**Default**” means an event described in Article VII hereof.

“**Defaulting Lender**” means any Lender, as determined by the Global Administrative Agent, that has (a) within three (3) Business Days of the date required to be funded or paid failed to (i) fund its Pro Rata Share of any Advance or Loan or (ii) pay over to the Global Administrative Agent or any Lender any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Lender notifies the Global Administrative Agent in writing that such failure is the result of such Lender’s good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, (b) notified any Company, the Global Administrative Agent or any Lender in writing that it does not intend to comply with any of its funding obligations under this Agreement or has made a public statement to the effect that it does not intend to comply with its funding obligations under this Agreement (unless such writing or public statement states that such position is based on such Lender’s good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c)

failed, within three (3) Business Days after written request by the Global Administrative Agent, to provide a certification in writing from an authorized officer of such Lender that it will comply with the terms of this Agreement relating to its obligations to fund prospective Loans (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon the Global Administrative Agent's receipt of such certification in form and substance reasonably satisfactory to it), (d) otherwise failed to pay over to the Global Administrative Agent or any other Lender any other amount required to be paid by it hereunder within three (3) Business Days of the date when due, unless the subject of a good faith dispute, (e) become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or custodian, appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment or has a direct or indirect parent company that has become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment and/or (f) become the subject of a Bail-In Action; provided, that a Lender shall not become a Defaulting Lender solely as the result of (x) the acquisition or maintenance of an ownership interest in such Lender or a Person controlling such Lender or (y) the exercise of control over a Lender or a Person controlling such Lender, in each case, by a Governmental Authority or an instrumentality thereof.

**“Disqualified Institutions”** means (a)(i) those Persons that are reasonably determined by Harley to be (A) a competitor of any of the Companies or (B) a Person that is, or is owned or controlled by, a participant in the transportation industry and/or a credit union in the business of providing commercial and/or consumer financing for the purchase of products of a type sold by one or more of the Companies and/or their Affiliates (the entities in this clause (B) being referred to as “transportation industry entities”), and (ii) those banks, financial institutions and other institutional lenders that, in the case of each of the foregoing clauses (a)(i) and (a)(ii), have been specifically identified by Harley to the Global Administrative Agent and the Lenders in writing prior to the Closing Date; provided that, Harley, by notice to the Global Administrative Agent and the Lenders after the Closing Date, shall be permitted to supplement from time to time in writing by name the list of Persons that are Disqualified Institutions to the extent that the Persons added by such supplements are competitors of the Companies or are transportation industry entities, and each such supplement shall become effective three (3) Business Days after delivery thereof to the Global Administrative Agent and the Lenders (including through an Electronic System), but which shall not apply retroactively to disqualify any Persons that have previously acquired an assignment or participation interest in the Loans (but solely with respect to such Loans) in accordance with this Agreement and (b) any Affiliate of a Person described in the immediately preceding clause (a), to the extent such Affiliate (i) is clearly identifiable as an affiliate of the applicable competitor, transportation industry entity, bank, financial institution or institutional lender solely by similarity of such Affiliate's name and (ii) is not a bona fide debt investment fund that is an Affiliate of the applicable competitor, transportation industry entity, bank, financial institution or institutional lender. It is understood and agreed that (i) the Global Administrative Agent shall have no responsibility or liability to determine or monitor whether any Lender or potential Lender is a Disqualified Institution and (ii) Harley's failure to deliver such list (or supplement thereto) in accordance with Section 14.1 shall render such list (or supplement thereto) not received and not effective.

**“Disregarded Entity”** means an entity that, pursuant to Treas. Reg. § 301.7701-2(c)(2), is disregarded for U.S. federal income tax purposes as an entity separate from its owner.

**“Dollar”** and **“\$”** means dollars in the lawful currency of the United States of America.

**“DQ List”** has the meaning specified in Section 13.3(D)(iv) hereof.

**“Earnouts”** means any “earnouts” or similar obligations accrued in connection with any acquisition determined in accordance with generally accepted accounting principles.

**“EEA Financial Institution”** means (a) any institution established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

**“EEA Member Country”** means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

**“EEA Resolution Authority”** means any public administrative authority or any Person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

**“Electronic Signature”** means an electronic sound, symbol, or process attached to, or associated with, a contract or other record and adopted by a Person with the intent to sign, authenticate or accept such contract or record.

**“Electronic System”** means any electronic system, including e-mail, e-fax, Intralinks®, ClearPar®, Syndtrak, Debt Domain and any other Internet or extranet-based site, whether such electronic system is owned, operated or hosted by the Global Administrative Agent and any of its Affiliates, and each of such Person’s respective officers, directors, employees, attorneys and agents, providing for access to data protected by passcodes or other security system.

**“Environmental Action”** means any action, suit, demand, demand letter, claim, notice of non-compliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, Environmental Permit or Hazardous Materials or arising from alleged injury or threat of injury to the environment, including, without limitation, (a) by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (b) by any governmental or regulatory authority or any third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

**“Environmental Law”** means any federal, state, local or foreign statute, law, ordinance, rule, regulation, code, order, judgment, decree or judicial or agency interpretation, policy or guidance relating to pollution or protection of the environment or natural resources, including, without limitation, those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.

**“Environmental Permit”** means any permit, approval, identification number, license or other authorization required under any Environmental Law.

**“ERISA”** means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

**“ERISA Affiliate”** means any Person that for purposes of Title IV of ERISA is a member of Harley’s controlled group, or under common control with Harley, within the meaning of Section 414 of the Code.

**“ERISA Event”** means (a) (i) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Plan unless the 30-day notice requirement with respect to such event has been waived by the PBGC, or (ii) the requirements of subsection (1) of Section 4043(b) of ERISA (without regard to subsection (2) of such Section) are met with a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days; (b) the application for a minimum funding waiver with respect to a Plan; (c) the provision by the administrator of any Plan of a notice of intent to terminate such Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (d) the cessation of operations at a facility of Harley or any ERISA Affiliate in the circumstances described in Section 4062(e) of ERISA; (e) the withdrawal by Harley or any ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (f) the conditions for the imposition of a lien under Section 302(f) of ERISA shall have been met with respect to any Plan; (g) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA; or (h) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that constitutes grounds for the termination of, or the appointment of a trustee to administer, a Plan.

**“EU Bail-In Legislation Schedule”** means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

**“Eurodollar Base Rate”** means, with respect to any Eurodollar Rate Advance for any specified Interest Period, or a Bid Rate Advance pursuant to an Indexed Rate Auction for an Interest Period designated by the relevant Borrower, LIBOR.

**“Eurodollar Rate”** means, with respect to a Eurodollar Rate Loan and a Eurodollar Rate Advance for the relevant Interest Period, the sum of (i) the quotient of (a) the Eurodollar Base Rate applicable to such Interest Period, divided by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to such Interest Period, plus (ii) the Applicable Margin.

**“Eurodollar Rate Advance”** means a Syndicated Global Advance which bears interest at the Eurodollar Rate.

**“Eurodollar Rate Loan”** means a Syndicated Global Loan, or portion thereof, which bears interest at the Eurodollar Rate.

**“Excluded Taxes”** means, with respect to the Global Administrative Agent, any Lender, or any other recipient of a payment made under this Agreement or any Note by a Borrower or the

Guarantor: (a) Taxes imposed on (or measured by) the overall net income of such recipient, and franchise Taxes imposed on such recipient, by the jurisdiction under the laws of which such recipient is organized or the jurisdiction in which such recipient's principal executive office is located, or, in the case of a Lender, Taxes imposed on (or measured by) its overall net income, and franchise Taxes imposed on it, by the jurisdiction in which such Lender's applicable lending office is located; (b) any branch profits Taxes imposed by the United States or, in the case of a Lender, any similar Taxes imposed by any other jurisdiction in which such Lender's applicable lending office is located; and (c) any U.S. federal withholding Taxes imposed under FATCA.

**"FATCA"** means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Code.

**"Federal Funds Effective Rate"** shall mean, for any day, the rate calculated by the NYFRB based on such day's federal funds transactions by depository institutions (as determined in such manner as the NYFRB shall set forth on its public website from time to time) and published on the next succeeding Business Day by the NYFRB as the federal funds effective rate.

**"Finance Receivables"** means dealer wholesale receivables, retail installment contracts, promissory notes, retail leases, charge accounts or other receivables, chattel paper or other similar financial assets originated, acquired or serviced in the ordinary course of business by any of the Companies or their Subsidiaries and shall include all related collateral and assets and any retained assets in respect of any of the foregoing.

**"Finance Receivables Subsidiary"** means a special purpose, bankruptcy remote corporation, partnership, limited liability company or trust which is wholly-owned, directly or indirectly, by any one or more of the Companies, and which is formed for the sole and exclusive purpose of (i) purchasing or otherwise acquiring Finance Receivables from one or more of the Companies or their respective Subsidiaries, (ii) financing such purchases or otherwise facilitating a Permitted Finance Receivables Securitization and (iii) conducting activities related thereto.

**"Finco Guarantor"** means HDCC and its successors and permitted assigns.

**"Finco Leverage Ratio"** is defined in Section 6.3(A) hereof.

**"Fixed Rate Advance"** means a Eurodollar Rate Advance.

**"Fixed Rate Loan"** means a Eurodollar Rate Loan.

**"Floating Rate"** means the Alternate Base Rate.

**"Floating Rate Advance"** means a Base Rate Advance.

**"Floating Rate Loan"** means a Syndicated Global Loan, or portion thereof, which bears interest at the Alternate Base Rate or any other floating rate, as applicable, plus the Floating Rate Margin (if any).

**"Floating Rate Margin"** means a rate per annum equal to the amount (if any) by which the Applicable Margin exceeds 1.00%.

**“Global Administrative Agent”** means JPMorgan Chase Bank, N.A. (including any office, branch or affiliate of JPMorgan Chase Bank, N.A.) in its capacity as contractual representative for itself and the Lenders pursuant to Article X hereof and any successor Global Administrative Agent appointed pursuant to Article X hereof.

**“Global Borrower”** means either of the U.S. Borrowers and **“Global Borrowers”** means, collectively, the U.S. Borrowers, in each case together with its respective successors and permitted assigns.

**“Global Rate Option”** means the Eurodollar Rate or Alternate Base Rate.

**“Governmental Authority”** means any nation or government, any monetary authority, any federal, state, provincial, local or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank) and any group or body charged with setting financial accounting or regulatory capital rules or standards (including, without limitation, the Financial Accounting Standards Board, the Bank for International Settlements or the Basel Committee on Banking Supervision or any successor or similar authority to any of the foregoing).

**“Guarantee”** is defined in Article XII hereof.

**“Guarantor”** means the Finco Guarantor and its successors and permitted assigns.

**“Harley”** means Harley-Davidson, Inc., a Wisconsin corporation, and its successors and assigns.

**“Hazardous Materials”** means (a) petroleum and petroleum products, byproducts or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and (b) any other chemicals, materials or substances designated, classified or regulated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

**“HDCC”** means Harley-Davidson Credit Corp., a Nevada corporation, and its successors and permitted assigns.

**“HDFS”** means Harley-Davidson Financial Services, Inc., a Delaware corporation, and its successors and permitted assigns.

**“Hedging Obligations”** of a Person means any and all obligations of such Person, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor), under (i) any and all agreements, devices or arrangements designed to protect at least one of the parties thereto from the fluctuations of interest rates, commodity prices, exchange rates or forward rates applicable to such party’s assets, liabilities or exchange transactions, including, but not limited to, dollar-denominated or cross-currency interest rate exchange agreements, forward currency exchange agreements, interest rate cap or collar protection agreements, forward rate currency or interest rate options, puts and warrants, and (ii) any and all cancellations, buy backs, reversals, terminations or assignments of any of the foregoing.

**“Impacted Interest Period”** has the meaning assigned to such term in the definition of “LIBOR”.

**“Indebtedness”** of any Person means, without duplication, (a) the principal of all obligations of such Person for borrowed money (whether or not the recourse of the lender is to the whole of the assets of such Person or only to a portion thereof), (b) the principal of all obligations of such Person evidenced by bonds, notes, acceptances, debentures or other instruments or letters of credit (other than obligations in respect of (x) trade letters of credit and (y) standby letters of credit (excluding any standby letter of credit (1) supporting Indebtedness of any Person or (2) obtained for any purpose not in the ordinary course of business)) (or reimbursement obligations with respect thereto) or representing the balance deferred and unpaid of the purchase price of any Property (including pursuant to Capitalized Leases) or services, if and to the extent any of the foregoing indebtedness would appear as a liability upon a balance sheet of such Person prepared in accordance with Agreement Accounting Principles (except that any such balance that constitutes a trade payable and/or an accrued liability arising in the ordinary course of business shall not be considered Indebtedness), (c) the net capitalized amount of all Capitalized Lease Obligations of such Person, (d) Indebtedness, whether or not assumed, secured by Liens or payable out of the proceeds or production from Property now or hereafter owned or acquired by such Person (excluding in any event obligations in respect of Permitted Finance Receivables Securitizations to the extent such obligations would not appear as a liability upon a balance sheet of such Person prepared in accordance with Agreement Accounting Principles), (e) Contingent Obligations of such Person in respect of Indebtedness of others and (f) net Hedging Obligations of such Person. The amount of Indebtedness of any Person at any date shall be without duplication (i) the outstanding balance at such date of all uncontingent obligations as described above and the liability with respect to any such Contingent Obligations at such date as calculated in accordance with the definition of “Contingent Obligation” and (ii) in the case of Indebtedness of others secured by a Lien to which the Property or assets owned or held by such Person is subject, the lesser of the fair market value at such date of any asset subject to a Lien securing the Indebtedness of others and the amount of the Indebtedness secured (provided that if such Person has not assumed or become liable for the payment of such Indebtedness, it shall be taken into account only to the extent of the book value or fair market value, whichever is greater, of the Property subject to such Indebtedness). Notwithstanding the foregoing, Indebtedness shall exclude (i) obligations in respect of Permitted Finance Receivables Securitizations to the extent such obligations would not appear as a liability upon a balance sheet of such Person prepared in accordance with Agreement Accounting Principles, (ii) all intercompany indebtedness, obligations and Contingent Obligations, all to the extent owing by and among one or more of the Companies and their Subsidiaries, (iii) all obligations under the Support Agreement or other support agreements among one or more of the Companies, (iv) Earnouts and (v) any Indebtedness that has been defeased and/or discharged, provided that funds in an amount equal to all such Indebtedness (including interest and any other amounts required to be paid to the holders thereof in order to give effect to such defeasance and/or discharge) have been irrevocably deposited with a trustee for the benefit of the relevant holders of such Indebtedness. The amount of Indebtedness of Harley and any Subsidiary hereunder shall be calculated without duplication of guaranty obligations of Harley or any Subsidiary in respect thereof.

**“Indemnified Matters”** is defined in Section 9.6(B) hereof.

**“Indemnified Taxes”** means Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by any Company under any Loan Document.

**“Indemnitees”** is defined in Section 9.6(B) hereof.

“**Indexed Rate Auction**” is defined in Section 2.10(b)(i) hereof.

“**Ineligible Institution**” means (a) a natural person, (b) a Defaulting Lender or its Lender Parent, (c) Harley, any of its Subsidiaries or any of its Affiliates, (d) a company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural person or relative(s) thereof or (e) a Disqualified Institution.

“**Interest Period**” means, with respect to a Eurodollar Rate Loan, a period of one (1) week or one (1), two (2), three (3) or six (6) months (or such other period of time as is consented to by each of the Lenders) commencing on a Business Day selected by the applicable Borrower pursuant to this Agreement. For Eurodollar Rate Loans, such Interest Period shall end on (but exclude) the day which corresponds numerically to such date one (1) week or one (1), two (2), three (3) or six (6) months thereafter (or such other period of time as is consented to by each of the Lenders); provided, however, that if there is no such numerically corresponding day in such next, second, third or sixth (or other applicable) succeeding month, such Interest Period shall end on the last Business Day of such next, second, third or sixth (or other applicable) succeeding month. If an Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next succeeding Business Day; provided, however, that for Eurodollar Rate Loans, if said next succeeding Business Day falls in a new calendar month, such Interest Period shall end on the immediately preceding Business Day.

“**Interpolated Rate**” means, at any time, the rate per annum determined by the Global Administrative Agent (which determination shall be conclusive and binding absent manifest error) to be equal to the rate that results from interpolating on a linear basis between: (a) the LIBOR Screen Rate for the longest period (for which the LIBOR Screen Rate is available) that is shorter than the Impacted Interest Period and (b) the LIBOR Screen Rate for the shortest period (for which the LIBOR Screen Rate is available) that exceeds the Impacted Interest Period, in each case, at such time.

“**IRS**” means the Internal Revenue Service and any Person succeeding to the functions thereof.

“**Lender Parent**” means, with respect to any Lender, any Person as to which such Lender is, directly or indirectly, a subsidiary.

“**Lenders**” means the lending institutions listed on the signature pages of this Agreement, including each Syndicated Global Lender and their respective successors and assigns.

“**Lending Installation**” means, with respect to a Lender or the Global Administrative Agent, any office, branch, subsidiary or affiliate of such Lender or the Global Administrative Agent.

“**LIBOR**” means, for any Eurodollar Rate Loan for any applicable Interest Period, the London interbank offered rate administered by ICE Benchmark Administration (or any other Person that takes over the administration of such rate) appearing on the applicable LIBOR Reference Page for Dollars as of the applicable LIBOR Fixing Time and, in each case, having a maturity approximately equal to the requested Interest Period (in each case the “**LIBOR Screen Rate**”); provided that, if the LIBOR Screen Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement. Notwithstanding the foregoing, (A) if a LIBOR Screen Rate shall not be available at such time for such Interest Period (the “**Impacted Interest Period**”), then LIBOR for such Interest Period shall be the Interpolated Rate and (B) if any Interpolated Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement. It is understood and

agreed that all of the terms and conditions of this definition of “LIBOR” shall be subject to Section 3.3.

“**LIBOR Fixing Time**” means the relevant fixing date and/or time described in Schedule I.

“**LIBOR Reference Page**” means, with respect to any London interbank offered rate as administered by ICE Benchmark Administration (or any other Person that takes over the administration of such rate) for Dollars, page LIBOR01 of the Reuters screen or, in the event such rate does not appear on such Reuters page, any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate as shall be selected by the Global Administrative Agent from time to time in its reasonable discretion (and consistent with any such selection by the Global Administrative Agent generally under substantially similar credit facilities for which it acts as administrative agent) at approximately 11:00 a.m., London time, at the LIBOR Fixing Time for such Interest Period.

“**LIBOR Screen Rate**” has the meaning assigned to such term in the definition of “LIBOR”.

“**Lien**” means any security interest, lien (statutory or other) or other similar charge or encumbrance of any kind or nature whatsoever (including, without limitation, the interest of a vendor or lessor under any conditional sale, Capitalized Lease or other title retention agreement (excluding operating leases)).

“**Loan**” means a Syndicated Global Loan or a Bid Rate Loan.

“**Loan Account**” is defined in Section 2.14(E) hereof.

“**Loan Documents**” means this Agreement, the Notes, the Support Agreement and all other documents, instruments and agreements executed pursuant thereto or contemplated thereby, in each case as the same may be amended, restated or otherwise modified and in effect from time to time.

“**Material Adverse Change**” means any material adverse change in the business, assets, operations or financial condition of Harley and its Subsidiaries taken as a whole (excluding changes or effects in connection with specific events (and not general economic or industry conditions) applicable specifically to Harley and/or its Subsidiaries as disclosed in any Annual Report on Form 10-K, Quarterly Report on Form 10-Q or Current Report on Form 8-K filed with or furnished to the Commission prior to the Closing Date).

“**Material Adverse Effect**” means any event, development or circumstance that has had a material adverse effect on (a) the business, assets, operations or financial condition of Harley and its Subsidiaries taken as a whole (excluding changes or effects in connection with specific events (and not general economic or industry conditions) applicable specifically to Harley and/or its Subsidiaries as disclosed in any Annual Report on Form 10-K, Quarterly Report on Form 10-Q or Current Report on Form 8-K filed with or furnished to the Commission prior to the Closing Date) or (b) the validity or enforceability against the Companies of any of the Loan Documents or the rights or remedies of the Global Administrative Agent and the Lenders against the Companies thereunder.

“**Material Subsidiary**” means, at any time, any Subsidiary of Harley with a Net Worth (after elimination of intercompany assets) equal to or greater than 10% of Consolidated Net Worth

of Harley (as of the end of the most recent fiscal quarter), or Net Income (after elimination of intercompany revenues) for the period of four consecutive fiscal quarters then most recently ended during which the Consolidated Net Income of Harley was not a loss equal to or greater than 10% of Consolidated Net Income (for such period) of Harley; provided that, if at any time the aggregate amount of Harley's Consolidated Net Income for such period attributable to Subsidiaries that are not Material Subsidiaries exceeds thirty percent (30%) of Harley's Consolidated Net Income for such period, Harley shall designate sufficient Subsidiaries as "Material Subsidiaries" to eliminate such excess, and such designated Subsidiaries shall for all purposes of this Agreement constitute Material Subsidiaries until such designation is no longer necessary to comply with this proviso; provided further, that no Subsidiary of Harley that is not a Consolidated Subsidiary of Harley shall be deemed to be a "Material Subsidiary".

"**Maturity Date**" means the Termination Date or, if applicable, the date to which the Maturity Date shall have been extended in accordance with Section 2.19.

"**Moody's**" means Moody's Investors Service, Inc.

"**Multiemployer Plan**" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which Harley or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"**Multiple Employer Plan**" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of Harley or any ERISA Affiliate and at least one Person other than Harley and the ERISA Affiliates or (b) was so maintained and in respect of which Harley or any ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"**Net Income**" of any Person for any period means the net income (or loss) of such Person for such period, as shall be determined in accordance with Agreement Accounting Principles.

"**Net Worth**" of any Person means such Person's consolidated shareholders' equity, as shall be determined in accordance with Agreement Accounting Principles.

"**Non Pro Rata Loan**" is defined in Section 8.2 hereof.

"**Non-U.S. Lender**" means (i) a Lender that is neither a Disregarded Entity nor a U.S. Person, and (ii) a Lender that is a Disregarded Entity and that is treated for U.S. federal income tax purposes as having as its sole member a Person that is not a U.S. Person.

"**Notes**" means the Syndicated Global Notes and the Bid Rate Notes.

"**Notice of Assignment**" is defined in Section 13.3(B) hereof.

"**NYFRB**" means the Federal Reserve Bank of New York.

"**NYFRB Rate**" means, for any day, the greater of (a) the Federal Funds Effective Rate in effect on such day and (b) the Overnight Bank Funding Rate in effect on such day (or for any day that is not a Business Day, for the immediately preceding Business Day); provided that if both such rates are not so published for any day that is a Business Day, the term "NYFRB Rate" means the

rate quoted for such day for a federal funds transaction at 11:00 a.m., New York City time, on such day received by the Global Administrative Agent from a Federal funds broker unaffiliated with the Global Administrative Agent of recognized standing selected by it.

**“Obligations”** means all Loans, advances, debts, liabilities, obligations, covenants and duties owing by any Borrower to the Global Administrative Agent, any Arranger, any Lender, any Affiliate of any of the foregoing or any Indemnitee, of any kind or nature, present or future, arising under this Agreement, the Notes or any other Loan Document, whether or not evidenced by any note, guaranty or other instrument, whether or not for the payment of money, whether arising by reason of an extension of credit, loan, guaranty, indemnification, or in any other manner, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising and however acquired. The term includes, without limitation, all interest, charges, expenses, fees, attorneys’ fees and disbursements, paralegals’ fees (in each case whether or not allowed), and any other sum chargeable to any Borrower under this Agreement or any other Loan Document.

**“OFAC”** means the Office of Foreign Assets Control of the U.S. Department of Treasury.

**“Other Taxes”** is defined in [Section 3.5](#) hereof.

**“Overnight Bank Funding Rate”** means, for any day, the rate comprised of both overnight federal funds and overnight eurodollar borrowings by U.S.-managed banking offices of depository institutions (as such composite rate shall be determined by the NYFRB as set forth on its public website from time to time) and published on the next succeeding Business Day by the NYFRB as an overnight bank funding rate (from and after such date as the NYFRB shall commence to publish such composite rate).

**“Participant Register”** is defined in [Section 13.2\(A\)](#) hereof.

**“Participants”** is defined in [Section 13.2\(A\)](#) hereof.

**“Payment Date”** means the last Business Day of each calendar quarter.

**“PBGC”** means the Pension Benefit Guaranty Corporation, or any successor thereto.

**“Permitted Finance Receivables Securitization”** means any financial asset financing program or facility providing for the sale, conveyance, pledge or other transfer of Finance Receivables by any of the Companies or their respective Subsidiaries to a trust or to one or more limited purpose finance companies, special purpose entities or financial institutions or other third party investors or financiers, either directly or through one or more Subsidiaries.

**“Permitted Liens”** means such of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding shall have been commenced: (a) Liens for taxes, assessments and governmental charges or levies to the extent not required to be paid under [Section 6.1.2](#) hereof; (b) Liens imposed by law, such as materialmen’s, mechanics’, carriers’, landlords’, workmen’s and repairmen’s Liens and other similar Liens arising in the ordinary course of business securing obligations that are either (i) not overdue for a period of more than forty-five (45) days or (ii) being contested in good faith and by proper actions and as to which appropriate reserves are being maintained; (c) pledges or deposits to secure obligations under workers’ compensation laws, unemployment insurance or similar legislation or to secure public or statutory obligations and/or

securing liability for reimbursement or indemnification obligations to insurance carriers providing property, casualty or liability insurance to one or more of the Companies and/or the Material Subsidiaries; (d)(i) easements, rights of way and other encumbrances on title to real Property, (ii) zoning, building, entitlement and other land use regulations and (iii) any zoning or similar law, rule, regulation or requirement or right reserved to, or vested in, any Governmental Authority to control or regulate the use of any real property, in each of the foregoing cases that does not render title to the Property encumbered thereby unmarketable or materially adversely affect the use of such Property for its present purposes; (e) Liens of attachment or judgment with respect to judgments, writs or warrants of attachment, or similar process against any of the Companies or any of their Subsidiaries which do not constitute a Default under Section 7.1(f); (f) Liens arising from leases, subleases, licenses or sublicenses granted to others which do not interfere in any material respect with the business of the Companies or any of their Subsidiaries; (g) any interest or title of the lessor in the Property subject to any operating lease entered into by any of the Companies or any of their Subsidiaries in the ordinary course of business; (h) Liens in respect of an agreement to dispose of any asset, to the extent such disposal is permitted by this Agreement; (i) Liens arising under any retention of title arrangements entered into in the ordinary course of business or over goods or documents of title to goods arising in the ordinary course of documentary credit transactions; (j) Liens arising due to any cash pooling, netting or composite account arrangements between any one or more of the Borrowers and any of their Subsidiaries or between any one or more of such entities and one or more banks or other financial institutions where any such entity maintains deposits; (k) customary rights of set off, revocation, refund or chargeback or similar rights under deposit disbursement, concentration account agreements or under the UCC (or comparable foreign law) or arising by operation of law of banks or other financial institutions where any Borrower or any of its Subsidiaries maintains deposit, disbursement or concentration accounts in the ordinary course of business; (l) any Lien that may from time to time be created under any Loan Document; (m) any Lien on any landlord's estate or interest in any property that is leased by any Company or Material Subsidiary; (n) Liens securing the non-delinquent performance of bids, trade contracts (other than for borrowed money), leases and statutory obligations, Contingent Obligations in connection with surety bonds, appeal bonds and similar instruments and other non-delinquent obligations of a like nature, in each case incurred in the ordinary course of business; (o) Liens securing reimbursement obligations incurred in the ordinary course of business for letters of credit or banker's acceptances, which Liens encumber only goods, or documents of title covering goods, which are purchased in transactions for which such letters of credit or banker's acceptances are issued; and (p) contractual rights of set-off and similar rights securing Hedging Obligations.

**“Permitted Securitization Recourse Obligations”** of a Person means recourse obligations of such Person with respect to Finance Receivables sold, pledged or otherwise transferred pursuant to a Permitted Finance Receivables Securitization, if and only if such recourse obligations constitute performance guarantees and/or indemnification or repurchase obligations arising as a result of the breach by such Person of a representation, warranty or covenant in respect of such Finance Receivables or otherwise in respect of losses, costs or expenses arising as a result of such Permitted Finance Receivables Securitizations, in each case other than (A) recourse for Finance Receivables uncollectible because of bankruptcy, insolvency, lack of creditworthiness or other mere failure to pay on the part of the obligor with respect to such Finance Receivable, and (B) indemnification or repurchase obligations arising from a representation, warranty or covenant relating to the payment of any Indebtedness incurred or securities issued in connection with such Permitted Finance Receivables Securitization.

“**Person**” means any natural person, corporation, firm, company, joint venture, partnership, association, enterprise, trust or other entity or organization, or any government or political subdivision or any agency, department or instrumentality thereof.

“**Plan**” means a Single Employer Plan or a Multiple Employer Plan.

“**Prime Rate**” means the rate of interest per annum announced from time to time by JPMorgan Chase Bank, N.A. or its parent as its prime rate (which is not necessarily the lowest rate charged to any customers) in effect at its principal office in New York City, changing when and as said prime rate changes. Each change in the Prime Rate shall be effective on the date such change is announced as being effective.

“**Pro Rata Share**” means, with respect to any Syndicated Global Lender, the percentage obtained by dividing (A) such Syndicated Global Lender’s Commitment at such time (in each case, as adjusted from time to time in accordance with the provisions of this Agreement) by (B) the Aggregate Commitment at such time; provided, however, that, if the Commitments have been terminated pursuant to the terms of this Agreement, “**Pro Rata Share**” means, with respect to any Syndicated Global Lender, the percentage obtained by dividing (A) the aggregate outstanding principal amount of such Syndicated Global Lender’s Syndicated Global Loans by (B) the aggregate outstanding principal amount of all Syndicated Global Loans.

“**Property**” of a Person means any and all property, whether real, personal, tangible, intangible, or mixed, of such Person, or other assets owned, leased or operated by such Person.

“**Purchasers**” is defined in Section 13.3(A) hereof.

“**Register**” is defined in Section 13.3(C) hereof.

“**Regulation D**” means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor thereto or other regulation or official interpretation of said Board of Governors relating to reserve requirements applicable to member banks of the Federal Reserve System.

“**Related Person**” means each of the following: (a) Harley, (b) any Subsidiary of Harley or (c) any employee benefit plan of Harley or of any Subsidiary of Harley or any Person organized, appointed or established by Harley for or pursuant to the terms of any such plan.

“**Release**” means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration into the indoor or outdoor environment, including the movement of contaminants through or in the air, soil, surface water or groundwater.

“**Required Lenders**” means, in all cases subject to Section 8.2(v) hereof, Lenders whose Pro Rata Shares, in the aggregate, are greater than fifty percent (50%); provided, however, that, if any of the Lenders shall have failed to fund its Pro Rata Share of any Loan requested by the applicable Borrower which such Lenders are obligated to fund under the terms of this Agreement and any such failure has not been cured, then for so long as such failure continues, “**Required Lenders**” means Lenders (excluding all Lenders whose failure to fund their respective Pro Rata Shares of such Loans has not been so cured) whose Pro Rata Shares represent greater than fifty percent (50%) of the aggregate Pro Rata Shares of such Lenders; provided, further, however, that, if the Commitments have been terminated pursuant to the terms of this Agreement, “**Required Lenders**” means Lenders

(without regard to such Lenders' performance of their respective obligations hereunder) whose Pro Rata Shares, in the aggregate, are greater than fifty percent (50%).

**“Reserve Requirement”** means, with respect to an Interest Period, the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed under Regulation D on eurocurrency liabilities.

**“S&P”** means S&P Global Ratings, a division of S&P Global Inc.

**“Sanctioned Country”** means, at any time, a country or territory which is the subject of any Sanctions (at the time of this Agreement, Crimea, Cuba, Iran, North Korea, Sudan and Syria).

**“Sanctioned Person”** means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC, the U.S. Department of State, the United Nations Security Council, the European Union, any EU member state or other relevant sanctions authority, (b) any Person organized or resident in a Sanctioned Country or (c) any Person controlled by any such Person or Persons.

**“Sanctions”** means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by OFAC or the U.S. Department of State or (b) the United Nations Security Council, the European Union, Her Majesty's Treasury of the United Kingdom or other relevant sanctions authority.

**“Single Employer Plan”** means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of Harley or any ERISA Affiliate and no Person other than Harley and the ERISA Affiliates or (b) was so maintained and in respect of which Harley or any ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

**“Subordinated Indebtedness”** is defined in Section 6.3(A) hereof.

**“Subordinated Intercompany Indebtedness”** means Indebtedness arising from intercompany loans; provided if the obligor on such Indebtedness is one or more of the Companies (whether as a primary obligor or a secondary obligor), such Indebtedness shall be subordinated to the Obligations pursuant to the subordination terms attached as Schedule II.

**“Subsidiary”** of a Person means (i) any corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any company, partnership, association, trust, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled. Unless otherwise expressly provided, all references herein to a “Subsidiary” shall mean a direct or indirect Subsidiary of Harley.

**“Support Agreement”** means the Support Agreement dated as of September 26, 1996 between Harley and HDFS evidencing Harley's agreement to support certain debts of HDFS and its Subsidiaries, together with and as supplemented by the letter agreement dated as of May 1, 2017 to the Global Administrative Agent from Harley and HDFS pursuant to which certain modifications to the above-referenced Support Agreement were agreed to for the benefit of the Global Administrative Agent and the Lenders.

“**Syndicated Global Advance**” means a borrowing consisting of simultaneous Syndicated Global Loans of the same Type made to a Global Borrower by each of the Syndicated Global Lenders pursuant to Section 2.1, and in the case of Eurodollar Rate Advances, for the same Interest Period.

“**Syndicated Global Advance Borrowing Notice**” is defined in Section 2.6 hereof.

“**Syndicated Global Lender**” means any Lender (or any Affiliate, branch or agency thereof) party hereto with a commitment to make Syndicated Global Loans to each Global Borrower.

“**Syndicated Global Loan**” means a loan by a Syndicated Global Lender to a Global Borrower as part of a Syndicated Global Advance.

“**Syndicated Global Note**” means, to the extent requested, a promissory note of a Global Borrower payable to any requesting Syndicated Global Lender, in substantially the form of Exhibit B-1 hereto, evidencing the aggregate indebtedness of such Global Borrower to such Syndicated Global Lender resulting from the Syndicated Global Loans made by such Syndicated Global Lender to such Global Borrower.

“**Taxes**” means any and all present or future taxes, duties, levies, imposts, deductions, assessments, fees, charges or withholdings, and any and all liabilities with respect to the foregoing.

“**Tax Credit**” means a credit against, relief or remission of, or repayment of any Taxes or Other Taxes.

“**Termination Date**” means the earlier of (a) April 30, 2018 and (b) the date of termination of the Commitments pursuant to Section 2.4 or Section 8.1.

“**Term-Out Date**” has the meaning specified in Section 2.19 hereof.

“**Term-Out Option**” has the meaning specified in Section 2.19 hereof.

“**Trade Date**” has the meaning specified in Section 13.3(D)(i) hereof.

“**Transactions**” means the execution, delivery and performance by the Companies of this Agreement and the other Loan Documents, the borrowing of Loans and the use of the proceeds thereof.

“**Transferee**” is defined in Section 13.5 hereof.

“**Type**” means, (a) with respect to any Syndicated Global Loan, its nature as a Base Rate Loan or Eurodollar Rate Loan, and (b) with respect to any Syndicated Global Advance, its nature as a Base Rate Advance or Eurodollar Rate Advance.

“**Unmatured Default**” means an event which, but for the lapse of time or the giving of notice, or both, would constitute a Default.

“**U.S. Borrower**” means Harley or HDFS, and “**U.S. Borrowers**” means, collectively, Harley and HDFS.

“**U.S. Person**” means a “United States person” within the meaning of Section 7701(a)(30) of the Code.

“**Voting Stock**” means capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

“**Write-Down and Conversion Powers**” means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms. Any accounting terms used in this Agreement which are not specifically defined herein shall be interpreted in accordance with Section 9.8 hereof. Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document in any Loan Document shall be construed as referring to such agreement, instrument or other document as amended, restated, supplemented or otherwise modified from time to time (subject to any restrictions on such amendments, restatements, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference to any Person in any Loan Document shall be construed to include such Person’s successors and assigns (subject to any restrictions on assignments set forth herein or in any other Loan Document) and (iii) any reference in any Loan Document to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law, and any reference in any Loan Document to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time.

## ARTICLE II THE CREDITS

**2.1 Syndicated Global Loans. Upon the satisfaction of the conditions precedent set forth in Sections 4.1 and 4.2 hereof, from and including the date of this Agreement and prior to the Termination Date, each Syndicated Global Lender severally and not jointly agrees, on the terms and conditions set forth in this Agreement, to make Syndicated Global Loans to the Global Borrowers from time to time, in Dollars, in an amount not to exceed in the aggregate at any one time outstanding an amount equal to such Syndicated Global Lender’s Pro Rata Share of the Aggregate Commitment; provided, however**

- (i) that the sum of (a) the aggregate amount of the Syndicated Global Loans then outstanding and (b) the aggregate amount of the Bid Rate Loans then outstanding, shall not exceed the Aggregate Commitment;
- (i) that the aggregate outstanding amount of all Loans at any time shall not exceed the Aggregate Commitment; and
- (ii) that, notwithstanding anything contained in this Agreement, the aggregate amount of all Syndicated Global Loans made by a Syndicated Global Lender shall not at any time exceed the amount of such Syndicated Global Lender’s Commitment.

Each Syndicated Global Advance under this Section 2.1 shall consist of Syndicated Global Loans made by each Syndicated Global Lender ratably in proportion to such Syndicated Global Lender’s respective

Pro Rata Share; provided that, the Global Administrative Agent may allocate any Syndicated Global Advance on a non-pro rata basis to the extent the failure to so allocate would cause a Syndicated Global Lender's Loans to exceed such Syndicated Global Lender's Commitment. Subject to the terms of this Agreement, each Global Borrower may borrow, repay and reborrow Syndicated Global Loans at any time prior to the Termination Date. Each Global Borrower may select, in accordance with Sections 2.6 and 2.8 and subject to the other conditions and limitations therein set forth and set forth in this Article II, Global Rate Options and Interest Periods applicable to portions of the Syndicated Global Advances. On the Maturity Date, the outstanding principal balance of the Syndicated Global Loans shall be paid in full by the Global Borrowers.

2.2 [Reserved]

2.3 Optional Payments of Loans. Subject to Section 3.4 and the requirements of Section 2.7, each relevant Global Borrower may (a) prepay Floating Rate Loans following irrevocable notice given to the Global Administrative Agent by such Borrower, by not later than 12:00 noon (New York time) on the date of the proposed prepayment, such notice specifying the aggregate principal amount of and the proposed date of the prepayment, and if such notice is given such Borrower shall prepay the outstanding principal amounts of the specified Floating Rate Loans comprising part of the same Syndicated Global Advance in whole or ratably in part and (b) prepay any Fixed Rate Loans following notice given to the Global Administrative Agent by such Borrower by not later than 12:00 noon (New York time) on the date that is not less than one (1) Business Day preceding the date of the proposed prepayment, such notice specifying the Syndicated Global Advance to be prepaid and the proposed date of the prepayment, and, if such notice is given, such Borrower shall, prepay the outstanding principal amounts of the Fixed Rate Loans comprising an Advance in whole (and not in part), together with accrued interest to the date of such prepayment on the principal amount prepaid; provided that any notice of optional prepayment of the Loans delivered by Harley may state that such notice is conditioned upon the effectiveness of other credit facilities or other transactions specified therein, in which case such notice may be revoked by Harley (by notice to the Global Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. With respect to Floating Rate Advances, each partial prepayment shall be in an aggregate principal amount not less than \$1,000,000 and integral multiples of \$100,000.

2.4 Reduction of Commitments. Harley may permanently reduce the Aggregate Commitment in whole, or in part ratably among the Lenders, in an aggregate minimum amount of \$10,000,000 and integral multiples of \$5,000,000 in excess of that amount, upon at least five (5) Business Days' prior written notice to the Global Administrative Agent, which notice shall specify the amount of any such reduction; provided, however, that the amount of the Aggregate Commitment may not be reduced below the sum of the aggregate principal amount of the outstanding Advances; provided further that any such notice delivered by Harley may state that such notice is conditioned upon the effectiveness of other credit facilities or other transactions specified therein, in which case such notice may be revoked by Harley (by notice to the Global Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. All accrued and unpaid commitment fees shall be payable on the effective date of any termination of the obligations of the Lenders to make Loans hereunder. The Global Administrative Agent shall promptly distribute to the relevant Lenders any notices received by it under this Section 2.4.

2.5 Method of Borrowing Syndicated Global Advances.

2.6 Method of Selecting Types and Interest Periods for Syndicated Global Advances.

2.7 Minimum Amount of Each Syndicated Global Advance. **Each Syndicated Global Advance shall be in the applicable minimum amounts specified in Schedule I; provided, however, that any Base Rate Advance may be in the amount of the unused Aggregate Commitment.**

2.8 Method of Selecting Types and Interest Periods for Conversion and Continuation of Syndicated Global Advances.

(A) Right to Convert. The applicable Borrower may elect from time to time, subject to the provisions of Section 2.6, Section 2.7 and this Section 2.8, to convert all or any part of an Advance of any Type into any other Type or Types of Advance; provided that any conversion of any Fixed Rate Advance or Fixed Rate Loan shall be made on, and only on, the last day of the Interest Period applicable thereto.

(A) Automatic Conversion and Continuation. Floating Rate Loans shall continue as Floating Rate Loans of the same Type unless and until such Floating Rate Loans are converted into Fixed Rate Loans. Fixed Rate Loans shall continue as Fixed Rate Loans until the end of the then applicable Interest Period therefor, at which time such Fixed Rate Loans shall be automatically converted into Base Rate Loans unless the applicable Borrower shall have given the Global Administrative Agent notice in accordance with Section 2.8(D) requesting that, at the end of such Interest Period, such Fixed Rate Loans continue as Fixed Rate Loans.

(B) No Conversion Post-Default. Notwithstanding anything to the contrary contained in Section 2.8(A) or Section 2.8(B), no Syndicated Global Loan may be converted into or continued as a Fixed Rate Loan except with the consent of the Required Lenders when any Default has occurred and is continuing.

(C) Conversion/Continuation Notice. The applicable Borrower shall give the Global Administrative Agent irrevocable notice (a "**Conversion/Continuation Notice**") of each conversion of a Floating Rate Loan into a Fixed Rate Loan or continuation of a Fixed Rate Loan not later than the time prior to the date of the requested conversion or continuation which is consistent with the requisite time and notice required in connection with Section 2.6, specifying: (1) the requested date (which shall be a Business Day) of such conversion or continuation; (2) the amount and Type of the Syndicated Global Loan to be converted or continued; and (3) the amounts of Fixed Rate Loan(s) into which such Syndicated Global Loan is to be converted or continued and the duration of the Interest Periods applicable thereto.

2.9 [Reserved]

2.10 The Bid Rate Advances. (a) **Each Syndicated Global Lender severally agrees that, on the terms and conditions set forth in this Agreement, any Global Borrower may request and receive Bid Rate Advances in Dollars under this Section 2.10 from time to time on any Business Day during the period from the date hereof until the date occurring 30 days prior to the Termination Date in the manner set forth below; provided, however, that, following the making of each Bid Rate Advance, the aggregate amount of the Advances then outstanding shall not exceed the Aggregate Commitment.**

(a) The procedures for the solicitation and acceptance of Bid Rate Loans are set forth below:

(i) The applicable Global Borrower may request a Bid Rate Advance under this Section 2.10(b) by giving the Global Administrative Agent irrevocable notice at the office and location specified by the Global Administrative Agent, in a form reasonably acceptable to the Global Administrative Agent (a “**Bid Rate Advance Borrowing Notice**”), specifying the date and aggregate amount of the proposed Bid Rate Advance, the maturity date for repayment of each Bid Rate Loan to be made as part of such Bid Rate Advance (which maturity date may not be earlier than, in the case of an Absolute Rate Auction, the date occurring thirty days, and in the case of an Indexed Rate Auction, the date occurring one month after the date of the related Bid Rate Advance or later than, in the case of an Absolute Rate Auction, the earlier of the day occurring 180 days after the date of such Bid Rate Advance and the Termination Date, and in the case of an Indexed Rate Auction, the earlier of the day occurring six months after the date of such Bid Rate Advance and the Termination Date), the interest payment date or dates relating thereto, and any other terms to be applicable to such Bid Rate Advance, not later than 10:00 a.m. (New York time) (A) one Business Day prior to the date of the proposed Bid Rate Advance, if the applicable Global Borrower shall specify in the Bid Rate Advance Borrowing Notice that the rates of interest to be offered by the Syndicated Global Lenders shall be absolute rates per annum (such type of solicitation being an “**Absolute Rate Auction**”) and (B) five (5) Business Days prior to the date of the proposed Bid Rate Advance, if the applicable Global Borrower shall specify in the Bid Rate Advance Borrowing Notice that the rates of interest to be offered by the Syndicated Global Lenders shall be based on the Eurodollar Base Rate (such type of solicitation being an “**Indexed Rate Auction**”). The Global Administrative Agent shall, promptly following its receipt of a Bid Rate Advance Borrowing Notice under this Section 2.10(b), notify each Syndicated Global Lender of such request by sending such Syndicated Global Lender a copy of such Bid Rate Advance Borrowing Notice.

(ii) Each Syndicated Global Lender may, if, in its sole discretion, it elects to do so, irrevocably offer to make one or more Bid Rate Loans to the applicable Global Borrower as part of such proposed Bid Rate Advance at a rate or rates of interest specified by such Syndicated Global Lender in its sole discretion, by notifying the Global Administrative Agent (which shall give prompt notice thereof to the applicable Global Borrower), before 11:00 a.m. (New York time) (or if such Syndicated Global Lender is the Global Administrative Agent, before 10:45 a.m. (New York time)) (A) on the date of such proposed Bid Rate Advance, in the case of an Absolute Rate Auction, and (B) four Business Days before the date of such proposed Bid Rate Advance, in the case of an Indexed Rate Auction of the minimum amount and maximum amount of each Bid Rate Loan which such Syndicated Global Lender would be willing to make as part of such proposed Bid Rate Advance (which amounts may, subject to the proviso to the first sentence of Section 2.10(a), exceed such Syndicated Global Lender’s Commitment), the rate or rates of interest, in the case of an Absolute Rate Auction, or the spread or spreads with respect to the Eurodollar Base Rate, in the case of an Indexed Rate Auction, therefor and such Syndicated Global Lender’s Lending Installation with respect to such Bid Rate Loan.

(iii) The applicable Global Borrower shall, in turn, before (A) 12:00 noon (New York time) on the date of such proposed Bid Rate Advance, in the case of an Absolute Rate Auction, and (B) 11:00 a.m. (New York time) three Business Days before the date of such proposed Bid Rate Advance, in the case of an Indexed Rate Auction for a Bid Rate Advance, either:

- (x) cancel such Bid Rate Advance by giving the Global Administrative Agent notice to that effect; or

(y) accept, subject to Section 2.10(d), one or more of the offers made by any Syndicated Global Lender or Syndicated Global Lenders pursuant to Section 2.10(b)(ii), in its sole discretion, by giving notice to the Global Administrative Agent of the amount of each Bid Rate Loan (which amount shall be equal to or greater than the minimum amount, and equal to or less than the maximum amount, notified to the applicable Global Borrower by the Global Administrative Agent on behalf of such Syndicated Global Lender for such Bid Rate Loan pursuant to Section 2.10(b)(ii)) to be made by each Syndicated Global Lender as part of such Bid Rate Advance, and reject any remaining offers made by Syndicated Global Lenders pursuant to Section 2.10(b)(ii) by giving the Global Administrative Agent notice to that effect.

(iv) If the applicable Global Borrower notifies the Global Administrative Agent that such Bid Rate Advance is canceled pursuant to Section 2.10(b)(iii)(x), the Global Administrative Agent shall give prompt notice thereof to the Syndicated Global Lenders and such Bid Rate Advance shall not be made.

(v) If the applicable Global Borrower accepts one or more of the offers made by any Syndicated Global Lender or Syndicated Global Lenders pursuant to Section 2.10(b)(iii)(y), the Global Administrative Agent shall in turn promptly notify (A) each Syndicated Global Lender that has made an offer as described in Section 2.10(b)(ii) of the date, and aggregate amount of such Bid Rate Advance and whether or not any offer or offers made by such Syndicated Global Lender pursuant to Section 2.10(b)(ii) have been accepted by the applicable Global Borrower and (B) each Syndicated Global Lender that is to make a Bid Rate Loan as part of such Bid Rate Advance, of the amount of each Bid Rate Loan to be made by such Syndicated Global Lender as part of such Bid Rate Advance. Each Syndicated Global Lender that is to make a Bid Rate Loan as part of such Bid Rate Advance shall, not later than 3:00 p.m. (New York time) on the date of such Bid Rate Advance specified in the notice received from the Global Administrative Agent pursuant to clause (A) of the preceding sentence, make available for the account of its Lending Installation to the Global Administrative Agent at the Lending Installation of the Global Administrative Agent most recently designated by the Global Administrative Agent for this purpose, such Syndicated Global Lender's portion of such Bid Rate Advance, in same day funds in Dollars. Upon fulfillment of the applicable conditions set forth in Article IV and after receipt by the Global Administrative Agent of such funds, the Global Administrative Agent will make such funds available to the applicable Global Borrower at the Global Administrative Agent's aforesaid address. Promptly after each Bid Rate Advance, the Global Administrative Agent will notify each Syndicated Global Lender of the amount of such Bid Rate Advance, the consequent Bid Rate Reduction and the dates upon which such Bid Rate Reduction commenced and will terminate.

(vi) Notwithstanding the other provisions of this Section 2.10(b), the applicable Global Borrower may elect at its own discretion to assume the responsibilities of the Global Administrative Agent in connection with the solicitation and acceptance of Bid Rate Loans as described in this section. In the event that the applicable Global Borrower makes the election described in this subsection, all notices to be given by such Borrower to the Global Administrative Agent pursuant to this Section 2.10(b) shall be given by such Borrower directly to the Global Administrative Agent and the Syndicated Global Lenders, all notices to be given by the Global Administrative Agent to the Syndicated Global Lenders pursuant to this Section 2.10(b) shall be given by such Borrower to the Syndicated Global Lenders, and all notices to be given by the Syndicated Global Lenders to the Global Administrative Agent pursuant to this Section 2.10(b) shall be given by the Syndicated Global Lenders to such Borrower and the Global Administrative Agent. In addition, any fee payable to the

Global Administrative Agent in connection with the Bid Rate Loans in connection with such Bid Rate Loans solicited and accepted by any Global Borrower pursuant to this clause (vi) is hereby waived.

(b) Each Bid Rate Advance shall be in an aggregate amount not less than \$10,000,000 or an integral multiple of approximately \$1,000,000 in excess thereof, and, following the making of each Bid Rate Advance, the Borrowers shall be in compliance with the limitation set forth in the proviso to the first sentence of Section 2.10(a).

(c) Each acceptance by the applicable Global Borrower pursuant to Section 2.10(b)(iii)(y) of the offers made in response to a Bid Rate Advance Borrowing Notice shall be treated as an acceptance of such offers in ascending order of the rates or margins, as applicable, at which the same were made but if, as a result thereof, two or more offers at the same such rate or margin would be partially accepted, then the amounts of the Bid Rate Loans in respect of which such offers are accepted shall be treated as being the amounts which bear the same proportion to one another as the respective amounts of the Bid Rate Loans so offered bear to one another but, in each case, rounded as the Global Administrative Agent (or the applicable Global Borrower in the event such Borrower runs the bid rate process under clause (b)(vi) above) may consider necessary to ensure that the amount of each such Bid Rate Loan is approximately \$500,000 or an integral multiple thereof.

(d) Within the limits and on the conditions set forth in this Section 2.10, each Global Borrower may from time to time borrow under this Section 2.10, repay pursuant to Section 2.10(f), and reborrow under this Section 2.10.

(e) The applicable Global Borrower shall repay to the Global Administrative Agent, for the account of each Syndicated Global Lender which has made a Bid Rate Loan to it, on the maturity date of such Bid Rate Loan (such maturity date being that specified by such Borrower for repayment of such Bid Rate Loan in the related Bid Rate Advance Borrowing Notice), or, if earlier, the acceleration of the Obligations pursuant to Section 8.1, the then unpaid principal amount of such Bid Rate Loan. No Borrower shall have the right to prepay any principal amount of any Bid Rate Loan without the consent of the applicable Syndicated Global Lender.

(f) The applicable Global Borrower shall pay interest on the unpaid principal amount of each Bid Rate Loan made to it, from the date of such Bid Rate Loan to the date the principal amount of such Bid Rate Loan is repaid in full, at the rate of interest for such Bid Rate Loan specified by the Syndicated Global Lender making such Bid Rate Loan in the related notice submitted by such Syndicated Global Lender pursuant to Section 2.10(b)(ii), payable on the interest payment date or dates specified by such Borrower for such Bid Rate Loan in the related Bid Rate Advance Borrowing Notice and on any date on which such Bid Rate Loan is prepaid, whether by acceleration or otherwise. In the event the term of any Bid Rate Loan shall be longer than three months, interest thereon shall be payable not less frequently than once each three-month period during such term. Unless otherwise specified in the applicable Bid Rate Advance Borrowing Notice, interest on Bid Rate Advances shall be calculated (a) for actual days elapsed on the basis of a 365-day year or, when appropriate, 366-day year for Bid Rate Advances made pursuant to an Indexed Rate Auction and (b) for actual days elapsed on the basis of a 360-day year for Bid Rate Advances made pursuant to an Absolute Rate Auction.

(g) Except as provided in clause (b)(vi) above, in connection with each Bid Rate Loan, the applicable Global Borrower shall pay to the Global Administrative Agent the fee with respect thereto

set forth in the relevant fee letter dated as of even date herewith between the Borrowers and the Global Administrative Agent.

2.11 Default Rate. Notwithstanding anything contained herein to the contrary, if any principal of or interest on any Loan or any fee or other amount payable by any Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, the Global Administrative Agent may with the consent, and shall upon the request, of the Required Lenders require that such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided herein or (ii) in the case of any other amount, 2% plus the rate applicable to Base Rate Advances as provided herein.

2.12 Method of Payment. All payments of principal, interest, and fees hereunder to the Global Administrative Agent shall be made, without setoff, deduction or counterclaim (a) at the Global Administrative Agent's office at the applicable location at which such Advance was made in immediately available funds or at any other Lending Installation of the Global Administrative Agent specified in writing (by 11:00 a.m. (New York time) on the day before the date when due) by the Global Administrative Agent to the applicable Borrower, by 12:00 noon local time in New York, New York on the date when due and shall be made ratably among the relevant Lenders (unless such amount is not to be shared ratably in accordance with the terms hereof). Each Advance shall be repaid or prepaid in Dollars in the amount borrowed and interest payable thereon shall be paid in Dollars. Notwithstanding anything in this Agreement, the obligation of any Borrower in respect of any Advance shall not be discharged by an amount paid in any currency other than Dollars or at another location other than the location designated by the Global Administrative Agent, whether pursuant to a judgment or otherwise, to the extent the amount so paid, on prompt conversion into Dollars and transfer to the relevant Lenders under normal banking procedure, does not yield the amount of Dollars due under the Loan Documents. In the event that any payment, whether pursuant to a judgment or otherwise, upon conversion and transfer, does not result in payment of the amount of Dollars due under the Loan Documents, such Lender shall have an independent cause of action against the applicable Borrower(s) for the currency deficit. Each payment delivered to the Global Administrative Agent for the account of any Lender shall be delivered promptly by the Global Administrative Agent to such Lender in the same type of funds which the Global Administrative Agent received at its address specified pursuant to Article XIV or at any Lending Installation specified in a notice received by the Global Administrative Agent from such Lender.

2.13 Notes, Telephonic Notices. Any Lender may request that the Loans made by it each be evidenced by the applicable Notes to evidence such Lender's Loans. In such event, each applicable Borrower shall prepare, execute and deliver to such Lender such Note(s) for such Loans payable to such Lender. Thereafter, such Loans evidenced by such Note(s) and interest thereon shall at all times be represented by one or more Notes, except to the extent that any such Lender subsequently returns any such Note for cancellation. Each Borrower authorizes the applicable Lenders and the Global Administrative Agent to extend Advances, effect selections of Types of Advances and to transfer funds based on telephonic notices made

by any person or persons that the Global Administrative Agent or Lender in good faith believes to be acting on behalf of such Borrower. Each Borrower agrees to deliver promptly to the Global Administrative Agent a written confirmation, signed by an Authorized Officer, if such confirmation is requested by the Global Administrative Agent or any Lender, of each telephonic notice. If the written confirmation differs in any material respect from the action taken by the Global Administrative Agent and Lenders, (i) the telephonic notice shall govern absent manifest error and (ii) the Global Administrative Agent or Lender, as applicable, shall promptly notify the Authorizing Officer who provided such confirmation of such difference.

2.14 Promise to Pay; Interest and Fees; Interest Payment Dates; Interest and Fee Basis; Loan Accounts.

(A) Promise to Pay. Each Borrower unconditionally promises to pay when due the principal amount of each Loan made to it and all other Obligations incurred by it, and to pay all unpaid interest accrued thereon, in accordance with the terms of this Agreement.

(B) Interest Payment Dates. Interest accrued on each Floating Rate Loan shall be payable on each Payment Date, commencing with the first such date to occur after the date hereof, and at maturity (whether by acceleration or otherwise). Interest accrued on each Fixed Rate Loan shall be payable on the last day of its applicable Interest Period, on any date on which the Fixed Rate Loan is prepaid, whether by acceleration or otherwise, and at maturity. Interest accrued on each Fixed Rate Loan having an Interest Period longer than three months shall also be payable on the last day of each three-month interval during such Interest Period. Interest accrued on each Bid Rate Loan shall be payable as provided in Section 2.10(g). Interest accrued on the principal balance of all other Obligations shall be payable in arrears (i) upon repayment thereof in full, (ii) if not theretofore paid in full, at the time such other Obligation becomes due and payable (whether by acceleration or otherwise) and (iii) if not theretofore paid in full, on demand, commencing on the first such day following the date such Obligation became payable pursuant to the terms of this Agreement or the other Loan Documents.

(C) Fees. The relevant Borrowers shall, or shall cause their respective Subsidiaries to, pay to the Global Administrative Agent, for the account of each relevant Lender in accordance with their Pro Rata Shares, on arrangements satisfactory to Harley and the Global Administrative Agent, a commitment fee accruing at the rate of the Applicable Commitment Fee Rate per annum from and after the date hereof until the Termination Date on the average daily unused amount of the Aggregate Commitment during a given calendar quarter calculated on the last Business Day of such calendar quarter. All such commitment fees payable under this clause (C) shall be payable quarterly in arrears on the last Business Day of each March, June, September and December occurring after the date hereof and, in addition, on the Termination Date.

(D) Interest and Fee Basis. Interest on all Loans (other than Base Rate Loans with respect to which interest is calculated by reference to the Alternate Base Rate) and all fees shall be calculated for actual days elapsed on the basis of a 360-day year. Interest on Base Rate Loans with respect to which interest is calculated by reference to the Alternate Base Rate shall be calculated for actual days elapsed on the basis of a 365-day year or, when appropriate, 366-day year. Interest shall be payable for the day an Obligation is incurred but not for the day of any payment on the amount paid if payment is received by the times and in the offices required under Section 2.12. If any payment of principal of or interest on a Loan or any payment of any other Obligations shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and, in the case of a principal payment, such extension of time shall be included in computing interest in connection with such payment.

(E) Loan Account. Each Lender shall maintain in accordance with its usual practice an account or accounts (a “**Loan Account**”) evidencing the Obligations of the Borrowers to such Lender owing to such Lender from time to time, including the amount of principal and interest payable and paid to such Lender from time to time hereunder.

(F) Entries Binding. The entries made in the Register and each Loan Account shall be conclusive and binding for all purposes, absent manifest error, unless any Borrower objects to information contained in the Register and each Loan Account within thirty (30) days of such Borrower’s receipt of such information.

2.15 Notification of Advances, Interest Rates, Prepayments and Aggregate Commitment Reductions. **Promptly after receipt thereof, the Global Administrative Agent will notify each relevant Lender of the contents of each Aggregate Commitment reduction notice, Borrowing Notice, Continuation/Conversion Notice and repayment notice received by it hereunder. The Global Administrative Agent will notify each relevant Lender of the interest rate applicable to each Fixed Rate Loan promptly upon determination of such interest rate.**

2.16 Lending Installations. **Each Lender may book its Loans at any Lending Installation reasonably selected by such Lender and may change its Lending Installation from time to time. All terms of this Agreement shall apply to any such Lending Installation and any Notes shall be deemed held by each Lender for the benefit of such Lending Installation. Each Lender may, by written or facsimile notice to the Global Administrative Agent and Harley, designate a Lending Installation through which Loans will be made by it and for whose account Loan payments are to be made.**

2.17 Non-Receipt of Funds by the Global Administrative Agent. **Unless a Borrower or a Lender, as the case may be, notifies the Global Administrative Agent prior to the date (or time, in the case of a Floating Rate Loan) on which it is scheduled to make payment to the Global Administrative Agent of (i) in the case of a Lender, the proceeds of a Loan or (ii) in the case of a Borrower, a payment of principal, interest or fees to the Global Administrative Agent for the account of the relevant Lenders, that it does not intend to make such payment, the Global Administrative Agent may assume that such payment has been made. The Global Administrative Agent may, but shall not be obligated to, make the amount of such payment available to the intended recipient in reliance upon such assumption. If such Lender or Borrower, as the case may be, has not in fact made such payment to the Global Administrative Agent, the recipient of such payment shall, on demand by the Global Administrative Agent, repay to the Global Administrative Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Global Administrative Agent until the date the Global Administrative Agent recovers such amount at a rate per annum equal to (i) in the case of payment by a Lender, the Federal Funds Effective Rate for such day or (ii) in the case of payment by a Borrower, the interest rate applicable to the relevant Loan (including without limitation pursuant to Section 2.11 if applicable).**

2.18 Maturity Date. **This Agreement shall be effective until the Maturity Date. Notwithstanding the termination of this Agreement on the Maturity Date, until all of the Obligations (other than contingent indemnity and reimbursement obligations, to the extent**

such obligations have not accrued) shall have been fully paid and satisfied and all financing arrangements under the Loan Documents among the Borrowers and the Lenders shall have been terminated, all of the rights and remedies under this Agreement and the other Loan Documents shall survive.

2.19 Term-Out Option. Harley may, by irrevocable written notice to the Global Administrative Agent given not fewer than ten (10) Business Days prior to the Termination Date, elect (such election, the “Term-Out Option”), effective as of the Termination Date (the “Term-Out Date”), to extend the Maturity Date for all or a ratable portion of the Advances outstanding on such date to April 30, 2019; provided that such extension of the Maturity Date shall become effective only if, on the Term-Out Date, (a) no Default or Unmatured Default shall have occurred and be continuing on the Term-Out Date and immediately after giving effect to the exercise of the Term-Out Option, (b) the representations and warranties of Harley set forth in this Agreement are true and correct in all material respects (or in all respects if the applicable representation or warranty is qualified by Material Adverse Effect or materiality) on and as of the Term-Out Date and immediately after giving effect to the exercise of the Term-Out Option, as though made on and as of such date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date), (c) the Global Administrative Agent shall have received a certificate from Harley signed by an Authorized Officer of Harley (1) certifying the accuracy of the foregoing clauses (a) and (b) and (2) certifying and attaching the resolutions adopted by Harley approving or consenting to such extension of the Maturity Date, (d) Harley shall pay to the Global Administrative Agent, for the account of each Lender, a term-out fee equal to 0.75% of the aggregate principal amount of such Lender’s outstanding Advances the Maturity Date in respect of which is being extended on the Termination Date pursuant to the exercise of the Term-Out Option in accordance with this Section 2.19, and (e) Harley shall not have previously exercised the Term-Out Option. In the event the Maturity Date shall be so extended, (i) all Advances that are subject to such extension and outstanding on the Termination Date shall continue to constitute Advances following such date, (ii) all Advances that are not subject to such extension but are outstanding on the Termination Date shall be repaid on such date, (iii) the aggregate Commitments will terminate on the Termination Date and the commitment fee pursuant to Section 2.14(C) shall cease to accrue on the Termination Date, and (iv) no Borrower may borrow or reborrow any additional Advances on or after the Termination Date.

#### ARTICLE III CHANGE IN CIRCUMSTANCES

3.1 Yield Protection. If any law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive (whether or not having the force of law, but excluding those that are merely proposed and not in effect) adopted after the Closing Date (or with respect to any Lender, if later, the date on which such Lender becomes a Lender) and having general applicability to all banks (or a Lender’s holding company or applicable Lending Installation for purposes of this Agreement) within the jurisdiction in which such Lender operates (excluding, for the avoidance of doubt, the effect of and phasing in of capital requirements or other regulations or guidelines passed prior to the Closing Date (or with respect to any Lender, if later, the date on which such Lender becomes a Lender)), or any

interpretation or application thereof by any Governmental Authority charged with the interpretation or application thereof, or the compliance of any Lender therewith (any of the foregoing, a “Change in Law”; provided, however, that notwithstanding anything herein to the contrary, except to the extent they are merely proposed and not in effect, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, requirements and directives thereunder or issued in connection therewith by any Governmental Authority charged with the interpretation or application thereof and (ii) all requests, rules, guidelines, requirements and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued to the extent having general applicability to all banks (or a Lender’s holding company or applicable Lending Installation for purposes of this Agreement) within the jurisdiction in which the applicable Lender (or its holding company or such Lending Installation) operates),

(i) subjects the Global Administrative Agent, any Lender or any applicable Lending Installation to any Taxes on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto (other than (A) Indemnified Taxes, (B) Excluded Taxes, and (C) Other Taxes),

(ii) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender or any applicable Lending Installation with respect to its Fixed Rate Loans, or

(iii) imposes any other condition the result of which is to increase the cost to any Lender or any applicable Lending Installation of making, funding or maintaining the Fixed Rate Loans or reduces any amount received by any Lender or any applicable Lending Installation in connection with Fixed Rate Loans, or requires any Lender or any applicable Lending Installation to make any payment calculated by reference to the amount of Loans held or interest or fee received by it, by an amount deemed material by such Lender;

and the result of any of the foregoing is to increase the cost to that Person of making, renewing or maintaining its Commitment or Loans or to reduce any amount received under this Agreement, then, within 30 days after receipt by the relevant Borrower of written demand by such Person pursuant to Section 3.6, such Borrower shall pay such Person that portion of such increased expense incurred or reduction in an amount received which such Person determines is necessary to compensate such Person for such additional costs incurred or reduction suffered as reasonably determined by such Person (which determination shall be made in good faith (and not on an arbitrary or capricious basis) and consistent with similarly situated customers of such Person under agreements having provisions similar to this Section 3.1 after consideration of such factors as such Person then reasonably determines to be relevant).

**3.2 Changes in Capital Adequacy Regulations. If a Lender determines (i) the amount of capital or liquidity required or expected to be maintained by such Lender, any Lending Installation of such Lender or any corporation controlling such Lender is increased as a result of a “Change” (as defined below), and (ii) such increase in capital or liquidity will result in an increase in the cost to such Lender of maintaining its Loans or its obligation to make Loans**

hereunder, then, within 30 days after receipt by the relevant Borrower of written demand by such Lender pursuant to Section 3.6, such Borrower shall pay such Lender the amount necessary to compensate for any shortfall in the rate of return on the portion of such increased capital or liquidity which such Lender determines is attributable to this Agreement, its Loans or its obligation to make Loans hereunder (after taking into account such Lender's policies as to capital adequacy and liquidity) as such amount is reasonably determined by such Lender (which determination shall be made in good faith (and not on an arbitrary or capricious basis) and consistent with similarly situated customers of the applicable Lender under agreements having provisions similar to this Section 3.2 after consideration of such factors as such Lender then reasonably determines to be relevant). "Change" means any adoption of or change in any other law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation, or directive (whether or not having the force of law, but excluding those that are merely proposed and not in effect) after the Closing Date (or with respect to any Lender, if later, the date on which such Lender becomes a Lender) and having general applicability to all banks and financial institutions within the jurisdiction in which such Lender operates which affects the amount of capital or liquidity required or expected to be maintained by any Lender or any Lending Installation or any corporation controlling any Lender (provided, however, that notwithstanding anything herein to the contrary, except to the extent they are merely proposed and not in effect, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, requirements and directives thereunder or issued in connection therewith by any Governmental Authority charged with the interpretation or application thereof and (ii) all requests, rules, guidelines, requirements and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change", regardless of the date enacted, adopted or issued to the extent having general applicability to all banks (or a Lender's holding company or applicable Lending Installation for purposes of this Agreement) within the jurisdiction in which the applicable Lender (or its holding company or such Lending Installation) operates).

3.3 Availability of Types of Advances. If (i) any Lender determines that maintenance of any of its Fixed Rate Loans at a suitable Lending Installation would violate any applicable law, rule, regulation or directive, whether or not having the force of law, (ii) prior to the commencement of any Interest Period for a Fixed Rate Advance, the Global Administrative Agent determines (which determination shall be conclusive and binding absent demonstrable error) that adequate and reasonable means do not exist for ascertaining the Eurodollar Rate or LIBOR, as applicable, for a Loan for the applicable Interest Period or (iii) the Required Lenders with respect to Fixed Rate Advances determine that (x) deposits of a type, currency and maturity appropriate to match fund Fixed Rate Advances are not available or (y) the interest rate, Eurodollar Rate or LIBOR applicable to a Fixed Rate Advance does not accurately reflect the cost of making or maintaining such a Fixed Rate Advance, then the Global Administrative Agent shall give notice thereof to the Borrowers and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Global Administrative Agent notifies the Borrowers and the Lenders that the circumstances giving rise to such notice no longer exist (which notice shall be given by the Global Administrative

Agent promptly after such circumstances cease to exist), (A) the availability of Fixed Rate Advances of the affected Type shall be suspended and (B) and, in the case of any occurrence set forth in clause (i), the Global Administrative Agent shall require any affected Fixed Rate Advances to be repaid or, in the case of Eurodollar Rate Loans, at the option of the applicable U.S. Borrower, converted to Base Rate Advances.

3.4 Funding Indemnification. If any payment of a Fixed Rate Advance or Bid Rate Advance occurs on a date which is not the last day of the applicable Interest Period in the case of a Fixed Rate Advance or the applicable maturity date in the case of a Bid Rate Advance, whether because of acceleration, prepayment, assignment (to the extent such assignment is effected pursuant to Section 3.8) or otherwise, or a Fixed Rate Advance or Bid Rate Advance is not made or continued on the date specified by any Borrower for any reason other than default by the Lenders, Harley and such Borrower agrees to indemnify each Lender for any loss or cost (including lost profits) incurred by it resulting therefrom, including, without limitation, any loss or cost in liquidating or employing deposits acquired to fund or maintain the Fixed Rate Advance or Bid Rate Advance, as the case may be.

3.5 Taxes. (i) Unless such deduction is required by applicable law, all payments by any Borrower or the Guarantor to or for the account of any Lender or the Global Administrative Agent hereunder or under any Note shall be made free and clear of and without deduction for any and all Taxes. If any Borrower or the Guarantor or the Global Administrative Agent shall be required by applicable law to deduct any Indemnified Taxes from or in respect of any sum payable hereunder to any Lender or the Global Administrative Agent, then, except as otherwise specifically provided in this Section 3.5, (a) the sum payable by such Borrower or the Guarantor shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.5) such Lender or the Global Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (b) such Borrower or the Guarantor, as applicable, shall make such deductions, (c) such Borrower or the Guarantor, as applicable, shall pay the full amount deducted to the relevant authority in accordance with applicable law and (d) such Borrower or the Guarantor, as applicable, shall furnish to the Global Administrative Agent the original or a certified copy of a receipt evidencing payment thereof, or other evidence of such payment that is reasonably satisfactory to the Global Administrative Agent.

(ii) In addition, except as otherwise specifically provided in this Section 3.5, each Borrower and the Guarantor hereby agrees to pay any present or future stamp or documentary taxes and any other excise or property taxes, charges or similar levies which arise from any payment made hereunder by the relevant Borrower or the Guarantor to the relevant Lender, or under any Note (but excluding any such taxes, charges or levies in respect of any assignment, sale or transfer or participation by any Lender or the Global Administrative Agent) or from the execution or delivery of, or otherwise with respect to, this Agreement or any Note (“**Other Taxes**”).

(iii) Each Borrower and the Guarantor hereby agree to indemnify the Global Administrative Agent and each Lender for the full amount of Indemnified Taxes or Other Taxes (including, without limitation, any Indemnified Taxes or Other Taxes imposed on amounts payable under this Section 3.5) paid by the

Global Administrative Agent or such Lender and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto; provided that each Borrower and the Guarantor shall not be required to so indemnify to the extent any relevant amount is actually compensated for under any other provision of this Agreement. Payments due under this indemnification shall be made within 30 days of the date the Global Administrative Agent or such Lender makes demand therefor pursuant to Section 3.6.

(iv) At the time or times reasonably requested by a Borrower, the Guarantor, or the Global Administrative Agent, any Lender that is entitled to an exemption from, or reduction of, any applicable withholding Tax with respect to any payments under this Agreement or under a Note shall deliver to such Borrower, the Guarantor, or the Global Administrative Agent, such properly completed and executed documentation reasonably requested by such Borrower, the Guarantor, or the Global Administrative Agent as will permit such payments to be made without, or at a reduced rate of, withholding. In addition, any Lender, if requested by a Borrower, the Guarantor, or the Global Administrative Agent, shall deliver such other documentation prescribed by law or reasonably requested by such Borrower, the Guarantor, or the Global Administrative Agent as will enable such Borrower, the Guarantor, or the Global Administrative Agent to determine whether or not such Lender is subject to any withholding (including backup withholding) or information reporting requirements. Upon the reasonable request of a Borrower, the Guarantor, or the Global Administrative Agent, any Lender shall update any form or certification previously delivered pursuant to this Section 3.5(iv). If any form or certification previously delivered pursuant to this Section expires or becomes obsolete or inaccurate in any respect with respect to a Lender, such Lender shall promptly (and in any event within 10 days after such expiration, obsolescence or inaccuracy) notify each Borrower, the Guarantor, and the Global Administrative Agent in writing of such expiration, obsolescence or inaccuracy and update the form or certification if it is legally eligible to do so. Without limiting the generality of the foregoing, each Lender shall deliver to each Borrower, the Guarantor, and the Global Administrative Agent (in such number of copies reasonably requested by such Borrower, the Guarantor, or the Global Administrative Agent) on or prior to the date on which such Lender becomes a party hereto, duly completed and executed copies of whichever of the following is applicable:

(a) in the case of a Lender other than a Non-U.S. Lender, IRS Form W-9 certifying that payments made to such Lender under this Agreement or under a Note are exempt from U.S. Federal backup withholding tax;

(b) in the case of a Non-U.S. Lender claiming the benefits of an income tax treaty to which the United States is a party (1) with respect to payments of interest under this Agreement or under a Note, IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, establishing an exemption from, or reduction of, U.S. Federal withholding Tax pursuant to the “interest” article of such tax treaty, and (2) with respect to any other applicable payments under this Agreement or under a Note, IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, establishing an exemption from, or reduction of, U.S. Federal withholding Tax pursuant to the “business profits” or “other income” article of such tax treaty;

(c) in the case of a Non-U.S. Lender for whom payments under this Agreement or under a Note constitute income that is effectively connected with the conduct of a trade or business in the United States by such Lender (or, in the event that such Lender is a Disregarded Entity, by the owner of such Lender), IRS Form W-8ECI;

(d) in the case of a Non-U.S. Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code both (1) IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, and (2) a certificate to the effect that such Lender (or, in the event that such Lender is a

Disregarded Entity, the owner of such Lender) is neither (A) a “bank” within the meaning of Section 881(c)(3)(A) of the Code, (B) a “10 percent shareholder” (within the meaning of Section 881(c)(3)(B) of the Code) of the applicable Borrower, nor (C) a “controlled foreign corporation” described in Section 881(c)(3)(C) of the Code;

(e) in the case of a Non-U.S. Lender (or, in the event that the Non-U.S. Lender is a Disregarded Entity, the owner of such Non-U.S. Lender) that (for U.S. federal income tax purposes) is not the beneficial owner of payments made under this Agreement or under a Note (including a partnership or a participating Lender), (1) an IRS Form W-8IMY on behalf of itself, and (2) the relevant forms prescribed in clauses (a), (b), (c), (d), (e) and (f) of this Section 3.5(iv) that would be required of each such beneficial owner or partner of such partnership if such beneficial owner or partner were a Lender; provided, however, that if the Lender is a partnership and one or more of its partners are claiming the exemption for portfolio interest under Section 881(c) of the Code, such Lender may provide, on behalf of such partners, a certificate of the type described in clause (d)(2) of this Section 3.5(iv); or

(f) any other form prescribed by law as a basis for claiming exemption from, or a reduction of, U.S. Federal withholding Tax together with such supplementary documentation necessary to enable each Borrower, the Guarantor, and the Global Administrative Agent to determine the amount of Tax (if any) required by law to be withheld.

(v) Except as provided in clause (xii) below, for any period during which a Non-U.S. Lender has failed to provide a Borrower or the Guarantor with the documentation required by Section 3.5(iv) (unless such failure is due to a change in treaty, law or regulation, or any change in the interpretation or administration thereof by any governmental authority, occurring subsequent to the date on which such documentation originally was required to be provided), such Non-U.S. Lender shall not be entitled to additional amounts or indemnification under this Section 3.5 with respect to Indemnified Taxes imposed by the United States; provided that, should a Non-U.S. Lender which is otherwise exempt from or subject to a reduced rate of withholding tax become subject to Taxes because of its failure to deliver the documentation required by Section 3.5(iv), the applicable Borrower or the Guarantor shall take such steps as such Non-U.S. Lender shall reasonably request to assist such Non-U.S. Lender to recover such Taxes.

(vi) If a payment made to a Lender under this Agreement or under a Note would be subject to U.S. Federal withholding tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to each Borrower, the Guarantor, and the Global Administrative Agent, at the time or times prescribed by law and at such time or times reasonably requested by a Borrower, the Guarantor or the Global Administrative Agent, such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by such Borrower or the Guarantor or the Global Administrative Agent as may be necessary for such Person to comply with its obligations under FATCA, to determine that such Lender has or has not complied with such Lender’s obligations under FATCA and, as necessary, to determine the amount to deduct and withhold from such payment. Solely for purposes of this Section 3.5(vi), “FATCA” shall include any amendments made to FATCA after the Closing Date, whether or not such amendments are included in the definition set forth in Article I.

(vii) Each Lender shall severally indemnify the Global Administrative Agent for (i) any Indemnified Taxes or Other Taxes attributable to such Lender (but only to the extent that the Companies have not already indemnified the Global Administrative Agent for such Indemnified Taxes or Other Taxes

and without limiting the obligation of Companies to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 13.2 relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case that are paid or payable by the Global Administrative Agent in connection with any Loan Document and any reasonable expenses arising therefrom or with respect thereto, whether or not such amounts were correctly or legally imposed or asserted by the relevant Governmental Authority. The indemnity under this Section 3.5(vii) shall be paid within 10 days after the Global Administrative Agent delivers to the applicable Lender a certificate stating the amount so paid or payable by the Global Administrative Agent. Such certificate shall be conclusive of the amount so paid or payable absent manifest error. Each Lender hereby authorizes the Global Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Global Administrative Agent to the Lender from any other source against any amount due to the Global Administrative Agent under this Section 3.5(vii).

(viii)[Reserved]

(ix)[Reserved]

(x)[Reserved]

(xi) If a Borrower or the Guarantor pays an amount under this Section 3.5, or is required to make a deduction or withholding in relation to a payment hereunder or under any Note and account for the same to the relevant tax authority, which gives or may give rise to a Tax Credit for the recipient of that payment (the “**Recipient**”), the Recipient shall, promptly upon utilisation or receipt of such Tax Credit, pay an amount to such Borrower or the Guarantor which will leave it (after that payment) in the same after-Tax position as it would have been in had the original amount paid under this Section 3.5 (or withheld or deducted pursuant to applicable law) not been required to have been made, withheld or deducted; provided that nothing in this clause (xi) shall require any Lender to make available its tax return (or any other information relating to its taxes which it deems confidential).

(xii) If (i) a Lender or the Global Administrative Agent assigns, transfers or sells all or any portion of its rights and/or delegates all or any portion of its obligations under this Agreement and the other Loan Documents or under a Note or changes its Lending Installation for the purposes of this Agreement, and (ii) as a direct result of circumstances existing at the date of the assignment, transfer, sale, delegation or change, any Borrower or the Guarantor would be obliged to pay any incremental amount under this Section 3.5, then the transferee or Lender acting through its new Lending Installation shall only be entitled to receive payment under this Section 3.5 to the same extent that the previous Lender or the Lender acting through its previous Lending Installation would have been entitled if no such transaction had taken place. If a Lender sells a participation in all or any part of its rights or obligations under this Agreement and the other Loan Documents, the participant shall only be entitled to receive payment under this Section 3.5 to the extent that the Lender selling the participation would have been entitled if no such participation had taken place.

**3.6 Mitigation: Lender Statements: Survival of Indemnity. To the extent reasonably possible, each Lender shall designate an alternate Lending Installation with respect to its Fixed Rate Loans to reduce any liability of the relevant Borrower or the Guarantor to such Lender under Sections 3.1 and 3.2 or to avoid the unavailability of a Type of Advance under Section 3.3, so long as such designation is not materially disadvantageous to such Lender. Each Lender requiring compensation pursuant to this Article III shall notify the relevant Borrower and the Global Administrative Agent in writing of any Change, law, policy, rule, guideline or directive giving rise to such demand for compensation; provided that the relevant**

Borrower or the Guarantor shall not be required to pay such amounts to the extent such amounts accrued prior to the date that is 90 days prior to the date of such notice; provided further that, if the circumstances giving rise to such amounts are retroactive, then such 90-day period shall be extended to include the period of retroactive effect thereof. Any demand for compensation pursuant to this Article III shall be in writing and shall state the amount due, if any, under Section 3.1, 3.2, 3.4 or 3.5 and shall set forth in reasonable detail the calculations upon which such Lender determined such amount. Such written demand shall be rebuttably presumed correct for all purposes. Determination of amounts payable under such Sections in connection with a Fixed Rate Loan shall be calculated as though each Lender funded its Fixed Rate Loan through the purchase of a deposit of the type, currency and maturity corresponding to the deposit used as a reference in determining the applicable fixed rate of interest with respect to such Loan, whether in fact that is the case or not. The obligations of the Borrowers and the Guarantor under Sections 3.1, 3.2, 3.4 and 3.5 shall survive payment of the Obligations and termination of this Agreement.

3.7 [Reserved]

3.8 Replacement of Affected Lenders. (a) If any Lender (or any Participant holding interests in any Loan owing to such Lender or in any Commitment of such Lender or in any other interest of such Lender under the Loan Documents) requests compensation under Section 3.1 or 3.2, or (b) if any Borrower is required to pay any additional amount pursuant to Section 3.5, or (c) if any Lender becomes a Defaulting Lender or (d) if any Lender (1) shall at any time have (or have a parent that has) a long-term credit rating of lower than BBB from S&P, lower than Baa2 from Moody's or lower than the equivalent rating from any other nationally recognized statistical rating organization, or shall at any time not have a long-term credit rating from S&P, Moody's or any other nationally recognized statistical rating organization (in each case under this clause (d) (1) regardless of whether any such circumstances existed at the time such Lender became a Lender), (2) is an Ineligible Institution, (3) enters into, or purports to enter into, an assignment or a participation with an Ineligible Institution in violation of this Agreement or (4) has become the subject of a Bail-In Action (or any case or other proceeding in which a Bail-In Action may occur), then Harley may, at its sole expense and effort, upon notice to such Lender and the Global Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 13.3), all its interests, rights and obligations under this Agreement (other than any outstanding Bid Rate Loans held by it) to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) in the case of an assignment to an assignee which is not a Lender, Harley shall have received the prior written consent of the Global Administrative Agent, which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans (other than Bid Rate Loans) and participations in the relevant Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or Harley (in the case of all other amounts), (iii) in the case of any such assignment resulting from a claim for compensation under Sections 3.1 or 3.2 or payments required to be made pursuant to Section 3.5, such assignment will result in a

reduction in such compensation or payments with respect to the assignee Lender and (iv) in the case of any such assignment arising under clause (d)(1) above, the assignee shall have a credit rating greater than or equal to BBB from S&P, and/or greater than or equal to Baa2 from Moody's.

3.9 Removal of Lenders. (i) Notwithstanding any other provision of this Agreement to the contrary, if a Lender (or any Participant holding interests in any Loan owing to such Lender or in any Commitment of such Lender or in any other interest of such Lender under the Loan Documents) (each, a "Demanding Lender") demands any payment of any amount pursuant to this Article III and the amount so demanded is disproportionately greater than the amount of compensation (if any) that the Borrowers generally are obligated to pay to other Lenders arising out of the same event or circumstance giving rise to such demand (a "Trigger Event"), then Harley may terminate such Demanding Lender's Commitment hereunder, provided that (A) no Unmatured Default or Default shall have occurred and be continuing at the time of such Commitment termination, (B) in the case of a Demanding Lender, Harley shall concurrently terminate the Commitment of each other Lender that has made a demand for payment under this Article III that arises out of such Trigger Event and that is similarly disproportionate to the amount the Borrowers are generally obligated to pay to other Lenders arising out of such Trigger Event, (C) the Global Administrative Agent and the Required Lenders shall have consented to each such Commitment termination (such consents not to be unreasonably withheld or delayed, but may include consideration of the adequacy of the liquidity of Harley and its Subsidiaries) and (D) such Demanding Lender shall have been paid all amounts then due to it under this Agreement and each other Loan Document (which, for the avoidance of doubt, the respective Borrowers may pay in connection with any such termination without making ratable payments to any other Lender (other than another Lender that has a Commitment that concurrently is being terminated under this Section 3.9(i))). In no event shall the termination of a Lender's Commitment in accordance with this Section 3.9(i) impair or otherwise affect the obligation of the Borrowers to make any payment demanded by such Lender in accordance with this Article III. (ii) Notwithstanding any other provision of this Agreement to the contrary, if a Lender has become the subject of a Bail-In Action (or any case or other proceeding in which a Bail-In Action may occur) (each, a "Bail-In Lender"), then Harley may terminate such Bail-In Lender's Commitment hereunder, provided that (A) no Unmatured Default or Default shall have occurred and be continuing at the time of such Commitment termination, (B) in the case of a Bail-In Lender, Harley shall concurrently terminate the Commitment of each other Lender that is a Bail-In Lender at such time, (C) the Global Administrative Agent and the Required Lenders shall have consented to each such Commitment termination (such consents not to be unreasonably withheld or delayed, but may include consideration of the adequacy of the liquidity of Harley and its Subsidiaries) and (D) such Bail-In Lender shall have been paid all amounts then due to it under this Agreement and each other Loan Document (which, for the avoidance of doubt, the respective Borrowers may pay in connection with any such termination without making ratable payments to any other Lender (other than another Lender that has a Commitment that concurrently is being terminated under this Section 3.9(ii))).

#### ARTICLE IV CONDITIONS PRECEDENT

4.1 Initial Loans. This Agreement shall not become effective nor shall the Lenders be required to make the initial Loans unless (i) since December 31, 2016, no event, development or circumstance shall have occurred that has had, or could reasonably be expected to have, a material adverse effect on the business, assets, operations or financial condition of Harley and its subsidiaries taken as a whole and (ii) the Borrowers shall have (a) paid all fees required to be paid, and all expenses required to be paid for which invoices have been presented reasonably in advance of the Closing Date, in connection with the execution of this Agreement, (b) furnished to the Global Administrative Agent such documents as the Global Administrative Agent or any Lender or its counsel may have reasonably requested, including, without limitation, all of the documents reflected on the List of Closing Documents attached as Exhibit D to this Agreement, (c) obtained all governmental and third party approvals necessary in connection with the financing contemplated hereby and the continuing operations of Harley and its Subsidiaries (including the Borrowers) and such approvals remain in full force and effect and (d) delivered to the Lenders (1) audited consolidated financial statements of Harley (on a Consolidated basis) and (2) audited Consolidated financial statements of HDFS and its Subsidiaries (on a Consolidated basis), in the case of each of the foregoing clauses (1) and (2), for the two most recent fiscal years ended prior to the Closing Date as to which such financial statements are available.

4.2 Each Loan. No Lender shall be required to make any Loan unless on the applicable Borrowing Date:

(i) at the time of and immediately after giving effect to such Advance or Loan, no Default or Unmatured Default shall have occurred and be continuing; and

(ii) the representations and warranties contained in Article V are true and correct in all material respects as of such Borrowing Date, except for representations and warranties made with reference solely to an earlier date, which representations and warranties shall be true and correct as of such earlier date; provided, that the representations set forth in Sections 5.1.6 and 5.1.7 shall be deemed to be made only (1) on and as of the Closing Date and (2) pursuant to the terms of Section 2.19, on and as of the Term-Out Date (if any).

Each Borrowing Notice with respect to each Loan or Advance shall constitute a representation and warranty by the applicable Borrower that the conditions contained in Sections 4.2(i) and (ii) will have been satisfied as of the date of such Loan or Advance.

#### ARTICLE V REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties. Each of the Companies represents and warrants to the Lenders and the Global Administrative Agent as follows as of the Closing Date and thereafter on each date as and to the extent required by Section 4.2:

5.1.1 Corporate Existence and Standing. Each of the Companies and each Material Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of organization.

5.1.2 Corporate Power and Authority; No Conflict. The execution, delivery and performance by each of the Companies of this Agreement and the other Loan Documents to be delivered by it, and the consummation of the transactions contemplated hereby, are within such Company's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) such Company's charter or by-laws or (ii) law or any indenture or other agreement evidencing debt for borrowed money in an outstanding principal balance in excess of \$50,000,000 or any material contractual restriction binding on or affecting any Company.

5.1.3 No Authorization or Approval. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required as a condition to the due execution, delivery and performance by the Companies of this Agreement or the other Loan Documents to be delivered by it.

5.1.4 Execution, Delivery and Enforceability. This Agreement has been, and each of the other Loan Documents to be delivered by each Company when delivered hereunder will have been, duly executed and delivered by such Company. This Agreement is, and each of the other Loan Documents when delivered hereunder will be, the legal, valid and binding obligation of each Company enforceable against such Company in accordance with their respective terms (subject to the effect of bankruptcy and other similar laws affecting creditors' rights generally and general principles of equity).

5.1.5 Financial Statements. The Consolidated balance sheet of Harley and its Subsidiaries as at December 31, 2016, and the related Consolidated statements of income and cash flows of Harley and its Subsidiaries for the fiscal year then ended, accompanied by an opinion of Ernst & Young LLP, independent public accountants copies of which have been furnished to each Lender, fairly present in all material respects the Consolidated financial condition of Harley and its Subsidiaries as at such date and the Consolidated results of the operations of Harley and its Subsidiaries for the periods ended on such date, all in accordance with generally accepted accounting principles consistently applied.

5.1.6 Material Adverse Change. Since December 31, 2016, there has been no Material Adverse Change.

5.1.7 Litigation. There is no action, suit, investigation, litigation or proceeding, including, without limitation, any Environmental Action, pending or threatened in writing against Harley or any of its Subsidiaries before any court, governmental agency or arbitrator that (i) would be reasonably likely to have a Material Adverse Effect or (ii) purports to affect the legality, validity or enforceability of this Agreement or any other Loan Document or the consummation of the transactions contemplated hereby.

5.1.8 Regulations T, U and X. No Borrower is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulations T, U and X issued by the Board of Governors of the Federal Reserve System), and no proceeds of any Advance will be used, directly or indirectly, to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock that entails a violation of any of the Regulations of such Board of Governors.

5.1.9 Investment Company Status. No Borrower is an “investment company”, or a company “controlled” by an “investment company”, within the meaning of the Investment Company Act of 1940, as amended.

5.1.10 Disclosure. The reports, financial statements, certificates or other written information furnished by or on behalf of the Companies or any Subsidiary to the Global Administrative Agent or any Lender in connection with the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished), collectively and taken as a whole, did not when furnished contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which statements are made; provided that, with respect to projected financial information contained therein, the Companies represent only that such information was prepared in good faith based upon assumptions believed by them to be reasonable (it being understood and agreed that projected financial information is simply an estimate, and there is no guarantee that projected results will in fact be achieved).

5.1.11 No Default. No Unmatured Default or Default has occurred and is continuing.

5.1.12 Anti-Corruption Laws and Sanctions. The Companies have implemented and maintain in effect policies and procedures designed to promote and achieve compliance by the Companies, their Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and the Companies, their Subsidiaries and their respective officers and employees and, to the knowledge of each Company, its directors and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions, in each case in all material respects (it being understood that no Unmatured Default or Default shall be deemed to exist in respect of the representation and warranty in this sentence if it becomes inaccurate due to an assignment to, or participation to, a Lender or Participant, as the case may be, that is a Sanctioned Person). None of (a) any Company, any Subsidiary or to the knowledge of such Company or such Subsidiary any of their respective directors, officers or employees, or (b) to the knowledge of each Company, any agent of such Company or any of its Subsidiaries that, in the case of any such director, officer, employee or agent (with respect to this clause (b)), will act in any capacity in connection with or directly benefit from the credit facility established hereby, is a Sanctioned Person. No Loan or Advance, use of proceeds of any Loan or Advance or other Transactions by the Companies and their Subsidiaries will violate Anti-Corruption Laws or applicable Sanctions.

## ARTICLE VI COVENANTS

6.1 Affirmative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, each Company will:

6.1.1 Compliance with Laws, Etc. Comply, and cause each of its Material Subsidiaries to comply, with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, compliance with ERISA and Environmental Laws, in each case the violation of which would have a Material Adverse Effect. The Companies will maintain in effect and enforce policies and procedures designed to promote and achieve compliance by

the Companies, their Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, in each case in all material respects.

6.1.2 Payment of Taxes, Etc. Pay and discharge, and cause each of its Material Subsidiaries to pay and discharge, before the same shall become delinquent, all income and other taxes, assessments and governmental charges or levies imposed upon it or upon its Property; provided, however, that neither Harley nor any of its Material Subsidiaries shall be required to pay or discharge any such tax, assessment or charge (a) that is being contested in good faith and by proper actions and as to which appropriate reserves are being maintained in accordance with Agreement Accounting Principles or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

6.1.3 Maintenance of Insurance. Maintain, and cause each of its Material Subsidiaries to maintain, insurance with insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which Harley or such Subsidiary operates (provided, however, that Harley and its Subsidiaries may self-insure to the same extent as other companies engaged in similar businesses and owning similar properties in the same general areas in which Harley or such Subsidiary operates and to the extent consistent with prudent business practice), except to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect.

6.1.4 Preservation of Corporate Existence, Etc. Preserve and maintain, and cause each of its Material Subsidiaries to preserve and maintain, its corporate existence, rights (charter and statutory) and franchises; provided, however, that Harley and such Subsidiaries may consummate any transaction permitted under Section 6.2.3 and provided further that neither Harley nor any of its Material Subsidiaries shall be required to preserve any right or franchise if the failure to do so could not reasonably be expected to have a Material Adverse Effect.

6.1.5 Visitation Rights. At any reasonable time and from time to time and upon reasonable notice, permit the Global Administrative Agent (or, if a Default has occurred and is continuing, any of the Lenders) or any agents or representatives thereof, to examine (and, if a Default has occurred and is continuing, make copies of and abstracts from) the records and books of account of, and visit the properties of, Harley and any of its Material Subsidiaries, and to discuss the affairs, finances and accounts of Harley and any of its Material Subsidiaries with any of their officers and, with one or more representatives of Harley present if requested by Harley, with their independent certified public accountants; provided that, notwithstanding any provision hereof to the contrary, unless a Default has occurred and is continuing, Harley shall only be required to permit, and reimburse the Global Administrative Agent for the expenses incurred by the Global Administrative Agent for, one such examination and visit by the Global Administrative Agent in any calendar year and shall have no obligation to reimburse any Lender for expenses relating to any examination or visit. Notwithstanding any other provision of this Agreement to the contrary, no Company shall be required to disclose or discuss, or permit the inspection, examination or making of extracts of, any records, books or account or other matter (i) in respect of which disclosure to the Global Administrative Agent, any Lender or their representatives is then prohibited by applicable law or any agreement binding on such Company or its Subsidiaries or (ii) that is protected from disclosure by the attorney-client privilege or the attorney work product privilege.

6.1.6 [Reserved].

6.1.7 Maintenance of Properties, Etc. Maintain and preserve, and cause its Material Subsidiaries to maintain and preserve, all of its properties that are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted, except to the extent the failure to do so could not reasonably be expected to have a Material Adverse Effect.

6.1.8 [Reserved].

6.1.9 Reporting Requirements. Furnish to the Global Administrative Agent for distribution to each Lender:

(a) as soon as available and in any event no later than the date which is the earlier of (i) sixty (60) days after the end of each of the first three quarters of each fiscal year of Harley and (ii) the date the Quarterly Report on Form 10-Q for such quarter of Harley would have been required to have been filed under the rules and regulations of the Commission giving effect to any automatic extension available thereunder for filing of such form, the Consolidated balance sheet of Harley and its Subsidiaries and the Consolidated balance sheet of HDFFS and its Subsidiaries, in each case as of the end of such quarter and Consolidated statements of income and cash flows of Harley and its Subsidiaries and Consolidated statements of income and cash flows of HDFFS and its Subsidiaries, in each case for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, duly certified (subject to the absence of footnotes and to year-end audit adjustments) by the chief financial officer or treasurer of Harley (on behalf of Harley and HDFFS) as having been prepared in accordance with generally accepted accounting principles and certificates of the chief financial officer or treasurer of Harley as to compliance with the terms of this Agreement and setting forth in reasonable detail the calculations necessary to demonstrate compliance with Section 6.3;

(b) as soon as available and in any event no later than the date which is the earlier of (i) one hundred twenty (120) days after the end of each fiscal year of Harley and (ii) the date the Annual Report on Form 10-K for such fiscal year of Harley would have been required to have been filed under the rules and regulations of the Commission giving effect to any automatic extension available thereunder for filing of such form, a copy of the annual audit report for such year for Harley and its Subsidiaries, containing the Consolidated balance sheet of Harley and its Subsidiaries and the Consolidated balance sheet of HDFFS and its Subsidiaries, in each case as of the end of such fiscal year and Consolidated statements of income and cash flows of Harley and its Subsidiaries and Consolidated statements of income and cash flows of HDFFS and its Subsidiaries, in each case for such fiscal year, and in each case accompanied by an opinion ((1) without a “going concern” or like qualification or like exception and (2) other than a qualification permitted by the Commission regarding the internal controls of a company acquired during such period pursuant to a material acquisition by Harley or any Subsidiary, without any qualification or exception as to the scope of such audit; provided that such opinion may contain references (excluding formal qualifications) regarding audits performed by other auditors as contemplated by AU Section 543, Part of Audit Performed by Other Independent Auditors (or any successor or similar standard under Agreement Accounting Principles)) of Ernst & Young LLP or other independent public accountants of recognized national standing and certificates of the chief financial officer or treasurer of Harley (on behalf of Harley and HDFFS) as to compliance with the terms of this Agreement and setting forth in reasonable detail the calculations necessary to demonstrate compliance with Section 6.3;

(c) as soon as possible and in any event within five (5) Business Days after an executive officer of Harley knows or should have known of the occurrence of each Default or Unmatured Default continuing, a statement of the chief financial officer or treasurer of Harley setting forth details of such Default or Unmatured Default and the action that Harley has taken and proposes to take with respect thereto;

(d) promptly after the sending or filing thereof, copies of all reports that Harley sends to any of its securityholders as such, and copies of all reports on Forms 10-K, 10-Q and 8-K (or their equivalents) and registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) that Harley or any Subsidiary files with the Commission or any national securities exchange, excluding any of the foregoing to the extent related solely to a Permitted Finance Receivables Securitization (unless such report constitutes a notice of default or acceleration);

(e) promptly after the commencement thereof, notice of all actions and proceedings before any court, governmental agency or arbitrator affecting Harley or any of its Subsidiaries of the type described in Section 5.1.7(ii); and

(f) such other information respecting Harley or any of its Subsidiaries as any Lender through the Global Administrative Agent may from time to time reasonably request (it being understood and agreed that neither Harley nor any of its Subsidiaries shall be required to provide any of the materials described in the last sentence of Section 6.1.5).

Financial statements (other than the certificate of the chief financial officer or the treasurer) required to be delivered pursuant to clauses (a), (b) and (d) of this Section 6.1.9 may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which (i) such financial statements are filed for public availability on the Commission's Electronic Data Gathering and Retrieval System or (ii) Harley notifies (which may be by facsimile or electronic mail) the Global Administrative Agent that such financial statements have been posted at a site (the address of which shall be contained in such notice) on the world wide web, which site is accessible by a widely held nationally recognized web browser, from which such financial statements may be readily viewed and printed.

#### 6.1.10 Use of Proceeds.

(a) Each Borrower shall use the proceeds of the Loans to provide funds for the general corporate purposes of such Borrower and its Subsidiaries.

(b) No Borrower will request any Loan or Advance, and no Borrower shall use, and each Borrower shall procure that its Subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Loan or Advance (i) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (ii) for the purpose of funding or financing any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, in each case in violation of Sanctions, or (iii) in any other manner that would result in liability to the Global Administrative Agent or any Lender under any applicable Sanctions or a breach by the Global Administrative Agent or any Lender of Sanctions.

6.2 Negative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, each of the Companies will not:

#### 6.2.1 [Reserved].

6.2.2 Liens, Etc. Create or suffer to exist, or permit any Material Subsidiaries to create or suffer to exist, any Lien on or with respect to any of its properties, whether now owned or hereafter acquired, or assign for security purposes, or permit any Material Subsidiaries to assign for security purposes, any right to receive income, other than:

(a) Permitted Liens;

(b) purchase money Liens (including Liens securing Capitalized Lease Obligations) upon or in any real Property or goods acquired or held by any of the Companies or any Material Subsidiary in the ordinary course of business to secure the purchase price of such Property or goods or to secure Indebtedness and/or other obligations incurred solely for the purpose of financing the acquisition of such real Property or goods, or Liens existing on such real Property or goods at the time of its acquisition (other than any such Liens created in contemplation of such acquisition that were not incurred to finance the acquisition of such Property) and extensions, renewals or replacements of any of the foregoing to the extent the principal amount secured is not increased; provided, however, that no such Lien shall extend to or cover any properties of any character other than the real Property or goods being acquired (and related Property), and no such extension, renewal or replacement shall extend to or cover any properties not theretofore subject to the Lien being extended, renewed or replaced (it being understood that individual financings permitted by this subsection provided by one Person (or an Affiliate thereof) may be cross-collateralized to other financings provided by such Person and its Affiliates that are permitted under this subsection); provided, further that the aggregate principal amount of the Indebtedness secured by the Liens referred to in this clause (b) shall not exceed the greater of (i) \$150,000,000 and (ii) an amount equal to 1.5% of Consolidated Total Assets (determined by reference to the most recent financial statements of Harley delivered pursuant to Section 6.1.9(a) or 6.1.9(b) or, if prior to the date of the delivery of the first financial statements to be delivered pursuant to Section 6.1.9(a) or 6.1.9(b), the most recent financial statements referred to in Section 5.1.5) as determined at the time of, and immediately after giving effect to, the incurrence of such Lien (for the purposes of this Section 6.2.2(b), “goods” has the meaning set forth in Section 9-102(44) of the Uniform Commercial Code as in effect in the State of New York);

(c) the Liens existing on the Closing Date and described on Schedule 6.2.2(c) hereto;

(d) Liens on (or assignments of) Property of a Person existing at the time such Person is merged into or consolidated with any of the Companies or any Material Subsidiary of any of the Companies or becomes a Material Subsidiary of any of the Companies or at the time any of the Companies or any Material Subsidiary of any of the Companies otherwise acquires such Property from such Person; provided that such Liens or assignments were not created in contemplation of such merger, consolidation or acquisition, or such Person becoming a Material Subsidiary, and do not extend to any assets other than those of the Person so merged into or consolidated with any of the Companies or such Subsidiary or acquired by any of the Companies or such Subsidiary or those of such Person becoming a Material Subsidiary;

(e) other Liens or assignments securing Indebtedness and other obligations in an aggregate principal amount not to exceed at any time outstanding the greater of (i) \$250,000,000 and (ii) an amount equal to 2.5% of the Consolidated Total Assets (determined by reference to the most recent financial statements of Harley delivered pursuant to Section 6.1.9(a) or 6.1.9(b) or, if prior to the date of the delivery of the first financial statements to be delivered pursuant to Section 6.1.9(a) or 6.1.9(b), the most recent financial statements referred to in Section 5.1.5) as determined at the time of, and immediately after giving effect to, the incurrence of such Lien or the making of such assignment;

(f) Liens (A) consisting of sales, assignments, pledges or other transfers of Finance Receivables in connection with a Permitted Finance Receivables Securitization, and (B) on Finance Receivables and on any interest in Finance Receivables retained by Harley or any of its Subsidiaries (including a Finance Receivables Subsidiary), whether directly or through the ownership of a certificate or other interest in another Person, provided to secure Permitted Securitization Recourse Obligations of Harley or any of its Subsidiaries;

(g) the replacement, extension or renewal of any Lien or assignment permitted by clause (c) or (d) above upon or in the same Property theretofore subject thereto or the replacement, extension or renewal (to the extent the principal amount secured is not increased) of the Indebtedness or other obligation secured thereby;

(h) Liens incurred in connection with sale and leaseback transactions securing assets or other Property with a value of not in excess of the greater of (i) \$150,000,000 and (ii) an amount equal to 1.5% of Consolidated Total Assets (determined by reference to the most recent financial statements of Harley delivered pursuant to Section 6.1.9(a) or 6.1.9(b) or, if prior to the date of the delivery of the first financial statements to be delivered pursuant to Section 6.1.9(a) or 6.1.9(b), the most recent financial statements referred to in Section 5.1.5) as determined at the time of, and immediately after giving effect to, the incurrence of such Lien;

(i) Liens on proceeds of any of the assets permitted to be the subject of any Lien or assignment permitted by this Section 6.2.2;

(j) options, put and call arrangements, rights of first refusal and similar rights relating to investments in joint ventures, partnerships and other similar investments not prohibited by this Agreement, and Liens on equity interests of joint ventures securing obligations of such joint ventures; and

(k) Liens on assets in order to secure defeased and/or discharged indebtedness.

6.2.3 Mergers, Etc. Merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (but excluding, for the avoidance of doubt, the following transactions: (w) any transfer of cash, cash equivalents or marketable securities in the ordinary course of business, (x) any issuance by a Person of its own equity interests, (y) any transfer for security purposes that is permitted by Section 6.2.2 and (z) any casualty loss, governmental taking or similar disposition) (whether in one transaction or in a series of related transactions) all or substantially all of the assets (whether now owned or hereafter acquired) of any Borrower or of any Borrower and its Subsidiaries (taken as a whole) to, any Person, or permit any of its Material Subsidiaries to do so, except that (i) any Subsidiary (other than any Company) may merge or consolidate with or into, or transfer, convey or dispose of assets to, any other Person so long as such transaction or series of related transactions does not result in the transfer, conveyance or other disposal of all or substantially all of the assets (whether now owned or hereafter acquired) of any Borrower or of any Borrower and its Subsidiaries (taken as a whole), (ii) any of the Companies and any Material Subsidiary may merge into or transfer, convey or dispose of assets to any Person in a transaction in which a Company or a Material Subsidiary is the surviving or transferee entity (provided that any such transaction involving a Company must result in a Company as the surviving or transferee entity), (iii) Harley may merge into a wholly-owned Subsidiary that has no material assets or liabilities for the sole purpose of changing the state of incorporation of Harley if the surviving corporation shall expressly assume

the liabilities of Harley under this Agreement and the other Loan Documents and (iv) the Guarantor may merge or consolidate with a Person (other than a Borrower) in a transaction in which the Guarantor is the surviving entity; provided, in each case, that no Unmatured Default shall have occurred and be continuing at the time of such proposed transaction or would result after giving effect thereto and provided, further, that the foregoing shall not restrict any of the Companies or any Material Subsidiaries in respect of dispositions of inventory, cash or obsolete, used or surplus equipment or other Property in the ordinary course of business or in respect of any Permitted Finance Receivables Securitization and provided, further, that the foregoing shall not restrict any of the Companies or any Material Subsidiaries from selling or disposing of any Property the contemplated disposition of which Harley has disclosed in any Annual Report on Form 10-K, Quarterly Report on Form 10-Q or Current Report on Form 8-K filed with or furnished to the Commission prior to the Closing Date.

6.2.4 [Reserved].

6.2.5 [Reserved].

6.2.6 Margin Regulations. Permit more than 25% of the “value” (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System) of the assets of Harley and its Subsidiaries, both before and after giving effect to any Advance hereunder, to constitute “margin stock” as defined in Regulations T, U and X issued by the Board of Governors of the Federal Reserve System.

6.2.7 Amendments to Support Agreement. Allow or suffer to exist any amendment, supplement or other modification to the Support Agreement (if the foregoing adversely affects, or could reasonably be expected to adversely affect, the Lenders but in no event shall any amendment reduce, or effectively reduce, the amount of support under the Support Agreement) without the prior written consent of the Required Lenders.

6.3 Financial Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Companies shall comply with the following:

(A) Defined Terms for Financial Covenants. The following terms used in this Agreement shall have the following meanings (such meanings to be applicable, except to the extent otherwise indicated in a definition of a particular term, both to the singular and the plural forms of the terms defined):

“**Consolidated Equity**” means and refers to, as of the end of any period of determination, the sum, without duplication, of (i) Consolidated Tangible Net Worth of HDFS, (ii) preferred stock and (iii) Subordinated Indebtedness.

“**Consolidated Finco Debt**” means, at any time, all Indebtedness for borrowed money of HDFS and its Consolidated Subsidiaries as reflected in the most recent Consolidated balance sheet of HDFS in accordance with Agreement Accounting Principles; provided, there shall be excluded from such amounts (i) Subordinated Indebtedness and (ii) Subordinated Intercompany Indebtedness.

“**Consolidated Opco Debt**” means, at any time, all Indebtedness for borrowed money of Harley and its Consolidated Subsidiaries as reflected in the most recent Consolidated balance sheet of Harley in accordance with Agreement Accounting Principles; provided, there shall be excluded from such amounts any Indebtedness of HDFS and its Consolidated Subsidiaries.

“**Consolidated Shareholders’ Equity**” means, as of the end of any fiscal quarter, the consolidated shareholders’ equity of Harley at the end of such fiscal quarter of Harley (determined by reference to the financial statements of Harley delivered with respect to such fiscal quarter pursuant to Section 6.1.9(a) or 6.1.9(b)), determined on a Consolidated basis in accordance with Agreement Accounting Principles.

“**Consolidated Tangible Net Worth**” of HDFS means its consolidated shareholders’ equity net of (a) intangible assets and (b) financing and organizational costs net of amortization, in each case as shall be determined in accordance with Agreement Accounting Principles.

“**Finco Leverage Ratio**” means the ratio of (a) Consolidated Finco Debt to (b) Consolidated Equity.

“**Opco Leverage Ratio**” means the ratio of (a) Consolidated Opco Debt to (b) the sum of (i) Consolidated Opco Debt plus (ii) Consolidated Shareholders’ Equity.

“**Subordinated Indebtedness**” means Indebtedness of Harley or its Subsidiaries, whether direct or indirect, to non-affiliated Persons which is subordinated to the Obligations on a basis acceptable to the Global Administrative Agent.

(B) Maximum Finco Leverage Ratio. The Companies shall not permit the Finco Leverage Ratio, as of the end of any fiscal quarter, to exceed 10.00 to 1.00.

(C) Maximum Opco Leverage Ratio. The Companies shall not permit the Opco Leverage Ratio, as of the end of any fiscal quarter, to exceed 0.70 to 1.00.

## ARTICLE VII DEFAULTS

### 7.1 Defaults. Each of the following occurrences shall constitute a Default under this Agreement:

(a) Failure to Make Payments When Due. Any Borrower (i) shall fail to pay any principal of any Advance when the same becomes due and payable or (ii) shall fail to pay any interest on any Advance or make any other payment of fees or other amounts payable under this Agreement or any other Loan Document within five (5) Business Days after the same becomes due and payable.

(b) Breach of Representation or Warranty. Any representation or warranty made by any Company herein or by any Company (or any of their respective officers) in connection with this Agreement shall prove to have been incorrect in any material respect when made.

(c) Breach of Certain Covenants. (i) Any of the Companies shall fail to perform or observe any term, covenant or agreement under Section 6.1.4, 6.1.5, 6.1.9(c), 6.1.9(e), 6.1.10(b), 6.2, or 6.3 or (ii) any of the Companies shall fail to perform or observe any other term, covenant or agreement contained in this Agreement or any other Loan Document on its part to be performed or observed if such failure shall remain unremedied for thirty (30) days after written notice thereof shall have been given to the applicable Company by the Global Administrative Agent or any Lender.

(d) Default as to Other Indebtedness. (i) Any Borrower or any Material Subsidiary shall fail to pay any principal of or premium or interest on any Indebtedness (other than Indebtedness owed to any Borrower or any Material Subsidiaries) that is outstanding in a principal or net amount of at least \$125,000,000 in the aggregate (but excluding (1) Indebtedness outstanding hereunder and (2) Indebtedness under a Permitted Finance Receivables Securitization) of such Borrower or such Material Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness; or (ii) or any event shall occur or condition shall exist under any agreement or instrument relating to any such Indebtedness (including, for the avoidance of doubt, such Indebtedness under a Permitted Finance Receivables Securitization to the extent such Indebtedness appears as a liability or indebtedness on the balance sheet of any Borrower or any Material Subsidiary in accordance with Agreement Accounting Principles – “**Balance Sheet ABS Debt**”) and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to enable or permit the holder or holders of any such Indebtedness to cause such Indebtedness to become due, or require the prepayment, repurchase, redemption or defeasance thereof, prior to its stated maturity date (other than by a regularly scheduled required prepayment or redemption); or any such Indebtedness (including Balance Sheet ABS Debt) shall be declared to be due and payable, or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Indebtedness (including Balance Sheet ABS Debt) shall be required to be made, in each case prior to the stated maturity thereof. Notwithstanding the foregoing, none of the following events shall constitute a Default under this clause (d) unless such event results in the acceleration of other Indebtedness of a Borrower or any Material Subsidiary in an aggregate principal amount of more than \$125,000,000: (i) any secured Indebtedness becoming due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness, (ii) any change of control offer made within 60 days after an acquisition with respect to, and effectuated pursuant to, Indebtedness of an acquired business, (iii) any default under Indebtedness of an acquired business if such default is cured, or such Indebtedness is repaid, within 60 days after the acquisition of such business so long as no other creditor accelerates or commences any kind of enforcement action in respect of such Indebtedness or (iv) mandatory prepayment requirements arising from the receipt of net cash proceeds from debt, dispositions (including casualty losses, governmental takings and other involuntary dispositions), equity issues or excess cash flow, in each case pursuant to Indebtedness of an acquired business.

(e) Bankruptcy Events, Etc. Any Borrower or any Material Subsidiary shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against any Borrower or any Material Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its Property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed for a period of sixty (60) days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its Property) shall occur; or any such Borrower or any such Material Subsidiary shall take any corporate action to authorize any of the actions set forth above in this Section 7.1(e).

(f) Monetary Judgments. Judgments or orders for the payment of money in excess of \$125,000,000 in the aggregate shall be rendered against any Borrower or any Material Subsidiary with respect to which (i) enforcement proceedings shall have been commenced by any creditor upon such judgments or orders or (ii) there shall be any period of ten (10) consecutive days during which a stay of enforcement of such judgments or orders, by reason of a pending appeal or otherwise, shall not be in effect; provided, however, that any such judgment or order shall not be a Default or included in the calculation of the aggregate amount of judgments or orders under this Section 7.1(f) if and for so long as (i) the amount of such judgment or order is covered by a valid and binding policy of insurance between the defendant and the insurer covering payment thereof and (ii) such insurer, which shall be rated at least “A” by A.M. Best Company, has been notified of, and has not disputed the claim made for payment of, the amount of such judgment or order.

(g) Non-Monetary Judgments. Any non-monetary judgment or order shall be rendered against any Borrower or any Material Subsidiary that would be reasonably expected to have a Material Adverse Effect, and there shall be any period of ten (10) consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect.

(h) Change of Control. A Change of Control shall occur.

(i) ERISA. (i) The occurrence of any ERISA Event; (ii) the partial or complete withdrawal of Harley or any of its ERISA Affiliates from a Multiemployer Plan; or (iii) the reorganization or termination of a Multiemployer Plan, and in each such case under this Section 7.1(i) such event or circumstance has occurred or could reasonably be expected to result in a Material Adverse Effect.

(j) Guaranty Default. Unless the Guarantor has merged or consolidated with another Company as permitted under Section 6.2.3, the Guarantor shall terminate, revoke, refuse to perform or otherwise breach any of its guaranty and other obligations contained in Article XII, or such guaranty shall otherwise become unenforceable for any reason.

(k) Support Agreement Default. Harley shall terminate, revoke, refuse to perform or otherwise breach any of its obligations contained in the Support Agreement or such Support Agreement or any part thereof shall terminate or otherwise become unenforceable for any reason.

A Default shall be deemed “continuing” until cured or until waived in writing in accordance with Section 8.3.

## ARTICLE VIII ACCELERATION, DEFAULTING LENDERS; WAIVERS, AMENDMENTS AND REMEDIES

### 8.1 Remedies.

(a) Termination of Commitments; Acceleration. If any Default described in Section 7.1(e) occurs with respect to any Borrower, the obligations of the Lenders to make Loans hereunder shall automatically terminate and the Obligations shall immediately become due and payable without any election or action on the part of the Global Administrative Agent or any Lender. If any other Default occurs, the Required Lenders may (i) terminate the obligations of the Lenders to make Loans hereunder or (ii) declare the Obligations to be due and payable, or both, and upon any declaration under clause (ii), the Commitments shall terminate and the Obligations shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which each Borrower expressly waives.

(b) Rescission. If, at any time after termination of the Lenders' obligations to make Loans but before acceleration of the maturity of the Loans, the relevant Borrower shall pay all arrears of interest and all payments on account of principal of the Loans which shall have become due otherwise than by acceleration (with interest on principal and, to the extent permitted by law, on overdue interest, at the rates specified in this Agreement) and all Defaults and Unmatured Defaults (other than nonpayment of principal of and accrued interest on the Loans due and payable solely by virtue of acceleration) shall be remedied or waived pursuant to Section 8.3, then upon the written consent of the Required Lenders and written notice to Harley, the termination of Lenders' respective obligations to make Loans or the aforesaid acceleration and its consequences may be rescinded and annulled; but such action shall not affect any subsequent Default or Unmatured Default or impair any right or remedy consequent thereon. The provisions of the preceding sentence are intended merely to bind the Lenders to a decision which may be made at the election of the Required Lenders; they are not intended to benefit any Borrower and do not give any Borrower the right to require the Lenders to rescind or annul any termination of the aforesaid obligations of the Lenders or any acceleration hereunder, even if the conditions set forth herein are met.

**8.2 Defaulting Lender. In the event that any Lender fails to fund its Pro Rata Share of any Syndicated Global Advance requested or deemed requested by the applicable Borrower which such Lender is obligated to fund under the terms of this Agreement (the funded portion of such Advance being hereinafter referred to as a "Non Pro Rata Loan") or any Lender otherwise becomes a Defaulting Lender, until the earlier of such Lender's cure of such failure and the termination of the Commitments, the proceeds of all amounts thereafter repaid to the Global Administrative Agent by any Borrower and otherwise required to be applied to such Lender's share of all other Obligations pursuant to the terms of this Agreement shall be advanced to the applicable Borrower by the Global Administrative Agent ("Cure Loans") on behalf of such Lender to cure, in full or in part, such failure by such Lender, but shall nevertheless be deemed to have been paid to such Lender in satisfaction of such other Obligations. Notwithstanding anything in this Agreement to the contrary:**

(i) the foregoing provisions of this Section 8.2 shall apply only with respect to the proceeds of payments of Obligations and shall not affect the conversion or continuation of Loans pursuant to Section 2.8;

(ii) any Defaulting Lender shall be deemed to have cured its failure to fund its Pro Rata Share of any Syndicated Global Advance at such time as an amount equal to such Defaulting Lender's original Pro Rata Share of the requested principal portion of such Advance is fully funded to the applicable Borrower, whether made by such Defaulting Lender itself or by operation of the terms of this Section 8.2, and whether or not the Non Pro Rata Loan with respect thereto has been repaid, converted or continued;

(iii) amounts advanced to any Borrower to cure, in full or in part, any such Defaulting Lender's failure to fund its Pro Rata Share of any Syndicated Global Advance shall bear interest at the rate applicable to Syndicated Global Loans which are Base Rate Loans, in effect from time to time, and for all other purposes of this Agreement shall be treated as if they were Base Rate Loans;

(iv) regardless of whether or not a Default has occurred or is continuing, and notwithstanding the instructions of any Borrower as to its desired application, all repayments of principal which, in accordance with the other terms of this Agreement, would be applied to the

outstanding Base Rate Loans shall be applied first, ratably to all Base Rate Loans constituting Non Pro Rata Loans, second, ratably to Base Rate Loans other than those constituting Non Pro Rata Loans or Cure Loans and, third, ratably to Base Rate Loans constituting Cure Loans;

(v) for so long as and until the earlier of any such Defaulting Lender's cure of all matters that caused such Lender to be a Defaulting Lender and the termination of the Commitments, the term "Required Lenders" for purposes of this Agreement shall mean Lenders (excluding all Defaulting Lenders) whose Pro Rata Shares represent greater than fifty percent (50%) of the aggregate Pro Rata Shares of such Lenders; and

(vi) for so long as and until any such Defaulting Lender's cure of all matters that caused such Lender to be a Defaulting Lender, such Defaulting Lender shall not be entitled to any fees, and no fees shall accrue, with respect to its Commitment.

**8.3 Amendments. Subject to the provisions of this Article VIII, the Required Lenders (or the Global Administrative Agent with the consent in writing of the Required Lenders) and the Borrowers may enter into agreements supplemental hereto for the purpose of adding or modifying any provisions to the Loan Documents or changing in any manner the rights of the Lenders or the Borrowers hereunder or waiving any Default hereunder; provided, however, that no such supplemental agreement shall, without the consent of each Lender directly affected thereby:**

(i) postpone or extend the Termination Date, the Maturity Date (except as permitted under Section 2.19) or any other date fixed for any payment of principal of, or interest on, the Loans or any fees or other amounts payable to such Lender (except with respect to a waiver of the application of the default rate of interest pursuant to Section 2.11 hereof) or postpone the scheduled date of expiration of any Commitment of such Lender;

(ii) reduce the principal amount of any Loans, or reduce the rate or amount of or extend the time of payment of interest or fees thereon or other amounts payable hereunder (except with respect to a waiver of the application of the default rate of interest pursuant to Section 2.11 hereof);

(iii) reduce the percentage specified in the definition of Required Lenders or any other provision hereof specifying the percentage or number of Lenders to be the applicable percentage or number in this Agreement to act on specified matters or amend the definitions of "Required Lenders" or "Pro Rata Share";

(iv) increase the amount of the Commitment of any Syndicated Global Lender or increase any Lender's Pro Rata Share;

(v) permit any Borrower to assign its rights under this Agreement;

(vi) notwithstanding anything to the contrary in the Support Agreement, release Harley from any of its obligations under the Support Agreement or otherwise terminate the Support Agreement;

(vii) release the Guarantor other than in accordance with the terms of the Loan Documents;

(viii) alter the manner in which payments or prepayments of principal, interest or other amounts under the Loan Documents shall be applied as among the Lenders; or

(ix) amend this Section 8.3.

No amendment of any provision of this Agreement relating to the Global Administrative Agent shall be effective without the written consent of the Global Administrative Agent. The Global Administrative Agent may waive payment of the fee required under Section 13.3(B) without obtaining the consent of any of the Lenders or Borrowers.

If, in connection with any proposed amendment, waiver or consent requiring the consent of “the Lenders”, “each Lender” or “each Lender directly affected thereby,” the consent of the Required Lenders is obtained, but the consent of other necessary Lenders is not obtained (any such Lender whose consent is necessary but not obtained being referred to herein as a “**Non-Consenting Lender**”), then Harley may (at its sole cost and expense) elect to replace a Non-Consenting Lender as a Lender party to this Agreement; provided that, concurrently with such replacement, (i) another bank or other entity which is reasonably satisfactory to Harley and the Global Administrative Agent shall agree, as of such date, to purchase for cash the Loans and other Obligations due to the Non-Consenting Lender pursuant to an assignment and assumption and to become a Lender for all purposes under this Agreement and to assume all obligations of the Non-Consenting Lender to be terminated as of such date and to comply with the requirements of Section 13.3(A), and with Harley or such replacement Lender paying the \$3,500 processing fee required in Section 13.3(B) and (ii) Harley shall pay to such Non-Consenting Lender in same day funds on the day of such replacement (1) all principal, interest, fees and other amounts then accrued but unpaid to such Non-Consenting Lender by any Borrower hereunder to and including the date of termination, including without limitation payments due to such Non-Consenting Lender under Sections 3.1, 3.2 and 3.5, and (2) an amount, if any, equal to the payment which would have been due to such Lender on the day of such replacement under Section 3.4 had the Loans of such Non-Consenting Lender been prepaid on such date rather than sold to the replacement Lender.

Notwithstanding anything herein to the contrary, as to any amendment or amendment and restatement otherwise approved in accordance with this Section, it shall not be necessary to obtain the consent or approval of any Lender that, upon giving effect to such amendment or amendment and restatement, would have no Commitment or outstanding Loans so long as such Lender receives payment in full of the principal of and interest accrued on each Loan made by, and all other amounts owing to, such Lender or accrued for the account of such Lender under this Agreement and the other Loan Documents at the time such amendment, amendment and restatement or other modification becomes effective.

**8.4 Preservation of Rights. No delay or omission of the Lenders or the Global Administrative Agent to exercise any right under the Loan Documents shall impair such right or be construed to be a waiver of any Default or an acquiescence therein, and the making of a Loan notwithstanding the existence of a Default or the inability of any Borrower to satisfy the conditions precedent to such Loan shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by the Lenders required pursuant to Section 8.3, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded**

shall be cumulative and all shall be available to the Global Administrative Agent and the Lenders until the Obligations have been paid in full.

#### ARTICLE IX GENERAL PROVISIONS

9.1 Survival of Representations. All representations and warranties of the relevant Companies contained in this Agreement shall survive delivery of any Notes and the making of the Loans herein contemplated.

9.2 Governmental Regulation. Anything contained in this Agreement to the contrary notwithstanding, no Lender shall be obligated to extend credit to any Borrower in violation of any limitation or prohibition provided by any applicable statute or regulation.

9.3 Headings. Section headings in the Loan Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Loan Documents.

9.4 Entire Agreement. The Loan Documents embody the entire agreement and understanding among the Companies, the Global Administrative Agent and the Lenders and supersede all prior agreements and understandings among the Companies, the Global Administrative Agent and the Lenders relating to the subject matter thereof.

9.5 Several Obligations; Benefits of this Agreement. The respective obligations of the Lenders hereunder are several and not joint and no Lender shall be the partner or agent of any other. The failure of any Lender to perform any of its obligations hereunder shall not relieve any other Lender from any of its obligations hereunder. This Agreement shall not be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and assigns.

9.6 Expenses; Indemnification.

(A) Expenses. The Borrowers shall reimburse the Global Administrative Agent and the Arrangers for any reasonable costs, internal charges and out-of-pocket expenses (including attorneys' and paralegals' fees and time charges of attorneys and paralegals for each such Person, which attorneys and paralegals may be employees of such Persons) paid or incurred by such Persons in connection with the preparation, negotiation, execution, delivery, syndication, distribution (including via the internet), review, amendment, modification, and administration of the Loan Documents. The Borrowers also agree to reimburse the Global Administrative Agent and the Lenders for any costs, internal charges and out-of-pocket expenses (including attorneys' and paralegals' fees and time charges of attorneys and paralegals for each such Person, which attorneys and paralegals may be employees of such Persons) paid or incurred by each such Person in connection with the collection of the Obligations and enforcement of the Loan Documents; provided that the Borrowers shall not be obligated to so reimburse for more than one primary law firm (and, in addition to such primary law firm, one local counsel engaged in each relevant jurisdiction by such primary law firm) as counsel for the Global Administrative Agent and more than one primary law firm (and, in addition to such primary law firm, one local counsel engaged in each relevant jurisdiction by such primary law firm) as counsel for the Lenders in connection with such collection or enforcement.

(B) Indemnity. Each of the Borrowers further agrees to defend, protect, indemnify, and hold harmless the Global Administrative Agent, the Arrangers, each and all of the Lenders, and each of their respective Affiliates, and each of such Person's respective officers, directors, employees, attorneys and agents (including, without limitation, those retained in connection with the satisfaction or attempted satisfaction of any of the conditions set forth in Article IV) (collectively, the "**Indemnitees**") from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses of any kind or nature whatsoever (including, without limitation, the fees and disbursements of counsel for such Indemnitees in connection with any investigative, administrative or judicial proceeding, whether or not such Indemnitees shall be designated a party thereto), imposed on, incurred by, or asserted against such Indemnitees in any manner relating to or arising out of:

(i) this Agreement, the other Loan Documents, or any act, event or transaction related or attendant thereto, the making of the Loans hereunder, the management of such Loans or the use or intended use of the proceeds of the Loans; or

(ii) any liabilities, obligations, responsibilities, losses, damages, personal injury, death, punitive damages, economic damages, consequential damages, treble damages, intentional, willful or wanton injury, damage or threat to the environment, natural resources or public health or welfare, costs and expenses (including, without limitation, attorney, expert and consulting fees and costs of investigation, feasibility or remedial action studies), fines, penalties and monetary sanctions, interest, direct or indirect, known or unknown, absolute or contingent, past, present or future relating to violation of any Environmental Law arising from or in connection with the past, present or future operations of the Companies, their Subsidiaries or any of their respective predecessors in interest, or, the past, present or future environmental, health or safety condition of any respective Property of the Companies or their Subsidiaries, the presence of asbestos-containing materials at any respective Property of the Companies or their Subsidiaries or the Release or threatened Release of any contaminant into the environment (collectively, the "**Indemnified Matters**");

provided, however, no Borrower shall have any obligation to an Indemnitee hereunder with respect to Indemnified Matters to the extent caused solely by or resulting solely from the bad faith, willful misconduct or gross negligence of such Indemnitee or such Indemnitee's material breach of its obligations under this Agreement, in each case as determined by the final non-appealable judgment of a court of competent jurisdiction. If the undertaking to indemnify, pay and hold harmless set forth in the preceding sentence may be unenforceable because it is violative of any law or public policy, the Borrowers shall contribute the maximum portion which it is permitted to pay and satisfy under applicable law, to the payment and satisfaction of all Indemnified Matters incurred by the Indemnitees.

(C) Waiver of Certain Claims; Settlement of Claims. Each of the Companies further agrees to assert no claim against any of the Indemnitees on any theory of liability for consequential, special, indirect, exemplary or punitive damages. No settlement shall be entered into by any Company or any of their Subsidiaries with respect to any claim, litigation, arbitration or other proceeding relating to or arising out of the transaction evidenced by this Agreement or the other Loan Documents (whether or not the Global Administrative Agent, any Lender or any Indemnitee is a party thereto) unless such settlement releases all Indemnitees from any and all liability with respect thereto.

(D) Survival of Agreements. The obligations and agreements of the Companies under this Section 9.6 shall survive the termination of this Agreement. Any demand for payment pursuant to this Section 9.6 shall be accompanied by a statement setting forth such amounts due in reasonable detail.

9.7 Numbers of Documents. All statements, notices, closing documents, and requests hereunder shall be furnished to the Global Administrative Agent with sufficient counterparts so that the Global Administrative Agent may furnish one to each of the relevant Lenders.

9.8 Accounting. Except as provided to the contrary herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with Agreement Accounting Principles. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made (i) without giving effect to any election under Accounting Standards Codification 825-10-25 (or any other Accounting Standards Codification or Financial Accounting Standard having a similar result or effect) to value any Indebtedness or other liabilities of Harley or any Subsidiary of Harley at “fair value”, as defined therein, (ii) without giving effect to any treatment of Indebtedness in respect of convertible debt instruments under Accounting Standards Codification 470-20 (or any other Accounting Standards Codification or Financial Accounting Standard having a similar result or effect) to value any such Indebtedness in a reduced or bifurcated manner as described therein, and such Indebtedness shall at all times be valued at the full stated principal amount thereof and (iii) for purposes of calculating shareholders’ equity, by excluding all accumulated other comprehensive income (or loss) as shown on the most recent Consolidated balance sheet of Harley or HDFFS, as applicable, delivered pursuant to Section 6.1.9(a) or 6.1.9(b) or, if prior to the date of the delivery of the first financial statements to be delivered pursuant to Section 6.1.9(a) or 6.1.9(b), the most recent financial statements referred to in Section 5.1.5. Notwithstanding any other provision of this Agreement to the contrary, except for the purpose of preparing financial statements in accordance with Agreement Accounting Principles, the determination of whether a lease constitutes a capital or finance lease, on the one hand, or an operating lease, on the other hand, and whether obligations arising under a lease are required to be capitalized on the balance sheet of the lessee thereunder and/or recognized as interest expense, shall be determined by reference to Agreement Accounting Principles as in effect on the Closing Date without giving effect to the phase-in of the effectiveness of any amendments to Agreement Accounting Principles that have been adopted as of the Closing Date.

9.9 Severability of Provisions. Any provision in any Loan Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

9.10 Nonliability of Lenders. The relationship among the Companies and the Lenders and the Global Administrative Agent shall be solely that of borrower or guarantor and lender. Neither the Global Administrative Agent nor any Lender shall have any fiduciary responsibilities to any of the Companies. Neither the Global Administrative Agent nor any Lender undertakes any responsibility to any of the Companies to review or inform any of the Companies of any matter in connection with any phase of any of the Companies’ business or operations.

9.11 CHOICE OF LAW AND SUBMISSION TO JURISDICTION. THE LOAN DOCUMENTS (OTHER THAN THOSE CONTAINING A CONTRARY EXPRESS CHOICE OF LAW PROVISION) SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO BANKS. EACH COMPANY HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE SUPREME COURT OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY, BOROUGH OF MANHATTAN, AND OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT SHALL AFFECT ANY RIGHT THAT THE GLOBAL ADMINISTRATIVE AGENT OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AGAINST ANY COMPANY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

9.12 WAIVER OF JURY TRIAL. EACH OF THE COMPANIES, THE GLOBAL ADMINISTRATIVE AGENT AND EACH LENDER HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT OR THE RELATIONSHIP ESTABLISHED THEREUNDER. EACH OF THE PARTIES HERETO AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

9.13 No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement and the other Loan Documents. In the event an ambiguity or question of intent or interpretation arises, this Agreement and the other Loan Documents shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement or any of the other Loan Documents.

9.14 **USA PATRIOT ACT.** Each Lender that is subject to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the “Act”) hereby notifies each Company that pursuant to the requirements of the Act, it is required to obtain, verify and record information that identifies such Company, which information includes the name and address of such Company and other information that will allow such Lender to identify such Company in accordance with the Act.

9.15 **Service of Process.** Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Article XIV. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

9.16 **Acknowledgement and Consent to Bail-In of EEA Financial Institutions.** Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document may be subject to the Write-Down and Conversion Powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(A) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(B) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent entity, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

To the extent not prohibited by applicable law, rule or regulation, each Lender shall notify Harley and the Global Administrative Agent if it has become the subject of a Bail-In Action (or any case or other proceeding in which a Bail-In Action may occur).

#### ARTICLE X THE GLOBAL ADMINISTRATIVE AGENT

10.1 **Appointment; Nature of Relationship.** JPMorgan Chase Bank, N.A. is appointed by the Lenders (each reference in this Article X to a Lender being in its capacity as a Lender) as the Global Administrative Agent hereunder and under each other Loan Document, and each of the Lenders irrevocably authorizes the Global Administrative Agent to act as the contractual representative of such Lender with the rights and duties expressly set forth herein and in the other Loan Documents. The Global Administrative Agent agrees to act as such contractual representative upon the express conditions contained in this Article X. Notwithstanding the

use of the defined term “Global Administrative Agent”, it is expressly understood and agreed that the Global Administrative Agent shall not have any fiduciary responsibilities to any Lender by reason of this Agreement and that the Global Administrative Agent is merely acting as the representative of the Lenders with only those duties as are expressly set forth in this Agreement and the other Loan Documents. In its capacity as the Lenders’ contractual representative, the Global Administrative Agent (i) does not assume any fiduciary duties to any of the Lenders, and (ii) is acting as an independent contractor, the rights and duties of which are limited to those expressly set forth in this Agreement and the other Loan Documents. Each of the Lenders agrees to assert no claim against the Global Administrative Agent on any agency theory or any other theory of liability for breach of fiduciary duty, all of which claims each Lender waives.

10.2 Powers. The Global Administrative Agent shall have and may exercise such powers under the Loan Documents as are specifically delegated to the Global Administrative Agent by the terms of each thereof, together with such powers as are reasonably incidental thereto. The Global Administrative Agent shall have no implied duties or fiduciary duties to the Lenders, or any obligation to the Lenders to take any action hereunder or under any of the other Loan Documents except any action specifically provided by the Loan Documents required to be taken by the Global Administrative Agent. The Global Administrative Agent shall have and may exercise such powers under the Loan Documents as are specifically delegated to the Global Administrative Agent by the terms of each thereof, together with such powers as are reasonably incidental thereto. The Global Administrative Agent shall have no implied duties or fiduciary duties to the Lenders, or any obligation to the Lenders to take any action hereunder or under any of the other Loan Documents except any action specifically provided by the Loan Documents required to be taken by the Global Administrative Agent. Without limiting the foregoing, the Global Administrative Agent hereby agrees to provide the notice contemplated by Section 7.1(b) if so requested by the Required Lenders.

10.3 General Immunity. Neither the Global Administrative Agent nor any of its directors, officers, agents or employees shall be liable to any of the Borrowers or Lenders for any action taken or omitted to be taken by it or them hereunder or under any other Loan Document or in connection herewith or therewith except to the extent such action or inaction is found in a final non-appealable judgment by a court of competent jurisdiction to have arisen solely from (i) the gross negligence or willful misconduct of such Person or (ii) breach of contract by such Person with respect to the Loan Documents.

10.4 No Responsibility for Loans, Creditworthiness, Recitals, Etc. Neither the Global Administrative Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into, or verify (i) any statement, warranty or representation made in connection with any Loan Document or any borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of any obligor under any Loan Document; (iii) the satisfaction of any condition specified in Article IV (other than to confirm receipt of items expressly required to be delivered to the Global Administrative Agent on the Closing Date pursuant to Section 4.1); (iv) the existence or possible existence of any Default or (v) the validity, effectiveness or genuineness of any Loan Document or any

other instrument or writing furnished in connection therewith. The Global Administrative Agent shall not be responsible to any Lender for any recitals, statements, representations or warranties herein or in any of the other Loan Documents, for the execution, effectiveness, genuineness, validity, legality, enforceability, collectibility, or sufficiency of this Agreement or any of the other Loan Documents or the transactions contemplated thereby, or for the financial condition of Harley, any guarantor of any or all of the Obligations, any Company or any of their Subsidiaries.

10.5 Action on Instructions of Lenders. The Global Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and under any other Loan Document in accordance with written instructions signed by the Required Lenders (except with respect to actions that require the consent of all of the Lenders as provided in Section 8.3), and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders and on all holders of Notes. The Global Administrative Agent shall be fully justified in failing or refusing to take any action hereunder and under any other Loan Document unless it shall first be indemnified to its satisfaction by the Lenders pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

10.6 Employment of the Global Administrative Agent and Counsel. The Global Administrative Agent may execute any of its duties hereunder and under any other Loan Document by or through employees, agents, affiliates and attorneys-in-fact, and shall not be answerable to the Lenders, except as to money or securities received by it or its authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The Global Administrative Agent shall be entitled to advice of counsel concerning the contractual arrangement among the Global Administrative Agent and the Lenders and all matters pertaining to the Global Administrative Agent's duties hereunder and under any other Loan Document.

10.7 Reliance on Documents; Counsel. The Global Administrative Agent shall be entitled to rely upon any Note, notice, consent, certificate, affidavit, letter, telegram, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and, in respect to legal matters, upon the opinion of counsel selected by the Global Administrative Agent, which counsel may be employees of the Global Administrative Agent.

10.8 The Global Administrative Agent's Reimbursement and Indemnification. The Lenders agree to reimburse and indemnify the Global Administrative Agent ratably in proportion to their respective Pro Rata Shares (determined at the time such indemnity is sought) (i) for any amounts not reimbursed by any Borrower for which the Global Administrative Agent is entitled to reimbursement or indemnification by any Borrower under the Loan Documents, (ii) for any other expenses incurred by the Global Administrative Agent on behalf of the Lenders in connection with the preparation, execution, delivery, administration, distribution (including via the internet) and enforcement of the Loan Documents, including as a result of a dispute among the Lenders or between any Lender and the Global Administrative Agent,

and (iii) for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Global Administrative Agent in any way relating to or arising out of the Loan Documents or any other document delivered in connection therewith or the transactions contemplated thereby, or the enforcement of any of the terms thereof or of any such other documents, including as a result of a dispute among the Lenders or between any Lender and the Global Administrative Agent; provided that no Lender shall be liable for any of the foregoing to the extent any of the foregoing is found in a final non-appealable judgment by a court of competent jurisdiction to have arisen solely from the gross negligence or willful misconduct of the Global Administrative Agent.

10.9 Rights as a Lender. With respect to its Commitment, Loans made by it and any Notes issued to it, the Global Administrative Agent shall have the same rights and powers hereunder and under any other Loan Document as any Lender and may exercise the same as though it were not the Global Administrative Agent, as applicable, and the term “Lender” or “Lenders”, as applicable, shall, unless the context otherwise indicates, include the Global Administrative Agent in its individual capacity. The Global Administrative Agent may accept deposits from, lend money to and generally engage in any kind of trust, debt, equity or other transaction, in addition to those contemplated by this Agreement or any other Loan Document, with Harley, any Company or any of their Subsidiaries in which such Person is not prohibited hereby from engaging with any other Person.

10.10 Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Global Administrative Agent or any other Lender and based on the financial statements prepared by the Borrowers and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and the other Loan Documents. Each Lender also acknowledges that it will, independently and without reliance upon the Global Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Loan Documents.

10.11 Successor Global Administrative Agent. The Global Administrative Agent may resign at any time by giving written notice thereof to the Lenders and the Borrowers. Upon any such resignation, the Required Lenders shall have the right to appoint, on behalf of the Lenders, a successor Global Administrative Agent. If no successor Global Administrative Agent shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty days after the retiring Global Administrative Agent’s giving notice of resignation, then the retiring Global Administrative Agent may appoint, on behalf of the Lenders, a successor Global Administrative Agent. Notwithstanding anything herein to the contrary, so long as no Default has occurred and is continuing, each such successor Global Administrative Agent shall be subject to approval by Harley, which approval shall not be unreasonably withheld. Such successor Global Administrative Agent shall be a commercial bank (including a branch thereof) having capital and retained earnings of at least \$500,000,000. Upon the acceptance of any appointment as the Global Administrative Agent

hereunder by a successor Global Administrative Agent, such successor Global Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Global Administrative Agent, and the retiring Global Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents. After any retiring Global Administrative Agent's resignation hereunder as the Global Administrative Agent, the provisions of this Article X shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Global Administrative Agent hereunder and under the other Loan Documents.

10.12 Co-Agents, Documentation Agent, Syndication Agent, etc. None of the Lenders, if any, identified in this Agreement as a "co-agent", "documentation agent" or "syndication agent" shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Lenders as such. Without limiting the foregoing, none of such Lenders shall have or be deemed to have a fiduciary relationship with any Lender. Each Lender hereby makes the same acknowledgments with respect to such Lenders as it makes with respect to the Global Administrative Agent in Section 10.10.

#### ARTICLE XI SETOFF; RATABLE PAYMENTS

11.1 Setoff. In addition to, and without limitation of, any rights of the Lenders under applicable law, if any Default occurs and is continuing, any indebtedness from any Lender to any Company (including all account balances, whether provisional or final and whether or not collected or available, but excluding deposits held in a trustee, fiduciary, agency or similar capacity or otherwise for the benefit of a third party) may be offset and applied toward the payment of the Obligations owing to such Lender and the other Obligations, whether or not the Obligations, or any part hereof, shall then be due. Each Lender agrees promptly to notify the Borrowers and the Global Administrative Agent after any such set-off and application made by such Lender; provided further that any failure to give such notice shall not affect the validity of such offset and application under this Section 11.1.

11.2 Ratable Payments. If any Syndicated Global Lender, whether by setoff or otherwise, has payment made to it upon its Syndicated Global Loans (other than payments received pursuant to Sections 3.1, 3.2, 3.4 or 3.5) in a greater proportion than that received by any other Syndicated Global Lender, such Syndicated Global Lender agrees, promptly upon demand, to purchase a portion of the Syndicated Global Loans held by the other Syndicated Global Lenders so that after such purchase each Syndicated Global Lender will hold its ratable proportion of Syndicated Global Loans. If any Syndicated Global Lender, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives collateral or other protection for its Obligations or such amounts which may be subject to setoff, such Syndicated Global Lender agrees, promptly upon demand, to take such action necessary such that all Syndicated Global Lenders share in the benefits of such collateral ratably in proportion to their Syndicated Global Loans. In case any such payment is disturbed by legal process, or otherwise, appropriate further adjustments shall be made.

#### ARTICLE XII GUARANTEE

In order to induce the Lenders to extend credit hereunder, but subject to the provisions of the final paragraph of this Article XII, the Guarantor fully and unconditionally and irrevocably guarantees, as a primary obligor and not merely as a surety, the Obligations (including, without limitation, interest accruing hereunder after the commencement of any case under the Bankruptcy Code or any other bankruptcy-related rules or legislation in any country in which a Company is organized, whether or not allowed as a claim in such case). The obligations of the Guarantor under this Article XII are sometimes referred to as the “**Guarantee**”. The Guarantor further agrees that the Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it, and that it will remain bound upon its Guarantee hereunder notwithstanding any such extension or renewal of any Obligation.

The Guarantor waives presentment to, demand of payment from and protest to any Borrower of any of the Obligations, and also waives notice of acceptance of its obligations and notice of protest for nonpayment. The obligations of the Guarantor hereunder shall not be affected by the failure of any Lender or the Global Administrative Agent to assert any claim or demand or to enforce any right or remedy against any Borrower under the provisions of this Agreement or any of the other Loan Documents or otherwise, or, except as specifically provided therein, by any rescission, waiver, amendment or modification of any of the terms or provisions of this Agreement, any of the other Loan Documents or any other agreement.

The Guarantor further agrees that its Guarantee hereunder constitutes a promise of payment when due and not merely of collection, and waives any right to require that any resort be had by any Lender to any balance of any deposit account or credit on the books of any Lender in favor of any Borrower or any other person.

The Guarantor agrees that its obligations under this Guarantee shall be unconditional, irrespective of:

- (i) the validity, enforceability, avoidance, novation or subordination of any of the Obligations or any of the Loan Documents;
- (ii) the absence of any attempt by, or on behalf of, any Lender or the Global Administrative Agent to collect, or to take any other action to enforce, all or any part of the Obligations whether from or against any Borrower, any other guarantor of the Obligations or any other Person;
- (iii) the election of any remedy by, or on behalf of, any Lender or the Global Administrative Agent with respect to all or any part of the Obligations;
- (iv) the waiver, consent, extension, forbearance or granting of any indulgence by, or on behalf of, any Lender or the Global Administrative Agent with respect to any provision of any of the Loan Documents;
- (v) the failure of the Global Administrative Agent to take any steps to perfect and maintain its security interest in, or to preserve its rights to, any security or collateral for the Obligations;
- (vi) the election by, or on behalf of, any one or more of the Lenders or the Global Administrative Agent in any proceeding instituted under Chapter 11 of Title 11 of the United States Code (11 U.S.C. 101 et seq.) (the “**Bankruptcy Code**”) or other bankruptcy-related rules or legislation in any country in which a Company is organized, of the application of Section 1111(b)(2) of the Bankruptcy Code;

(vii) any borrowing or grant of a security interest by any Company, as debtor-in-possession, under Section 364 of the Bankruptcy Code or any other bankruptcy-related rules or regulations in any country in which a Borrower is organized;

(viii) the disallowance, under Section 502 of the Bankruptcy Code or any other bankruptcy-related rules or regulations in any country in which a Company is organized, of all or any portion of the claims of any of the Lenders or the Global Administrative Agent for repayment of all or any part of the Obligations; or

(ix) any other circumstance which might otherwise constitute a legal or equitable discharge or defense of any Borrower or the Guarantor.

The obligations of the Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever, by reason of the invalidity, illegality or unenforceability of the Obligations, any impossibility in the performance of the Obligations or otherwise. The Lenders, either themselves or acting through the Global Administrative Agent, are authorized, without notice or demand and without affecting the liability of the Guarantor hereunder, from time to time, (a) to renew, extend, accelerate or otherwise change the time for payment of, or other terms relating to, all or any part of the Obligations, or to otherwise modify, amend or change the terms of any of the Loan Documents; (b) to accept partial payments on all or any part of the Obligations; (c) to take and hold security or collateral for the payment of all or any part of the Obligations, this Guarantee, or any other guaranties of all or any part of the Obligations, (d) to exchange, enforce, waive and release any such security or collateral; (e) to apply such security or collateral and direct the order or manner of sale thereof as in their discretion they may determine; (f) to settle, release, exchange, enforce, waive, compromise or collect or otherwise liquidate all or any part of the Obligations, this Guarantee, any other guaranty of all or any part of the Obligations, and any security or collateral for the Obligations or for any such guaranty.

The Guarantor consents and agrees that none of the Lenders nor the Global Administrative Agent nor any Person acting for or on behalf of the Lenders or the Global Administrative Agent shall be under any obligation to marshal any assets in favor of the Guarantor or against or in payment of any or all of the Obligations. The Guarantor further agrees that, to the extent that any Borrower or any other guarantor of all or any part of the Obligations makes a payment or payments to any Lender or the Global Administrative Agent, or any Lender or the Global Administrative Agent receives any proceeds of collateral for all or any part of the Obligations, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to any Borrower, the Guarantor, such other guarantor or any other Person, or their respective estates, trustees, receivers or any other party, under any bankruptcy law, state, provincial or federal law, common law or equitable cause, then, to the extent of such payment or repayment, the part of the Obligations which has been paid, reduced or satisfied by such amount shall be reinstated and continued in full force and effect as of the time immediately preceding such initial payment, reduction or satisfaction.

In furtherance of the foregoing and not in limitation of any other right which the Global Administrative Agent or any Lender may have at law or in equity against the Guarantor by virtue hereof, upon the failure of any Borrower to pay any of the Obligations when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, the Guarantor promises to and will, upon receipt of written demand by the Global Administrative Agent, forthwith pay, or cause to be paid, in cash, the amount of such unpaid Obligations. The Guarantor further agrees that if payment in respect of any of the Obligations owed to any Lender shall be due at a place of payment other than as designated in

this Agreement and if, by reason of any Change in Law (as defined in Section 3.1), war or civil disturbance or other event, such place of payment shall be impossible or, in the judgment of such Lender, not consistent with the protection of its rights or interests, then, at the election of such Lender, the Guarantor shall make payment of such Obligation in the applicable place designated in this Agreement, and shall indemnify such Lender against any losses or expenses that it shall sustain as a result of such alternative payment.

Until the Obligations have been paid in full in cash and the Maturity Date shall have occurred, the Guarantor (i) shall have no right of subrogation with respect to such Obligations and (ii) waive any right to enforce any remedy which the Lenders or the Global Administrative Agent (or any of them) now have or may hereafter have against any Borrower, any endorser or any guarantor of all or any part of the Obligations or any other Person, and the Guarantor waives any benefit of, and any right to participate in, any security or collateral given to the Lenders and the Global Administrative Agent (or any of them) to secure the payment or performance of all or any part of the Obligations or any other liability of any Borrower to the Lenders or the Global Administrative Agent (or any of them).

This Guarantee shall continue in full force and effect and may not be terminated or otherwise revoked until the Obligations shall have been fully paid (in cash) and discharged and this Agreement and all financing arrangements between any Borrower, the Global Administrative Agent and the Lenders pursuant to this Agreement shall have been terminated; provided that if the Guarantor is merged or consolidated with another Company pursuant to Section 6.2.3 or if the capital stock of the Guarantor is sold, transferred or otherwise disposed of in a transaction permitted pursuant to the terms of this Agreement (as in effect on the Closing Date), the Guarantor shall be released from its obligations under this Agreement without further action. If, notwithstanding the foregoing, the Guarantor shall have any right under applicable law to terminate or revoke this Guarantee, the Guarantor agrees that such termination or revocation shall not be effective until a written notice of such revocation or termination, specifically referring hereto, signed by the Guarantor, is actually received by the Global Administrative Agent. Such notice shall not affect the right and power of any of the Lenders or the Global Administrative Agent to enforce rights arising prior to receipt thereof by the Global Administrative Agent. If any Lender grants loans or takes other action after the Guarantor terminates or revokes this Guarantee but before the Global Administrative Agent receives such written notice, the rights of such Lender with respect thereto shall be the same as if such termination or revocation had not occurred. The provisions of this Article XII shall remain in full force and effect, notwithstanding any termination of this Agreement, until the Obligations shall have been fully paid (in cash) and discharged.

Notwithstanding anything contained in this Article XII to the contrary, (i) the obligations of the Finco Guarantor under this Article XII shall be solely in respect of the Loans made to, and any other Obligations of, HDFS and (ii) the Guarantor shall not have any obligations under this Article XII in respect of the Loans made to, or any other Obligations of, Harley.

#### ARTICLE XIII BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS

**13.1 Successors and Assigns. The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of the Companies, the Lenders and the Global Administrative Agent and their respective successors and assigns, except that (i) the Companies shall not have the right to assign their rights or obligations under the Loan Documents and (ii) any assignment by any Lender must be made in compliance with Section 13.3 hereof. Notwithstanding clause (ii) of this Section 13.1, any Lender may at any time, without the consent of any Borrower or the Global Administrative Agent, assign all or any portion of its rights under this Agreement and any Notes to a Federal Reserve Bank or other central banking authority with authority over such Lender; provided, however, that no such**

assignment shall release the transferor Lender from its obligations hereunder. The Global Administrative Agent may treat any Lender as the owner of the Loans for all purposes hereof unless and until such Lender complies with Section 13.3 hereof in the case of an assignment thereof or, in the case of any other transfer, a written notice of the transfer is filed with the Global Administrative Agent. Any such assignee or transferee agrees by acceptance thereof to be bound by all the terms and provisions of the Loan Documents. Any request, authority or consent of any Person, who at the time of making such request or giving such authority or consent is the holder of any Loan, shall be conclusive and binding on any subsequent holder, transferee or assignee of such Loan.

13.2 Participations, Permitted Participants; Effect. Subject to the terms set forth in this Section 13.2, any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one or more banks or other entities (“**Participants**”) which is not an Ineligible Institution participating interests in any Loan owing to such Lender or any Commitment of such Lender or any other interest of such Lender under the Loan Documents. In the event of any such sale by a Lender of participating interests to a Participant, such Lender’s obligations under the Loan Documents shall remain unchanged, such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, such Lender shall remain the owner of all Loans for all purposes under the Loan Documents, all amounts payable by any Borrower under this Agreement shall be determined as if such Lender had not sold such participating interests, and such Borrower and the Global Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender’s rights and obligations under the Loan Documents except that, for purposes of Article III hereof, the Participants shall be entitled to the same rights as if they were Lenders (subject to the requirements and limitations set forth in Article III, including the requirements under Section 3.5(iv) (it being understood that the documentation required under Section 3.5(iv) shall be delivered to the participating Lender) and had acquired its interest by assignment pursuant to Section 13.3; provided however that no Participant shall be entitled to receive any greater payment under Article III than the Lender would have been entitled to receive with respect to the rights participated. Each Lender that sells a participation shall, acting solely for this purpose as an agent of the Companies, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the obligations under the Loan Documents (the “**Participant Register**”); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register to any Person (including the identity of any Participant or any information relating to a Participant's interest in the obligations under any Loan Document) except to the extent that such disclosure is necessary to establish that such interest is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Global Administrative Agent (in its capacity as Global Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(A) Voting Rights. Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents, other than any amendment, modification or waiver with respect to any Loan or Commitment in which such Participant has an interest which involves an amendment, modification or waiver with respect to a matter which, if such Participant were a Lender hereunder, would require the consent of such Lender under clauses (i) through (viii) of Section 8.3 hereof.

(B) Benefit of Setoff. The Companies agree that each Participant shall be deemed to have the right of setoff provided in Section 11.1 hereof in respect to its participating interest in amounts owing under the Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a Lender under the Loan Documents; provided that each Lender shall retain the right of setoff provided in Section 11.1 hereof with respect to the amount of participating interests sold to each Participant except to the extent such Participant exercises its right of set off. The Lenders agree to share with each Participant, and each Participant, by exercising the right of setoff provided in Section 11.1 hereof, agrees to share with each Lender, any amount received pursuant to the exercise of its right of setoff, such amounts to be shared in accordance with Section 11.2 as if each Participant were a Lender.

### 13.3 Assignments.

(A) Permitted Assignments. Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more banks or other entities (“**Purchasers**”) which is not an Ineligible Institution all or a portion of its rights and obligations under this Agreement (including, without limitation, its Commitment and all Loans owing to it) in accordance with the provisions of this Section 13.3. Each assignment shall be of a constant, and not a varying, ratable percentage of all of the rights and obligations of any assigning Lender under this Agreement. Such assignment shall be substantially in the form of Exhibit C hereto and shall not be permitted hereunder unless such assignment is either for all of such Lender’s rights and obligations under the Loan Documents or, except for assignments to another Lender, an Affiliate thereof or an Approved Fund, involves loans and commitments in an aggregate amount of at least \$5,000,000. Notice to the Global Administrative Agent shall be required prior to any assignment becoming effective and the consent of the Global Administrative Agent (which consent will not be unreasonably withheld or delayed) shall be required prior to any assignment becoming effective with respect to a Purchaser which is not a Lender and the consent of Harley (which consent will not be unreasonably withheld or delayed; provided that Harley shall be deemed to have consented to any such assignment (excluding, for the avoidance of doubt, any assignment or purported assignment to an Ineligible Institution) unless it shall object thereto by written notice to the Global Administrative Agent within ten (10) Business Days after having received written notice thereof from the Global Administrative Agent) shall be required prior to an assignment becoming effective unless (A) a Default shall have occurred and be continuing at such time or (B) the Purchaser which is a Lender, an Affiliate thereof or an Approved Fund; provided that, notwithstanding the preceding clause (B), (1) the Purchaser with respect to any assignment that does not require Harley’s consent under the preceding clause (B) shall nevertheless provide written notice to Harley thereof prior to, or promptly after, such assignment and (2) the consent of Harley shall be required prior to any assignment resulting in the applicable Purchaser, collectively with its Affiliates and affiliated Approved Funds, holding Commitments in an aggregate amount greater than 15% of the Aggregate Commitment at such time (or, if the Commitments shall have been terminated, such Purchaser, collectively with its Affiliates and affiliated Approved Funds, would hold Loans aggregating to more than 15% in principal amount of all outstanding Loans at such time). It is understood and agreed that it shall be reasonable for Harley to consider a proposed Purchaser’s right to require reimbursement for incremental increased costs pursuant to Article III when determining whether to consent to any applicable assignment.

(B) Effect; Effective Date. Subject to acceptance and recording thereof pursuant to clause (C) below, upon (i) delivery to the Global Administrative Agent of a notice of assignment, substantially in the form attached as Appendix I to Exhibit C hereto (a “**Notice of Assignment**”), together with any consents required by Section 13.3(A) hereof, and (ii) payment of a \$3,500 fee to the Global Administrative Agent for processing such assignment, such assignment shall become effective on the effective date specified in such Notice of Assignment. The Notice of Assignment shall contain a representation by the Purchaser to the effect that none of the consideration used to make the purchase of the Commitment and Loans under the

applicable assignment agreement are “plan assets” as defined under ERISA and that the rights and interests of the Purchaser in and under the Loan Documents will not be “plan assets” under ERISA. On and after the effective date of such assignment, such Purchaser, if not already a Lender, shall for all purposes be a Lender party to this Agreement and any other Loan Documents executed by the Lenders and shall have all the rights and obligations of a Lender under the Loan Documents, to the same extent as if it were an original party hereto, and no consent or action by any of the Borrowers or the Lenders and no further consent or action by the Global Administrative Agent shall be required to release the transferor Lender with respect to the percentage of the Aggregate Commitment and Loans assigned to such Purchaser. Upon the consummation of any assignment to a Purchaser pursuant to this Section 13.3(B), the transferor Lender, the Global Administrative Agent and Harley shall, if requested by such transferor Lender or Purchaser, make appropriate arrangements so that replacement Notes are issued to such transferor Lender and new Notes or, as appropriate, replacement Notes, are issued to such Purchaser.

(C) The Register. The Global Administrative Agent shall maintain at its address referred to in Section 14.1 a copy of each assignment delivered to and accepted by it pursuant to this Section 13.3 and a register (the “**Register**”) for the recordation of the names and addresses of the Lenders and the Commitment of and principal amount (and stated interest) of the Loans owing to, each Lender from time to time and whether such Lender is an original Lender or the assignee of another Lender pursuant to an assignment under this Section 13.3. The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and each Borrower and each of its Subsidiaries, the Global Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by any Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(D) Disqualified Institutions.

(i) No assignment or participation shall be made to any Person that was a Disqualified Institution as of the date (the “**Trade Date**”) on which the assigning Lender entered into a binding agreement to sell and assign or grant a participation in all or a portion of its rights and obligations under this Agreement to such Person (unless Harley has consented to such assignment or participation in writing in its sole and absolute discretion, in which case such Person will not be considered a Disqualified Institution for the purpose of such assignment or participation). For the avoidance of doubt, with respect to any Purchaser or Participant that becomes a Disqualified Institution after the applicable Trade Date (including as a result of the delivery of a notice pursuant to, and/or the expiration of the notice period referred to in, the definition of “Disqualified Institution”), (x) such Purchaser or Participant shall not retroactively be disqualified from becoming a Lender or Participant and (y) the execution by Harley of an assignment agreement with respect to such Purchaser will not by itself result in such Purchaser no longer being considered a Disqualified Institution. Any assignment or participation in violation of this clause (D)(i) shall not be void, but the other provisions of this clause (D) shall apply.

(ii) If any assignment or participation is made to any Disqualified Institution without Harley’s prior written consent in violation of clause (i) above, or if any Person becomes a Disqualified Institution after the applicable Trade Date, Harley may, at its sole expense and effort, upon notice to the applicable Disqualified Institution and the Global Administrative Agent, require such Disqualified Institution to assign, without recourse (in accordance with and subject to the restrictions contained in this Section 13.3), all of its interest, rights and obligations under this Agreement to one or more Persons (other than an Ineligible Institution) at the lesser of (x) the principal amount thereof and (y) the amount that such Disqualified Institution paid to acquire such interests, rights and

obligations in each case plus accrued interest, accrued fees and all other amounts (other than principal amounts) payable to it hereunder.

(iii) Notwithstanding anything to the contrary contained in this Agreement, Disqualified Institutions to whom an assignment or participation is made in violation of clause (i) above (A) will not have the right to (x) receive information, reports or other materials provided to Lenders by Harley, the Global Administrative Agent or any other Lender, (y) attend or participate in meetings attended by the Lenders (or any of them) and the Global Administrative Agent, or (z) access any electronic site established for the Lenders or confidential communications from counsel to or financial advisors of the Global Administrative Agent or the Lenders and (B) for purposes of any consent to any amendment, waiver or modification of, or any action under, and for the purpose of any direction to the Global Administrative Agent or any Lender to undertake any action (or refrain from taking any action) under this Agreement or any other Loan Document, each Disqualified Institution will be deemed to have consented in the same proportion as the Lenders that are not Disqualified Institutions consented to such matter.

(iv) The Global Administrative Agent shall have the right, and Harley hereby expressly authorizes the Global Administrative Agent, to (A) post the list of Disqualified Institutions provided by Harley and any updates thereto from time to time (collectively, the “**DQ List**”) on Debt Domain, Intralinks, Syndtrak, ClearPar or a substantially similar Electronic System, including that portion of such platform that is designated for “public side” Lenders and/or (B) provide the DQ List to each Lender requesting the same. The DQ List shall be subject to the requirements of Section 13.4.

(v) The Global Administrative Agent shall not be responsible or have any liability for, or have any duty to ascertain, inquire into, monitor or enforce, compliance with the provisions hereof relating to Disqualified Institutions. Without limiting the generality of the foregoing, the Global Administrative Agent shall not (x) be obligated to ascertain, monitor or inquire as to whether any Lender or Participant or prospective Lender or Participant is a Disqualified Institution or (y) have any liability with respect to or arising out of any assignment or participation of Loans, or disclosure of confidential information, by any other Person to any Disqualified Institution.

(E) EEA Financial Institutions. Notwithstanding anything to the contrary in this Section 13.3, or elsewhere in this Agreement, the consent of Harley shall be required (such consent not to be unreasonably withheld or delayed) for an assignment to an assignee that is an EEA Financial Institution unless a Default shall have occurred and be continuing at the time of such assignment.

13.4 Confidentiality. (i) **Subject to Section 13.5, the Global Administrative Agent and the Lenders shall hold confidential (A) all nonpublic information obtained pursuant to the requirements of this Agreement and (B) except as otherwise permitted by Harley, all information related to the Licensed Marks (as defined in Section 13.6) and all other information which a reasonable person would deem to be confidential and/or proprietary in light of the nature of the information and the manner in which it was disclosed; provided that the Global Administrative Agent and the Lenders may each make disclosure (1) to its and its Affiliates’ directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such information and instructed to keep such information confidential and the Global Administrative Agent and each Lender, as applicable, shall be responsible for breach by its respective affiliated Persons to which the Global**

Administrative Agent or such Lender made such disclosure), (2) to the extent requested by any regulatory authority, (3) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (4) to any other party to this Agreement, (5) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (6) subject to a written agreement containing provisions substantially the same as those of this Section, to (a) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement (it being understood that the DQ List may be disclosed to any assignee or Participant, or prospective assignee or Participant, in reliance on and subject to the terms of this clause (6)) or (b) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to any Borrower and its obligations, (7) with the prior written consent of Harley, (8) to the extent such information (a) becomes publicly available other than as a result of a breach of this Section or (b) becomes available to the Global Administrative Agent or any Lender on a nonconfidential basis from a source other than the Companies, (9) to any rating agency when required by it, provided that, prior to any disclosure, such rating agency shall undertake in writing to preserve the confidentiality of any such information relating to the Companies received by it from the Global Administrative Agent or any Lender or (10) on a confidential basis to the CUSIP Service Bureau or any similar agency in connection with the issuance and monitoring of CUSIP numbers with respect to the Loans. In no event shall the Global Administrative Agent or any Lender be obligated or required to return any materials furnished by Harley, the Companies or any of their Subsidiaries; provided, however, each prospective Transferee shall be required to agree that if it does not become a participant or assignee it shall return all materials furnished to it by or on behalf of Harley or any Company in connection with this Agreement.

(ii) (A) To the extent that the Gramm-Leach-Bliley Act, Title V/Privacy (collectively with the related implementing regulations, the “GLBA”), shall be applicable to the transactions contemplated herein, each of the parties hereto agrees that (1) it shall use all non-public personal information obtained pursuant to the requirements of this Agreement solely for the purposes for which the information is disclosed or as otherwise permitted in conformance with the requirements of the GLBA and (2) it shall maintain the confidentiality of such information to the same extent as described in Section 13.4(i). This clause shall survive the termination of this Agreement.

(B) In the event that the Global Administrative Agent or any Lender reasonably believes that any physical and/or electronic safeguards have been breached, and that non-public personal information has been obtained by persons and/or entities without authority to use or view such non-public personal information, the Global Administrative Agent or such Lender, as applicable, will notify HDFS and Harley, in writing, as soon as reasonably practicable. The Global Administrative Agent and each Lender shall also maintain commercially reasonable processes and procedures for the storage, retention, and disposal of documents and storage media containing nonpublic personal information. Nothing in this clause shall be construed to create any third-party beneficiary rights in any consumer or other holder of nonpublic personal information. This clause shall survive the termination of this Agreement.

(iii) Each of the parties hereto acknowledges that any breach of the aforesaid confidentiality obligations in this Section 13.4 is likely to cause or threaten irreparable harm to HDFS and Harley. Therefore, HDFS and Harley shall be entitled to seek equitable relief to protect its interests, including but not limited

to preliminary and permanent injunctive relief, as well as monetary damages. Nothing stated herein will be construed to limit any other remedies available to the parties hereto. This section shall survive the termination of this Agreement.

13.5 Dissemination of Information. Each of the Companies authorizes each Lender to disclose to any Participant or Purchaser or any other Person acquiring an interest in the Loan Documents by operation of law (each a “Transferee”) and any prospective Transferee any and all information in such Lender’s possession concerning the Companies and their Subsidiaries; provided that prior to any such disclosure, such prospective Transferee shall agree in writing to preserve in accordance with Section 13.4 the confidentiality of any non-public information described therein.

13.6 Non-Use of HDFS’ Licensed Marks. (i) HDFS, Harley and their affiliates have the right pursuant to licenses or otherwise to use certain trademark(s), logo(s), etc. relating to Harley-Davidson Motorcycles, HDFS and their affiliates (the “Licensed Marks”). Except as permitted by the following sentences, none of the Global Administrative Agent, the Lenders or their Affiliates are authorized to use such Licensed Marks or Harley’s or HDFS’s (i) text name and logo(s) (together) and/or (ii) logo(s) on forms, in legal documents, in advertising, marketing materials, in press releases or any other document or material. In the event the Global Administrative Agent, any Lender or any of their Affiliates wish to use said Licensed Marks, such Person must obtain HDFS’s and Harley’s prior written approval, which said approval is at HDFS’s and Harley’s sole and absolute discretion and subject to subsequent periodic review of such use and to such reasonable specifications of HDFS and Harley to the extent such specifications are directly related to the legal maintenance, whether such is before or after lapse or termination of this Agreement. The Harley-Davidson and/or HDFS (i) text name, logo(s) and registered trademark(s) (together) and/or (ii) logo(s) and/or (iii) registered trademark(s) are not to be used by the Global Administrative Agent, any Lender or any of their Affiliates in any way before, during or after the term of this Agreement, unless prior written consent is obtained from HDFS and Harley. This section shall survive the termination of this Agreement.

(ii) Each of the parties hereto acknowledges that any breach of the aforestated non-use obligations in this Section 13.6 is likely to cause or threaten irreparable harm to HDFS and Harley. Therefore, in the event of any such breach, HDFS and Harley shall be entitled to seek equitable relief to protect its interests, including but not limited to preliminary and permanent injunctive relief, as well as monetary damages. Nothing stated in this Section 13.6 shall be construed to limit any other remedies available to any party hereto.

#### ARTICLE XIV NOTICES

14.1 Giving Notice. (a) Except as otherwise permitted by Article II with respect to Borrowing Notices and Section 6.1.9, all notices and other communications provided to any party hereto under this Agreement or any other Loan Documents shall be in writing or by telex or by facsimile and addressed or delivered to such party at its address set forth below its signature hereto or at such other address as may be designated by such party in a notice to the other parties (provided that any notification of the DQ List to the Global Administrative

Agent shall be made via email to the following address: JPMDQ\_Contact@jpmorgan.com). Any notice, if mailed and properly addressed with postage prepaid, shall be deemed given when received; any notice, if transmitted by telex or facsimile, shall be deemed given when transmitted (answerback confirmed in the case of telexes); or, if by courier, one (1) Business Day after deposit with a reputable overnight carrier service; with all charges paid.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by using Electronic Systems pursuant to procedures approved by the Global Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the Global Administrative Agent and the applicable Lender. The Global Administrative Agent or the Companies may, in their respective discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

Unless the Global Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient, at its e-mail address as described in the foregoing clause (i), of notification that such notice or communication is available and identifying the website address therefor; provided that, for both clauses (i) and (ii) above, if such notice, email or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient.

(c) Electronic Systems.

(i) Each Borrower agrees that the Global Administrative Agent may, but shall not be obligated to, make Communications (as defined below) available to the other Lenders by posting the Communications on Debt Domain, Intralinks, Syndtrak, ClearPar or a substantially similar Electronic System.

(ii) Any Electronic System used by the Global Administrative Agent is provided "as is" and "as available." The Agent Parties (as defined below) do not warrant the adequacy of such Electronic Systems and expressly disclaim liability for errors or omissions in the Communications. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third-party rights or freedom from viruses or other code defects, is made by any Agent Party in connection with the Communications or any Electronic System. In no event shall the Global Administrative Agent or any of its Affiliates, and each of such Person's respective officers, directors, employees, attorneys and agents (collectively, the "**Agent Parties**"), have any liability to any Company, any Lender or any other Person or entity for damages of any kind, including, without limitation, direct or indirect, special, incidental or consequential damages, losses or expenses (whether in tort, contract or otherwise) arising out of any Company's or the Global Administrative Agent's transmission of Communications through an Electronic System, except to the extent determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of the Global Administrative Agent or the Agent Parties. "**Communications**" means, collectively, any notice, demand, communication, information,

document or other material provided by or on behalf of any Company pursuant to any Loan Document or the transactions contemplated therein which is distributed by the Global Administrative Agent or any Lender by means of electronic communications pursuant to this Section, including through an Electronic System.

(iii) For the avoidance of doubt, nothing in this Section 14.1(c) shall affect any obligations arising under Section 13.4.

14.2 Change of Address. Any of the Companies, the Global Administrative Agent and any Lender may each change the address for service of notice upon it by a notice in writing to the other parties hereto (or, in the case of any Lender, by notice in writing to Harley and the Global Administrative Agent).

#### ARTICLE XV COUNTERPARTS

15.1 Counterparts; Effectiveness; Electronic Execution. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart. Except as provided in Section 4.1, this Agreement shall become effective when it shall have been executed by the Global Administrative Agent and when the Global Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy, e-mailed .pdf or any other electronic means that reproduces an image of the actual executed signature page shall be effective as delivery of a manually executed counterpart of this Agreement. The words “execution,” “signed,” “signature,” “delivery,” and words of like import in or relating to any document to be signed in connection with this Agreement and the transactions contemplated hereby shall be deemed to include Electronic Signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

[Remainder of This Page Intentionally Blank]

IN WITNESS WHEREOF, the Companies, the Lenders and the Global Administrative Agent have executed this Agreement as of the date first above written.

**HARLEY-DAVIDSON, INC.,**  
as a U.S. Borrower

By: /s/ J. Darrell Thomas  
Name: J. Darrell Thomas  
Title: Vice President and Treasurer

Address:  
Harley-Davidson, Inc.  
3700 West Juneau Avenue  
Milwaukee, Wisconsin 53208  
Attention: J. Darrell Thomas, Vice-President and  
Treasurer  
Telephone No.: (414) 343-7863  
Facsimile No.: (414) 343-4990

with copy to (in the case of a notice of Default):

Harley-Davidson, Inc.  
3700 West Juneau Avenue  
Milwaukee, Wisconsin 53208  
Attention: Paul J. Jones, Vice-President, Strategy  
& Sustainability, Chief Legal Officer and  
Secretary  
Telephone No.: (414) 343-4885  
Facsimile No.: (414) 343-4990

Signature Page to 364-Day Credit Agreement  
Harley-Davidson, Inc. et al

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**HARLEY-DAVIDSON FINANCIAL  
SERVICES, INC.,**  
as a U.S. Borrower

By: s/ J. Darrell

Thomas

Name: J. Darrell Thomas

Title: Vice President and Treasurer

Address:

3700 West Juneau Avenue

Milwaukee, Wisconsin 53208

Attention: J. Darrell Thomas, Vice-President and  
Treasurer

Telephone No.: (414) 343-7863

Facsimile No.: (414) 343-4990

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**HARLEY-DAVIDSON CREDIT CORP.,**  
as the Guarantor

By: /s/ J. Darrell Thomas  
Name: J. Darrell Thomas  
Title: Vice President and Treasurer

Address:  
3700 West Juneau Avenue  
Milwaukee, Wisconsin 53208  
Attention: J. Darrell Thomas, Vice-President and  
Treasurer  
Telephone No.: (414) 343-7863  
Facsimile No.: (414) 343-4990

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**JPMORGAN CHASE BANK, N.A.,**  
as the Global Administrative Agent and as a  
Lender

By: /s/ Robert P. Kellas

Name: Robert P. Kellas  
Title: Executive Director

Address:  
383 Madison Avenue, Floor 24  
New York, New York 10179

Attention: Robert Kellas  
Telephone No.: (212) 270-3560  
Facsimile No.: (212) 270-5100

In the case of Borrowing Notices

500 Stanton Christiana Road  
Ops Building 2, 3<sup>rd</sup> Floor  
Newark, Delaware 19713-2107

Attention: Christine Angus  
Facsimile No.: (302) 634-4250

In the case of a notification of the DQ List:

JPMDQ\_Contact@jpmorgan.com

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**CITIBANK, N.A.,**  
as Syndication Agent and as a Lender

By: /s/ Susan Manuelle

Name: Susan Manuelle

Title: Managing Director

Address:

388 Greenwich Street, Floor 32  
New York, New York 10013

Attention: KC Clark

Telephone No.: (212) 816-2878

Facsimile No.: (646) 441-4504

In the case of Borrowing Notices

1615 Brett Rd.

Bldg. III

New Castle, DE 19720

Attention: Praveen Parasuraman

Phn#: 201 472 4414

Email: GLOriginatioOps@citi.com

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**U.S. BANK NATIONAL ASSOCIATION,**  
as a Syndication Agent and as a Lender

By: /s/ Caroline V. Krider

Name: Caroline V. Krider

Title: Senior Vice President

Address:

777 E. Wisconsin Avenue  
Milwaukee, WI 53202

Attention: Caroline V. Krider

Telephone No.: 414-765-5971

Facsimile No.: 414-765-4632

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**THE BANK OF TOKYO-MITSUBISHI UFJ,  
LTD.,**  
as a Syndication Agent and as a Lender

By: s/ Thomas Danielson  
Name: Thomas Danielson  
Title: Authorized Signatory

Address:  
1251 Avenue of the Americas  
New York, New York 10020-1104

Attention: U.S. Wholesale Banking  
Christina Schuschel  
Telephone No.: 312-696-4663  
Facsimile No.: 212-782-6440 with a  
Copy to: 312-696-4535

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**SCHEDULE I**

**FUNDING PROTOCOLS re: SYNDICATED GLOBAL LOANS**

**Harley-Davidson \$100million Global Credit Facility**

<b>Location</b>	<b>Tenor</b>	<b>Notice to Ad Agent</b>	<b>Minimum Amounts Borrowing/Increments</b>	<b>Rate fixing</b>	<b>Screen</b>	<b>Comment</b>
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**U.S. Borrower - Syndicate Borrowing – US or IBF Nassau**

		<b>Houston Loan &amp; Agency</b>				
ABR	overnight	same day/3PM NYT	\$5mm/500m	Not Applicable	Not Applicable	
Eurodollar	30, 60, 90, 180	2 Business Days/12 noon NYT	\$5mm/500m	Not Applicable	Reuters LIBOR01	NY fixing

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<sup>1</sup> For each option which is offered with a tenor of 30, 60, 90 and 180, such tenor may also be for such other period as may be agreed to by each Lender.

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## SCHEDULE II

### INTERCOMPANY SUBORDINATION TERMS

(i) The Borrowers agree that any and all claims of the Borrowers against any Guarantor with respect to any “Guarantor Intercompany Indebtedness” (as hereinafter defined), any endorser, obligor or any other guarantor of all or any part of the Obligations, or against any of its properties shall be subordinate and subject in right of payment to the prior payment, in full and in cash, of all Obligations; provided that, and not in contravention of the foregoing, so long as no Default has occurred and is continuing the Borrowers may make loans to and receive payments in the ordinary course with respect to such Guarantor Intercompany Indebtedness from any Guarantor to the extent permitted by the terms of the Agreement and the other Loan Documents. Notwithstanding any right of the Borrowers to ask, demand, sue for, take or receive any payment from any Guarantor, all rights, liens and security interests of the Borrowers, whether now or hereafter arising and howsoever existing, in any assets of any Guarantor shall be and are subordinated to the rights of the holders of the Obligations and the Global Administrative Agent in those assets. Except as otherwise permitted above, the Borrowers shall not have any right to possession of any such asset or to foreclose upon any such asset, whether by judicial action or otherwise, unless and until all of the Obligations (other than contingent indemnity obligations) and the Hedging Obligations owing to any Lender or any Affiliate thereof (such Hedging Obligations, the “**Hedging Liabilities**”) shall have been fully paid and satisfied (in cash) and all financing arrangements pursuant to any Loan Document among the Borrowers and the holders of the Obligations (or any affiliate thereof) have been terminated. If all or any part of the assets of any Guarantor, or the proceeds thereof, are subject to any distribution, division or application to the creditors of such Guarantor, whether partial or complete, voluntary or involuntary, and whether by reason of liquidation, bankruptcy, arrangement, receivership, assignment for the benefit of creditors or any other action or proceeding, or if the business of such Guarantor is dissolved or if substantially all of the assets of such Guarantor are sold, then, and in any such event (such events being herein referred to as an “**Insolvency Event**”), any payment or distribution of any kind or character, either in cash, securities or other property, which shall be payable or deliverable upon or with respect to any indebtedness (excepting indebtedness for fees and other administrative charges, if any, as may from time to time accrue in the ordinary course of business) of any Guarantor to the Borrowers (“**Guarantor Intercompany Indebtedness**”) shall be paid or delivered directly to the Global Administrative Agent for application on any of the Obligations and Hedging Liabilities, due or to become due, until such Obligations and Hedging Liabilities (other than contingent indemnity obligations) shall have first been fully paid and satisfied (in cash). Should any payment, distribution, security or instrument or proceeds thereof be received by the Borrowers upon or with respect to any Guarantor Intercompany Indebtedness after an Insolvency Event prior to the satisfaction of all of the Obligations (other than contingent indemnity obligations) and Hedging Liabilities and the termination of all financing arrangements pursuant to any Loan Document among the Borrowers and the holders of the Obligations (and their affiliates), the Borrowers shall receive and hold the same in trust, as trustee, for the benefit of the holders of the Obligations and such Hedging Liabilities and shall forthwith deliver the same to the Global Administrative Agent, for the benefit of such Persons, in precisely the form received (except for the endorsement or assignment of the Borrowers where necessary), for application to any of the Obligations and such Hedging Liabilities, due or not due, and, until so delivered, the same shall be

held in trust by the Borrowers as the property of the holders of the Obligations and such Hedging Liabilities. If the Borrowers fail to make any such endorsement or assignment to the Global Administrative Agent, the Global Administrative Agent or any of its officers or employees are irrevocably authorized to make the same. The Borrowers agree that until the Obligations (other than the contingent indemnity obligations) and such Hedging Liabilities have been paid in full (in cash) and satisfied and all financing arrangements pursuant to any Loan Document among the Borrowers and the holders of the Obligations (and their affiliates) have been terminated, the Borrowers will not assign or transfer to any Person (other than the Global Administrative Agent) any claim the Borrowers have or may have against any Guarantor.

(ii) Each Guarantor agrees that any and all claims of such Guarantor against the Borrowers with respect to any “Borrower Intercompany Indebtedness” (as hereinafter defined), any endorser, obligor or any other guarantor of all or any part of the Obligations, or against any of its properties shall be subordinate and subject in right of payment to the prior payment, in full and in cash, of all Obligations; provided that, and not in contravention of the foregoing, so long as no Default has occurred and is continuing each Guarantor may make loans to and receive payments in the ordinary course with respect to such Borrower Intercompany Indebtedness from the Borrowers to the extent permitted by the terms of the Agreement and the other Loan Documents. Notwithstanding any right of any Guarantor to ask, demand, sue for, take or receive any payment from the Borrowers, all rights, liens and security interests of such Guarantor, whether now or hereafter arising and howsoever existing, in any assets of the Borrowers shall be and are subordinated to the rights of the holders of the Obligations and the Global Administrative Agent in those assets. Except as otherwise permitted above, no Guarantor shall have any right to possession of any such asset or to foreclose upon any such asset, whether by judicial action or otherwise, unless and until all of the Obligations (other than contingent indemnity obligations) and the Hedging Liabilities shall have been fully paid and satisfied (in cash) and all financing arrangements pursuant to any Loan Document among the Borrowers and the holders of Obligations (or any affiliate thereof) have been terminated. If all or any part of the assets of the Borrowers, or the proceeds thereof, are subject to any distribution, division or application to the creditors of the Borrowers, whether partial or complete, voluntary or involuntary, and whether by reason of liquidation, bankruptcy, arrangement, receivership, assignment for the benefit of creditors or any other action or proceeding, or if the business of any of the Borrowers is dissolved or if substantially all of the assets of any of the Borrowers are sold, then, and in any such event (such events being herein referred to as an “**Insolvency Event**”), any payment or distribution of any kind or character, either in cash, securities or other property, which shall be payable or deliverable upon or with respect to any indebtedness (excepting indebtedness for fees and other administrative charges, if any, as may from time to time accrue in the ordinary course of business) of the Borrowers to any Guarantor (“**Borrower Intercompany Indebtedness**”) shall be paid or delivered directly to the Global Administrative Agent for application on any of the Obligations and Hedging Liabilities, due or to become due, until such Obligations and Hedging Liabilities (other than contingent indemnity obligations) shall have first been fully paid and satisfied (in cash). Should any payment, distribution, security or instrument or proceeds thereof be received by any Guarantor upon or with respect to any Borrower Intercompany Indebtedness after an Insolvency Event prior to the satisfaction of all of the Obligations (other than contingent indemnity obligations) and Hedging Liabilities and the termination of all financing arrangements pursuant to any Loan Document among the Borrowers and the holders of the Obligations (and their affiliates),

the applicable Guarantor shall receive and hold the same in trust, as trustee, for the benefit of the holders of the Obligations and such Hedging Liabilities and shall forthwith deliver the same to the Global Administrative Agent, for the benefit of such Persons, in precisely the form received (except for the endorsement or assignment of such Guarantor where necessary), for application to any of the Obligations and such Hedging Liabilities, due or not due, and, until so delivered, the same shall be held in trust by such Guarantor as the property of the holders of the Obligations and such Hedging Liabilities. If any Guarantor fails to make any such endorsement or assignment to the Global Administrative Agent, the Global Administrative Agent or any of its officers or employees are irrevocably authorized to make the same. Each Guarantor agrees that until the Obligations (other than the contingent indemnity obligations) and such Hedging Liabilities have been paid in full (in cash) and satisfied and all financing arrangements pursuant to any Loan Document among the Borrowers and the holders of the Obligations (and their affiliates) have been terminated, such Guarantor will not assign or transfer to any Person (other than the Global Administrative Agent) any claim such Guarantor has or may have against the Borrowers.

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**SCHEDULE 6.2.2(c)**

**LIENS**

Liens from time to time securing the following industrial revenue bonds and related agreements, instruments, and documents: \$2,273,000 Missouri Development Finance Board BUILD Missouri Revenue Bonds Series 2002 (Harley-Davidson Project), including extensions, renewals, and replacements thereof.

**Harley-Davidson, Inc.**

<i><b>JURISDICTION</b></i>	<i><b>SECURED PARTY</b></i>	<i><b>FILE NUMBER</b></i>	<i><b>FILING DATE</b></i>	<i><b>SUMMARY COLLATERAL DESCRIPTION</b></i>	<i><b>ADDITIONAL FILINGS</b></i>
Wisconsin	Die-Tech and Engineering, Inc.	160006069223	05/05/16	Certain equipment	N/A
Wisconsin	Grand Die Engravers, Inc.	160008046422	06/15/16	Certain equipment	N/A
Wisconsin	Die-Tech and Engineering, Inc.	160014237926	10/31/16	Certain equipment	N/A
Wisconsin	Die-Tech and Engineering, Inc.	170000136313	01/04/17	Certain equipment	N/A

**Harley-Davidson Credit Corp.**

<b><i>JURISDICTION</i></b>	<b><i>SECURED PARTY</i></b>	<b><i>FILE NUMBER</i></b>	<b><i>FILING DATE</i></b>	<b><i>SUMMARY COLLATERAL DESCRIPTION</i></b>	<b><i>ADDITIONAL FILINGS</i></b>
Nevada	Harley-Davidson Motorcycle Trust 2011-1; Harley-Davidson Customer Funding Corp.	2011021582-2	08/12/11	(i) All right, title and interest of Debtor in and to the Contracts listed on the List of Contracts in effect on the closing date (including without limitation all security interests and all rights to receive certain payments), (ii) all rights of Debtor under any theft, physical damage, credit life, disability or other individual insurance policy, any debt insurance policy or any debt cancellation agreement relating to any such Contract, an Obligor or a Motorcycle securing such Contract, (iii) all security interests in each such Motorcycle, (iv) all documents contained in the related Contract Files, (v) all rights to certain lockboxes, (vi) all rights under certain dealer agreements, (vii) all of Debtor's rights to certain rebates and other amounts relating to insurance policies, debt cancellation agreements, extended service contracts and repair agreements, and (viii) all proceeds and products of the foregoing.	N/A

<b>JURISDICTION</b>	<b>SECURED PARTY</b>	<b>FILE NUMBER</b>	<b>FILING DATE</b>	<b>SUMMARY COLLATERAL DESCRIPTION</b>	<b>ADDITIONAL FILINGS</b>
Nevada	Harley-Davidson Motorcycle Trust 2011-2; Harley-Davidson Customer Funding Corp.	2011029894-1	11/09/11	(i) All right, title and interest of Debtor in and to the Contracts listed on the List of Contracts in effect on the closing date (including without limitation all security interests and all rights to receive certain payments), (ii) all rights of Debtor under any theft, physical damage, credit life, disability or other individual insurance policy, any debt insurance policy or any debt cancellation agreement relating to any such Contract, an Obligor or a Motorcycle securing such Contract, (iii) all security interests in each such Motorcycle, (iv) all documents contained in the related Contract Files, (v) all rights under certain dealer agreements, (vi) all rights to certain lockboxes, (vii) all rights of Debtor under the Transfer and Sale Agreement, (viii) certain amounts paid into the Trust Accounts from time to time, (ix) all of Debtor's rights to certain rebates and other amounts relating to insurance policies, debt cancellation agreements, extended service contracts and repair agreements, and (x) all proceeds and products of the foregoing.	N/A

<b>JURISDICTION</b>	<b>SECURED PARTY</b>	<b>FILE NUMBER</b>	<b>FILING DATE</b>	<b>SUMMARY COLLATERAL DESCRIPTION</b>	<b>ADDITIONAL FILINGS</b>
Nevada	Harley-Davidson Motorcycle Trust 2012-1; Harley-Davidson Customer Funding Corp.	2012020276-4	07/25/12	(i) All right, title and interest of Debtor in and to the Contracts listed on the List of Contracts in effect on the closing date (including without limitation all security interests and all rights to receive certain payments), (ii) all rights of Secured Party to payments which are collected, including liquidation proceeds, (iii) all rights of Debtor under any theft, physical damage, credit life, disability or other individual insurance policy, any debt insurance policy or any debt cancellation agreement relating to any such Contract, an Obligor or a Motorcycle securing such Contract, (iv) all security interests in each such Motorcycle, (v) all documents contained in the related Contract Files, (vi) all rights to certain lockboxes, (vii) all rights under certain dealer agreements, (viii) all of Debtor's rights to certain rebates and other amounts relating to insurance policies, debt cancellation agreements, extended service contracts and repair agreements, and (ix) all proceeds and products of the foregoing.	N/A

<b><i>JURISDICTION</i></b>	<b><i>SECURED PARTY</i></b>	<b><i>FILE NUMBER</i></b>	<b><i>FILING DATE</i></b>	<b><i>SUMMARY COLLATERAL DESCRIPTION</i></b>	<b><i>ADDITIONAL FILINGS</i></b>
Nevada	Harley-Davidson Motorcycle Trust 2013-1; Harley-Davidson Customer Funding Corp.; and The Bank of New York Mellon Trust Company, N.A., as Indenture Trustee	2013010510-2	04/24/13	(i) All right, title and interest of Debtor in and to the Contracts listed on the List of Contracts in effect on the closing date (including without limitation all security interests and all rights to receive certain payments), (ii) all rights of Debtor to payments which are collected, including liquidation proceeds, (iii) all rights of Debtor under any theft, physical damage, credit life, disability or other individual insurance policy, any debt insurance policy or any debt cancellation agreement relating to any such Contract, an Obligor or a Motorcycle securing such Contract, (iv) all security interests in each such Motorcycle, (v) all documents contained in the related Contract Files, (vi) all rights to certain lockboxes, (vii) all rights under certain dealer agreements, (viii) all of Debtor's rights to certain rebates and other amounts relating to insurance policies, debt cancellation agreements, extended service contracts and repair agreements, and (ix) all proceeds and products of the foregoing.	N/A

<b>JURISDICTION</b>	<b>SECURED PARTY</b>	<b>FILE NUMBER</b>	<b>FILING DATE</b>	<b>SUMMARY COLLATERAL DESCRIPTION</b>	<b>ADDITIONAL FILINGS</b>
Nevada	Harley-Davidson Motorcycle Trust 2014-1; Harley-Davidson Customer Funding Corp.; and The Bank of New York Mellon Trust Company, N.A., as Indenture Trustee	2014009535-3	04/16/14	(i) All right, title and interest of Debtor in and to the Contracts listed on the List of Contracts in effect on the closing date (including without limitation all security interests and all rights to receive certain payments), (ii) all rights of Debtor to payments which are collected, including liquidation proceeds, (iii) all rights of Debtor under any theft, physical damage, credit life, disability or other individual insurance policy, any debt insurance policy or any debt cancellation agreement relating to any such Contract, an Obligor or a Motorcycle securing such Contract, (iv) all security interests in each such Motorcycle, (v) all documents contained in the related Contract Files, (vi) all rights to certain lockboxes, (vii) all rights under certain dealer agreements, (viii) all of Debtor's rights to certain rebates and other amounts relating to insurance policies, debt cancellation agreements, extended service contracts and repair agreements, and (ix) all proceeds and products of the foregoing.	N/A

<b>JURISDICTION</b>	<b>SECURED PARTY</b>	<b>FILE NUMBER</b>	<b>FILING DATE</b>	<b>SUMMARY COLLATERAL DESCRIPTION</b>	<b>ADDITIONAL FILINGS</b>
Nevada	Harley-Davidson Motorcycle Trust 2015-1; Harley-Davidson Customer Funding Corp.; and The Bank of New York Mellon Trust Company, N.A., as Indenture Trustee	2015002666-5	01/28/15	(i) All right, title and interest of Debtor in and to the Contracts listed on the List of Contracts in effect on the closing date (including without limitation all security interests and all rights to receive certain payments), (ii) all rights of Debtor to payments which are collected, including liquidation proceeds, (iii) all rights of Debtor under any theft, physical damage, credit life, disability or other individual insurance policy, any debt insurance policy or any debt cancellation agreement relating to any such Contract, an Obligor or a Motorcycle securing such Contract, (iv) all security interests in each such Motorcycle, (v) all documents contained in the related Contract Files, (vi) all rights to certain lockboxes, (vii) all rights under certain dealer agreements, (viii) all of Debtor's rights to certain rebates and other amounts relating to insurance policies, debt cancellation agreements, extended service contracts and repair agreements, and (ix) all proceeds and products of the foregoing.	N/A

<b>JURISDICTION</b>	<b>SECURED PARTY</b>	<b>FILE NUMBER</b>	<b>FILING DATE</b>	<b>SUMMARY COLLATERAL DESCRIPTION</b>	<b>ADDITIONAL FILINGS</b>
Nevada	Harley-Davidson Motorcycle Trust 2015-2; Harley-Davidson Customer Funding Corp.; and The Bank of New York Mellon Trust Company, N.A., as Indenture Trustee	2015013857-3	05/27/15	(i) All right, title and interest of Debtor in and to the Contracts listed on the List of Contracts in effect on the closing date (including without limitation all security interests and all rights to receive certain payments), (ii) all rights of Debtor to payments which are collected, including liquidation proceeds, (iii) all rights of Debtor under any theft, physical damage, credit life, disability or other individual insurance policy, any debt insurance policy or any debt cancellation agreement relating to any such Contract, an Obligor or a Motorcycle securing such Contract, (iv) all security interests in each such Motorcycle, (v) all documents contained in the related Contract Files, (vi) all rights to certain lockboxes, (vii) all rights under certain dealer agreements, (viii) all of Debtor's rights to certain rebates and other amounts relating to insurance policies, debt cancellation agreements, extended service contracts and repair agreements, and (ix) all proceeds and products of the foregoing.	N/A

<b><i>JURISDICTION</i></b>	<b><i>SECURED PARTY</i></b>	<b><i>FILE NUMBER</i></b>	<b><i>FILING DATE</i></b>	<b><i>SUMMARY COLLATERAL DESCRIPTION</i></b>	<b><i>ADDITIONAL FILINGS</i></b>
Nevada	TD Securities Inc., as Administrative Agent; Harley-Davidson Warehouse Funding Corp.	2015034785-5	12/16/15	All Debtor's right, title and interest in and to the retail installment sale contracts, promissory notes and security agreements and related assets and interests in property purportedly conveyed to Harley-Davidson Warehouse Funding Corp pursuant to that certain Amended and Restated 2015 Receivables Sale Agreement dated as of December 14, 2016.	Amendment # 216034831-6 filed 12/14/2016 amending collateral.

4848-5135-1111.2

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<b><i>JURISDICTION</i></b>	<b><i>SECURED PARTY</i></b>	<b><i>FILE NUMBER</i></b>	<b><i>FILING DATE</i></b>	<b><i>SUMMARY COLLATERAL DESCRIPTION</i></b>	<b><i>ADDITIONAL FILINGS</i></b>
Nevada	Harley-Davidson Motorcycle Grantor Trust 2016-A; Harley-Davidson Customer Funding Corp	2016016884-5	06/15/16	All Debtor's right, title and interest in and to the Contracts in effect on the closing date (including without limitation all security interests created thereunder), (ii) all rights of Debtor to payments which are collected, including liquidation proceeds, (iii) all rights of Debtor under any theft, physical damage, credit life, disability or other individual insurance policy, any debt insurance policy or any debt cancellation agreement relating to any such Contract, an Obligor or a Motorcycle securing such Contract, (iv) all security interests in each such Motorcycle, (v) all documents contained in the related Contract Files, (vi) all rights to certain lockboxes, (vii) all rights under certain dealer agreements, (viii) all of Debtor's rights to certain rebates and other amounts relating to insurance policies, debt cancellation agreements, extended service contracts and repair agreements, and (ix) all proceeds and products of the foregoing.	N/A

<b><i>JURISDICTION</i></b>	<b><i>SECURED PARTY</i></b>	<b><i>FILE NUMBER</i></b>	<b><i>FILING DATE</i></b>	<b><i>SUMMARY COLLATERAL DESCRIPTION</i></b>	<b><i>ADDITIONAL FILINGS</i></b>
Nevada	TD Securities Inc., as Administrative Agent; Harley-Davidson Warehouse Funding Corp.	2016034830-4	12/14/16	All Debtor's right, title and interest in and to the retail installment sale contracts, promissory notes and security agreements and related assets and interests in property purportedly conveyed to Harley-Davidson Warehouse Funding Corp pursuant to that certain 2016 Receivables Sale Agreement dated as of December 14, 2016.	N/A

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**EXHIBIT A  
TO  
CREDIT AGREEMENT**

Commitments

<b>Lender</b>	<b>Commitment</b>
JPMorgan Chase Bank, N.A.	\$25,000,000.00
Citibank, N.A.	\$25,000,000.00
U.S. Bank National Association	\$25,000,000.00
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	\$25,000,000.00
<b>Aggregate Commitment</b>	<b>\$100,000,000.00</b>

**EXHIBIT B-1  
TO  
CREDIT AGREEMENT**

Form of Syndicated Global Note

\_\_\_\_\_, 20\_\_

[HARLEY-DAVIDSON, INC., a Wisconsin corporation] [HARLEY-DAVIDSON FINANCIAL SERVICES, INC., a Delaware corporation] (the “Global Borrower”), promises to pay to the order of [\_\_\_\_\_] (the “Syndicated Global Lender”) the aggregate unpaid principal amount of all Syndicated Global Loans made by the Syndicated Global Lender to the Global Borrower pursuant to Article II of the Credit Agreement hereinafter referred to (as the same may be amended, restated, supplemented or otherwise modified from time to time, the “Agreement”; capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Agreement), in immediately available funds on the dates and at the offices of JPMorgan Chase Bank, N.A., as Global Administrative Agent, specified in the Agreement, together with interest on the unpaid principal amount hereof at the rates and on the dates determined in accordance with the Agreement. The Global Borrower shall pay the outstanding principal of and accrued and unpaid interest on the Syndicated Global Loans in full on the Maturity Date.

The Syndicated Global Lender shall, and is hereby authorized to, record on the schedule attached hereto, or otherwise record in accordance with its usual practice, the date and amount of each Syndicated Global Loan and the date and amount of each principal payment hereunder.

This Note is one of the Syndicated Global Notes issued pursuant to, and is entitled to the benefits of, the 364-Day Credit Agreement dated as of May 1, 2017 entered into among the Global Borrower, [Harley-Davidson, Inc., a Wisconsin corporation,] [Harley-Davidson Financial Services, Inc., a Delaware corporation,] Harley-Davidson Credit Corp., a Nevada corporation, as the Guarantor and JPMorgan Chase Bank, N.A., as the Global Administrative Agent, and the institutions from time to time party thereto as Lenders, including the Syndicated Global Lender, to which Agreement, as it may be amended from time to time, reference is hereby made for a statement of the terms and conditions governing this Syndicated Global Note, including the terms and conditions under which this Syndicated Global Note may be prepaid or its maturity date accelerated. The Agreement, among other things, provides for the making of “Syndicated Global Loans” by the Syndicated Global Lender to the Global Borrower from time to time in an aggregate amount not to exceed at any time outstanding the Syndicated Global Lender’s Commitment, except as otherwise contemplated in the Agreement.

Except as otherwise provided in the Agreement, the Global Borrower hereby waives presentment, demand, protest and notice of any kind. No failure to exercise, and no delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of such rights.

**THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO BANKS.**

[HARLEY-DAVIDSON, INC.]  
[HARLEY-DAVIDSON FINANCIAL SERVICES, INC.]

By: \_\_\_\_\_  
Name:  
Title:

B-1-2

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Schedule of Syndicated Global Loans and Payments of Principal

to

Syndicated Global Note of [Insert relevant Global Borrower]

Dated \_\_\_\_\_, 20\_\_

<b>Date</b>	<b>Principal amount and currency of Syndicated Loan</b>	<b>Maturity of Interest Period</b>	<b>Principal Amount Paid</b>	<b>Unpaid Balance</b>

**EXHIBIT B-2**  
**TO**  
**CREDIT AGREEMENT**

Form of Bid Rate Note

\_\_\_\_\_, 20\_\_

[HARLEY-DAVIDSON, Inc., a Wisconsin corporation] [HARLEY-DAVIDSON FINANCIAL SERVICES, INC., a Delaware corporation] (the “Global Borrower”), promises to pay to the order of [\_\_\_\_\_] (the “Syndicated Global Lender”) the aggregate unpaid principal amount of all Bid Rate Loans made by the Syndicated Global Lender to the Global Borrower pursuant to Article II of the Credit Agreement hereinafter referred to (as the same may be amended, restated, supplemented or otherwise modified from time to time, the “Agreement”; capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Agreement), in immediately available funds on the dates and at the offices of JPMorgan Chase Bank, N.A., as Global Administrative Agent, specified in the Agreement, together with interest on the unpaid principal amount hereof at the rates and on the dates determined in accordance with the Agreement. The Global Borrower shall pay the outstanding principal of and accrued and unpaid interest on each Bid Rate Loan in full on the maturity date for such Bid Rate Loan determined in accordance with the Agreement.

The Syndicated Global Lender shall, and is hereby authorized to, record on the schedule attached hereto, or otherwise record in accordance with its usual practice, the date, amount, maturity date and other pertinent terms of, and the interest rate and interest payment dates applicable to, each Bid Rate Loan, and the date and amount of each principal payment hereunder.

This Bid Rate Note is one of the Bid Rate Notes issued pursuant to, and is entitled to the benefits of, the 364-Day Credit Agreement dated as of May 1, 2017 entered into among the Global Borrower, [Harley-Davidson, Inc., a Wisconsin corporation,] [Harley-Davidson Financial Services, Inc., a Delaware corporation,] Harley-Davidson Credit Corp., a Nevada corporation, as the Guarantor and JPMorgan Chase Bank, N.A., as the Global Administrative Agent, and the institutions from time to time party thereto as Lenders, including the Syndicated Global Lender, to which Agreement, as it may be amended from time to time, reference is hereby made for a statement of the terms and conditions governing this Bid Rate Note, including the terms and conditions under which this Bid Rate Note may be prepaid or its maturity date accelerated.

Except as otherwise provided in this Agreement, the Global Borrower hereby waives presentment, demand, protest and notice of any kind. No failure to exercise, and no delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of such rights.

**THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO BANKS.**

[HARLEY-DAVIDSON, INC.]

[HARLEY-DAVIDSON FINANCIAL SERVICES, INC.]

By: \_\_\_\_\_  
Name:  
Title:

B-2-2

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Schedule of Bid Rate Loans and Payments of Principal

to

Bid Rate Note of [Insert relevant Global Borrower]

Dated \_\_\_\_\_, 20\_\_

<b>Date</b>	<b>Principal amount and currency of Bid Rate Loan</b>	<b>Maturity Date of Loan</b>	<b>Interest Rate and Basis for Calculation</b>	<b>Interest Payment Dates</b>	<b>Other Pertinent Terms</b>	<b>Principal Amount Paid</b>

**EXHIBIT C**  
**TO**  
**CREDIT AGREEMENT**

Form of Assignment Agreement

ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the “Assignment and Assumption”) is dated as of the Effective Date set forth below and is entered into by and between [*Insert name of Assignor*] (the “Assignor”) and [*Insert name of Assignee*] (the “Assignee”). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement (as defined below), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Global Administrative Agent as contemplated below (i) all of the Assignor’s rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including any letters of credit and guarantees included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as the “Assigned Interest”). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: \_\_\_\_\_
2. Assignee: \_\_\_\_\_  
[and is an Affiliate/Approved Fund of [identify Lender]<sup>1</sup>]
3. Borrowers: Harley-Davidson, Inc.  
Harley-Davidson Financial Services, Inc.
4. Global Administrative Agent: JPMorgan Chase Bank, N.A., as the Global Administrative Agent under the Credit Agreement
5. Credit Agreement: The 364-Day Credit Agreement dated as of May 1, 2017 among the Borrowers, Harley-Davidson Credit Corp., as the Guarantor, the Lenders parties thereto and JPMorgan Chase Bank, N.A., as Global Administrative Agent (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement")
6. Assigned Interest:

Facility Assigned	Aggregate Amount of Commitment/Loans for all Lenders	Amount of Commitment/Loans Assigned	Percentage Assigned of Commitment/Loans <sup>2</sup>
	\$	\$	%
	\$	\$	%
	\$	\$	%

Effective Date: \_\_\_\_\_, 20\_\_ [TO BE INSERTED BY GLOBAL ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

<sup>1</sup> Select as applicable.

<sup>2</sup> Set forth, so at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

ASSIGNOR

[NAME OF ASSIGNOR]

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

ASSIGNEE

[NAME OF ASSIGNEE]

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

[Consented to and]<sup>3</sup> Accepted:

JPMORGAN CHASE BANK, N.A., as Global Administrative Agent

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

[Consented to:]<sup>4</sup>

[HARLEY-DAVIDSON, INC.]

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

\_\_\_\_\_

<sup>3</sup> To be added only if the consent of the Global Administrative Agent is required by the terms of the Credit Agreement.

<sup>4</sup> To be added only if the consent of Harley is required by the terms of the Credit Agreement.

STANDARD TERMS AND CONDITIONS FOR  
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrowers, any of their respective Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrowers, any of their respective Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it satisfies the requirements, if any, specified in the Credit Agreement that are required to be satisfied by it in order to acquire the Assigned Interest and become a Lender, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 6.1 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Global Administrative Agent or any other Lender, and (v) attached to the Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Global Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Global Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy, e-mailed .pdf or any other electronic means that reproduces an image of the actual executed signature page shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. The

words “execution,” “signed,” “signature,” “delivery,” and words of like import in or relating to any document to be signed in connection with this Assignment and Assumption and the transactions contemplated hereby shall be deemed to include Electronic Signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act. This Assignment and Assumption shall be governed by, and construed in accordance with, the laws of the state of New York, but giving effect to Federal laws applicable to banks.

APPENDIX I  
to  
Assignment and Assumption Agreement  
FORM OF NOTICE OF ASSIGNMENT

[Date]

To: Harley-Davidson, Inc.  
[Address]  
Attention:

JPMorgan Chase Bank, N.A. as Global Administrative Agent  
[Address]  
Attention:

From: [NAME OF ASSIGNOR] (the "Assignor")

[NAME OF ASSIGNEE] (the "Assignee")

1. We refer to the 364-Day Credit Agreement (as it may be amended, modified, renewed or extended from time to time, the "Credit Agreement") described in Item 5 of the Assignment Agreement defined below. Capitalized terms used herein and not otherwise defined herein shall have the meanings attributed to them in the Credit Agreement.

2. This Notice of Assignment (this "Notice") is given and delivered to the Global Administrative Agent pursuant to Section 13.3(B) of the Credit Agreement.

3. The Assignor and the Assignee have entered into an Assignment and Assumption Agreement, dated as of \_\_\_\_\_, 20\_\_ (the "Assignment Agreement"), pursuant to which, among other things, the Assignor has sold, assigned, delegated and transferred to the Assignee, and the Assignee has purchased, accepted and assumed from the Assignor the Assigned Interest defined in the Assignment Agreement. The Effective Date of the Assignment Agreement shall be as specified in the Assignment Agreement.

4. The Assignor and the Assignee hereby give to Harley and the Global Administrative Agent notice of the assignment and delegation referred to herein.

5. The Assignee hereby represents and warrants that none of the funds, monies, assets or other consideration being used to make the purchase pursuant to the Assignment Agreement are "plan assets" as defined under ERISA and that its rights, benefits, and interests in and under the Loan Documents will not be "plan assets" under ERISA.

6. The Assignee authorizes the Administrative Agent to act as its contractual representative under the Loan Documents in accordance with the terms thereof.

NAME OF ASSIGNOR

NAME OF ASSIGNEE

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

Acknowledged and consented to by:

Acknowledged and consented to by:

JPMORGAN CHASE BANK, N.A., as Global Administrative Agent

HARLEY-DAVIDSON, INC.

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT D  
TO  
CREDIT AGREEMENT**

List of Closing Documents

Attached

## 364-DAY CREDIT FACILITY

TO

HARLEY-DAVIDSON, INC. and HARLEY-DAVIDSON FINANCIAL SERVICES, INC.,  
as the U.S. Borrowers

May 1, 2017

### LIST OF CLOSING DOCUMENTS

#### A. CREDIT AGREEMENT

1. 364-Day Credit Agreement (the "Credit Agreement") dated as of May 1, 2017 entered into among Harley-Davidson, Inc., a Wisconsin Corporation ("Harley"), Harley-Davidson Financial Services, Inc., a Delaware corporation ("HDFS") and together with Harley, the "Borrowers"), Harley-Davidson Credit Corp., a Nevada corporation ("HDCC"), the institutions from time to time a party thereto (the "Lenders") and JPMorgan Chase Bank, N.A., as the Global Administrative Agent, evidencing a 364-day revolving credit facility in the original aggregate amount of \$100,000,000.

#### EXHIBITS

- EXHIBIT A -- Commitments (Definitions)
- EXHIBIT B-1 -- Form of Syndicated Global Note (Definitions)
- EXHIBIT B-2 -- Form of Bid Rate Note (Definitions)
- EXHIBIT C -- Form of Assignment Agreement (§13.3)
- EXHIBIT D -- List of Closing Documents (§4.1)

#### SCHEDULES

- Schedule I -- Funding Protocols re: Syndicated Global Loans
- Schedule II -- Intercompany Subordination Terms**
- Schedule 6.2.2(c) -- Liens**

2. Syndicated Global Notes executed by the applicable Borrower pursuant to the Credit Agreement in favor of requesting Lenders.
3. Bid Rate Notes executed by the applicable Borrower pursuant to the Credit Agreement in favor of the requesting Lenders.

#### B. CORPORATE DOCUMENTS

4. ***Certificate of the Secretary or an Assistant Secretary of each Borrower certifying (i) that attached thereto is a true and correct copy of resolutions of the Board of Directors (or comparable governing body) of such Borrower approving and authorizing the execution, delivery and performance of each***

<sup>1</sup> Each capitalized term used herein and not defined herein shall have the meaning assigned to such term in the above-defined Credit Agreement. Items appearing in **bold** and *italics* shall be prepared and/or provided by the Borrowers and/or their counsel.

*document to which it is a party, (ii) that there have been no changes in the Certificate of Incorporation (or comparable constituent document) of such Borrower since the date of the most recent certification thereof by the appropriate governmental authority in its jurisdiction of organization delivered to the Global Administrative Agent, (iii) Good Standing certificate of such Borrower from the office of the Secretary of State (or analogous governmental body) of its jurisdiction of organization (to the extent such concept is applicable in such jurisdiction), (iv) the By-Laws (or other comparable governing document) attached thereto of such Borrower as in effect on the date of such certification, and (v) the names and true signatures of the incumbent officers of such Borrower authorized to sign the Loan Documents to which such Borrower is a party.*

5. *Certificate of the Secretary or an Assistant Secretary of HDCC certifying (i) that attached thereto is a true and correct copy of resolutions of the Board of Directors of HDCC approving and authorizing the execution, delivery and performance of each document to which it is a party, (ii) that there have been no changes in the Certificate of Incorporation (or comparable constituent document) of HDCC since the date of the most recent certification thereof by the Secretary of State of Nevada delivered to the Global Administrative Agent, (iii) Good Standing certificate for HDCC from the office of the Secretary of State of Nevada, (iv) the By-Laws attached thereto of HDCC as in effect on the date of such certification, and (v) the names and true signatures of the incumbent officers of HDCC authorized to sign the Loan Documents to which HDCC is a party.*

#### **C. OPINIONS**

6. Opinion letter of Foley & Lardner LLP, U.S. counsel to Harley, HDFS and HDCC addressed to the Global Administrative Agent and the Lenders.
7. Opinion letter of Paul J. Jones, general counsel of Harley, HDFS and HDCC addressed to the Global Administrative Agent and the Lenders.

#### **D. DOCUMENTATION RELATING TO HARLEY-DAVIDSON, INC.**

8. Support Agreement, dated as of September 26, 1996 between Harley and HDFS evidencing Harley's agreement to support certain debts of HDFS and its Subsidiaries, together with and as supplemented by the letter agreement dated as of May 1, 2017 to the Global Administrative Agent from Harley and HDFS.
9. Subordination Agreement from Harley for the benefit of the Global Administrative Agent.

**OFFICERS' CERTIFICATE  
OF  
HARLEY-DAVIDSON FINANCIAL SERVICES, INC.**

**Pursuant to Sections 102 and 301 of the Indenture**

Reference is made to the Indenture dated as of March 4, 2011 (the "Indenture") among Harley-Davidson Financial Services, Inc. (the "Company"), Harley-Davidson Credit Corp. (the "Guarantor") and The Bank of New York Mellon Trust Company, N.A., as trustee ("Trustee"). Terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

Pursuant to Sections 102 and 301 of the Indenture, the undersigned, Ryan Green and James Darrell Thomas, in their respective capacities as Vice President and Chief Financial Officer of the Company, and Vice President and Treasurer of the Company, hereby certify that:

- (1) There is hereby established a new series of Securities under the Indenture titled 2.550% Medium-Term Notes due 2022 (the "Notes").
- (2) The Notes shall be in substantially the form of Exhibit A hereto.
- (3) In addition to the terms provided in, or established pursuant to, the Indenture and the offering memorandum and the pricing supplement, both dated as of June 6, 2017, relating to the Notes (together referred to as the "Offering Memorandum"), the Notes, as authenticated and delivered, shall have the terms set forth in Exhibit A hereto (which terms are incorporated herein by reference and deemed to be set forth herein in full); provided, however, that in the event of a conflict between the provisions of the Notes and the Offering Memorandum, the provisions of the Notes shall prevail.
- (4) The Notes shall be registered in the name set forth on Exhibit A hereto and the Notes shall be delivered in the manner specified in the Administrative Procedures attached as Exhibit A to the Company Order delivered as of the date hereof and as described in the Private Placement Agency Agreement dated as of March 1, 2011, among the Company, the Guarantor and the agents party thereto.
- (5) The issuance of Notes designated as 2.550% Medium-Term Notes due 2022, in an initial aggregate principal amount of \$400,000,000, has been approved and authorized in accordance with the provisions of the Indenture pursuant to resolutions adopted by the Board of Directors of the Company by unanimous written consent dated as of May 22, 2017 and by this Officers' Certificate; provided, however, that the Company shall have the right to reopen the series of the Notes and issue additional Securities, which shall be part of the same series as the Notes initially issued (except for the issue date, the public offering price and, in some cases, the first interest payment date).

(6) All covenants and conditions precedent provided for in the Indenture relating to the establishment of the Notes, the terms of the Notes and the authentication and issuance of the Notes have been complied with.

(7) No Event of Default has occurred and is continuing and the execution and delivery of the Indenture will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, the certificate of incorporation or bylaws of the Company, or any order of any court or administrative agency entered in any proceeding to which the Company is a party or by which it is bound or to which it is subject.

Each of the undersigned officers of the Company further states (a) that he has read the applicable provisions of the Indenture, including but not limited to Section 301 thereof, and the definitions relating thereto in each case relating to the issuance, authentication and delivery of the Notes, (b) that the statements made in this certificate are based upon an investigation and examination of the provisions of the Indenture and upon the relevant books and records of the Company, (c) in the opinion of such officer, he has made such examination or investigation as is necessary to enable such officer to express an informed opinion as to whether or not the covenants and conditions set forth in the Indenture relating to the issuance, authentication and delivery of the Notes have been complied with and (d) in the opinion of such officer, such covenants and conditions relating to the issuance, authentication and delivery of the Notes have been complied with.

[Signature page follows]

2017. IN WITNESS WHEREOF, each of the undersigned officers of the Company has affixed his signature this 9th day June,

/s/ Ryan O. Green

Name: Ryan Green

Title: Vice President and Chief Financial Officer of Harley-Davidson Financial Services, Inc.

/s/ J. Darrell Thomas

Name: J. Darrell Thomas

Title: Vice President and Treasurer  
of Harley-Davidson Financial Services, Inc.

[HDFS Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture]

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**Exhibit A**  
**to**  
**Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture**

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**HARLEY-DAVIDSON FINANCIAL SERVICES, INC.  
2.550% MEDIUM-TERM NOTES DUE 2022**

**Fully and Unconditionally Guaranteed  
by Harley-Davidson Credit Corp.**

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITORY (AS DEFINED IN THE INDENTURE) OR A NOMINEE THEREOF. THIS GLOBAL SECURITY IS EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITORY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE AND, UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN DEFINITIVE FORM, THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY, OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY, OR BY THE DEPOSITORY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) (“DTC”), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND, ACCORDINGLY, NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY OTHER APPLICABLE JURISDICTION. BY ITS ACCEPTANCE HEREOF, THE HOLDER OF THIS SECURITY OR ANY INTEREST OR PARTICIPATION HEREIN (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT, AND (2) AGREES TO OFFER, SELL OR OTHERWISE TRANSFER

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SUCH SECURITY, PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE THEREOF WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) ONLY (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHICH NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN ACCREDITED INVESTOR WITHIN THE MEANING OF SUBPARAGRAPH (a)(1), (2), (3) OR (7) OF RULE 501 OF REGULATION D UNDER THE SECURITIES ACT THAT IS ACQUIRING THIS SECURITY OR ANY INTEREST OR PARTICIPATION HEREIN FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN ACCREDITED INVESTOR, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY’S AND THE TRUSTEE’S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (i) PURSUANT TO CLAUSES (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (ii) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY BE COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

THE HOLDER OF THIS SECURITY WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE SECURITY EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH ABOVE.

HARLEY-DAVIDSON FINANCIAL SERVICES, INC.  
2.550% MEDIUM-TERM NOTES DUE 2022

Fully and Unconditionally Guaranteed  
by Harley-Davidson Credit Corp.

No. Principal Amount \$  
CUSIP No. as revised by the Schedule of  
ISIN Increases and Decreases in Global  
Common Code No. Note attached hereto

Issue Price: 99.841%

Maturity Date: June 9, 2022

Original Issue Date: June 9, 2017

Index Maturity:

Original Issue Discount Note

Total Amount of OID:

Yield to Maturity: %

Initial Accrual Period OID:

Fixed Rate

Interest Rate: 2.550%

Floating Rate

Interest Rate Basis:

CD Rate

Specified Currency (if other than U.S. dollars): N/A

CMT Rate

CMT Reuters Page FRBCMT:

CMT Reuters Page FEDCMT:

Option To Receive Payments In Specified Currency (non-  
U.S. dollar denominated Note): N/A

Commercial Paper Rate

Federal Funds Rate

LIBOR

Authorized Denomination: Minimum denominations of  
\$2,000 and integral multiples of \$1,000 in excess thereof

\_\_\_ Prime Rate

Place of Payment (if other than as set forth in the Indenture):  
N/A

\_\_\_ Treasury Rate

\_\_\_ Other

Spread (Plus Or Minus):

Initial Redemption Date:

Initial Redemption Percentage:

Annual Redemption Percentage Reduction:

Repayment Date:

Spread Multiplier: %

Renewable:  Yes  No

Extendible:  Yes  No

Interest Category:

Regular Floating Rate Note

Final Maturity Date:

Floating Rate/Fixed Rate Note

Fixed Rate Commencement Date:

Fixed Interest Rate: %

Inverse Floating Rate Note

Initial Interest Rate:

Initial Interest Reset Date:

Maximum Interest Rate: %

Interest Reset Dates:

Minimum Interest Rate: %

Interest Payment Dates (in the case of a Floating Rate Note and, in the case of a Fixed Rate Note, other than as set forth below): N/A

Regular Record Dates (if other than as set forth below): N/A

Interest Determination Dates (if other than as set forth below): N/A

Additional Amounts applicable for Company:

Yes

No

Additional Amounts applicable for Guarantor:

Yes

No

Addendum Attached

Yes

Other Provisions:

[X] No

Authorized Denomination (only if non-U.S. dollar denominated Note):  
N/A

Calculation Agent (if other than the Trustee): N/A

Interest Payment Period: N/A

Harley-Davidson Financial Services, Inc., a corporation duly organized under the laws of the State of Delaware (herein called the “Company,” which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the Principal Amount specified above, as revised by the Schedule of Increases and Decreases in Global Note attached hereto, on the Maturity Date specified above and to pay to the registered holder of this Note (the “Holder”) interest on said Principal Amount at a rate per annum specified above and upon the terms provided below under either the heading “Provisions Applicable to Fixed Rate Notes Only” or “Provisions Applicable to Floating Rate Notes Only.”

This Note is one of the Company’s duly authorized issue of notes in the series titled 2.550% Medium-Term Notes due 2022 (herein referred to as the “Notes”), all issued or to be issued under an indenture, dated as of March 4, 2011 (as may be supplemented from time to time, the “Indenture”), among the Company, Harley-Davidson Credit Corp. (the “Guarantor”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee,” which term includes any successor trustee under the Indenture), to which Indenture reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Trustee, the Company, the Guarantor and the Holders of the Notes and of the terms upon which the Notes are, and are to be, authenticated and delivered. The Notes of this series are limited (except as otherwise provided in the Indenture) to the aggregate principal amount established from time to time by the Company Board of Directors. The Notes of this series may be issued at various times with different maturity dates and different principal repayment provisions, may bear interest at different rates and may otherwise vary, all as provided in the Indenture. The Notes of this series may be subject to redemption upon notice and in accordance with the provisions of this Note and the Indenture. The Company and the Guarantor may defease the Notes of this series in accordance with the provisions of the Indenture.

To secure the due and punctual payment of principal, any premium, any interest and Additional Amounts (as defined in the Indenture) on this Note by the Company under the Indenture, when and as the same shall become due and payable, whether at the Maturity Date, by declaration of acceleration, call for redemption or otherwise, the Guarantor has unconditionally guaranteed this Note pursuant to the terms of the Guarantee endorsed hereon and in Section 1401 of the Indenture (the “Guarantee”).

As used herein, the term “Business Day” means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banks are authorized or

required by law, regulation or executive order to close in the City of New York; *provided, however*, that if a Specified Currency is specified above, the day is also not a day on which commercial banks are authorized or required by law, regulation or executive order to close in the Principal Financial Center (as defined below) of the country issuing such Specified Currency or, if such Specified Currency is the Euro, the day is also a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open; *provided further* that if LIBOR is indicated above to be an applicable Interest Rate Basis, the day is also a London Banking Day (as defined below).

“Principal Financial Center” means, unless otherwise provided in this Note, the capital city of the country issuing the Specified Currency; except that with respect to United States dollars, Australian dollars, Canadian dollars, South African rand and Swiss francs, the “Principal Financial Center” will be the City of New York, Sydney and (solely in the case of the Specified Currency) Melbourne, Toronto, Johannesburg and Zurich, respectively.

“London Banking Day” means a day which commercial banks are open for business, including dealings in U.S. dollars, in London.

#### **Provisions Applicable To Fixed Rate Notes Only:**

If the “Fixed Rate” line above is checked, unless otherwise specified above, the Company will pay interest semiannually on June 9 and December 9 of each year (each such date fixed for the payment of interest, an “Interest Payment Date”) commencing on December 9, 2017, and ending on the Maturity Date or upon earlier redemption or repayment to the person to whom principal is payable. Interest shall accrue from the Original Issue Date, or from the most recent Interest Payment Date to which interest has been paid or duly provided for on this Note to, but excluding, the next following Interest Payment Date, Maturity Date, or earlier date of redemption or repayment, as the case may be. Interest on Fixed Rate Notes will be computed by the Company on the basis of a 360-day year consisting of twelve 30-day months.

If any Interest Payment Date or the Maturity Date (or the date of earlier redemption or repayment) of this Fixed Rate Note falls on a day that is not a Business Day, the payment will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amount so payable for the period from and after such Interest Payment Date or the Maturity Date (or the date of earlier redemption or repayment), as the case may be.

#### **Provisions Applicable To Floating Rate Notes Only:**

If the “Floating Rate” line above is checked, the Company will pay interest on the Interest Payment Dates shown specified above at the Initial Interest Rate specified above until the first Interest Reset Date specified above following the Original Issue Date specified above and thereafter at a rate determined in accordance with the provisions hereinafter set forth under the headings “Determination of CD Rate,” “Determination of CMT Rate,” “Determination of Commercial Paper Rate,” “Determination of Federal Funds Rate,” “Determination of LIBOR,” “Determination of Prime Rate” or “Determination of Treasury Rate,” depending on whether the

Interest Rate Basis is the CD Rate, the CMT Rate, the Commercial Paper Rate, the Federal Funds Rate, LIBOR, the Prime Rate, the Treasury Rate or other Interest Rate Basis.

An interest payment shall be the amount of interest accrued from and including the Original Issue Date, or from and including the last Interest Payment Date to which interest has been paid, to, but excluding, the next following Interest Payment Date, Maturity Date, or date of earlier redemption or repayment, as the case may be (an “Interest Period”). Notwithstanding any provision herein to the contrary, the interest rate hereon shall not be greater than the Maximum Interest Rate, if any, or less than the Minimum Interest Rate, if any, specified above.

If any Interest Payment Date for any Floating Rate Note, other than an Interest Payment Date at maturity, would fall on a day that is not a Business Day, such Interest Payment Date will be the following day that is a Business Day, and interest will continue to accrue to the following Business Day, except that if LIBOR is the applicable Interest Rate Basis, if such Business Day is in the next succeeding calendar month, such Interest Payment Date will be the immediately preceding day that is a Business Day. If the Maturity Date (or date of earlier redemption or repayment) of any Floating Rate Note would fall on a day that is not a Business Day, the payment of interest and principal (and premium, if any) may be made on the next succeeding Business Day, and no interest on such payment will accrue for the period from and after the Maturity Date (or the date of earlier redemption or repayment).

Commencing with the first Interest Reset Date specified above following the Original Issue Date, the rate at which interest on this Note is payable shall be adjusted daily, weekly, monthly, quarterly, semi-annually or annually as specified above under “Interest Reset Dates.”

The interest rate borne by this Note will be determined as follows:

(i) Unless the Interest Category of this Note is specified above as a “Floating Rate/Fixed Rate Note” or an “Inverse Floating Rate Note” or in the event either “Other Provisions” or an Addendum hereto applies, in each case, relating to a different interest rate formula, this Note shall be designated as a “Regular Floating Rate Note” and, except as set forth below or specified above under “Other Provisions” or in an Addendum hereto, shall bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the applicable Spread Multiplier, if any; in each case as specified above. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note shall be payable shall be reset as of each Interest Reset Date specified above; *provided, however*, that the interest rate in effect for the period, if any, from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate.

(ii) If the Interest Category of this Note is specified above as a “Floating Rate/Fixed Rate Note” then, except as set forth below or specified above under “Other Provisions” or in an Addendum hereto, this Note shall bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the Spread Multiplier, if any, in each case as specified above. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note shall be payable shall be reset as of each Interest Reset Date; *provided, however*, that (y) the interest rate in effect for the

period, if any, from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate and (z) the interest rate in effect for the period commencing on, and including, the Fixed Rate Commencement Date specified above to the Maturity Date (or date of earlier redemption or repayment) shall be the Fixed Interest Rate specified above or, if no Fixed Interest Rate is so specified, the interest rate in effect on the day immediately preceding the Fixed Rate Commencement Date.

(iii) If the Interest Category of this Note is specified above as an “Inverse Floating Rate Note” then, except as set forth below or specified above under “Other Provisions” or in an Addendum hereto, this Note shall bear interest at (a) the Fixed Interest Rate specified above minus (b) the rate determined by reference to the applicable Interest Rate Basis or Bases:

(x) plus or minus the applicable Spread, if any, and/or

(y) multiplied by the applicable Spread Multiplier, if any, in each case as specified above;

*provided, however*, that, unless otherwise specified above under “Other Provisions” or in an Addendum hereto, the interest rate hereon shall not be less than zero. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note shall be payable shall be reset on each Interest Reset Date; *provided, however*, that the interest rate in effect for the period, if any, from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate set forth above.

The “Spread” is the number of basis points (one basis point equals one-hundredth of a percentage point) specified above to be added to or subtracted from the Interest Rate Basis for a Floating Rate Note, and the “Spread Multiplier” is the percentage specified above by which the Interest Rate Basis for such Floating Rate Note will be multiplied. Both a Spread and/or a Spread Multiplier may be applicable to the Interest Rate Basis for a particular Floating Rate Note, as set forth above.

Each such adjusted Interest Rate Basis shall be applicable on and after the Interest Reset Date to which it relates but not including the next succeeding Interest Reset Date. If any Interest Reset Date is a day that is not a Business Day, such Interest Reset Date shall be postponed to the next day that is a Business Day, except that if the rate of interest on this Note shall be determined by reference to LIBOR and such Business Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Business Day. In addition, if the Treasury Rate is the applicable Interest Rate Basis and the Interest Determination Date would otherwise fall on an Interest Reset Date, then the Interest Reset Date will be postponed to the next succeeding Business Day. Subject to applicable provisions of law (including usury laws) and except as specified in this Note, on each Interest Reset Date, the rate of interest on this Note shall be the rate determined in accordance with the provisions of the applicable heading below.

With respect to a Floating Rate Note, accrued interest shall be calculated by multiplying the principal amount thereof by an accrued interest factor. Such accrued interest factor will be computed by adding the interest factors calculated for each day in the Interest Period or from the

last date from which accrued interest is being calculated. The interest factor for each such day is computed by dividing the interest rate applicable to such day by 360, in the cases of CD Rate Notes, Commercial Paper Rate Notes, Federal Funds Rate Notes, LIBOR Notes and Prime Rate Notes or by the actual number of days in the year, in the cases of CMT Rate Notes and Treasury Rate Notes. The interest rate applicable to any day that is an Interest Reset Date will be the interest rate effective on such Interest Reset Date. The interest rate applicable to any other day will be the interest rate for the immediately preceding Interest Reset Date (or, if none, the Initial Interest Rate, as specified above).

The “Calculation Date,” where applicable, pertaining to an Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest Determination Date or, if any such day is not a Business Day, the next succeeding Business Day or (ii) the Business Day preceding the applicable Interest Payment Date or the Maturity Date (or the date of earlier redemption or repayment), as the case may be.

For Floating Rate Notes, The Bank of New York Mellon Trust Company, N.A. shall be the calculation agent unless another calculation agent is specified above (the “Calculation Agent”). The interest rate applicable to each interest period will be determined by the Calculation Agent on or prior to the applicable Calculation Date. At the request of the Holder, the Calculation Agent will provide the interest rate then in effect and, if determined, the interest rate which will become effective on the next Interest Reset Date.

All percentages resulting from any calculation of the rate of interest on a Floating Rate Note will be rounded, if necessary, to the nearest one hundred-thousandth of a percent (.0000001), with five one-millionths of a percentage point rounded upward, and all dollar amounts used in or resulting from such calculation on Floating Rate Notes will be rounded to the nearest cent (with one-half cent being rounded upward).

**Determination of CD Rate.** If the Interest Rate Basis, as specified above, is, or is calculated by reference to, the CD Rate, unless otherwise specified above, the “CD Rate” for each Interest Reset Date will be determined by the Calculation Agent as of the second Business Day prior to such Interest Reset Date (a “CD Interest Determination Date”) and shall be the rate on the applicable CD Interest Determination Date for negotiable United States dollar certificates of deposit having the Index Maturity specified above as published in H.15(519) (as defined below) on such CD Interest Determination Date under the heading “CDs (secondary market).” If the rate referred to in the preceding sentence is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date, the CD Rate shall be the rate on the applicable CD Interest Determination Date for negotiable United States dollar certificates of deposit of the Index Maturity specified above as published in H.15 Daily Update (as defined below), or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “CDs (secondary market).” If the rate referred to in the preceding sentence is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date, the CD Rate shall be the rate on the applicable CD Interest Determination Date calculated by the Calculation Agent on the Notes as the arithmetic mean of the secondary market offered rates as of 10:00 a.m., New York City time, on the applicable CD Interest Determination Date, of three leading

non-bank dealers in negotiable United States dollar certificates of deposit in the City of New York (which may include an agent or its affiliates) selected by the Company for negotiable United States dollar certificates of deposit of major United States money market banks with a remaining maturity closest to the Index Maturity specified above in an amount that is representative for a single transaction in that market at that time. If the dealers selected by the Company as provided in the preceding sentence are not quoting as mentioned in such sentence, the CD Rate shall be the CD Rate in effect on the applicable CD Interest Determination Date.

“H.15(519)” means the weekly statistical release designated as H.15(519), or any successor publication, published by the Board of Governors of the Federal Reserve System.

“H.15 Daily Update” means the daily update of H.15(519), available through the world-wide-web site of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/h15/update>, or any successor site or publication.

**Determination of CMT Rate.** If the Interest Rate Basis, as specified above, is, or is calculated by reference to, the CMT Rate, unless otherwise specified above, the “CMT Rate” for each Interest Reset Date will be determined by the Calculation Agent as of the second Business Day prior to such Interest Reset Date (a “CMT Interest Determination Date”) and shall be, if “CMT Reuters Page FRBCMT” is specified above, the percentage equal to the yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, as the yield is displayed on Reuters, Inc. (or any successor or similar service), on page FRBCMT (or any other page as may replace the specified page on that service under the caption “Treasury Constant Maturities”) (“Reuters Page FRBCMT”). If the rate referred to in the preceding sentence does not appear on Reuters Page FRBCMT, the CMT Rate for such CMT Interest Determination Date will be a percentage equal to the yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, and for the applicable CMT Interest Determination Date as published in H.15(519) under the caption “Treasury Constant Maturities.” In the event the rate referred to in the preceding sentence does not appear in H.15(519), then the CMT Rate for such CMT Interest Determination Date will be the rate on the applicable CMT Interest Determination Date for the period of the Index Maturity specified above, as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate which would otherwise have been published in H.15(519). In the event the rate referred to in the preceding sentence is not published, the CMT Rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 p.m., New York City time, on the applicable CMT Interest Determination Date of three leading primary United States government securities dealers in the City of New York, which may include an agent of the Company or such agent’s affiliates (each a “Reference Dealer”), selected by the Company (from five Reference Dealers selected by the Company and eliminating the highest quotation (or, in the event of equality, one of the highest), and the lowest quotation (or, in the event of equality, one of the lowest)), for United States Treasury securities with an original maturity equal to the Index Maturity specified above, a remaining term to maturity no more than one year shorter than the Index Maturity specified above and in a principal amount that is

representative for a single transaction in the securities in the market at that time. If fewer than five but more than two of the prices referred to in the above sentence are provided as requested, the CMT Rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of the quotations shall be eliminated; *provided, however*, that if fewer than three prices referred to above are provided as requested, the CMT Rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m., New York City time, on the applicable CMT Interest Determination Date of three Reference Dealers selected by the Company from five Reference Dealers selected by the Company and eliminating the highest quotation or, in the event of equality, one of the highest and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity greater than the Index Maturity specified above, and a remaining term to maturity closest to the Index Maturity specified above, and in a principal amount that is representative for a single transaction in the securities in the market at that time. However, if fewer than five but more than two prices referred to above are provided as requested, the CMT Rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of the quotations will be eliminated. If fewer than three prices referred to above are provided as requested, the CMT Rate on the applicable CMT Interest Determination Date will be the CMT Rate in effect on the applicable CMT Interest Determination Date. If the CMT Reuters Page FEDCMT is specified above, the CMT Rate for such CMT Interest Determination Date will be a percentage equal to the one-week or one-month, as specified above, and will be the average yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, as the yield is displayed on Reuters, Inc. (or any successor service) on page FEDCMT (or any other page as may replace that specified page on that service) (“Reuters Page FEDCMT”), for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which the related CMT Interest Determination Date falls. If the rate referred to in the preceding sentence does not appear on Reuters Page FEDCMT, then the CMT Rate for such CMT Interest Determination Date will be a percentage equal to the one-week or one-month, as specified above, average yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, and for the week or month, as applicable, preceding the applicable CMT Interest Determination Date as published in H.15(519) opposite the caption “Treasury Constant Maturities.” If the rate referred to in the preceding sentence does not appear in H.15(519), then the CMT Rate for such CMT Interest Determination Date will be the one-week or one-month, as specified above, average yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, as otherwise announced by the Federal Reserve Bank of New York for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which the related CMT Interest Determination Date falls. If the Federal Reserve Bank of New York does not publish the rate referred to above, the rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 p.m., New York City time, on the applicable CMT Interest Determination Date of three Reference Dealers selected by the Company (from five Reference Dealers selected by the Company and eliminating the highest quotation (or, in the

event of equality, one of the highest), and the lowest quotation (or, in the event of equality, one of the lowest)), for United States Treasury securities with an original maturity equal to the Index Maturity specified above, and a remaining term to maturity no more than one year shorter than the Index Maturity specified above, and in a principal amount that is representative for a single transaction in the securities in the market at that time. If fewer than five but more than two of the prices referred to above are provided as requested, the rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of the quotations shall be eliminated. If fewer than three prices referred to above are provided as requested, the rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m., New York City time, on the applicable CMT Interest Determination Date of three Reference Dealers selected by the Company (from five Reference Dealers selected by the Company and eliminating the highest quotation or (in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for United States Treasury securities with an original maturity greater than the Index Maturity specified above, and a remaining term to maturity closest to the Index Maturity specified above and will be in a principal amount that is representative for a single transaction in the securities in the market at that time. If fewer than five but more than two prices referred to above are provided as requested, the rate will be calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of the quotations will be eliminated, or if fewer than three prices referred to above are provided as requested, the CMT Rate will be the CMT Rate in effect on the applicable CMT Interest Determination Date. If two United States Treasury securities with an original maturity greater than the Index Maturity as specified above have remaining terms to maturity equally close to the Index Maturity specified above, the quotes for the United States Treasury security with the shorter original remaining term to maturity will be used.

**Determination of Commercial Paper Rate.** If the Interest Rate Basis, as specified above, is, or is calculated by reference to, the Commercial Paper Rate, unless otherwise specified above, the “Commercial Paper Rate” for each Interest Reset Date will be determined by the Calculation Agent as of the second Business Day prior to such Interest Reset Date (a “Commercial Paper Interest Determination Date”) and shall be the Money Market Yield (as defined below) on such date of the rate for commercial paper having the Index Maturity as indicated above, as such rate shall be published in H.15(519) under the caption “Commercial Paper-Nonfinancial.” In the event that such rate is not published prior to 3:00 p.m., New York City time, on the applicable Calculation Date, then the Commercial Paper Rate shall be calculated by the Calculation Agent as the Money Market Yield of the Commercial Paper Rate on the applicable Commercial Paper Interest Determination Date for commercial paper having the Index Maturity specified above, published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “Commercial Paper-Nonfinancial.” If by 3:00 p.m., New York City time, on the applicable Calculation Date, such rate is not yet published as provided in the preceding sentence, then the Commercial Paper Rate on the applicable Commercial Paper Interest Determination Date shall be calculated by the Calculation Agent as the Money Market Yield of the arithmetic mean of the

offered rates at approximately 11:00 a.m., New York City time, on the applicable Commercial Paper Interest Determination Date of three leading dealers of United States dollar commercial paper in the City of New York, which may include an agent of the Company or such agent's affiliates, selected by the Calculation Agent for commercial paper having the Index Maturity specified above, placed for industrial issuers whose bond rating is "Aa," or the equivalent, from a nationally recognized statistical rating organization; *provided, however*, that if the dealers selected as aforesaid by the Company are not quoting offered rates as mentioned in this sentence, the Commercial Paper Rate will be the Commercial Paper Rate in effect on the applicable Commercial Paper Interest Determination Date.

"Money Market Yield" shall be a yield calculated in accordance with the following formula and expressed as a percentage:

$$\text{Money market yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal; and "M" refers to the actual number of days in the interest period for which interest is being calculated.

**Determination of Federal Funds Rate.** If the Interest Rate Basis, as specified above, is, or is calculated by reference to the Federal Funds Rate, unless otherwise specified above, the "Federal Funds Rate" with respect to each Interest Reset Date will be determined by the Calculation Agent as of the first Business Day prior to such Interest Reset Date (a "Federal Funds Interest Determination Date") and shall be the rate on that date for United States dollar Federal Funds as published in H.15(519) under the heading "Federal Funds (Effective)," as displayed on Reuters, Inc. (or any successor service) on page FEDFUND01 (or any other page as may replace the applicable page on that service) ("Reuters Page FEDFUND01") or, if such rate does not appear on Reuters Page FEDFUND01, or is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date, the rate on the applicable Federal Funds Interest Determination Date for United States dollar Federal Funds will be the rate on such Federal Funds Interest Determination Date as published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption "Federal Funds (Effective)." If such rate is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date, the Federal Funds Rate will be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight United States dollar Federal Funds arranged by three leading brokers of United States dollar Federal Funds transactions in the City of New York, which may include an agent of the Company or such agent's affiliates, selected by the Company before 9:00 a.m., New York City time, on the applicable Federal Funds Interest Determination Date; *provided, however*, that if the brokers selected as aforesaid by the Company are not quoting as mentioned in this sentence, the Federal Funds Rate will be the Federal Funds Rate in effect on the applicable Federal Funds Interest Determination Date.

**Determination of LIBOR.** If the Interest Rate Basis, as specified above, is, or is calculated by reference to, LIBOR, unless otherwise specified above, "LIBOR" for each Interest

Reset Date will be determined by the Calculation Agent as of the second London Banking Day prior to such Interest Reset Date (a “LIBOR Interest Determination Date”) and shall be the rate (express as a percentage per annum) for deposits in U.S. dollars having a three-month maturity that appears on Reuters LIBOR01 at approximately 11:00 a.m., London time, on the applicable LIBOR Interest Determination Date, or if Reuters LIBOR01 is not available on such date, the Calculation Agent will obtain such rate from Bloomberg’s page “BBAM.” If such rate does not appear on Reuters LIBOR01 or Bloomberg’s page “BBAM” on such LIBOR Interest Determination Date at approximately 11:00 a.m., London time, then the Calculation Agent will request the principal London office of each of four major banks in the London interbank market, as selected by the Company, to provide a quotation of the rate (expressed as a percentage per annum) offered by it to prime banks in the London interbank market for three-month deposits in U.S. dollars in a principal amount of at least \$1,000,000 at approximately 11:00 a.m., London time, on such LIBOR Interest Determination Date. If at least two such offered quotations are so provided, LIBOR determined on the applicable LIBOR Interest Determination Date calculated by the Calculation Agent will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Company will request each of three major banks in New York City, as selected by the Company, to provide a quotation of the rate (expressed as a percentage per annum), offered by it for loans in U.S. dollars to leading European banks having a three-month maturity in a principal amount of at least \$1,000,000 at approximately 11:00 a.m., New York City time, on such LIBOR Interest Determination Date. If at least two such rates are so provided, LIBOR determined on the applicable LIBOR Interest Determination Date calculated by the Calculation Agent will be the arithmetic mean of such rates. If fewer than two such rates are so provided, then LIBOR determined on the applicable LIBOR Interest Determination Date calculated by the Calculation Agent will be the rate in effect on the applicable LIBOR Interest Determination Date.

“Reuters LIBOR01” means the Capital Markets Report Screen LIBOR01 of Reuters, Inc. (or any successor or similar service or page), for the purpose of displaying the London interbank rates of major banks for U.S. dollars.

**Determination of Prime Rate.** If the Interest Rate Basis, as specified above, is, or is calculated by reference to, the Prime Rate, unless otherwise specified above, the “Prime Rate” with respect to each Interest Reset Date will be determined by the Calculation Agent as of the first Business Day prior to such Interest Reset Date (a “Prime Interest Determination Date”) and shall be the rate set forth on such date as published in H.15(519) under the caption “Bank Prime Loan,” or if not so published prior to 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Prime Interest Determination Date, then the Prime Rate. will be as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying the applicable rate under the caption “Bank Prime Loan,” or if not so published prior to 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Prime Interest Determination Date, then the Prime Rate will be determined by the Calculation Agent as the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen US PRIME 1 Page (as defined below) as the particular bank’s prime rate or base lending rate as of 11:00 a.m., New York City time, on the applicable Prime Interest Determination Date. If fewer than four such rates are so published by 3:00 p.m.,

New York City time, on the applicable Calculation Date as shown on the Reuters Screen US PRIME 1 Page for the Prime Interest Determination Date, the Prime Rate will be determined by the Calculation Agent as the arithmetic mean of the prime rates or base lending rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on the applicable Prime Interest Determination Date by three major banks, which may include an agent of the Company or such agent's affiliates, in the City of New York selected by the Company. However, if the banks selected by the Company are not quoting as mentioned in the preceding sentence, the Prime Rate will be the Prime Rate in effect on the applicable Prime Interest Determination Date.

“Reuters Screen US PRIME 1 Page” means the display on the Reuter Money 3000 Service or any successor service on the “US PRIME 1 Page” or other page as may replace US PRIME 1 Page on that service for the purpose of displaying prime rates or base lending rates of major United States banks).

**Determination of Treasury Rate.** If the Interest Rate Basis, as specified above, is, or is calculated by reference to the Treasury Rate, unless otherwise specified above, the “Treasury Rate” for each Interest Reset Date will be the rate from the auction held on the applicable Interest Determination Date (the “Auction”) of direct obligations of the United States (“Treasury Bills”) having the Index Maturity, as specified above, as published under the caption “INVESTMENT RATE” on the display on Reuters, Inc. or any successor or similar service on page USAUCTION 10 or any other page as may replace page USAUCTION 10 on that service (“Reuters Page USAUCTION 10”) or page USAUCTION 11 on that service (“Reuters Page USAUCTION 11”), or, if the rate is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Treasury Rate Determination Date (as defined below), the Bond Equivalent Yield of the rate for the applicable Treasury Bills as published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “U.S. Government Securities/Treasury Bills/Auction High,” or, if the rate is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Treasury Rate Determination Date, the Bond Equivalent Yield of the auction rate of the applicable Treasury Bills announced by the United States Department of the Treasury, or, if the rate is not announced by the United States Department of the Treasury, or if the Auction is not held, the Bond Equivalent Yield of the rate on the applicable Treasury Rate Determination Date of Treasury Bills having the Index Maturity specified above, published in H.15(519) under the caption “U.S. Government Securities/Treasury Bills/Secondary Market,” or, if the rate is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Treasury Rate Determination Date, the rate on the applicable Treasury Rate Determination Date of the applicable Treasury Bills as published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “U.S. Government Securities/Treasury Bills/Secondary Market.” In the event that the results of the auction of Treasury Bills having the applicable Index Maturity specified above are not published or reported, as provided above, by 3:00 p.m., New York City time, on the applicable Calculation Date or if no such auction is held on such Treasury Rate Determination Date, then the Treasury Rate on the applicable Treasury Rate Determination Date shall be calculated by the Calculation Agent and shall be the Bond Equivalent Yield of the arithmetic

mean of the secondary market bid rates, as of approximately 3:30 p.m., New York City time, on the applicable Treasury Rate Determination Date, of three primary United States government securities dealers, which may include the agent or its affiliates, selected by the Company, for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity specified above; *provided, however*, that if the dealers selected as aforesaid by the Company are not quoting as mentioned in this sentence, the Treasury Rate will be the Treasury Rate in effect on the applicable Treasury Rate Determination Date.

The “Treasury Rate Determination Date” for any Interest Reset Date will be the day of the week in which such Interest Reset Date falls on which Treasury Bills would normally be auctioned. Treasury Bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except such auction may be held on the preceding Friday. If, as the result of a legal holiday, an auction is so held on the preceding Friday, such Friday will be the Treasury Rate Determination Date pertaining to the Interest Reset Date occurring in the next succeeding week.

“Bond Equivalent Yield” means a yield calculated in accordance with the following formula and expressed as a percentage:

$$\text{Bond Equivalent Yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where “D” refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis and expressed as a decimal; “N” refers to 365 or 366, as the case may be, and “M” refers to the actual number of days in the interest period for which interest is being calculated.

#### **Provisions Applicable To Both Fixed Rate Notes And Floating Rate Notes:**

The interest so payable on any Interest Payment Date will, subject to certain exceptions in the Indenture hereinafter referred to, be paid to the person in whose name this Note is registered at the close of business on the Regular Record Date (as defined below) immediately preceding such Interest Payment Date or, if the Interest Payment Date is the Maturity Date or the date of earlier redemption or repayment, to the person in whose name this Note is registered at the close of business on the Maturity Date or such earlier date of redemption or repayment; *provided, however*, that if the Original Issue Date is between a Regular Record Date and an Interest Payment Date or on an Interest Payment Date, interest for the period from and including the Original Issue Date to, but excluding, the Interest Payment Date relating to such Regular Record Date shall be paid on the next succeeding Interest Payment Date to the person in whose name this Note is registered on the close of business on the Regular Record Date preceding such Interest Payment Date. If this Note bears interest at a Fixed Rate, as specified above, unless otherwise specified above, the “Regular Record Date” with respect to any Interest Payment Date shall be the 25th day of May and the 24th day of November, whether or not a Business Day, immediately preceding the related Interest Payment Date. If this Note bears interest at a Floating Rate, as specified above, the “Regular Record Date” with respect to any Interest Payment Date

shall be the fifteenth calendar day next preceding such Interest Payment Date, whether or not such date shall be a Business Day.

Payment of principal, premium, if any, and interest in respect of this Note due on the Maturity Date or any earlier redemption or repayment date will be made in immediately available funds upon presentation and surrender of this Note; *provided, however*, that if a Specified Currency is specified above and such payment is to be made in such Specified Currency in accordance with the provisions set forth below, such payment will be made by wire transfer of immediately available funds to an account with a bank designated by the Holder hereof at least 15 calendar days prior to the Maturity Date or such earlier redemption or repayment date, as the case may be, provided that such bank has appropriate facilities therefor and that this Note is presented and surrendered at the Place of Payment specified above in time for the Trustee to make such payment in such funds in accordance with its normal procedures. Payment of interest due on any Interest Payment Date, other than the Maturity Date or any earlier redemption or repayment date, will be made at the Place of Payment specified above.

Whenever in this Note or in the Indenture there is a reference, in any context, to the payment of the principal of, or interest, if any, on, or in respect of, the Notes, such payment shall be deemed to include the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect of such payment pursuant to the provisions hereof or thereof and express mention of the payment of Additional Amounts (if applicable) in any provision hereof or thereof shall not be construed as excluding Additional Amounts in those provisions hereof where such express mention is not made.

The Company is obligated to make payment of principal, premium, if any, and interest in respect of this Note in United States dollars or, if a Specified Currency is indicated above, in such Specified Currency (or, if such Specified Currency is not at the time of such payment legal tender for the payment of public and private debts of the country issuing such currency or, in the case of the Euro, in the member states of the European Union that have adopted the single currency in accordance with the Treaty Establishing the European Community, as amended by the Treaty on European Union, such other currency which is then such legal tender in such country or in the adopting member states of the European Union, as the case may be). If a Specified Currency is specified above, except as otherwise provided below, any such amounts so payable by the Company will be converted by a New York clearing house bank designated by the Company (the "Exchange Rate Agent") into United States dollars for payment to the Holder of this Note.

If a Specified Currency is specified above, the Holder of this Note may elect to receive any amount payable hereunder in such Specified Currency. If the Holder of this Note shall not have duly made an election to receive all or a specified portion of any payment of principal, premium, if any, and/or interest in respect of this Note in such Specified Currency, any United States dollar amount to be received by the Holder of this Note will be based on the highest bid quotation in the City of New York received by the Exchange Rate Agent at approximately 11:00 a.m., New York City time, on the second Business Day preceding the applicable payment date from three recognized foreign exchange dealers (one of whom may be the Exchange Rate Agent)

selected by the Exchange Rate Agent and approved by the Company for the purchase by the quoting dealer of the Specified Currency for United States dollars for settlement on such payment date in the aggregate amount of the Specified Currency payable to all Holders of Notes scheduled to receive United States dollar payments and at which the applicable dealer commits to execute a contract. All currency exchange costs will be borne by the Holder of this Note by deductions from such payments. If three such bid quotations are not available, payments on this Note will be made in the Specified Currency.

If a Specified Currency is specified above, the Holder of this Note may elect to receive all or a specified portion of any payment of principal, premium, if any, and/or interest in respect of this Note in such Specified Currency by submitting a written request for such payment to the Trustee at the Place of Payment on or prior to the applicable Record Date or at least 15 calendar days prior to the Maturity Date (or any earlier redemption or repayment date), as the case may be. Such written request may be mailed or hand delivered or sent by facsimile transmission. The Holder of this Note may elect to receive all or a specified portion of all future payments in the Specified Currency in respect of such principal, premium, if any, and/or interest and need not file a separate election for each payment. Such election will remain in effect until revoked by written notice to the Trustee, but written notice of any such revocation must be received by the Trustee on or prior to the applicable Record Date or at least 15 calendar days prior to the Maturity Date (or any earlier redemption or repayment date), as the case may be.

If a Specified Currency is specified above and the Holder of this Note shall have duly made an election to receive all or a specified portion of any payment of principal, premium, if any, and/or interest in respect of this Note in such Specified Currency, but such Specified Currency is not available for such payment due to the imposition of exchange controls or other circumstances beyond the control of the Company, the Company will be entitled to satisfy its obligations to the Holder of this Note by making such payment in United States dollars on the basis of the Market Exchange Rate (as defined below) determined by the Exchange Rate Agent on the second Business Day prior to such payment date or, if such Market Exchange Rate is not then available, on the basis of the most recently available Market Exchange Rate on or before the date on which such payment is due. The “Market Exchange Rate” for the Specified Currency means the noon dollar buying rate in the City of New York for cable transfers of the Specified Currency as certified for customs purposes (or, if not so certified, as otherwise determined) by the Federal Reserve Bank of New York. Any payment made in United States dollars under such circumstances shall not constitute an Event of Default (as defined in the Indenture).

All determinations referred to above made by the Exchange Rate Agent shall be at its sole discretion and shall, in the absence of manifest error, be conclusive for all purposes and binding on the Holder of this Note.

In case an Event of Default (as defined in the Indenture) with respect to Notes of this series shall occur and be continuing, the principal amount (or, if the Note is an Original Issue Discount Note, such lesser portion of the principal amount as may be applicable) of the Notes of this series may be declared due and payable, and, with respect to certain Events of Default, shall automatically become due and payable, in each case in the manner and with the effect provided

in the Indenture. If this Note is an Original Issue Discount Note, in the event of an acceleration of the Maturity Date hereof, the amount payable to the Holder of this Note upon such acceleration will be determined by this Note but will be an amount less than the amount payable at the Maturity Date of this Note.

The Indenture permits, with certain exceptions as therein provided, the modification of the rights and obligations of the Company and the Guarantor and the rights of the Holders of the Securities (as defined in the Indenture) of each series to be affected by such modification under the Indenture at any time by the Company and the Guarantor with the consent of the holders of not less than a majority in aggregate principal amount of the Outstanding Securities (as defined in the Indenture) of each series to be affected by such modification. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Outstanding Securities of each series, on behalf of the Holders of all Securities of such series, to waive compliance by the Company and the Guarantor with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences.

This Note is issuable only in registered form without coupons in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof or other Authorized Denomination specified above.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note may be registered in the Security Register of this series upon surrender of this Note for registration of transfer at the Place of Payment specified above, duly endorsed by or accompanied by, a written instrument of transfer in form satisfactory to the Company and the Trustee, duly executed by the Holder hereof or his attorney duly authorized in writing, and thereupon a new Note or Notes of this series of Authorized Denomination and for the same aggregate principal amount, with the Guarantee endorsed thereon, will be issued to the designated transferee or transferees.

No service charge shall be made for any such registration of transfer, exchange or redemption of the Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Trustee, and any agent of the Company or the Trustee may treat the person in whose name this Note is registered in the Security Register as the owner of this Note for all purposes (other than for the determination of any Additional Amounts payable) and neither the Company nor the Trustee nor any such agent shall be affected by any notice to the contrary.

If so specified above, this Note will be redeemable at the Company's option on the date or dates specified prior to the Maturity Date at a price or prices, each as specified above, together with accrued interest to the date of redemption. This Note will not be subject to any sinking fund. If so redeemable, the Company may redeem this Note either in whole or from time to time in part, upon not less than 30, nor more than 60, days' notice before the date of redemption. If less than all of the Notes with like tenor and terms are to be redeemed, the Notes to be redeemed shall be selected by the Trustee by such method as the Trustee shall deem fair and appropriate.

This Note will be subject to redemption at the option of the Company, in whole or in part at any time prior to May 9, 2022, at a redemption price equal to the greater of (i) 100% of the principal amount of this Note to be redeemed, and (ii) as determined by the Quotation Agent (as defined below), the sum of the present values of the remaining scheduled payments of principal and interest on this Note to be redeemed (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus 15 basis points, plus accrued interest on the principal amount redeemed to, but not including, the date of redemption. In addition, this Note will be subject to redemption at the option of the Company, in whole or in part, at any time on or after May 9, 2022 until the Maturity Date at a redemption price equal to 100% of the principal amount of this Note, plus accrued interest on the principal amount redeemed to, but not including, the date of redemption.

If any redemption date falls on a day that is not a Business Day, the related payment of the redemption price and interest will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next Business Day.

“Comparable Treasury Issue” means the U.S. Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

“Comparable Treasury Price” means, with respect to any redemption date, (i) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if fewer than five such Reference Treasury Dealer Quotations are obtained by the Quotation Agent, the average of all such quotations.

“Quotation Agent” means the Reference Treasury Dealer appointed by the Company.

“Reference Treasury Dealer” means (i) (1) each of Citigroup Global Markets Inc. and J.P. Morgan Securities LLC (and their respective successors), (2) one Primary Treasury Dealer (as defined herein) selected by each of MUFG Securities Americas Inc. and U.S. Bancorp Investments, Inc. (and their respective successors) and (3) one other nationally recognized investment banking firm that is a Primary Treasury Dealer specified from time to time by the Company; provided, however, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a “Primary Treasury Dealer”), the Company shall substitute therefor another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

“Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield-to-maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Notice of any redemption will be delivered at least 30 days but not more than 60 days before the redemption date to the Holder hereof at its address as such address shall appear in the Security Register of the Company, except that redemption notices may be provided more than 60 days prior to the redemption date if the notice is issued in connection with the defeasance or discharge of the Notes and/or the Indenture. Unless the Company defaults in the payment of the redemption price on and after the redemption date, interest will cease to accrue on the principal amount of this Note called for redemption. Notwithstanding anything to the contrary in the foregoing, notice of any redemption to the Holder hereof may, in the Company’s discretion, be subject to one or more conditions precedent, including completion of a corporate transaction. In such event, the related notice of redemption will describe each such condition and, if applicable, will state that, in the Company’s discretion, the date of redemption may be delayed until such time as any or all such conditions shall be satisfied or waived, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied or waived by the date of redemption, or by the date of redemption as so delayed.

Subject to Section 403 of the Indenture, if an HDI Change of Control Triggering Event (as defined below) occurs, unless the Company has exercised its option to redeem this Note as described above, the Company will be required to make an offer (the “Change of Control Offer”) to each Holder of the Notes to repurchase all or any part (equal to \$2,000 or an integral multiple of \$1,000 in excess thereof) of such Holder’s Notes on the terms set forth herein. In the Change of Control Offer, the Company will be required to offer payment in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest, if any, on the Notes repurchased to the date of repurchase (the “Change of Control Payment”).

Subject to Section 403 of the Indenture, within 30 days following any HDI Change of Control Triggering Event or, at the Company’s option, prior to any HDI Change of Control (as defined below), but after public announcement by HDI (as defined below) of the transaction that constitutes, or would constitute upon consummation thereof, an HDI Change of Control, a notice will be delivered to Holders of the Notes describing the transaction that constitutes, or would constitute upon consummation thereof, the HDI Change of Control Triggering Event and offering to repurchase such Notes on the date specified in the notice. Such date will be no earlier than 30 days and no later than 60 days from the date such notice is delivered, other than as may be required by law (the “Change of Control Payment Date”). The notice will, if delivered prior to the date of consummation of the HDI Change of Control, state that the offer to purchase is conditioned on the HDI Change of Control Triggering Event occurring on or prior to the Change of Control Payment Date.

If any Change of Control Payment Date falls on a day that is not a Business Day, the related payment of the Change of Control Payment will be made on the next Business Day as if it

were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next Business Day.

On the Change of Control Payment Date, the Company will, to the extent lawful, (i) accept for payment all Notes or portions of Notes properly tendered and not validly withdrawn pursuant to the Change of Control Offer; (ii) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all such Notes or portions of Notes properly tendered and not validly withdrawn; and (iii) deliver or cause to be delivered to the Trustee such Notes properly accepted together with a Company Officers' Certificate (as defined in the Indenture) stating the aggregate principal amount of such Notes or portions of Notes being repurchased.

The Company will not be required to comply with the obligations relating to repurchasing the Notes if a third-party instead satisfies them.

The Company must comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any other securities laws and regulations applicable to the repurchase of the Notes. To the extent that the provisions of any such securities laws or regulations conflict with the Change of Control Offer provisions of the Notes, the Company will comply with those securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control Offer provisions of the Notes by virtue of any such compliance.

If Holders of not less than 95% in aggregate principal amount of the outstanding Notes properly tender and do not validly withdraw such amount of the Notes in a Change of Control Offer, and the Company, or any third-party making an offer to purchase the Notes in connection with an HDI Change of Control Triggering Event in lieu of the Company, purchase such amount of the Notes properly tendered and not validly withdrawn by such Holders, then the Company will have the right, upon notice described above, given not more than 30 days following the Change of Control Payment Date, to redeem all (but not less than all) of the aggregate principal amount of the Notes that remains outstanding following such purchase at a redemption price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date (subject to the right of Holders of record as of the close of business on the relevant Regular Record Date to receive interest on the applicable Interest Payment Date). If the redemption date falls on a day that is not a Business Day, the related payment of the redemption price and interest will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next Business Day.

For purposes of the Change of Control Offer provisions of the Notes, the following terms will be applicable:

"Below Investment Grade Rating Event" means the Notes cease to be rated an Investment Grade Rating by each of the Rating Agencies on any day within the 60-day period after the earlier of (1) the occurrence of an HDI Change of Control and (2) the first public announcement by Harley-Davidson, Inc. ("HDI") of the intention of HDI to effect an HDI

Change of Control (which 60-day period will be extended for so long as any of the Rating Agencies has publicly announced that it is considering a possible downgrade of the rating of the notes of such series); *provided* that a Below Investment Grade Rating Event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular HDI Change of Control (and thus shall not be deemed a Below Investment Grade Rating Event for purposes of the definition of HDI Change of Control Triggering Event hereunder) if any of the Rating Agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform the Trustee in writing at the Company's or its request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable HDI Change of Control (whether or not the applicable HDI Change of Control shall have occurred at the time of the Below Investment Grade Rating Event). The Trustee has no obligation to monitor the ratings of the Notes for purposes of determining the occurrence of a Below Investment Grade Rating Event.

“Fitch” means Fitch Ratings, Inc. and its successors.

“HDI Change of Control” means the occurrence of any of the following: (1) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any “person” (as that term is used in Section 13(d)(3) of the Exchange Act), other than HDI or one of its subsidiaries, becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the Voting Stock of HDI or other Voting Stock into which the Voting Stock of HDI is reclassified, consolidated, exchanged or changed, measured by voting power rather than number of shares; or (2) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation or as a pledge for security purposes only), in one or a series of related transactions, of all or substantially all of the assets of HDI and the assets of the subsidiaries of HDI, taken as a whole, to one or more “persons” (as that term is defined in the Indenture), other than HDI or one of its subsidiaries and other than any such transaction or series of related transactions where holders of Voting Stock of HDI outstanding immediately prior thereto hold voting stock of the transferee person representing a majority of the voting power of the transferee person's voting stock immediately after giving effect thereto. Notwithstanding the foregoing, a transaction will not be deemed to be an HDI Change of Control if (1) HDI becomes a direct or indirect wholly-owned subsidiary of a holding company and (2)(A) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Voting Stock of HDI immediately prior to that transaction or (B) immediately following that transaction no “person” (as that term is used in Section 13(d)(3) of the Exchange Act) (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company.

“HDI Change of Control Triggering Event” means the occurrence of both an HDI Change of Control and a Below Investment Grade Rating Event. Notwithstanding anything to the contrary, no HDI Change of Control Triggering Event will be deemed to have occurred in

connection with any particular HDI Change of Control unless and until such HDI Change of Control has actually been consummated.

“Investment Grade Rating” means a rating equal to or higher than Baa3 by Moody’s (or its equivalent under any successor rating category of Moody’s), BBB– by S&P (or its equivalent under any successor rating category of S&P) and BBB– by Fitch (or its equivalent under any successor rating category of Fitch), and the equivalent investment grade credit rating from any replacement Rating Agency or Rating Agencies selected by the Company.

“Moody’s” means Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors.

“Rating Agencies” means (1) each of Moody’s, S&P and Fitch, and (2) if any of Moody’s, S&P or Fitch (or in each case any replacement thereof appointed pursuant to this definition) ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons outside of the Company’s control, a “nationally recognized statistical rating organization” as defined under Section 3(a)(62) of the Exchange Act selected by the Company as a replacement agency for Moody’s, S&P and/or Fitch, as the case may be; provided that the Company shall give notice of any such replacement to the Trustee.

“S&P” means S&P Global Ratings, a division of S&P Global Inc. and its successors.

“Voting Stock” means, with respect to any specified “person” (as that term is used in Section 13(d)(3) of the Exchange Act), as of any date, the capital stock of such person that is at the time entitled to vote generally in the election of the board of directors of such person.

In lieu of Section 1005 of the Indenture, the following covenant shall apply:

Limitation on Liens. The Company and the Guarantor will not, nor will they permit any Subsidiary of the Company or the Guarantor to, issue or assume any Indebtedness secured by a Lien upon any Property (now owned or hereinafter acquired) of the Company or the Guarantor or any such Subsidiary without in any such case effectively providing concurrently with the issuance or assumption of any such Indebtedness that the Notes (together with, if the Company or the Guarantor shall so determine, any other Indebtedness of the Company or the Guarantor or any such Subsidiary ranking equally with the Notes then existing or thereafter created) shall be secured equally and ratably with such Indebtedness. The restrictions set forth in the immediately preceding sentence will not, however, apply if the aggregate amount of Indebtedness issued or assumed by the Company, the Guarantor or such Subsidiaries and so secured by Liens, together with all other Indebtedness of the Company, the Guarantor or such Subsidiaries which (if originally issued or assumed at such time) would otherwise be subject to such restrictions, but not including Indebtedness permitted to be secured under clauses (i) through (xiv) of the immediately following paragraph, does not at the time such secured Indebtedness is incurred exceed 15% of the Consolidated Net Tangible Assets.

The restrictions set forth above shall not apply to Indebtedness secured by:

(i) Liens existing on the date of the original issuance of the Notes;

(ii) Liens on any Property of any company existing at the time such company becomes a Subsidiary of the Company or the Guarantor, which Liens are not created in contemplation of such company becoming a Subsidiary of the Company or the Guarantor;

(iii) Liens on any Property existing at the time such Property is acquired by the Company, the Guarantor or a Subsidiary of the Company or the Guarantor, or Liens to secure the payment of all or any part of the purchase price of such Property upon the acquisition of such Property by the Company, the Guarantor or a Subsidiary of the Company or the Guarantor or to secure any Indebtedness incurred prior to, at the time of, or within 180 days after, the later of the date of acquisition of such Property and the date such Property is placed in service, for the purpose of financing all or any part of the purchase price thereof, or Liens to secure any Indebtedness incurred for the purpose of financing the cost to the Company, the Guarantor or a Subsidiary of the Company or the Guarantor of improvements to such acquired Property or to secure any Indebtedness incurred for the purpose of financing all or any part of the purchase price of the cost of construction of the Property subject to such Liens;

(iv) Liens securing any Indebtedness of the Company, a Subsidiary of the Company or the Guarantor owing to the Company, the Guarantor or to another Subsidiary of the Company or the Guarantor;

(v) Liens created in connection with a securitization or other asset-based financing;

(vi) Liens with respect to the payment of taxes, assessments or governmental charges in all cases which are not yet due or which are being contested in good faith;

(vii) statutory Liens of landlords and Liens of suppliers, mechanics, carriers, materialmen, warehousemen or workmen and other similar Liens imposed by law created in the ordinary course of business for amounts not yet due or which are being contested in good faith;

(viii) Liens incurred or deposits made in the ordinary course of business in connection with worker's compensation, unemployment insurance or other types of social security benefits or to secure the performance of bids, tenders, sales, contracts (other than for the repayment of borrowed money), surety, appeal and performance bonds;

(ix) Liens arising with respect to zoning restrictions, easements, licenses, reservations, covenants, rights-of-way, utility easements, building restrictions and other similar charges or encumbrances on the use of real property which do not interfere with the ordinary conduct of the business of the Company, the Guarantor or any of their respective Subsidiaries;

(x) Liens of attachment or judgment with respect to judgments, writs or warrants of attachment, or similar process against the Company, the Guarantor or any of their respective Subsidiaries;

(xi) Liens arising from leases, subleases or licenses granted to others which do not interfere in any material respect with the business of the Company, the Guarantor or any of their respective Subsidiaries;

(xii) any interest or title of the lessor in the Property subject to any operating lease (as determined in accordance with GAAP as in effect as of the date of the Indenture) entered into by the Company, the Guarantor or any of their respective Subsidiaries in the ordinary course of business;

(xiii) Liens, if any, in connection with any sale/leaseback transaction;

(xiv) Liens on assets pledged in respect of Indebtedness that has been defeased in accordance with the provisions thereof through the deposit of cash, cash equivalents or marketable securities (it being understood that cash collateral shall be deemed to include cash deposited with a trustee with respect to third party indebtedness); and

(xv) any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Lien referred to in the foregoing clauses (i) - (xiv); provided, however, that such new Lien is limited to the Property which was subject to the prior Lien immediately before such extension, renewal or replacement, and provided, further, that the principal amount of Indebtedness secured by the prior Lien immediately before such extension, renewal or replacement is not increased.

The Company may “reopen” a previously issued tranche of Notes and issue additional Notes of such tranche or establish additional terms of such tranche or issue notes with the same terms as previously issued Notes (except for the Original Issue Date, Issue Price and, if applicable, the initial Interest Payment Date).

The Company may at any time purchase this Note at any price in the open market or otherwise. Notes so purchased by the Company may be held or resold or, at the discretion of the Company, may be surrendered to the Trustee for cancellation.

For the avoidance of doubt, Article 4 of the Indenture, including without limitation Section 403 thereof, shall apply to the Notes.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligations of the Company and the Guarantor, which are absolute and unconditional, to pay the principal of, premium, if any, and interest on this Note, at the times, place and rate, and in the coin or currency, herein and in the Indenture prescribed.

This Note shall be governed by and construed in accordance with the laws of the State of New York.

By acceptance of this Note, the Holder hereof agrees to be bound by the provisions of the Indenture. Terms used herein which are defined in the Indenture shall have the respective meanings assigned thereto in the Indenture. This Note shall not be valid or become obligatory for

any purpose until the certificate of authentication hereon shall have been signed by or on behalf of the Trustee under the Indenture.

**IN WITNESS WHEREOF**, the Company has caused this instrument to be duly executed, manually or by facsimile by an authorized signatory.

**HARLEY-DAVIDSON FINANCIAL SERVICES, INC.**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

Dated:

**TRUSTEE'S CERTIFICATE OF AUTHENTICATION**

This is one of the Securities of the series designated herein and referred to in the within-mentioned Indenture.

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**,  
as Trustee

By: \_\_\_\_\_  
Authorized Signatory

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GUARANTEE

For value received, undersigned hereby fully, irrevocably and unconditionally guarantees, pursuant to the terms of the Guarantee contained in Article Fourteen of the Indenture, to the Holder of this Note and to the Trustee, on behalf of the Holder, the due and punctual payment of the principal of, and any premium, interest and any Additional Amounts on, this Note, when and as the same shall become due and payable, whether at the stated maturity, by declaration of acceleration, call for redemption or otherwise, in accordance with the terms of this Note and the Indenture. This Guarantee will not be valid or obligatory for any purpose until the Trustee duly executes the certificate of authentication on the Note upon which this Guarantee is endorsed.

Dated:

HARLEY-DAVIDSON CREDIT CORP.,  
a Nevada corporation

By:\_\_\_\_\_  
Name:  
Title:

Attest:

By:\_\_\_\_\_  
Name:  
Title:

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## ABBREVIATIONS

The following abbreviations, when used in the inscription on this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

UNIF GIFT MIN ACT - \_\_\_\_\_ Custodian \_\_\_\_\_  
(Cust) (Minor)

TEN ENT - as tenants by the entireties

under Uniform Gifts to Minors Act

JT TEN - as joint tenants with right of  
survivorship and not as tenant  
in common

\_\_\_\_\_  
(State)

Additional abbreviations may also be used though not in the above list.

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ASSIGNMENT

**FOR VALUE RECEIVED**, the undersigned hereby sells, assigns and transfers unto:

(Please insert social security or other identifying number of assignee)

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(Name and address of assignee, including zip code,  
must be printed or typewritten)

the within Note, and all rights thereunder, hereby irrevocably constituting and appointing  
\_\_\_\_\_ attorney to transfer said Note on the books of the within Company, with full  
power of substitution in the premises.

Dated:

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NOTICE: The signature to this assignment must correspond with the name as it appears upon the within Note in every particular, without alteration or enlargement or any change whatever and must be guaranteed.

SIGNATURE(S) GUARANTEED:

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM) PURSUANT TO SEC RULE 17Ad-15.

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SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE

The following increases or decreases in this Global Note have been made

Date of Exchange	Amount of increase in Principal Amount of this Global Note	Amount of decrease in Principal Amount of this Global Note	Principal Amount of this Global Note following each decrease or increase	Signature of authorized signatory of Trustee
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## HARLEY-DAVIDSON, INC.

### EXECUTIVE SEVERANCE PLAN

(With Amendments Through November 30, 2017)

1. Establishment of Plan. Harley-Davidson, Inc. has established the Harley-Davidson, Inc. Executive Severance Plan to provide financial assistance through severance payments and other benefits to Executives whose employment with the HDI Group is terminated in a Covered Termination. This Plan is generally effective as of September 1, 2013; provided that the Plan shall become effective with respect to an Executive who on September 1, 2013 is covered under an executed Severance Benefits Agreement only if the Executive, prior to January 1, 2014 (or such later date authorized by the Plan Administrator), has agreed, in a form and in substance acceptable to the Company, to cancellation of his or her Severance Benefits Agreement.

2. Definitions. As used in this Plan, the following terms shall have the respective meanings set forth below, and, when the meaning is intended, the initial letter of the word is capitalized.

(a) "Cause" means:

- (i) The conviction of Executive of a felony or a crime involving moral turpitude, theft or fraud; or
- (ii) Executive's refusal to perform duties as directed in good faith by Executive's supervisor, which failure is not cured within ten (10) days after written notice thereof from the HDI Group to Executive; or
- (iii) Executive's engaging in sexual harassment or any act involving theft or fraud with respect to an HDI Group Employer, as determined by the Chief Executive Officer of the Company; or
- (iv) Executive's reckless conduct or willful misconduct which results in substantial harm (in relation to Executive's annual compensation), as determined by the Chief Executive Officer of the Company, whether financial, reputational or otherwise, to the HDI Group.

(b) "COBRA" means the provisions regarding healthcare continuation coverage set forth in Section 601 *et seq.* of ERISA and Code Section 4980B.

(c) "Code" means the Internal Revenue Code of 1986 and the rulings and regulations promulgated pursuant thereto, all as amended and in effect from time to time.

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(d) “Committee” means the Human Resources Committee of the Board of Directors of the Company.

(e) “Company” means Harley-Davidson, Inc., a Wisconsin Company, or any successor thereto.

(f) “Covered Termination” means the involuntary termination of an Executive’s employment with the HDI Group other than (i) for Cause, or (ii) as a result of the death or Disability of the Executive. Notwithstanding the foregoing, the transfer of an Executive’s employment within the HDI Group shall not be a Covered Termination.

(g) “Date of Termination” means the date an Executive’s employment with the HDI Group terminates in a Covered Termination, which date shall not be less than twenty-five (25) days after the date on which notice of termination is delivered to Executive.

(h) “Disability” has the meaning ascribed under the long-term disability insurance policy then provided or made available to the Executive by or through the HDI Group. If there is no such policy or such term is not defined therein, then “Disability” shall mean the Executive’s incapacity due to physical or mental illness causing the Executive to be absent from the full-time performance of his or her duties with the HDI Group Employer for at least sixty (60) consecutive days.

(i) “ERISA” means the Employee Retirement Income Security Act of 1974 and the rulings and regulations promulgated pursuant thereto, all as amended and in effect from time to time.

(j) “Executive” means a person who, on such person’s Date of Termination, is classified by any member of the HDI Group as a common-law employee assigned to the organizational level of Senior Leader or above (or any successor to such organizational levels).

(k) “HDI Group” means the Company and its direct or indirect subsidiaries; provided that for purposes of Section 2(p), the term “HDI Group” means the Company and each other corporation, trade or business that, with the Company, constitutes a controlled group of corporations or group of trades or businesses under common control within the meaning of Code Sections 414(b) or (c), applied by substituting “at least 50 percent” for “at least 80 percent” each place it appears.

(l) “HDI Group Employer” means the member of the HDI Group that employed the Executive immediately prior to the Covered Termination.

(m) “Monthly Base Salary” means the amount of the Executive’s average monthly base salary during either (i) if Executive has been employed by the HDI Group for twelve (12) or more consecutive months immediately prior to the Executive’s Date of Termination, the twelve (12) consecutive months immediately prior to the Executive’s

Date of Termination, or (ii) if the Executive has been employed by the HDI Group for less than twelve (12) consecutive months immediately prior to the Executive's Date of Termination, the consecutive months of Executive's employment with HDI Group immediately prior to the Date of Termination.

(n) "Plan" means the Harley-Davidson, Inc. Executive Severance Plan, as set forth in this document, together with any amendments that may be adopted from time to time.

(o) "Plan Administrator" means the Committee or the Company with respect to the matters delegated to the Company pursuant to Section 8 of the Plan.

(p) "Separation from Service" means the date on which an Executive separates from service (within the meaning of Code Section 409A) from the HDI Group. A Separation from Service occurs when the HDI Group and the Executive reasonably anticipate that no further services will be performed by the Executive for the HDI Group after that date or that the level of *bona fide* services the Executive will perform after such date as an employee of the HDI Group will permanently decrease to no more than 20% of the average level of bona fide services performed by the Executive (whether as an employee or independent contractor) for the HDI Group over the immediately preceding thirty-six (36) month period (or, if the Executive has not provided services for the HDI Group for the entirety of the immediately preceding thirty-six (36) month period, over such lesser period during which the Executive actually provided services). An Executive is not considered to have incurred a Separation from Service if the Executive is absent from active employment due to military leave, sick leave or other bona fide reason if the period of such leave does not exceed the greater of (i) six (6) months, or (ii) the period during which the Executive's right to reemployment by the HDI Group is provided either by statute or by contract; provided that if the leave of absence is due to a medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than six (6) months, where such impairment causes the Executive to be unable to perform the duties of his or her position of employment or any substantially similar position of employment, the maximum leave period under clause (i) may be extended by up to twenty-three (23) additional months without causing the Executive to have incurred a Separation from Service.

(q) "Severance Benefits" means the Severance Payment and any other benefit payable or that may be provided pursuant to this Plan.

(r) "Severance Payment" means the lump sum cash payment made to an Executive pursuant to Section 4(a) of this Plan.

(s) "Stock Plans" means the Harley-Davidson, Inc. 2014 Incentive Stock Plan, the Harley-Davidson, Inc. 2009 Incentive Stock Plan, the Harley-Davidson, Inc. 2004 Incentive Stock Plan, the Harley-Davidson, Inc. 1995 Stock Option Plan, and any other existing or future plans for the issuance of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares or similar equity-based awards.

3. Eligibility for Severance Benefits.

(a) Core Eligibility Conditions. An Executive shall be entitled to Severance Benefits if each of the following conditions is satisfied:

(i) The Executive incurs a Covered Termination;

(ii) The Executive, on his or her Date of Termination, is classified by any member of the HDI Group as a common-law employee assigned to the organizational level of Senior Leader or above (or any successor to such organizational levels);

(iii) During the twenty-one (21) day period following the Executive's Date of Termination, or within such longer period required by law as a condition of the Executive providing a valid release and waiver of age discrimination claims (collectively, the "Release Period"), the Executive executes (and does not revoke during any permitted revocation period) a release and waiver, in a form and in substance acceptable to the Company, of any and all claims that the Executive has or may have against the HDI Group (and its past or present executives, directors, officers, employees, successors, executors, assigns or representatives) arising out of the Executive's employment or termination of employment (the "Claims"), including, but not limited to any and all claims arising out of contract (written, oral, or implied in laws or in fact), tort (including negligent and intentional acts), or state, federal or local laws (including discrimination on any basis whatsoever);

(iv) The Executive executes (or, in the case of an agreement or agreements that the Executive previously executed, reaffirms), in a form and in substance acceptable to the Company, a confidentiality agreement, an agreement regarding non-solicitation of other employees, and a non-compete agreement in favor of the HDI Group; and

(v) The Executive is not entitled to severance, termination or similar benefits pursuant to the terms of an individual agreement in effect between the Executive and any member of the HDI Group.

(b) On-Going Eligibility Requirements. If the Executive satisfies the core eligibility requirements in Section 3(a) but subsequently takes any action that the Company reasonably determines violates the terms of one or more of the agreements specified in Section 3(a)(iv), the HDI Group, in its sole discretion, may discontinue any Severance Benefits, in addition to whatever other remedies may be available to the HDI Group with respect to breach of one or more of the agreements.

4. Severance Benefits. An Executive who is entitled to Severance Benefits in accordance with Section 3 shall receive the following benefits:

(a) Lump Sum Severance Payment.

The Executive will receive a lump sum cash payment, based upon the Executive's salary band immediately prior to the Executive's Date of Termination, as determined in accordance with the following schedule:

<b>Organization Level</b>	<b>Severance Payment</b>
H-D Leadership Team	24x Monthly Base Salary
All other Senior Leaders	12x Monthly Base Salary

The lump sum payment will be paid within two and one half (2 ½) months following the last day of the month in which occurs the Executive's Date of Termination.

(b) Prorated Annual Incentive Plans Payment. The Executive will be entitled to receive a pro-rated payment under the Harley-Davidson, Inc. Employee Incentive Plan (annual plan) or the Harley-Davidson, Inc. Senior Executive Incentive Plan (annual plan), whichever is applicable to the Executive for the performance period in which occurs the Executive's Date of Termination, calculated as follows:

(i) For an Executive participating in the Harley-Davidson, Inc. Employee Incentive Plan (STIP), the pro-rata payment for the Executive shall equal (A) the percentage (based on actual performance results for the full performance period determined following the conclusion of the performance period) that would have been applicable to the Executive with respect to any financial performance goal under the Harley-Davidson, Inc. Employee Incentive Plan if the Executive's employment had continued through the last day of the performance period (taking into account maximum plan payment limits and any exercise of the Committee's retained discretion to reduce the amount of the payout to the extent that such discretion is uniformly applied by the Committee with respect to similarly situated participants in the Harley-Davidson, Inc. Employee Incentive Plan as a group, multiplied by (B) the base salary actually paid to the Executive during the portion of the performance period (and prior to the Date of Termination) during which the Executive was employed in an eligible employment position by any member of the HDI Group. No amount shall be payable with respect to any component of the Harley-Davidson, Inc. Employee Incentive Plan that is based on subjective performance criteria.

(ii) For an Executive in the Harley-Davidson, Inc. Senior Executive Incentive Plan (LSTIP), the pro-rata payment for the Executive shall equal the lesser of (A) the portion of the performance pool that has been allocated to the Executive for the performance period (taking into account maximum plan payment limits and any exercise of the Committee's retained discretion to reduce the amount of the payout to the extent that such discretion is uniformly applied by the Committee with respect to the participants in the Harley-Davidson, Inc. Senior Executive Incentive Plan as a group, but without regard to the Committee's retained discretion to reduce the amount of the payout on an individualized basis)

multiplied by a fraction, the numerator of which is the number of complete months of employment completed by the Executive during the performance period and the denominator of which is the total number of months in the performance period, or (B) the product obtained when the payout percentage (based on actual performance results for the full performance period determined following the conclusion of the performance period) that would have been applicable to the Executive with respect to the Financial STIP component of the Harley-Davidson, Inc. Senior Executive Incentive Plan if the Executive's employment had continued through the last day of the performance period (calculated by taking into account maximum plan payment limits and any exercise of the Committee's retained discretion to reduce the amount of the payout to the extent that such discretion is uniformly applied by the Committee with respect to the participants in the Financial STIP component of the Harley-Davidson, Inc. Senior Executive Incentive Plan as a group, but without regard to the Committee's retained discretion to reduce the amount of the payout on an individualized basis), is multiplied by the base salary actually paid to the Executive during the portion of the performance period (and prior to the Date of Termination) during which the Executive was employed in an eligible employment position by any member of the HDI Group. No amount shall be payable with respect to any component of the Harley-Davidson, Inc. Senior Executive Incentive Plan that is based on subjective performance criteria.

The prorated payment under this Section 4(b) will be made at the same time that similar such payments are made to active employees, but in no event later than two and one-half (2 ½) months following the close of the year in which occurs the Executive's Date of Termination.

The prorated payout applies only to the annual incentive programs designated above. The Plan does not provide for special vesting or payout rules for long-term cash awards or awards made pursuant to the Stock Plans.

(c) Continued Eligibility for Medical, Dental, Vision and Life Insurance/Death Benefit Plans. For the eighteen (18) month period from the Executive's Date of Termination, (i) the HDI Group Employer shall make available to the Executive (and the Executive's eligible dependents) coverage under the HDI Group Employer's medical, dental and vision plans, and (ii) the HDI Group Employer will make available to the Executive coverage under the HDI Group Employer's life insurance/death benefit (but not short or long term disability or other benefit) plans. Coverage shall be made available on the same terms as such plans are made available to the HDI Group Employer's salaried employees generally; provided that the Executive may have taxable income, in accordance with applicable Code requirements, with respect to the continued coverage, and provided further that any period for which medical, dental and vision benefits are provided under this Section 4(c) shall be credited against (reduce) the maximum period of continuation coverage that the Executive (or qualified beneficiary of the Executive) is permitted to elect in accordance with COBRA, or any successor provision thereto.

Notwithstanding the foregoing, if the provision of any medical, dental or vision coverage or benefits under a fully insured plan would subject the HDI Group to an excise tax, then this Section 4(c) shall cease to apply and the parties shall negotiate in good faith to determine an alternative method of providing comparable benefits to the Executive.

(d) Death of the Executive. If the Executive dies prior to the payments of amounts due to the Executive under this Plan, then any amounts that otherwise would have been paid to the Executive will be paid to the Executive's estate.

(e) Payment in Lieu of Outplacement. The Executive will receive a payment of \$10,000 USD (subject to applicable tax withholding) for his or her use in securing outplacement services. The Company will not offer any other form of outplacement assistance. The lump sum payment will be paid within two and one half (2 ½) months following the last day of the month in which occurs the Executive's Date of Termination.

(f) Payment for Financial Planning Assistance. The Executive will receive a lump sum cash payment (subject to applicable tax withholding) for his or her use in securing financial planning assistance, based upon the Executive's salary band immediately prior to the Executive's Date of Termination, as determined in accordance with the following schedule:

<b>Organization Level</b>	<b>Payment</b>
H-D Leadership Team	\$20,000
All other Senior Leaders	\$10,000

The lump sum payment will be paid within two and one half (2 ½) months following the last day of the month in which occurs the Executive's Date of Termination.

(g) No Duplication of Benefits. Except as otherwise expressly provided pursuant to this Plan, this Plan shall be construed and administered in a manner which avoids duplication of compensation and benefits which may be provided under any other plan, program, contract, policy, or other individual agreement or arrangement. In the event an Executive is covered, as of his or her Date of Termination, by any other plan, program, contract, policy, or individual agreement or arrangement, that may duplicate the payments or benefits provided for in this Section 4, the Company or HDI Group Employer may reduce or eliminate benefits provided for under this Plan to the extent of the duplication.

(h) No Effect on Other Benefits. Other than Severance Benefits, which are governed by this Plan, this Plan does not abrogate (or enlarge) any of the usual entitlements which an Executive has or will have, first, while a regular employee, and subsequently, after termination, and thus, such Executive shall be entitled to receive all (but only such) benefits payable to him or her under each and every qualified plan, welfare plan, and any other plan, program, contract, or practice relating to benefits and deriving from his or her employment with the HDI Group, including, without limitation, benefits payable pursuant to the Stock Plans and applicable agreements thereunder (if

applicable to the Executive), pension (if applicable to the Executive), pension restoration (if applicable to the Executive), 401(k), payment in lieu of post-retirement life insurance (insurance allowance program), and deferred compensation, but in each case solely in accordance with the terms and provisions of the applicable plan, program, contract or practice.

5. Code Section 409A. This Section 5 addresses the application of Code Section 409A to the Severance Benefits provided under the Plan.

(a) The Severance Payment under Section 4(a) and the prorated bonus under Section 4(b) are intended to constitute “short term deferrals” that are exempt from Code Section 409A in accordance with Section 1.409A-1(b)(4) of the Income Tax Regulations (or any successor thereto). However, and notwithstanding any provision in this Plan to the contrary, if the Severance Payment or any other Severance Benefit is determined to be subject to the mandatory delay rule of Code Section 409A(a)(2)(B)(i), payment of such benefit shall be delayed for such period of time as may be necessary to meet the requirements of the Code. Subject to earlier payment in the event of the Executive’s death, the delayed payment amount shall be paid to the Executive, in a single sum cash payment, on the later of (i) the date on which payment would otherwise be made under this Plan, or (ii) the date which is six (6) months following the Executive’s Separation from Service.

(b) The medical, dental and vision continuation under Section 4(c) is intended to be exempt from Section 409A in accordance with Section 1.409A-1(b)(9)(v)(B) of the Income Tax Regulations (or any successor thereto).

(c) Any payment which is deferred following the Executive’s Separation from Service to comply with Code Section 409A(a)(2)(B)(i) shall, when paid, include interest, calculated at the reference rate or the prime rate, as the case may be, of US Bank Milwaukee, Wisconsin, as such rate is in effect from time to time during the period beginning on the last date on which the amount would otherwise have been paid to the date on which payment is actually made.

(d) The Executive’s termination of employment does not affect any deferral or distribution elections that an Executive may have in place with respect to the deferral or payment of any benefits that are subject to Code Section 409A, and deferral or payment of such amounts will be made pursuant to the terms of the applicable plan or program under which such deferral or distribution election was made.

(e) To the extent any provision of this Plan or any omission from this Plan would (absent this provision) cause amounts to be includable in income under Code Section 409A(a)(1), this Plan shall be deemed amended to the extent necessary to comply with the requirements of Code Section 409A; provided, however, that this provision shall not apply and shall not be construed to amend any provision of this Plan to the extent this provision or any amendment required thereby would itself cause any amounts to be includable in income under Code Section 409A(a)(1).

## 6. Payment Limitation.

(a) Notwithstanding any other provision of this Plan, with respect to any Executive who the Plan Administrator, in its discretion, determines to be a “disqualified individual” for purposes of Code Sections 280G and 4999, if any portion of the payments or benefits under this Plan, or under any other agreement with or plan of the HDI Group (in the aggregate, the “Total Payments”), would constitute an “excess parachute payment” that is subject to the tax imposed by Code Section 4999, then the Total Payments to be made to the Executive shall be reduced such that the value of the aggregate Total Payments that the Executive is entitled to receive shall be One Dollar (\$1) less than the maximum amount which the Executive may receive without becoming subject to the tax imposed by Code Section 4999; provided that the foregoing reduction in the amount of Total Payments shall not apply if the after-tax value to the Executive of the Total Payments prior to reduction in accordance with this subsection (a) (including the tax imposed by Code Section 4999) is greater than one hundred ten percent (110%) of the after-tax value to the Executive if the Total Payments are reduced in accordance with this subsection (a).

(b) For purposes of this Section, the terms “excess parachute payment” and “parachute payments” shall have the meanings assigned to them in Code Section 280G, and such “parachute payments” shall be valued as provided therein. Present value shall be calculated in accordance with Code Section 280G(d)(4). The Executive and the HDI Group Employer, at the HDI Group Employer’s expense, shall obtain the opinion (which need not be unqualified) of nationally recognized tax counsel (“National Tax Counsel”) selected by the HDI Group Employer’s independent auditors and acceptable to the Executive, which opinion sets forth:

- (i) the amount of the Base Period Income,
- (ii) the amount and present value of the Total Payments,
- (iii) the amount and present value of any excess parachute payments determined without regard to the limitations of this Section 6,
- (iv) the after-tax value of the Total Payments if the reduction in Total Payments contemplated under subsection (a) of this Section 6 did not apply, and
- (v) the after-tax value of the Total Payments taking into account the reduction in Total Payments contemplated under subsection (a) of this Section 6.

(c) The term “Base Period Income” means an amount equal to the Executive’s “annualized included compensation for the base period” as defined in Code Section 280G(d)(1) (or any successor provision). For purposes of such opinion of National Tax Counsel, the value of any noncash benefits or any deferred payment or benefit shall be determined by the HDI Group Employer’s independent auditors in accordance with the principles of Code Sections 280G(d)(3) and (4), which determination shall be evidenced

in a certificate of such auditors addressed to the HDI Group Employer and the Executive. For purposes of determining the after-tax value of the Total Payments, the Executive shall be deemed to pay federal income taxes and employment taxes at the highest stated rate of federal income and employment taxation on the date on which the determination is being made and state and local income taxes at the highest stated rates of taxation in the state and locality of the Executive's domicile for income tax purposes on the date on which the determination is being made, net of the maximum reduction in federal income taxes that may be obtained from deduction of such state and local taxes. The opinion of National Tax Counsel shall be dated as of the date of the Executive's Covered Termination and addressed to the HDI Group Employer and the Executive and shall be binding upon the HDI Group Employer and the Executive. If such opinion determines that there would be an excess parachute payment (and that the after-tax value of the Total Payments if the reduction in the Total Payments contemplated under subsection (a) of this Section 6 did not apply is not greater than one hundred ten percent (110%) of the after-tax value of the Total Payments taking into account the reduction contemplated under subsection (a) of this Section 6), then the payments and benefits hereunder or any other payment or benefit determined by such counsel to be included in the Total Payments shall be reduced or eliminated so that under the bases of calculations set forth in such opinion there will be no excess parachute payment. If such National Tax Counsel so requests in connection with its opinion, the Executive and the HDI Group Employer shall obtain, at the HDI Group Employer's expense, and the National Tax Counsel may rely on in providing the opinion, the advice of a firm of recognized executive compensation consultants as to the reasonableness of any item of compensation to be received by the Executive. If the provisions of Code Sections 280G and 4999 are repealed without succession, then this Section 6 shall be of no further force or effect.

7. Other Termination. In the event the Executive's employment terminates other than pursuant to a Covered Termination, including, without limitation, a termination for Cause, termination by reason of the Executive's death, Disability or a voluntary retirement or termination by the Executive, the Executive shall be entitled to no benefits or rights under this Plan. Notwithstanding anything herein to the contrary, an otherwise involuntary termination of the Executive's employment will not be treated as a voluntary termination or as a voluntary retirement solely because the Executive's termination is characterized as a voluntary resignation or retirement in connection with any public announcement concerning the Executive's departure or because the Executive receives retirement benefits.

8. Plan Administration. The Committee shall be the fiduciary for this Plan and, as such, shall have full and discretionary responsibility and authority to interpret, control and administer this Plan and to determine eligibility for and the amount of benefits pursuant to this Plan, including the power to amend this Plan as provided in Section 11, the power to promulgate rules of Plan administration, the power to investigate and settle any disputes as to rights or benefits arising under this Plan, the power to appoint agents, accountants and consultants, the power to delegate the Committee's duties, and the power to make such other decisions or take such other actions as the Committee, in its sole discretion, deems necessary or advisable to aid in the proper administration of this Plan. Actions and determinations by the Committee (or its

delegate) shall be final, binding and conclusive for all purposes of this Plan unless determined by a court of competent jurisdiction to be arbitrary and capricious. The Committee has delegated to the Company, acting through its authorized executives and other employees, the power to administer the day-to-day operations of this Plan, including without limitation the calculation of benefits payable under this Plan.

9. Required Tender Back of Benefits. If the Executive has or claims or have any Claims (as defined in Section 3), Executive may elect to assert such Claims. If, however, Executive does formally assert one or more Claims in a writing submitted to the HDI Group, or in a writing submitted to or filed with an appropriate body to determine such Claims, for the legal enforcement of such Claims, such writing shall constitute an irrevocable waiver and disclaimer of the Executive's benefits and rights under this Plan. Further, If the Executive has received benefits under the Plan for a Covered Termination and thereafter asserts any Claims (as defined in Section 3), other than an ERISA appeal pursuant to Section 10 below, the Executive shall, notwithstanding any other plan or agreement to the contrary, return to the HDI Group all benefits received under this Plan. If for any reason Executive cannot legally be compelled to return such benefits, the HDI Group shall be given, to the maximum extent allowed by law, credit for all amounts received by Executive under the Plan against amounts otherwise due to Executive arising out of any such Claims. Notwithstanding the foregoing, this Section 9 shall not be construed to limit or otherwise modify the terms of any release executed by Executive pursuant to Section 3 or otherwise.

10. ERISA Appeal Procedure.

(a) This Section 10 applies only in the limited circumstances in which an Executive has been determined either (i) to not satisfy the requirements for Severance Benefits set forth in Section 3 and the Executive believes that he or she is entitled to Severance Benefits under the Plan, or (ii) to be entitled to Severance Benefits in accordance with the rules set forth in Section 3 but the Executive believes that the amount of Severance Benefits received is less than the amount of benefits provided under the Plan.

(b) An appeal may be filed within ninety (90) days after the Executive's Date of Termination, and must set forth the benefits claimed and the reason therefor. The Committee will notify the Executive of its decision within ninety (90) days of receipt of the appeal. If special circumstances require an extension of time (not to exceed an additional ninety (90) days) for processing the appeal, the Plan Administrator will notify the Executive in writing of the extension prior to the expiration of the initial ninety (90) day period. If the Plan Administrator denies the claim, in whole or in part, such denial notice shall include all information required by law.

(c) Within sixty (60) days of notice of a denied appeal, the Executive may file a request for additional review. Upon request and free of charge, the Plan Administrator shall provide the Executive with reasonable access to, and copies of, all documents, records and other information relevant to the Executive's request. If the Executive timely requests further review, the Plan Administrator will again review all of the comments,

documents, records and other information submitted by the Executive, will render its final decision and provide this decision to the Executive within sixty (60) days of its receipt of the request for review. If special circumstances require an extension of time (not to exceed an additional sixty (60) days) for processing the review, the Plan Administrator will notify the Executive in writing of the extension prior to the expiration of the initial sixty (60) day period. If the Plan Administrator denies the claim, in whole or in part, such denial notice will include the information required by law.

(d) Any person claiming entitlement to a benefit under this Plan must exhaust the appeal and review procedures described above prior to pursuing any other remedy. Any suit or legal action initiated by or on behalf of the Executive or other person claiming entitlement to a benefit under this Plan must be brought no later than one (1) year following the Plan Administrator's final decision under subsection (c) above. This (1) one year limitation period on suits for benefits applies in any forum where the Executive or other person claiming entitlement to a benefit under this Plan (or any other person on behalf of the Executive or such person) initiates such suit or legal action.

11. Amendment and Termination. The Company, by action of the Committee, reserves the right to amend this Plan from time to time or to terminate this Plan; provided, however, that no such amendment or termination shall reduce the amount of Severance Benefits payable to any Executive whose Date of Termination has already occurred. In addition, the Vice President – General Counsel of the Company may amend or modify the terms of this Plan to the extent necessary or advisable to comply with or obtain the benefits of or advantages under the provisions of applicable law, regulations or rulings or requirements (including, without limitation, any amendment necessary to comply with or secure an exemption from Code Section 409A).

12. Plan Document Controls. This document is the official plan document for this Plan. In the event of any conflict between this document and any other document, instrument, or communication describing the policies or procedures with respect to Severance Benefits, the terms of this document are controlling.

13. Plan Not a Guarantee of Employment. Nothing in this Plan shall be construed to prevent the HDI Group Employer from terminating the Executive's employment either for Cause or without Cause.

14. Plan Funding. No Executive or beneficiary thereof shall acquire by reason of this Plan any right in or title to any assets, funds, or property of the HDI Group. Any Severance Benefits that become payable or will be provided under this Plan are unfunded obligations of the applicable HDI Group Employer, and shall be paid from the general assets of such entity. No past or present executive, employee, officer, director, executor, assign, representative, or agent of the HDI Group guarantees in any manner the payment or provision of any Severance Benefits.

15. Governing Law. This Plan shall be governed by and construed in accordance with ERISA, and to the extent not preempted thereby, by the laws of the State of Wisconsin, without regard to conflict of law principles.

16. Venue. As a condition of becoming a participant in and potentially receiving benefits under this Plan, the Executive consents and agrees that in the event of any dispute arising from or in connection with this Plan, the Executive consents and agrees to *in personam* jurisdiction and to venue exclusively in either the Circuit Court for Milwaukee County, Wisconsin, or the United States District Court for the Eastern District of Wisconsin, located in Milwaukee, Wisconsin.

17. No Requirement of Mitigation. The Executive shall not be required to mitigate damages or the amount of any payment to the Executive provided for under this Plan by seeking other employment or otherwise, nor shall the amount of any payment provided for under this Plan be reduced by any compensation earned by the Executive as a result of employment by another employer after a Covered Termination.

18. Headings. The headings in this Plan are for convenience of reference and shall not be given substantive effect.

19. Withholding. The HDI Group shall be entitled to withhold from amounts to be paid to the Executive hereunder any federal, state or local withholding or other taxes or charges which it is from time to time required to withhold; provided that the amount so withheld shall not exceed the minimum amount required to be withheld by law. In addition, if prior to the date of payment of the benefits hereunder, the Federal Insurance Contributions Act (FICA) tax imposed under Code Sections 3101, 3121(a) and 3121(v)(2), where applicable, becomes due, the HDI Group may provide for an immediate payment of the amount needed to pay the Executive's portion of such tax (plus an amount equal to the income taxes that will be due on such amount) and the Executive's remaining benefits under this Plan shall be reduced accordingly.

20. Successors. This Plan shall be binding upon, inure to the benefit of and be enforceable by the HDI Group and the Executive and their respective heirs, legal representatives, successors and assigns. If the HDI Group or any member of the HDI Group shall be merged into or consolidated with another entity, the provisions of this Plan shall be binding upon and inure to the benefit of the entity surviving such merger or resulting from such consolidation.

21. Severability. Any provision of this Plan which is held to be unenforceable or invalid in any respect in any jurisdiction shall be ineffective in such jurisdiction to the extent that it is unenforceable or invalid without affecting the remaining provisions hereof, which shall continue in full force and effect. The unenforceability or invalidity of a provision of this Plan in one jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

22. Nonassignment. The Severance Benefits under this Plan may not be sold, assigned, transferred, pledged, anticipated, mortgaged, or otherwise encumbered, transferred, hypothecated, or conveyed in advance of actual receipt of the Severance Benefits, if any, or any part thereof by the Executive.

HARLEY-DAVIDSON, INC.  
SUBSIDIARIES

<u>Name</u>	<u>State/Country Of Incorporation</u>
H-D U.S.A., LLC	Wisconsin
Harley-Davidson Motor Company Group, LLC	Wisconsin
Harley-Davidson Motor Company Operations, Inc.	Wisconsin
H-D Franklin, LLC	Wisconsin
H-D Tomahawk Somo, LLC	Wisconsin
H-D Tomahawk Industrial Park, LLC	Wisconsin
H-D Tomahawk Kaphaem Road, LLC	Wisconsin
H-D Capitol Drive, LLC	Wisconsin
H-D Pilgrim Road, LLC	Wisconsin
Harley-Davidson Motor Company, Inc.	Wisconsin
Harley-Davidson Museum, LLC	Wisconsin
Buell Distribution Company, LLC	Wisconsin
H-D F&R, LLC	Wisconsin
Harley-Davidson Latin America, LLC	Wisconsin
Harley-Davidson Asia Pacific, LLC	Wisconsin
Buell Motorcycle Company, LLC	Wisconsin
HDWA, LLC	Wisconsin
Harley-Davidson Dealer Systems, Inc.	Ohio
H-D International Holding Co., Inc.	Wisconsin
Harley-Davidson Holding Co., Inc.	Delaware
Harley-Davidson Benelux B.V.	Netherlands
Harley-Davidson France SAS	France
Harley-Davidson Germany GmbH	Germany
Harley-Davidson Italia S.r.l.	Italy
Harley-Davidson Japan KK	Japan
Harley-Davidson Europe Limited	England
Harley-Davidson do Brazil Ltda.	Brazil
Harley-Davidson do Brazil Fabricacao De Componentes Ltda.	Brazil
Harley-Davidson Australia Pty. Limited	Australia
Harley-Davidson (Shanghai) Commercial and Trading Co., Ltd.	China
H-D Hong Kong Limited	Hong Kong
Harley-Davidson Espana S.L.	Spain
Harley-Davidson Switzerland GmbH	Switzerland
New Castalloy Pty. Limited	Australia
Harley-Davidson De Mexico, S. De R.L. De C.V.	Mexico
Harley-Davidson De Mexico Management, S. De R.L. De C.V.	Mexico
Harley-Davidson Africa (Pty) Limited	South Africa
Harley-Davidson Asia Pacific Pte. Ltd.	Singapore
Harley-Davidson Central and Eastern Europe s.r.o.	Czech Republic
H-D Motor Company India Private Limited	India
Harley-Davidson Austria GmbH	Austria

Harley-Davidson RUS LLC	Russia
Harley-Davidson MENA DMCC	Dubai
Harley-Davidson South East Europe Single Member E.P.E.	Greece
Harley-Davidson (Thailand) Company Limited	Thailand
HDMC (Thailand) Ltd.	Thailand
H-D Motorcycle (Thailand) Limited	Thailand
Harley-Davidson Indonesia PT	Indonesia
Harley-Davidson Canada GP Inc.	Canada
Harley-Davidson Canada Holdings ULC	Canada
Harley-Davidson Canada LP	Canada
Renovation Realty Investment Services, Inc.	Wisconsin
HR, LLC	Indiana
HR Holding Corp.	Wisconsin
Harley-Davidson Financial Services, Inc.	Delaware
Harley-Davidson Insurance Services, Inc.	Nevada
Harley-Davidson Credit Corp.	Nevada
Harley-Davidson Insurance Services of Illinois, Inc.	Illinois
Harley-Davidson Customer Funding Corp	Nevada
Harley-Davidson Motorcycle Trust 2014-1	Delaware
Harley-Davidson Motorcycle Trust 2015-1	Delaware
Harley-Davidson Motorcycle Trust 2015-2	Delaware
Eaglemark Savings Bank	Nevada
Harley-Davidson Leasing, Inc.	Nevada
Harley-Davidson Warehouse Funding Corp.	Nevada
Harley-Davidson Financial Services International, Inc.	Delaware
Harley-Davidson Financial Services Europe Limited	England
Harley-Davidson Financial Services Canada, Inc.	Canada

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-51741) pertaining to the Harley-Davidson, Inc. Director Stock Plan;
- (2) Registration Statement (Form S-8 No. 333-75347) pertaining to the Harley-Davidson, Inc. 1998 Non-Exempt Employee Stock Option Plan;
- (3) Registration Statement (Form S-8 No. 333-60840) pertaining to the Harley-Davidson, Inc. 2001 York Hourly-Paid Employees Stock Option Plan;
- (4) Registration Statement (Form S-8 No. 333-123405) pertaining to the Harley-Davidson, Inc. 2004 Incentive Stock Plan;
- (5) Registration Statement (Form S-8 No. 333-166549) pertaining to the Harley-Davidson, Inc. 2009 Incentive Stock Plan;
- (6) Registration Statement (Form S-8 No. 333-171813) pertaining to the Harley-Davidson, Inc. Stock Purchase Plan;
- (7) Registration Statement (Form S-8 Nos. 333-181761) of Harley-Davidson, Inc. pertaining to the Harley-Davidson Retirement Savings Plan for Salaried Employees, the Harley-Davidson Retirement Savings Plan for Milwaukee and Tomahawk Hourly Bargaining Unit Employees, the Harley-Davidson Retirement Savings Plan for Kansas City Hourly Bargaining Unit Employees, the Harley-Davidson Retirement Savings Plan for York Hourly Bargaining Unit Employees, and the Harley-Davidson Financial Services, Inc. 401(k) Profit Sharing Plan;
- (8) Registration Statement (Form S-8 No. 333-199972) pertaining to the Harley-Davidson, Inc. 2014 Incentive Stock Plan; and
- (9) Registration Statement (Form S-3 No. 333-202491) of Harley-Davidson, Inc. and the related Prospectus;

of our reports dated February 21, 2018, with respect to the consolidated financial statements and schedule of Harley-Davidson, Inc. and the effectiveness of internal control over financial reporting of Harley-Davidson, Inc., included in this Annual Report (Form 10-K) of Harley-Davidson for the year ended December 31, 2017.

/s/ Ernst & Young LLP  
Milwaukee, Wisconsin  
February 21, 2018

Chief Executive Officer Certification  
Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934

I, Matthew S. Levatich, certify that:

1. I have reviewed this annual report on Form 10-K of Harley-Davidson, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2018

/S/ Matthew S. Levatich

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Matthew S. Levatich

President and Chief Executive Officer

Chief Financial Officer Certification  
Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934

I, John A. Olin, certify that:

1. I have reviewed this annual report on Form 10-K of Harley-Davidson, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2018

/S/ John A. Olin

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John A. Olin  
Senior Vice President and  
Chief Financial Officer

Written Statement of the Chief Executive Officer and Chief Financial Officer  
Pursuant to 18 U.S.C. sec. 1350

Solely for the purpose of complying with 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, we, the undersigned President and Chief Executive Officer and the Senior Vice President and Chief Financial Officer of Harley-Davidson, Inc. (the “Company”), hereby certify, based on our knowledge, that the Annual Report on Form 10-K of the Company for the year ended December 31, 2017 (the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 21, 2018

/S/ Matthew S. Levatic

Matthew S. Levatic

President and Chief Executive Officer

/S/ John A. Olin

John A. Olin

Senior Vice President and  
Chief Financial Officer

