

**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, 2019

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)

39-1382325
(I.R.S. Employer Identification No.)

3700 West Juneau Avenue
(Address of principal executive offices)

Milwaukee Wisconsin

53208
(Zip code)

Registrant's telephone number, including area code: (414) 342-4680

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock Par value, \$.01 PER SHARE	HOG	New York Stock Exchange

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

Indicate by check mark if 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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of 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, a 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

Accelerated filer

Emerging growth company

Non-accelerated filer

Smaller reporting company

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 Act). Yes No

Aggregate market value of the voting stock held by non-affiliates of the registrant at June 30, 2019: 5,637,424,248

Number of shares of the registrant's common stock outstanding at January 31, 2020: 152,807,930 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 21, 2020

Harley-Davidson, Inc.
Form 10-K
For The Year Ended December 31, 2019

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PART I

(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,” “may,” “will,” “estimates,” “is on-track” or words of similar meaning. Similarly, statements that describe future plans, objectives, outlooks, targets, guidance, commitments 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 *Item 1A. Risk Factors* of this report and under the Cautionary Statements section in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* 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 sections of *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* are only made as of January 28, 2020 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 19, 2020), 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. Harley-Davidson, Inc. is the parent company of 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 of its subsidiaries. The Company operates in two segments: Motorcycles and Related Products (Motorcycles) and Financial Services. 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.

Strategy

The Company's long-term strategy to build the next generation of Harley-Davidson riders globally includes the following 2027 objectives:

- Expand total Harley-Davidson riders to 4 million in the U.S.
- Grow international business to 50% of annual HDMC revenue
- Launch 100 new, high-impact Harley-Davidson motorcycles beginning in 2017
- Deliver superior return on invested capital for HDMC that falls within the top quartile of the S&P® 500
- Grow the business without growing its environmental impact

The “More Roads to Harley-Davidson” (More Roads) plan is designed to accelerate the Company's progress toward building riders globally from 2018 to 2022. The More Roads plan includes four growth catalysts:

- New products – keeping riders inspired by extending the Company's leadership in the market segments it has shaped and defined while unlocking new market opportunities
- Broader access – creating new pathways to Harley-Davidson, expanding access and appeal to more people around the world
- Stronger dealers – working side-by-side with the Company's global dealers to build stronger capabilities that lead to improved channel performance, greater profitability and a Harley-Davidson experience that exceeds riders' expectations
- Amplify brand – enhancing the Harley-Davidson experience to inspire interest in riding, foster moto-culture and build an even bigger, more passionate community of Harley-Davidson riders

Motorcycles and Related Products Segment

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

Motorcycles segment revenue by product line as a percent of total revenue for the last three fiscal years was as follows

	2019	2018	2017
Motorcycles	77.4%	78.1%	76.6%
Parts & Accessories	15.6%	15.2%	16.3%
General Merchandise	5.2%	4.9%	5.3%
Licensing	0.8%	0.8%	0.8%
Other products and services	1.0%	1.0%	1.0%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Motorcycles – The Company's current Harley-Davidson motorcycle offering includes cruiser and touring models that feature unique styling, innovative design, distinctive sound, and superior quality with the ability to customize. Harley-Davidson motorcycles generally feature engines with displacements that are greater than 600cc, up to a maximum displacement of approximately 1900cc. In addition, the Company introduced LiveWire™, its first electric motorcycle, in 2019.

The on-road motorcycle industry is comprised of the following segments:

- Cruiser – emphasizes styling, customization and casual riding
- Touring – emphasizes rider comfort and load capacity and incorporates features such as fairings and luggage compartments ideal for long rides
- Standard – a basic motorcycle typically featuring upright seating for one or two passengers
- Sportbike – incorporates racing technology and performance and aerodynamic styling and riding position
- Dual – designed with the capability for use on-road as well as for some off-road recreational use

The Company's current lineup of motorcycles competes primarily in the cruiser and touring segments. Competition in the segments of the motorcycle industry where the Company currently competes is based upon a number of factors including product capabilities and features, styling, price, quality, reliability, warranty, availability of financing, and quality of the dealer networks that sell the products. The Company believes its motorcycles continue to generally command a premium price at retail relative to competitors' motorcycles. Harley-Davidson motorcycles feature remarkable styling, customization, innovation, sound, quality and reliability and include a warranty that is generally two years. The Company considers the availability of a line of motorcycle parts & accessories and general merchandise, the availability of financing through HDFS and its global network of independent dealers to be competitive advantages.

Under the More Roads plan, the Company intends to introduce new products, including additional electric motorcycles; new middleweight motorcycles that include adventure touring, custom and streetfighter models with engine displacements ranging from 750cc to 1250cc; and smaller displacement motorcycles for certain emerging markets. In 2019, the Company announced a collaboration with Zhejiang Qianjiang Motorcycle Co., Ltd. that will support the launch of a smaller, more accessible Harley-Davidson motorcycle planned for the China market in 2020 with additional Asian markets expected to follow. The Company plans to introduce these new motorcycles between 2020 and 2022.

Motorcycle Industry Data – In 2019, the U.S. and European markets accounted for approximately 75% 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 2019 retail sales data, were Japan, Australia, and Canada.

The Company's market includes on-road motorcycles with internal combustion engines with displacements greater than 600cc and electric motorcycles with kilowatt (kW) peak power equivalents greater than 600cc (601+cc). In the U.S., sales in the 601+cc portion of the motorcycle market represented approximately 76% of the total motorcycle market in 2019, based on new units registered. The cruiser and touring segments accounted for approximately 70% of the sales in U.S. 601+cc portion of the motorcycle market in 2019, consistent with 2018. Harley-Davidson has been the historical market share leader in the U.S. 601+cc portion of the motorcycle market (U.S. industry data source: Motorcycle Industry Council).

U.S. Motorcycle Registration Data^{(a)(b)}

U.S. retail registration data for 601+cc motorcycles was as follows:

	2019	2018	2017
Industry new motorcycle registrations	252,842	263,750	288,802
Harley-Davidson new motorcycle registrations	124,040	131,064	146,493
Harley-Davidson U.S. market share	49.1%	49.7%	50.7%

- (a) Data includes on-road 601+cc models and electric motorcycles with kW peak power equivalents greater than 600cc's. On-road 601+cc models include dual models, three-wheeled motorcycles 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. 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. Management's Discussion and Analysis*. The Company's source for retail sales data in *Item 7. Management's Discussion and Analysis* is sales and warranty registrations provided by independent Harley-Davidson dealers as compiled by the Company. The retail sales data in *Item 7. Management's Discussion and Analysis* includes sales of Harley-Davidson Street® 500 motorcycles which are excluded from 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 cruiser and touring segments represented approximately 20% of the sales in the 601+cc portion of the European market in 2019 compared to approximately 70% of the 601+cc portion of the motorcycle market in the U.S.

European Motorcycle Registration Data^{(a)(b)}

European retail registration data for 601+cc motorcycles was as follows:

	2019	2018	2017
Industry new motorcycle registrations	425,998	397,669	390,619
Harley-Davidson new motorcycle registrations	37,813	40,930	38,115
Harley-Davidson European market share	8.9%	10.3%	9.8%

- (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® 500 motorcycles is not included in this table.
- (b) Europe industry 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 Européens de Motocycles, 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. Management's Discussion and Analysis*. The Company's source for retail sales data in *Item 7. Management's Discussion and Analysis* is sales and warranty registrations provided by Harley-Davidson dealers as compiled by the Company. The retail sales data in *Item 7. Management's Discussion and Analysis* includes sales of Harley-Davidson Street® 500 motorcycles which are excluded from this table. In addition, some differences may arise related to the timing of data submissions to the independent sources.

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

Licensing – The Company creates reach and awareness of the Harley-Davidson brand among its customers and the non-riding public by licensing the name “Harley-Davidson” and other trademarks owned by the Company for use on a range of products.

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

The Company owns, and continues 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 technologies 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 of approximately six 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, the Willie G Skull Logo, HARLEY OWNERS GROUP, H.O.G., the H.O.G. Logo, LIVEWIRE, SOFTAIL and SPORTSTER. 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 global trademark strategy and portfolio.

Marketing – The Company's brand, products and the riding experience are marketed to consumers worldwide. Marketing occurs 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 events in part supported by cooperative programs with the Company.

Experiences that build community and connect consumers with the Harley-Davidson brand and with one another have traditionally been at the center of much of the Company's marketing efforts. To develop, engage and retain committed riders, the Company participates in and sponsors motorcycle rallies, racing activities, music festivals, sports events and other special events. This includes events sponsored by the Harley Owners Group (H.O.G.®) to build community and connect Harley-Davidson motorcycle riders around the world. These activities help inspire interest in riding, foster moto-culture and build a passionate community of Harley-Davidson riders.

Harley-Davidson offers rider education that eliminates barriers and creates opportunities for learning and building rider confidence. Harley-Davidson® Riding Academy courses are conducted by participating independent Harley-Davidson dealerships in the U.S. and select international locations, enabling students to experience the Harley-Davidson brand, products and community as they learn.

The Company also promotes its brand, products and community through a variety of other activities and experiences. Motorcycle rentals and tours are offered through an agreement with EagleRider at select independent dealerships across the U.S. and through the Company's Authorized Rental Program outside of the U.S. Factory tours at select locations offer a chance to see Harley-Davidson employees channel their passion and pride into building Harley-Davidson's extraordinary motorcycles. The Harley-Davidson Museum is a unique destination that builds and strengthens the connection between riders and the brand and enhances the perception of Harley-Davidson among the public at large.

Distribution – The Company's products are retailed primarily 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 sells its motorcycles and related products to a network of independent Harley-Davidson dealers located in approximately 100 countries worldwide. Worldwide Harley-Davidson independent dealership points by geographic location as of December 31, 2019 were as follows:

	U.S.	Canada	EMEA	Asia Pacific	Latin America	Total
Independent dealership points	698	69	423	313	66	1,569

P&A, general merchandise and licensed products are also retailed through eCommerce channels in certain markets. In the U.S., the Company operates an eCommerce site that offers products sold through participating authorized U.S. independent Harley-Davidson dealers and also sells directly to consumers through a well-known third-party eCommerce website. In select international markets, the Company utilizes additional third-party eCommerce websites.

Retail Customer and Dealer Financing – The Company believes that HDFS, as well as other third-party financial institutions, provide access to financing for independent Harley-Davidson dealers and their retail customers. HDFS provides financing to independent Harley-Davidson dealers and their retail customers in the U.S. and Canada. The Company's independent dealers and their retail customers in EMEA, Asia Pacific and Latin America generally have access to financing through third-party financial institutions, some of which have licensing or branding agreements with HDFS.

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 generally correlates with the timing of retail sales.

Motorcycle Manufacturing – The Company has flexible manufacturing capabilities designed to help ensure it is well-positioned to meet customer demand in a timely and cost-effective manner.⁽¹⁾ These capabilities allow 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 manufacturing processes are performed 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 Thailand, Brazil, and India. The Company's Thailand facility manufactures motorcycles for certain Asian markets and, commencing in late 2019, the European Union. In Brazil and India, the Company operates complete knock down assembly facilities, which assemble motorcycles for those respective markets from component kits sourced from the Company’s U.S. facilities and suppliers. Additionally, in India, the Company produces Harley-Davidson® Street motorcycles for distribution to markets outside of North America. The Company's global manufacturing operations are focused on driving world-class quality and performance. A global manufacturing footprint enables the Company to be close to customers, provide quality products at a competitive price and grow its overall business.

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 its strategic objectives and deliver cost and quality improvements over the long-term.⁽¹⁾

The Company's principal raw materials 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, tires, seats, electrical components, instruments and wheels. The Company closely monitors the overall viability of its supply base. The Company does not anticipate difficulties in obtaining raw materials or components.⁽¹⁾

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 U.S. are subject to certification by the United States 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.⁽¹⁾ 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. As the Company expects 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.⁽¹⁾

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 three years ending in 2019, the Company accrued \$83.4 million associated with 13 voluntary recalls related to Harley-Davidson motorcycles.

Employees – As of December 31, 2019, the Motorcycles segment had approximately 5,000 employees, including approximately 2,000 unionized employees at its U.S. manufacturing facilities. Unionized employees are represented with collective bargaining agreements as follows:

- York, Pennsylvania – International Association of Machinist and Aerospace Workers (IAM), agreement will expire on October 15, 2022
- Milwaukee, Wisconsin – United Steelworkers of America (USW) and IAM, agreements will expire on March 31, 2024
- Tomahawk, Wisconsin – USW, agreement will expire on March 31, 2024

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 generally have access to financing through third-party financial institutions, some of which have licensing agreements with HDFS.

Wholesale Financial Services – HDFS provides wholesale financial services to U.S. and Canadian independent Harley-Davidson dealers, including floorplan and open account financing of motorcycles and P&A. All U.S. and Canadian independent dealers utilized HDFS' financing programs at some point during 2019.

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 independent Harley-Davidson dealerships in the U.S. and Canada.

Insurance Services – HDFS works with certain unaffiliated insurance companies which offer point-of-sale protection products through most independent Harley-Davidson dealers in 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 independent Harley-Davidson dealerships.

Licensing – HDFS has licensing arrangements with third-party financial institutions that issue credit cards bearing the Harley-Davidson brand in the U.S. and certain 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 in 2019 were 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 U.S. and Canada, HDFS financed 65.9% and 45.0% of new Harley-Davidson motorcycles retailed by independent dealers during 2019, respectively, compared to 64.9% and 39.9%, respectively, in 2018. 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 independent 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 independent Harley-Davidson dealers. Independent dealers generally have higher inventory in the first half of the year. As a result, outstanding wholesale finance receivables are generally higher during the same period.

Regulation – HDFS operations are generally subject to supervision and regulation by federal and state 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 limit 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 (the Bureau) significant supervisory, enforcement and rule-making authority in the area of consumer financial products and services. Certain Bureau actions and regulations will directly impact HDFS and its operations. For example, the Bureau 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.

Eaglemark Savings Bank (ESB), a subsidiary of HDFS, is a Nevada state thrift chartered as an Industrial Loan Company. The activities of ESB are governed by federal laws and regulations and State of Nevada banking laws. ESB is 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 U.S. and to similarly service loans to U.S. retail customers.

Employees – As of December 31, 2019, the Financial Services segment had approximately 600 employees.

Internet Access

The Company's website address is <http://www.harley-davidson.com>. 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 investor relations 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 investor relations website, the following corporate governance materials: (i) the Company's Corporate Governance Policy; (ii) 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 Brand and Sustainability Committee; (iii) the Company's Financial Code of Ethics; (iv) the Company's Code of Business Conduct (the Code of Conduct); (v) the Conflict of Interest Process for Directors, Executive Officers and Other Employees (the Conflict Process); (vi) a list of the Company's Board of Directors; (vii) the Company's Bylaws; (viii) the Company's Environmental and Energy Policy; (ix) the Company's Policy for Managing Disclosure of Material Information; (x) the Company's Supplier Code of Conduct; (xi) the Sustainability Strategy Report; (xii) the California Transparency in Supply Chain Act Disclosure; (xiii) the Statement on Conflict Minerals; (xiv) the Political Engagement and Contributions 2018-2019; and (xv) the Company's Clawback Policy. The Company's Notice of Annual Meeting and Proxy Statement for its 2020 annual meeting of shareholders, which will include information related to the compensation of the Company's named executive officers, will be made available through its investor relations website.

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 its investor relations website. The Company is not including the information contained on or available through any of its websites 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 short-term and long-term business plans and strategies.** There is no assurance that the Company will be able to execute its business plans and strategies, including the elements of the More Roads plan for growth that the Company disclosed on July 30, 2018 and updated September 24, 2019, and strengthen its existing business while enabling growth. The Company's ability to meet the objectives, milestones, outlooks, and goals in the More Roads plan depends upon, among other factors, the Company's ability to: (i) realize expectations concerning market demand for electric, middleweight, and small-displacement models, which may depend in part on the building of necessary infrastructure, (ii) develop and introduce products on a timely basis that the market accepts, that enable the Company to generate desired sales levels and that provide the desired financial returns, (iii) successfully carry out its global manufacturing and assembly operations, (iv) manage risks that arise through expanding international manufacturing, operations and sales, (v) effectively implement changes relating to its dealers and distribution methods, (vi) accurately analyze, predict and react to changing market conditions, (vii) perform in a manner that enables the Company to benefit from market opportunities while competing against existing and new competitors, (viii) reduce other costs to offset costs of the More Roads plan and redirect capital without adversely affecting its existing operations, and (ix) avoid adverse impacts to its operations and/or demand for its products that may result from widespread infectious disease, in particular as it relates to its small displacement plans in Asia. Without limitation, the Company sees 2020 as the pivotal year in the transformation of the Company under the More Roads plan, and the Company faces challenges, risks and uncertainties in executing the plan. As a result, the Company may not realize its expectation of significant growth in 2021 or its goals for 2022 under the plan. The Company also may not be able to achieve the 2027 objectives under the Company's long-term strategy to build the next generation of Harley-Davidson riders globally.
- **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 expanding to 4 million total Harley-Davidson riders in the U.S. through 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'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 technologies, and at the same time, it is 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 that consumers desire. 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. 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.
- **Changes in general economic and business conditions, tightening of credit and retail markets, political events or other factors may adversely impact independent 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 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 HDFFS. 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.

- **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 financial services operations are exposed to credit risk on its retail and wholesale finance 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 HDFFS has extended. This in turn could adversely impact the prices at which repossessed motorcycles may be sold, which may lead to increased credit losses for HDFFS. 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 HDFFS' retail credit losses may continue to increase over time due to changing consumer credit behavior, HDFFS' efforts to increase prudently structured loan approvals to sub-prime borrowers, and new financing programs that may result in different loan performance than our existing programs.
- **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. 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 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.
- **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 international expansion. 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, 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 and cash flows. This includes, for example, the uncertainty related to the impact of United Kingdom's withdrawal from the European Union (EU)

(commonly known as “Brexit”). 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.

- **Changes in trade policies, including the imposition of tariffs, their enforcement and downstream consequences, may continue to have a material adverse impact on our business, results of operations and outlook.** Tariffs and/or other developments with respect to trade policies, trade agreements and government regulations could have a material adverse impact on the Company's business, financial condition and results of operations. Recent tariffs imposed by the EU and China resulted in material increases to the Company's operating costs in 2018 and 2019. In 2018, the EU placed a 25% incremental tariff (31% total tariff) on motorcycles imported into the EU from the U.S., which is scheduled to increase to a 50% incremental tariff (56% total tariff) effective June 1, 2021. In addition, the U.S. government has imposed increased tariffs on imports from China (Section 301 tariffs), which has resulted in higher costs for components and products sourced from China.

In 2019, the Company obtained regulatory approvals that allow it to supply its EU markets with Touring, Softail® and Sportster® motorcycles produced at its Thailand operations at reduced tariff rates of 6%. These motorcycles will not be subject to the current 31% or future 56% tariffs that apply to motorcycles sourced from the Company's U.S. facilities. The Company expects wholesale shipments of Thailand-sourced lower-tariff motorcycles in the EU to begin early in the second quarter of 2020⁽¹⁾. Certain Trike and CVO™ models will continue to be sourced from the U.S. and will remain subject to the higher EU tariffs.

Recent U.S. tariffs on imports from China remain largely unmitigated and are expected to cost the Company approximately \$15 million in 2020⁽¹⁾. The ongoing impact of these tariffs will depend on future trade discussions between the U.S. and China or the Company's ability to avoid or offset these costs should the tariffs remain in place.

Without limitation, (i) tariffs currently in place, (ii) the imposition by the U.S. government of new tariffs on imports to the U.S. and/or (iii) the imposition by foreign countries of tariffs on U.S. products, including tariffs imposed in response to U.S. tariffs, could materially increase: (a) the cost of Harley-Davidson products that the Company is offering for sale in relevant countries, (b) the cost of certain products that the Company sources from foreign manufacturers and (c) the prices of certain raw materials that the Company utilizes. The Company may not be able to pass such increased costs on to independent dealers or their customers, and the Company may not be able to secure sources of certain products and materials that are not subject to tariffs on a timely basis. Such developments could have a material adverse impact on the Company's business, financial condition 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 a key element to enable improvements in the Company's ability to respond to customers in a cost effective manner⁽¹⁾. 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. 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 recall campaigns, warranty costs, litigation, product liability claims, delays in new model launches and regulatory investigations. 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, and 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 liabilities 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.

- **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, mobile applications, planned connected vehicle services offerings and other aspects of its business. The Company's information systems, and those of its third-party service providers and vendors, are vulnerable to continually evolving cybersecurity risks. The Company's plan to offer connected vehicle services will heighten these 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 materially 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 is exposed to market risk from changes in foreign currency 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 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, commodity prices, and interest rate risks, the Company does not attempt to manage its entire expected exposure, and these derivative financial 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 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 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, natural disasters or widespread infectious disease. Further, the Company's 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'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.
- **The Company primarily 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 independent 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 independent dealerships. As a result, the Company could face additional adverse consequences related to the termination of independent dealer relationships. Additionally, liquidating a former independent 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 independent dealer.
- **The financial services operations are highly dependent on accessing capital markets to fund 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.** 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 and reduced funds available through its financial services operations to provide loans to independent dealers and their retail customers. Additionally, 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, then the Company's cost of borrowing could increase, which may result in reduced earnings and reduced interest margins, and the Company's access to capital may be disrupted or impaired.
- **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. Also, older technologies may fail, which may have a material adverse effect on the Company's business and results of operations. In the case of the Company's planned electronic vehicle services offering, these risks are heightened because these services are dependent on (i) the successful implementation of complex third-party cloud solutions, (ii) the ability of a rider's motorcycle and mobile application to successfully connect to each other and (iii) the support of cellular carriers.
- **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), Securities and Exchange Commission (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 independent 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. federal and state jurisdictions 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 laws. If the governing tax authorities have a different interpretation of the applicable laws or if there is a change in tax laws, 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.

Environmental – The majority of 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 the 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 U.S. federal and state and foreign 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. U.S. 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 or convenience fees 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 continues to evolve 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 the courts. The Dodd-Frank Act also created the Consumer Financial Protection Bureau (the Bureau). The Bureau has significant enforcement and rule-making authority in the area of consumer financial products and services. The direction that the Bureau will take, the regulations it will adopt, and its interpretation of existing laws and regulations are all elements that are not yet fully known and subject to change. 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 Bureau 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 Bureau 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's Motorcycles segment is dependent upon unionized labor.** A substantial portion of the hourly production employees working in the Motorcycles segment are represented by unions and covered by collective bargaining agreements. HDMC is currently a party to three 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 Wisconsin will expire in 2024, and the agreement with employees in Pennsylvania will expire in 2022. 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. The Company's decisions regarding opening, closing, expanding, contracting or restructuring its facilities may require changes to existing or new bargaining agreements. Failure to renew 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 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 displacement motorcycles for certain periods of time. Riders typically are only permitted to obtain a license to ride larger displacement motorcycles upon reaching certain ages and/or having been licensed to ride smaller displacement 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 *Item 3. Legal Proceedings* in this Form 10-K and in the other periodic reports that the Company files with the 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 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 liabilities, 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 must maintain stakeholder confidence in its corporate governance practices and operating ethics.** 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. The U.S. Congress has previously considered and may in the future implement restrictions on greenhouse gas emissions. In addition, several U.S. states, including states where the Company has manufacturing facilities, 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 U.S., including the Company's supply chain. The Company's manufacturing facilities use energy, including electricity and natural gas, and certain of the Company's facilities 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 materials that the Company purchases to use in its products could cause the Company to incur additional expenses and may have other adverse consequences.** Laws or regulations impacting the Company's supply chain, such as the UK Modern Slavery Act, could affect the sourcing and availability of some of the raw materials that the Company uses in the manufacturing of its products. The Company's supply chain is complex, and if it is not able to fully understand its supply chain, then the Company may face reputational challenges with customers, investors or others and other adverse 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

A summary of the principal operating properties of the Company as of December 31, 2019 is as follows:

Type of Facility	Location	Status
Motorcycle and Related Products:		
Corporate office	Milwaukee, WI	Owned
Product development center	Wauwatosa, WI	Owned
Manufacturing ^(a)	Menomonee Falls, WI	Owned
Manufacturing ^(b)	Tomahawk, WI	Owned
Manufacturing ^(c)	York, PA	Owned
Manufacturing ^(d)	Rayong, Thailand	Owned
Manufacturing ^(e)	Manaus, Brazil	Leased
Manufacturing ^(f)	Bawal, India	Leased
Financial Services:		
Corporate office	Chicago, IL	Leased
Wholesale and retail operations office	Plano, TX	Leased
Retail operations office	Carson City, NV	Owned

- (a) Motorcycle powertrain production
- (b) Production and painting of motorcycle component parts
- (c) Motorcycle parts fabrication, painting and assembly
- (d) Production of select models for certain Asian and European markets
- (e) Assembly of select models for the Brazilian market
- (f) Assembly of select models for the Indian market and production of Harley-Davidson® Street motorcycles for markets outside of North America

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 Department of Justice (DOJ), on behalf of 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. On March 1, 2018, the Company and the DOJ each filed separate response briefs. The Company is awaiting the court’s decision on whether or not to finalize the Settlement, and on February 8, 2019 the DOJ filed a status update reminding the court of the current status of the outstanding matter. The Company has an accrual associated with this matter recorded in *Accrued liabilities* on 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 Matter – The Company is involved with government agencies and the U.S. Navy 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. The Company has an agreement with the U.S. Navy which calls for the U.S. 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). A site wide remedial investigation/feasibility study and a proposed final remedy for the York facility has been completed and approved by the Pennsylvania Department of Environmental Protection and the EPA. The associated cleanup plan documents were submitted for approval in December 2019 and remaining cleanup activities will begin in mid-2020. The Company has an accrual for its share of the estimated future Response Costs recorded in *Other long-term liabilities* on the *Consolidated balance sheets*.

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*.⁽¹⁾

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Harley-Davidson, Inc. common stock is traded on the New York Stock Exchange under the trading symbol HOG. As of January 31, 2020, there were 68,506 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 units. Detail related to the Company's repurchases of its common stock based on the date of trade during the quarter ended December 31, 2019 is as follows:

2019 Fiscal Month	Total Number of Shares Purchased ^(a)	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 30 to November 3	569,959	\$ 35	569,959	9,851,678
November 4 to December 1	438,496	\$ 36	438,496	9,414,221
December 2 to December 31	1,167,849	\$ 37	1,167,849	8,246,721
	<u>2,176,304</u>	<u>\$ 36</u>	<u>2,176,304</u>	

(a) Includes discretionary share repurchases and shares of common stock that employees surrendered to satisfy withholding taxes in connection with the vesting of restricted stock units

In February 2018, the Company's Board of Directors authorized the Company to repurchase up to 15.0 million shares of its common stock with no dollar limit or expiration date. As of December 31, 2019, 8.2 million shares remained under this authorization.

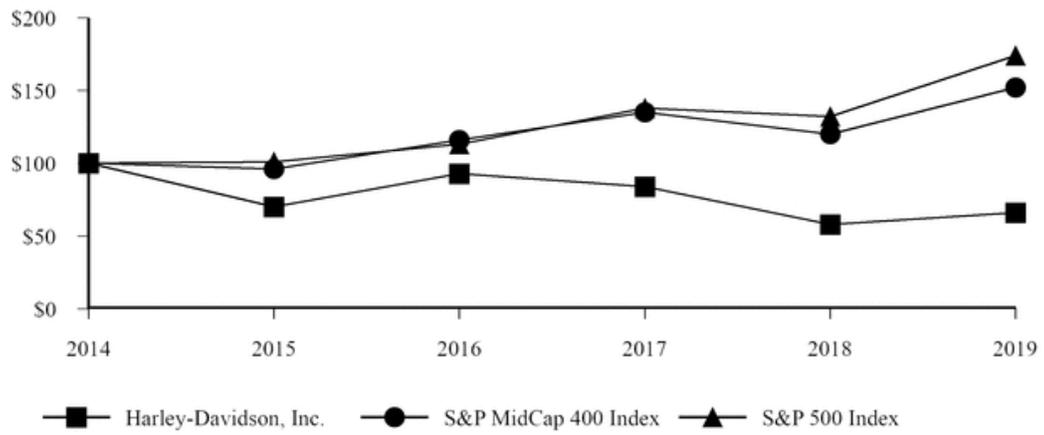
Under the share repurchase authorization, the Company's common stock may be purchased through any one or more of a Rule 10b5-1 trading plan and discretionary purchases on the open market, block trades, accelerated share repurchases or privately negotiated transactions. The number of shares repurchased, 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 (i) have the Company withhold shares otherwise issuable under the award, (ii) tender back shares received in connection with such award or (iii) deliver other previously owned shares, in each case having a value equal to the amount to be withheld. During the fourth quarter of 2019, the Company acquired 9,548 shares of common stock that employees presented to the Company to satisfy withholding taxes in connection with the vesting of restricted stock units.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters of this Annual Report 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 (S&P) 500 Index as the broad-based index and the S&P MidCap 400 Index as a more specific comparison. The S&P MidCap 400 Index was chosen as the Company does not believe 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, 2014 and that all dividends are reinvested.

Comparison of Cumulative Five Year Total Return



	2014	2015	2016	2017	2018	2019
Harley-Davidson, Inc.	\$ 100	\$ 70	\$ 93	\$ 84	\$ 58	\$ 66
S&P's MidCap 400 Index	\$ 100	\$ 96	\$ 116	\$ 135	\$ 120	\$ 152
S&P's 500 Index	\$ 100	\$ 101	\$ 113	\$ 138	\$ 132	\$ 174

Item 6. Selected Financial Data

(in thousands, except per share amounts)	2019	2018	2017	2016	2015
Revenue:					
Motorcycles and Related Products	\$ 4,572,678	\$ 4,968,646	\$ 4,915,027	\$ 5,271,376	\$ 5,308,744
Financial Services	789,111	748,229	732,197	725,082	686,658
	\$ 5,361,789	\$ 5,716,875	\$ 5,647,224	\$ 5,996,458	\$ 5,995,402
Net income	\$ 423,635	\$ 531,451	\$ 521,759	\$ 692,164	\$ 752,207
Weighted-average shares:					
Basic	157,054	165,672	171,995	179,676	202,681
Diluted	157,804	166,504	172,932	180,535	203,686
Earnings per share:					
Basic	\$ 2.70	\$ 3.21	\$ 3.03	\$ 3.85	\$ 3.71
Diluted	\$ 2.68	\$ 3.19	\$ 3.02	\$ 3.83	\$ 3.69
Dividends paid per share	\$ 1.50	\$ 1.48	\$ 1.46	\$ 1.40	\$ 1.24
Assets^{(a)(c)}	\$ 10,528,159	\$ 10,665,664	\$ 9,972,672	\$ 9,890,240	\$ 9,972,977
Debt^(a)	\$ 7,444,930	\$ 7,599,276	\$ 6,988,009	\$ 6,807,567	\$ 6,872,198
Lease obligations^(c)	\$ 63,460	\$ —	\$ —	\$ —	\$ —
Shareholders' equity^(b)	\$ 1,803,999	\$ 1,773,949	\$ 1,844,277	\$ 1,920,158	\$ 1,839,654

(a) The Company adopted Accounting Standards Update (ASU) No. 2015-03 and ASU No. 2015-15 on January 1, 2016. Upon adoption, the Company reclassified debt issuance cost, other than those related to line of credit arrangements, from other assets to debt.

(b) The Company adopted ASU No. 2014-09 on January 1, 2018. Upon adoption, the Company recorded a net increase to the opening balance of *Retained earnings* of \$6.0 million, net of income taxes, to recognize the cumulative effect of the adoption.

(c) The Company adopted ASU No. 2016-02 on January 1, 2019. Upon adoption, the Company recorded *Lease assets* and related lease liabilities related to the Company's leasing arrangements totaling approximately \$60 million.

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

Harley-Davidson, Inc. is the parent company of 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 segments: Motorcycles and 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. Certain "% Change" deemed not meaningful (NM) have been excluded.

(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," "may," "will," "estimates," "is on-track" or words of similar meaning. Similarly, statements that describe or refer to future expectations, future plans, strategies, objectives, outlooks, targets, guidance, commitments 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 in *Item 1A. Risk Factors* and in "Cautionary Statements" in this Item 7. 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" sections are only made as of January 28, 2020 and the remaining forward-looking statements in this report are only made as of the date of the filing of this report (February 19, 2020), and the Company disclaims any obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Overview⁽¹⁾

The Company's net income for 2019 was \$423.6 million, or \$2.68 per diluted share, compared to \$531.5 million, or \$3.19 per diluted share, in 2018.

Operating income from the Motorcycles segment in 2019 was down \$132.7 million compared to 2018 due primarily to lower wholesale motorcycle shipments, a less favorable product mix and higher costs related to the impact of recent European Union (EU) and China tariffs, partially offset by lower recall costs and lower restructuring expenses.

Operating income from the Financial Services segment in 2019 was down \$25.2 million or 8.6% compared to 2018 due primarily to an increase in the provision for credit losses.

Worldwide independent dealer retail sales of new Harley-Davidson motorcycles decreased 4.3% in 2019 compared to 2018. Retail sales were down 5.2% in the U.S. and decreased 3.0% in international markets compared to 2018. Internationally, retail sales growth in emerging markets was more than offset by declines in developed markets. Retail sales in the U.S. continued to be impacted by a weak U.S. industry; however, the rate of decline for the U.S. industry moderated in 2019. The U.S. 601+cc industry declined 4.1% in 2019 compared to 2018, which was the industry's lowest rate of decline since 2016. The Company expects continued headwinds in 2020 in the U.S. and developed international markets.

The Company plans to continue to address these market challenges by focusing on its strategy to build the next generation of riders globally and executing its "More Roads to Harley-Davidson" (More Roads) plan. The More Roads plan, which extends from 2018 to 2022, is designed to accelerate the Company's progress towards building committed riders globally and deliver significant growth starting in 2021. One of the Company's objectives is to expand total Harley-Davidson riders in the U.S. to 4 million by the end of 2027. This objective is focused on both attracting and retaining more riders each year.

At the end of 2019, there were 3.1 million Harley-Davidson riders in the U.S., 55,000 more total riders than at the end of 2018. During 2019, 527,000 riders joined the Harley-Davidson brand in the U.S., 25,000 more than the number that joined Harley-Davidson in 2018.* (*Data and analysis based on IHS Markit Motorcycles in Operation (MIO) for On-Highway and Dual purpose bikes in the U.S. Snapshot based on data as of Dec. 31, 2019 compared to Dec. 31, 2018. IHS Markit reports, data and information referenced herein (the "IHS Markit Materials") are the copyrighted property of IHS Markit Ltd. and its subsidiaries ("IHS Markit"). The IHS Markit Materials are from sources considered reliable; however, the accuracy and completeness thereof are not warranted, nor are the opinions and analyses published by IHS Markit representations of fact. The

IHS Markit Materials speak as of the original publication date thereof and are subject to change without notice. IHS Markit and other trademarks appearing in the IHS Markit Materials are the property of IHS Markit or their respective owners.)

The Company aims to continue to improve annual progress towards building committed riders to reach its 2027 objective and is executing its More Roads plan to do so. The Company believes it advanced its More Roads plan during 2019 and is on-track to realize its expectation of significant growth in 2021.

Outlook⁽¹⁾

On January 28, 2020, the Company announced the following expectations for 2020.

Motorcycles and Related Products Segment – In 2020, the Company expects Motorcycles segment revenue to be approximately \$4.53 billion to \$4.66 billion, or down 1% to up 2% compared to 2019. Beginning in 2020, the Company is providing revenue guidance in place of motorcycle shipment guidance. The Company believes revenue is a more comprehensive view of the business given the breadth of revenue growth drivers included in the More Roads plan that would not be reflected in motorcycle shipments. These include things such as small displacement motorcycles, electric bicycles, electric two-wheelers for kids and an expanded focus on broadening access to general merchandise products. As the Company transitions from motorcycle shipment guidance to revenue guidance, it provided the following outlook for motorcycle shipments. The Company expects 2020 worldwide motorcycle shipments, including its 601+cc and LiveWire™ motorcycles, to be down modestly, to up slightly, compared to 2019.

The Company expects U.S. retail sales of new Harley-Davidson motorcycles to be lower in 2020 compared to 2019 behind lower U.S. industry sales, but expects the rate of decline to continue to temper during 2020.

During 2020, the Company expects worldwide retail sales to be positively impacted by:

- Its focus on increasing committed riders and investment in the Stronger Dealers growth catalyst of the More Roads plan
- Its model year 2020 and 2021 motorcycles, including the Pan America™ and Harley-Davidson® Bronx™ middleweight models in late 2020
- Expansion of the international independent dealer network

However, the Company expects these positive sales impacts to continue to be met by strong headwinds, including:

- A declining U.S. motorcycle industry
- A relative shift in rider preference toward market segments in which the Company does not currently compete, but plans to enter by the end of 2020
- A marketplace crowded with highly competitive promotions, incentives and discounts

In 2020, Motorcycles segment operating margin as a percent of revenue is expected to be between 7% and 8%, up from 2019 operating margin of 6.3%.

Gross margin is expected to increase in 2020 behind lower year-over-year EU and China tariffs and strong operational productivity, including approximately \$23 million in incremental Manufacturing Optimization Plan savings, partially offset by unfavorable changes in product mix. Refer to the “Restructuring Plan Costs and Savings” section below for further information regarding the Manufacturing Optimization Plan.

During 2020, the Company expects the impact of recent EU and China tariffs to be approximately \$35 million, which is down significantly from the 2019 impact of recent EU and China tariffs of \$97.9 million. The 2020 estimate includes EU tariffs of approximately \$20 million resulting from the shipment of remaining high-tariff inventory in Europe and continued tariffs on Trike and CVO™ models which the Company will continue to produce in the U.S. In addition, the Company expects to incur approximately \$15 million from U.S. tariffs on imports from China (Section 301 tariffs).

While the Company plans to drive cost out of *Selling, administrative and engineering expense*, it expects operating expenses to be higher in 2020 due to increased investment in the More Roads plan and the absence of benefits recorded in 2019 related to recalls. In 2019, the Company recognized approximately \$34 million of recall benefits primarily driven by supplier recoveries that are not expected to repeat in 2020. In 2020, investment in the More Roads plan is expected to peak as the Company finalizes product development and plans to launch:

- New middleweight motorcycles
- Electric bicycles
- A small displacement motorcycle in China

Finally, the Company does not expect to incur restructuring expense in 2020, which will compare favorably to \$32.4 million of restructuring expense in 2019.

Looking to the first quarter of 2020, the Company expects Motorcycles segment revenue to be between \$1.09 billion and \$1.17 billion, down 2% to 9% compared to the first quarter of 2019. First quarter 2020 Motorcycles segment operating margin as a percent of revenue is also expected to be down approximately 2.5 percentage points compared to the prior year. First quarter 2020 Motorcycles segment gross margin is expected to be flat to the prior year driven by favorable tariff impacts and increased productivity, which are expected to be offset by unfavorable mix. *Selling, administrative and engineering expense* is expected to be higher in the first quarter of 2020 compared to the first quarter of 2019 due primarily to the recall benefit of approximately \$28.0 million recorded in 2019.

Financial Services Segment – The Company expects 2020 Financial Services segment operating income to be approximately flat compared to 2019 driven by modestly higher interest income largely offset by an increased provision for credit losses and higher interest expense as some lower rate debt matured during 2019. Credit losses are expected to be slightly higher due in part to increased expected loss experience on certain financing programs.

Effective January 1, 2020, the Company adopted Accounting Standards Update (ASU) No. 2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13). Adoption of this standard will impact how the Company recognizes credit losses on its financial instruments. The Company has completed its work surrounding model development, documentation and validation as well as its evaluation of associated processes, data sources, internal controls and policies. The Company is working through its remaining steps for the adoption of ASU 2016-13, which includes finalizing assumptions related to economic forecasts and appropriate qualitative factors and their associated processes and internal controls. The impact of adoption is expected to result in an initial increase in the allowance for credit losses in the range of \$70.0 million to \$110.0 million, with a decrease in retained earnings net of taxes.

The initial change in the allowance for credit losses at adoption and the ongoing effect of ASU 2016-13 on the provision for credit losses will be impacted by the size and composition of the Company's finance receivables portfolio, economic conditions, reasonable and supportable forecasts, and other appropriate factors at each reporting period. Favorable or unfavorable changes in these key factors may cause additional volatility in the provision for credit losses and, therefore, Financial Services segment operating income.

Harley-Davidson, Inc. – Capital expenditures in 2020 are expected to be \$215 million to \$235 million. The Company anticipates it will have the ability to fund all capital expenditures in 2020 with cash flows generated by operations.

The Company expects its 2020 full year effective tax rate will be approximately 24% to 25%. This guidance excludes the effect of potential future adjustments, including items associated with any potential new tax legislation or audit settlements.

Restructuring Plan Costs and Savings⁽¹⁾

In January 2018, the Company commenced a significant, multi-year manufacturing optimization plan anchored by the consolidation of its plant in Kansas City, Missouri into its plant in York, Pennsylvania and the closure of the Company's wheel operations in Adelaide, Australia (Manufacturing Optimization Plan). The consolidation of U.S. operations included the elimination of approximately 800 jobs at the Kansas City facility and the addition of approximately 450 jobs at the York facility. The Adelaide facility closure resulted in the elimination of approximately 90 jobs.

In November 2018, the Company implemented a reorganization of its workforce (Reorganization Plan). As a result, approximately 70 employees left the Company on an involuntary basis.

The Company does not expect to incur any additional costs under the restructuring plans in 2020. The actual costs and estimated savings associated with the restructuring plans were as follows (dollars in millions):

	2018 Actual	2019 Actual	2020 Estimated	Total
Manufacturing Optimization Plan:				
Costs related to temporary inefficiencies	\$ 12.9	\$ 10.3	\$ —	\$ 23.2
Restructuring expenses	89.5	32.7	—	122.2
	\$ 102.4	\$ 43.0	\$ —	\$ 145.4
Approximate cash expenditures				60%
Reorganization Plan:				
Restructuring expenses (benefits)	\$ 3.9	\$ (0.3)	\$ —	\$ 3.6
Approximate cash expenditures				100%
		2019 Actual	2020 Estimated	Annual Ongoing Estimated
Annual cash savings:				
Manufacturing Optimization Plan		\$32.2	\$50 - \$60	\$65 - \$75
Reorganization Plan		\$ 7.0	\$7	\$7

Refer to *Note 3 of the Notes to Consolidated financial statements* for additional information regarding restructuring expenses.

Results of Operations 2019 Compared to 2018

Consolidated Results

(in thousands, except earnings per share)	2019	2018	(Decrease) Increase	% Change
Operating income from Motorcycles and Related Products	\$ 289,620	\$ 422,363	\$ (132,743)	(31.4)%
Operating income from Financial Services	265,988	291,160	(25,172)	(8.6)
Operating income	555,608	713,523	(157,915)	(22.1)
Other income (expense), net	16,514	3,039	13,475	443.4
Investment income	16,371	951	15,420	NM
Interest expense	31,078	30,884	194	0.6
Income before provision for income taxes	557,415	686,629	(129,214)	(18.8)
Provision for income taxes	133,780	155,178	(21,398)	(13.8)
Net income	\$ 423,635	\$ 531,451	\$ (107,816)	(20.3)%
Diluted earnings per share	\$ 2.68	\$ 3.19	\$ (0.51)	(16.0)%

Consolidated operating income was down 22.1% in 2019 compared to 2018 driven by a decrease in operating income from the Motorcycles segment of \$132.7 million and a decrease in operating income from the Financial Services segment of \$25.2 million. Refer to the Motorcycles and Related Products Segment and Financial Services Segment discussions for a more detailed analysis of the factors affecting operating income.

Other income in 2019 was favorably impacted by lower amortization of actuarial losses related to the Company's defined benefit plans. Investment income increased in 2019 as compared to 2018 due to favorable changes in the fair value of the Company's marketable securities and cash equivalents.

The effective income tax rate for 2019 was 24.0% compared to 22.6% for 2018. The higher effective income tax rate was primarily due to favorable discrete income tax adjustments recorded in 2018.

Diluted earnings per share were \$2.68 in 2019, down 16.0% compared to 2018. Diluted earnings per share were adversely impacted by the 20.3% decrease in net income, but benefited from lower diluted weighted average shares outstanding. Diluted weighted average shares outstanding decreased from 166.5 million in 2018 to 157.8 million in 2019 driven by the Company's repurchases of common stock. 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^(a)

Retail unit sales of new Harley-Davidson motorcycles were as follows:

	2019	2018	(Decrease) Increase	% Change
United States	125,960	132,868	(6,908)	(5.2)%
Europe ^(b)	38,441	41,179	(2,738)	(6.6)
EMEA - Other	5,645	5,423	222	4.1
Total EMEA	44,086	46,602	(2,516)	(5.4)
Asia Pacific ^(c)	17,753	18,429	(676)	(3.7)
Asia Pacific - Other	11,760	10,295	1,465	14.2
Total Asia Pacific	29,513	28,724	789	2.7
Latin America	9,768	10,167	(399)	(3.9)
Canada	8,946	9,690	(744)	(7.7)
Total international retail sales	92,313	95,183	(2,870)	(3.0)
Total worldwide retail sales	218,273	228,051	(9,778)	(4.3)%

(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 independent dealers supply concerning new retail sales, and the Company does not regularly verify the information that its independent dealers supply. This information is subject to revision.

(b) Europe data includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom

(c) Asia Pacific data includes Japan, Australia, New Zealand and Korea

Retail sales of new Harley-Davidson motorcycles in the U.S. were down 5.2% in 2019 compared to 2018 behind continued declines in the 601+cc U.S. industry, which was down 4.1% compared to 2018. However, the Company was encouraged by the tempering rates of decline experienced from 2018 to 2019. In 2018, retail sales of new Harley-Davidson motorcycles were down 10.2% and the 601+cc U.S. industry was down 8.7%, compared to 2017. The Company believes retail sales trends for new Harley-Davidson motorcycles have benefited from a tempered rate of decline in the U.S. industry, the Company's focus on its Stronger Dealers growth catalyst of the More Roads plan and increased marketing investments.

The Company's U.S. market share of new 601+cc motorcycles for 2019 was 49.1%, down 0.6 percentage points compared to 2018. The Company's U.S. market share reflected the adverse impact of relatively strong growth in segments in which the Company does not currently compete. In the cruiser and touring segments, which represent approximately 70% of the 601+cc market and where the Company currently competes, its market share was up 2.5 percentage points on a full-year basis (Source: Motorcycle Industry Council).

International retail sales of new Harley-Davidson motorcycles were down 3.0% in 2019. Retail sales in developed markets were down 6.0% during 2019 partially offset by higher retail sales in emerging markets, which increased 5.0%. Retail sales increases in emerging markets during 2019 were driven by growth in various markets, including China and the Company's Association of Southeast Asian Nations (ASEAN) markets. The Company's Thailand manufacturing facility, which enables lower tariffs, was a key factor supporting growth in the Company's ASEAN markets.

In developed international markets, retail sales across most European markets were down in 2019 given strong 2018 initial retail sales of the Company's new Softail® motorcycles and due to lower Street sales, which were adversely impacted by a recall initiated in early 2019. Additionally, retail sales were down in Japan and Australia in 2019 compared to 2018 behind contracting industry sales and for Japan competitive new product introductions outside of the touring and cruiser segments.

The Company's European market share of new 601+cc motorcycles for 2019 was 8.9%, down 1.4 percentage points compared to 2018 (Source: Association des Constructeurs Europeens de Motocycles).

The international independent dealer network expanded during 2019, adding 27 new independent dealer points during the year. The Company remains confident in and committed to the significant potential that international markets offer Harley-Davidson. The Company believes it has the brand, products and distribution network to drive sustainable growth in international markets.⁽¹⁾

Motorcycle Registration Data - 601+cc^(a)

Industry retail registration data for new motorcycles was as follows:

	2019	2018	(Decrease) Increase	% Change
United States ^(b)	252,842	263,750	(10,908)	(4.1)%
Europe ^(c)	425,998	397,669	28,329	7.1 %

(a) Data includes on-road models with internal combustion engines with displacements greater than 600cc's and in the United States electric motorcycles with kilowatt (kW) peak power equivalents greater than 600cc's (601+cc). On-road 601+cc models include dual purpose models, three-wheeled motorcycles and autocycles. Registration data for Harley-Davidson Street® 500 motorcycles is not included in this table.

(b) United States industry data is derived from information provided by Motorcycle Industry Council. 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, an independent agency. This third-party data is subject to revision and update.

Motorcycles and Related Products Segment

Motorcycle Unit Shipments

Wholesale Harley-Davidson motorcycle unit shipments were as follows:

	2019		2018		Unit	Unit
	Units	Mix %	Units	Mix %	Decrease	% Change
Motorcycle Units:						
United States	124,326	58.1%	132,433	57.9%	(8,107)	(6.1)%
International	89,613	41.9%	96,232	42.1%	(6,619)	(6.9)
	<u>213,939</u>	<u>100.0%</u>	<u>228,665</u>	<u>100.0%</u>	<u>(14,726)</u>	<u>(6.4)%</u>
Motorcycle Units:						
Touring motorcycle units	91,018	42.5%	101,942	44.6%	(10,924)	(10.7)%
Cruiser motorcycle units ^(a)	76,052	35.6%	78,529	34.3%	(2,477)	(3.2)
Sportster® / Street motorcycle units	46,869	21.9%	48,194	21.1%	(1,325)	(2.7)
	<u>213,939</u>	<u>100.0%</u>	<u>228,665</u>	<u>100.0%</u>	<u>(14,726)</u>	<u>(6.4)%</u>

(a) Includes Softail®, CVO™, and LiveWire™

During 2019, Harley-Davidson motorcycle shipments were down 6.4% compared to the prior year and in line with the Company's guidance. The mix of Touring motorcycles decreased as a percent of total shipments while the mix of Cruiser and Sportster®/Street motorcycles increased compared to 2018.

At the end of 2019, U.S. independent dealer retail inventory of new Harley-Davidson motorcycles was down approximately 1,500 motorcycles compared to the end of 2018. The Company plans to continue to aggressively manage supply in line with demand. However, the Company does expect 2020 year-end worldwide retail inventory to increase moderately compared to 2019 behind dealer fill of the Company's new middleweight motorcycles and with the replenishment of European dealer inventory, which was reduced at the end of 2019 in anticipation of low-tariff motorcycles sourced from the Company's Thailand facility.⁽¹⁾

Segment Results

Condensed statements of operations for the Motorcycles segment were as follows (in thousands):

	2019	2018	(Decrease) Increase	% Change
Revenue:				
Motorcycles	\$ 3,538,269	\$ 3,882,963	\$ (344,694)	(8.9)%
Parts & Accessories	713,400	754,663	(41,263)	(5.5)
General Merchandise	237,566	241,964	(4,398)	(1.8)
Licensing	35,917	38,676	(2,759)	(7.1)
Other	47,526	50,380	(2,854)	(5.7)
	4,572,678	4,968,646	(395,968)	(8.0)
Cost of goods sold	3,229,798	3,351,796	(121,998)	(3.6)
Gross profit	1,342,880	1,616,850	(273,970)	(16.9)
Operating expenses:				
Selling & administrative expense	808,415	914,900	(106,485)	(11.6)
Engineering expense	212,492	186,186	26,306	14.1
Restructuring expense	32,353	93,401	(61,048)	(65.4)
	1,053,260	1,194,487	(141,227)	(11.8)
Operating income	\$ 289,620	\$ 422,363	\$ (132,743)	(31.4)%
Operating margin	6.3%	8.5%	(2.2) pts.	

The estimated impacts of the significant factors affecting the comparability of revenue, cost of goods sold and gross profit from 2018 to 2019 were as follows (in millions):

	Revenue	Cost of Goods Sold	Gross Profit
2018	\$ 4,969	\$ 3,352	\$ 1,617
Volume	(307)	(202)	(105)
Price, net of related costs	67	34	33
Foreign currency exchange rates and hedging	(67)	(40)	(26)
Shipment mix	(89)	(8)	(82)
Raw material prices	—	(1)	1
Manufacturing and other costs	—	95	(95)
	(396)	(122)	(274)
2019	\$ 4,573	\$ 3,230	\$ 1,343

The following factors affected the comparability of net revenue, cost of goods sold and gross profit from 2018 to 2019:

- The decrease in volume was due to lower wholesale motorcycle shipments and lower P&A and general merchandise sales.
- On average, wholesale prices for motorcycles shipped in 2019 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 2019 as compared to the prior year.
- Revenue was adversely impacted by weaker foreign currency exchange rates, relative to the U.S. dollar, as compared to the prior year. The unfavorable revenue impact was partially offset by favorable net foreign currency gains associated with hedging and balance sheet remeasurements, as compared to the prior year.

- Shipment mix adversely impacted gross profit driven by unfavorable changes in the mix of motorcycle families, as well as the mix of models within motorcycle families.
- Manufacturing and other costs were negatively impacted by lower fixed cost absorption and an increase in the impact of recent EU and China tariffs. The impact of recent EU and China tariffs was \$97.9 million or \$74.2 million higher in 2019 compared to 2018.

Operating expenses in 2019 were lower compared to 2018 driven by lower restructuring expenses and favorable net warranty and recall costs. In 2019, net warranty and recall costs were approximately \$96 million lower than in 2018 driven by higher than normal supplier recoveries and lower warranty and recall costs. Operating expenses were also impacted by increased investments in the More Roads plan and higher marketing expenses in 2019. However, these increases were partially offset by lower spending in other areas as the Company aggressively managed cost.

Financial Services Segment

Segment Results

Condensed statements of operations for the Financial Services segment were as follows (in thousands):

	2019	2018	Increase (Decrease)	% Change
Interest income	\$ 678,205	\$ 645,985	\$ 32,220	5.0 %
Other income	110,307	101,108	9,199	9.1
Securitization and servicing income	599	1,136	(537)	(47.3)
Financial Services revenue	789,111	748,229	40,882	5.5
Interest expense	210,438	193,187	17,251	8.9
Provision for credit losses	134,536	106,870	27,666	25.9
Operating expenses	178,149	157,012	21,137	13.5
Financial Services expenses	523,123	457,069	66,054	14.5
Operating income from Financial Services	\$ 265,988	\$ 291,160	\$ (25,172)	(8.6)%

Interest income was favorable in 2019 due to higher average outstanding finance receivables at higher average yields. Interest expense increased due to higher average outstanding debt at a higher cost of funds.

The provision for credit losses increased \$27.7 million compared to 2018. The retail motorcycle provision increased \$27.2 million largely driven by higher retail credit losses and an increase in the retail reserve rate compared to a decrease in the retail reserve rate during 2018. The Company believes the increase in credit losses was due to inefficiencies resulting from the implementation of a new loan management system early in 2019, softer used motorcycle prices at auction, and the impact of the Company's strategic efforts to build riders, which includes programs such as first-time buyer and dealer-paid no-money down. While these loans may increase the Company's credit losses, the increased revenue from these programs is expected to offset the risk⁽¹⁾.

Annual losses on the Company's retail motorcycle loans were 2.00% during 2019 compared to 1.76% in 2018. The 30-day delinquency rate for retail motorcycle loans at December 31, 2019 increased to 4.39% from 4.12% at December 31, 2018.

Operating expenses increased \$21.1 million compared to 2018, which includes higher depreciation associated with the implementation of a new loan management system.

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

	2019	2018
Balance, beginning of period	\$ 189,885	\$ 192,471
Provision for credit losses	134,536	106,870
Charge-offs, net of recoveries	(125,840)	(109,456)
Balance, end of period	\$ 198,581	\$ 189,885

At December 31, 2019, the allowance for credit losses on finance receivables was \$188.5 million for retail receivables and \$10.1 million for wholesale receivables. At December 31, 2018, the allowance for credit losses on finance receivables was \$182.1 million for retail receivables and \$7.8 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. Refer to *Note 7 of the Notes to Consolidated financial statements* for further discussion regarding the Company's allowance for credit losses on finance receivables.

Results of Operations 2018 Compared to 2017

Refer to *Item 7. Management's Discussion and Analysis* of the Company's Form 10-K for the year ended December 31, 2018 filed with the SEC on February 28, 2019 for a detailed discussion of the results of operations for 2018 compared to 2017 and liquidity and capital resources for 2018 compared to 2017.

Other Matters

New Accounting Standards Not Yet Adopted

Refer to *Note 1 of the Notes to Consolidated financial statements* for a discussion of new accounting standards that will become effective for the Company in 2020 and 2021.

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 Company's Board of Directors.

Allowance for Credit Losses on Retail 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 retail 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.

Product Warranty and Recalls – Estimated warranty costs are recorded 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 recorded when the liability is both probable and estimable. 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 14 of the Notes to Consolidated financial statements*.

Pensions and Other Postretirement Healthcare Benefits – The Company has a defined benefit pension plan and postretirement healthcare benefit plans, which cover certain eligible employees and retirees 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 benefit obligations. Based on this analysis, the Company decreased the weighted-average discount rate for pension and SERPA obligations from 4.38% as of December 31, 2018 to 3.49% as of December 31, 2019. The Company decreased the weighted-average discount rate for postretirement healthcare obligations from 4.23% as of December 31, 2018 to 3.26% as of December 31, 2019. 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, 2019, the Company set its healthcare cost trend rate at 7.25% as of December 31, 2019. The Company expects the healthcare cost trend rate to reach its ultimate rate of 5.00% by 2029.⁽¹⁾ 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. Sensitivity to changes in major assumptions used in the pension and postretirement healthcare obligations and costs was as follows (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
2019 Net periodic benefit cost:				
Pension and SERPA	\$ 11,149	\$ 32,638	n/a	\$ 20,054
Postretirement healthcare	\$ 68	\$ (540)	\$ 587	\$ 1,938
2019 Benefit obligations:				
Pension and SERPA	\$ 2,212,012	\$ 363,249	n/a	n/a
Postretirement healthcare	\$ 293,505	\$ 25,816	\$ 8,768	n/a

The amounts based on current assumptions above exclude the impact of settlements, curtailments and special early retirement benefits. 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 calculations of pension, SERPA and postretirement healthcare obligations and costs are based on many factors in addition to those discussed here. This information should be considered in combination with the information provided in *Note 15 of the Notes to Consolidated financial statements*.

Income Taxes – The Company accounts for income taxes in accordance with *Accounting Standards Codification 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 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* on 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⁽¹⁾. 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, 2019 is as follows (in thousands):

	2020	2021-2022	2023-2024	Thereafter	Total
Debt:					
Principal	\$ 2,326,688	\$ 3,102,410	\$ 1,287,918	\$ 750,000	\$ 7,467,016
Interest	187,544	199,978	102,435	307,125	797,082
Leases	20,755	31,240	11,177	4,589	67,761
	<u>\$ 2,534,987</u>	<u>\$ 3,333,628</u>	<u>\$ 1,401,530</u>	<u>\$ 1,061,714</u>	<u>\$ 8,331,859</u>

Interest for floating rate instruments, as calculated above, assumes rates in effect at December 31, 2019 remain constant. For purposes of the above, the principal payment balances for medium-term notes, on-balance sheet asset-backed securitizations, and senior unsecured notes are shown without reduction for unamortized discounts and debt issuance costs.

As of December 31, 2019, 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, 2019. The Company's retirement plan obligations and expected future contributions and payments related to these plans are provided in *Note 15 of the Notes to Consolidated financial statements*.

As described in *Note 4 of the Notes to Consolidated financial statements*, the Company has unrecognized tax benefits of \$60.1 million and accrued interest and penalties of \$27.6 million as of December 31, 2019. 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 Department of Justice (DOJ), on behalf of 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. On March 1, 2018, the Company and the DOJ each filed separate response briefs. The Company is awaiting the court's decision on whether or not to finalize the Settlement, and on February 8, 2019, the DOJ filed a status update reminding the court of the current status of the outstanding matter. The Company has an accrual associated with this matter recorded in *Accrued liabilities* on 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 Matter – The Company is involved with government agencies and the U.S. Navy 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. The Company has an agreement with the U.S. Navy which calls for the U.S. 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). A site wide remedial investigation/feasibility study and a proposed final remedy for the York facility have been completed and approved by the Pennsylvania Department of Environmental Protection and the EPA. The associated cleanup plan documents were submitted for approval in December 2019 and remaining cleanup activities will begin in mid-2020. The Company has an accrual for its share of the estimated future Response Costs recorded in *Other long-term liabilities* on the *Consolidated balance sheets*.

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*.⁽¹⁾

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 (SPEs), which are considered variable interest entities (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 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 as the Company, in addition to retaining servicing rights, 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 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 as the Company did not retain any financial interest in the VIE beyond servicing rights and ordinary representations and warranties and related covenants. Refer to *Note 12 of the Notes to Consolidated financial statements* for additional information.

Liquidity and Capital Resources as of December 31, 2019

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.⁽¹⁾ The Company will continue to evaluate opportunities to return cash to its shareholders through increasing dividends and repurchasing shares. The Company believes the Motorcycles segment operations will continue to be primarily funded through cash flows generated by operations.⁽¹⁾ The Company expects the Financial Services segment operations to continue to be funded with unsecured debt, unsecured commercial paper, asset-backed commercial paper conduit facilities, committed unsecured bank facilities, and asset-backed securitizations.⁽¹⁾

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 its credit facilities. The Company's cash and cash equivalents and availability under its credit and conduit facilities at December 31, 2019 were as follows (in thousands):

Cash and cash equivalents	\$	833,868
Availability under credit and conduit facilities:		
Credit facilities		1,168,005
Asset-backed U.S. commercial paper conduit facilities ^(a)		600,000
Asset-backed Canadian commercial paper conduit facility ^(a)		54,318
		<u>1,822,323</u>
	\$	<u>2,656,191</u>

(a) Includes facilities expiring in the next twelve months which the Company expects to renew prior to expiration.⁽¹⁾

The Company recognizes that it must continue to monitor and 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.⁽¹⁾ The Financial Services operations could be negatively affected by higher costs of funding and increased difficulty of raising, or potential unsuccessful efforts to raise, funding in the short-term and long-term capital markets.⁽¹⁾ 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

Cash flow activities for the years ended December 31, were as follows (in thousands):

	2019	2018
Net cash provided by operating activities	\$ 868,272	\$ 1,205,921
Net cash used by investing activities	(508,126)	(662,269)
Net cash used by financing activities	(712,223)	(14,763)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2,305)	(15,351)
Net (decrease) increase in cash, cash equivalents and restricted cash	<u>\$ (354,382)</u>	<u>\$ 513,538</u>

Operating Activities

The decrease in operating cash flow in 2019 compared to 2018 was primarily due to lower sales and unfavorable changes in working capital including the impact of utilizing restructuring and recall liabilities in 2019.

There are no required qualified pension plan contributions expected in 2020.⁽¹⁾ The Company expects that 2020 postretirement healthcare plan benefits and benefits due under the SERPA will be paid by the Company or, in the case of postretirement healthcare plan benefits, partially funded with plan assets.⁽¹⁾ The Company's expected future contributions and benefit payments related to these plans are discussed further in *Note 15 of the Notes to Consolidated financial statements*.

Investing Activities

The Company's most significant investing activities consist of capital expenditures and retail finance receivable originations and collections. Capital expenditures were \$181.4 million and \$213.5 million during 2019 and 2018, respectively. The Company anticipates it will continue to have the ability to fund all planned capital expenditures in 2020 with cash flows generated by operations.⁽¹⁾

Net cash outflows for finance receivables in 2019, which consisted primarily of retail finance receivables, were \$79.5 million lower than in 2018 primarily due to higher retail motorcycle loan collections during 2019.

Financing Activities

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

The Company paid dividends of \$1.50 per share totaling \$237.2 million during 2019 and \$1.48 per share totaling \$245.8 million during 2018.

Cash outflows from share repurchases were \$296.5 million and \$390.6 million for 2019 and 2018, respectively. Discretionary share repurchases during the years ended December 31, 2019 and 2018 were \$286.7 million or 8.2 million shares and \$382.0 million or 9.2 million shares, respectively. Share repurchases of common stock that employees surrendered to satisfy withholding taxes in connection with the vesting of restricted stock units were \$9.8 million or 0.3 million shares and \$8.6 million or 0.2 million shares during the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019, there were 8.2 million shares remaining on a board-approved share repurchase authorization.

Financing cash flows related to debt activity resulted in net cash (outflows)/inflows of \$(182.1) million and \$618.1 million for 2019 and 2018, respectively. The Company's total outstanding debt consisted of the following as of December 31, (in thousands):

	2019	2018
Unsecured commercial paper	\$ 571,995	\$ 1,135,810
Asset-backed Canadian commercial paper conduit facility	114,693	155,951
Asset-backed U.S. commercial paper conduit facilities	490,427	582,717
Asset-backed securitization debt, net	764,392	95,167
Medium-term notes, net	4,760,127	4,887,007
Senior notes, net	743,296	742,624
	<u>\$ 7,444,930</u>	<u>\$ 7,599,276</u>

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 December 31, 2019 were as follows:

	Short-Term	Long-Term	Outlook
Moody's	P2	Baa1	Stable
Standard & Poor's	A2	BBB+	Negative
Fitch	F1	A	Negative

Credit Facilities – In May 2019, the Company entered into a \$195.0 million 364-day credit facility which matures in May 2020. The Company also has a \$780.0 million five-year credit facility which matures in April 2023 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 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.

Unsecured Commercial Paper – Subject to limitations, the Company could issue unsecured commercial paper of up to \$1.74 billion as of December 31, 2019 supported by the Global Credit Facilities. 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.⁽¹⁾

Medium-Term Notes – The Company has the following unsecured medium-term notes issued and outstanding at December 31, 2019 (in thousands):

Principal Amount	Rate	Issue Date	Maturity Date
\$600,000	2.15%	February 2015	February 2020
\$450,000	LIBOR + 0.50%	May 2018	May 2020
\$350,000	2.40%	March 2017	June 2020
\$600,000	2.85%	January 2016	January 2021
\$450,000	LIBOR + 0.94%	November 2018	March 2021
\$350,000	3.55%	May 2018	May 2021
\$550,000	4.05%	February 2019	February 2022
\$400,000	2.55%	June 2017	June 2022
\$350,000	3.35%	February 2018	February 2023
\$672,936 ^(a)	3.14%	November 2019	November 2024

(a) Euro denominated €600.0 million par value remeasured to U.S. dollar at December 31, 2019

The fixed-rate medium-term notes provide for semi-annual interest payments and the floating-rate medium-term notes provide for quarterly interest payments. Principal on the medium-term notes is due at maturity. Unamortized discount and debt issuance costs on medium-term notes reduced the outstanding balance by \$12.8 million and \$13.0 million at December 31, 2019 and 2018, respectively.

Senior Notes – In July 2015, the Company issued \$750.0 million of unsecured senior notes in an underwritten offering. The senior notes provide for semi-annual interest payments and principal due at maturity. \$450.0 million of the senior notes mature in July 2025 and have an interest rate of 3.50%, and \$300.0 million of the senior 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. The expected remaining term of the related receivables is approximately 5 years. Unless earlier terminated or extended by mutual agreement between the Company and the lenders, as of December 31, 2019, the Canadian Conduit has an expiration date of June 26, 2020.

Quarterly transfers of Canadian retail motorcycle finance receivables to the Canadian Conduit and the respective proceeds include the following for the years ended December 31, (in thousands):

	2019		2018	
	Transfers	Proceeds	Transfers	Proceeds
First quarter	\$ —	\$ —	\$ 7,600	\$ 6,200
Second quarter	28,200	23,400	38,900	32,200
Third quarter	—	—	—	—
Fourth quarter	—	—	39,000	32,200
	<u>\$ 28,200</u>	<u>\$ 23,400</u>	<u>\$ 85,500</u>	<u>\$ 70,600</u>

On-Balance Sheet Asset-Backed U.S. Commercial Paper Conduit Facilities VIE – The Company has two separate agreements with third-party bank-sponsored asset-backed U.S. commercial paper conduits under which it may transfer U.S. retail motorcycle finance receivables to an SPE, which in turn may issue debt to those third-party bank-sponsored asset-backed U.S. commercial paper conduits. In May 2019, the Company amended its \$300.0 million revolving facility agreement to allow for incremental borrowings, at the lender's discretion, of up to an additional \$300.0 million in excess of the \$300.0 million commitment. The aggregate commitment under this agreement is reduced monthly as collections on the related finance

receivables are applied to the outstanding principal until the outstanding principal balance is less than or equal to \$300.0 million, at which point the aggregate commitment will equal \$300.0 million. On November 27, 2019, the Company renewed its existing \$600.0 million and amended \$300.0 million revolving facility agreements with third-party bank-sponsored asset-backed U.S. commercial paper conduits. 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.

Quarterly transfers of U.S. retail motorcycle finance receivables to the U.S. Conduit Facilities and the respective proceeds include the following for the years ended December 31, (in thousands):

	2019		2018	
	Transfers	Proceeds	Transfers	Proceeds
First quarter	\$ —	\$ —	\$ 32,900	\$ 29,300
Second quarter	—	—	59,100	53,300
Third quarter	174,400	154,600	—	—
Fourth quarter	—	—	400,200	356,800
	<u>\$ 174,400</u>	<u>\$ 154,600</u>	<u>\$ 492,200</u>	<u>\$ 439,400</u>

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. 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. The expected remaining term of the related receivables held by the SPE is approximately 5 years. Unless earlier terminated or extended by mutual agreement of the Company and the lenders, the U.S. Conduit Facilities have an expiration date of November 25, 2020.

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 have various contractual maturities ranging from 2020 to 2026.

In 2019, the Company transferred \$1.12 billion of U.S. retail motorcycle finance receivables to two separate SPEs. The SPEs in turn issued \$1.03 billion, or \$1.02 billion net of discounts and issuance costs, of secured notes through two separate on-balance sheet asset-backed securitization transactions. There were no on-balance sheet asset-backed securitization transactions during 2018. There were no off-balance sheet asset-backed securitization transactions during 2019 or 2018.

Support Agreement - The Company has a support agreement with HDFFS whereby, if required, the Company agrees to provide HDFFS with financial support to maintain HDFFS' 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 HDFFS outside the normal course of business. No amount has ever been provided to HDFFS under the support agreement.

Operating and Financial Covenants – HDFFS and the Company are subject to various operating and financial covenants related to the credit facilities and various operating covenants under the medium-term and senior 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 ratio of HDFS' consolidated debt, excluding secured debt, to HDFS' consolidated shareholders' equity, excluding accumulated other comprehensive loss (AOCL), cannot exceed 10.0 to 1.0 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 consolidated shareholders' equity (where the Company's consolidated debt in each case excludes that of HDFS and its subsidiaries, and the Company's consolidated shareholders' equity excluding AOCL), cannot exceed 0.7 to 1.0 as of the end of any fiscal quarter. No financial covenants are required under the medium-term and senior notes or the U.S. or Canadian asset-backed commercial paper conduit facilities.

At December 31, 2019 and 2018, HDFS and the Company remained in compliance with all of the then existing covenants.

Cautionary 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," "may," "will," "estimates," "is on-track" or words of similar meaning. Similarly, statements that describe or refer to future expectations, future plans, strategies, objectives, outlooks, targets, guidance, commitments 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 below. Shareholders, potential investors, and other readers are urged to consider these factors in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included in this report are only made as of the date of this report, and the Company disclaims any obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

The Company's ability to meet the targets and expectations noted above depends upon, among other factors, the Company's ability to (i) execute its business plans and strategies, including the elements of the More Roads to Harley-Davidson accelerated plan for growth that the Company disclosed on July 30, 2018 and updated September 24, 2019, and strengthen its existing business while enabling growth, (ii) manage and predict the impact that new or adjusted tariffs may have on the Company's ability to sell products internationally, and the cost of raw materials and components, (iii) execute its strategy of growing ridership, globally, (iv) successfully carry out its global manufacturing and assembly operations, (v) accurately analyze, predict and react to changing market conditions and successfully adjust to shifting global consumer needs and interests, (vi) develop and maintain a productive relationship with Zhejiang Qianjiang Motorcycle Co., Ltd. and launch related products in a timely manner, (vii) develop and introduce products, services and experiences on a timely basis that the market accepts, that enable the Company to generate desired sales levels and that provide the desired financial returns, (viii) perform in a manner that enables the Company to benefit from market opportunities while competing against existing and new competitors, (ix) realize expectations concerning market demand for electric models, which will depend in part on the building of necessary infrastructure, (x) prevent, detect, and remediate any issues with its motorcycles or any issues associated with the 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) manage supply chain issues, including quality issues and any unexpected interruptions or price increases caused by raw material shortages or natural disasters, (xii) manage the impact that prices for and supply of used motorcycles may have on its business, including on retail sales of new motorcycles, (xiii) reduce other costs to offset costs of the More Roads to Harley-Davidson plan and redirect capital without adversely affecting its existing business, (xiv) balance production volumes for its new motorcycles with consumer demand, (xv) manage risks that arise through expanding international manufacturing, operations and sales, (xvi) manage through changes in general economic and business conditions, including changing capital, credit and retail markets, and the changing political environment, (xvii) successfully determine, implement on a timely basis, and maintain a manner in which to sell motorcycles in the European Union, China, and ASEAN countries that does not subject its motorcycles to incremental tariffs, (xviii) accurately estimate and adjust to fluctuations in foreign currency exchange rates, interest rates and commodity prices, (xix) continue to develop the capabilities of its distributors and dealers, effectively implement changes relating to its dealers and distribution methods and manage the risks that its independent dealers may have difficulty obtaining capital and managing through changing economic conditions and consumer demand, (xx) retain and attract talented employees, (xxi) prevent a cybersecurity breach involving consumer, employee, dealer, supplier, or Company data and respond to evolving regulatory requirements regarding data security, (xxii) manage the credit quality, the loan servicing and collection activities, and the recovery rates of HDFS' loan portfolio, (xxiii) 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, (xxiv) manage through the effects inconsistent and unpredictable weather patterns may have on retail sales of motorcycles, (xxv) implement and manage enterprise-wide information technology systems, including systems at its manufacturing facilities, (xxvi) manage changes and prepare for requirements in legislative and regulatory environments for its products, services and operations, (xxvii) manage its exposure to product liability claims and commercial or contractual disputes, (xxviii) successfully access the capital and/or credit markets on terms (including interest rates) that are acceptable to the Company and within its expectations, (xxix) manage its Thailand corporate and manufacturing operations in a manner that allows the Company to avail itself of preferential free trade agreements and duty rates, and sufficiently lower prices of its motorcycles in certain markets, (xxx) continue to manage the relationships and agreements that the Company has with its labor unions to help drive long-term competitiveness, (xxxi) accurately predict the margins of its Motorcycles and Related Products segment in light of, among other things, tariffs, the cost associated with the More Roads to Harley-Davidson plan, the Company's Manufacturing Optimization Plan, and the Company's complex global supply chain, and (xxxii) successfully launch a smaller displacement motorcycle in India.

The Company's operations and/or demand for its products could be adversely impacted by work stoppages, strikes, natural causes, widespread infectious disease, terrorism, or other factors. Other factors are described in *Item 1A. Risk Factors* of this report. Many of these risk factors are impacted by the current changing capital, credit and retail markets and the Company's ability to manage through inconsistent economic conditions.

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 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.

In recent years, HDFS has experienced historically low levels of retail credit losses, but there is no assurance that this will continue. The Company believes that HDFS' retail credit losses may 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.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to market risk from changes in foreign currency 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 currency exchange rate and interest rate risk. Further disclosure relating to the fair value of derivative financial instruments is included in *Note 9 of the Notes to Consolidated financial statements*.

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 currencies. The Company's most significant foreign currency exchange rate risk relates to the Euro, Australian dollar, Japanese yen, Brazilian real, Canadian dollar, Mexican peso, Indian rupee, and Pound sterling. 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, 2019 and 2018, the notional U.S. dollar value of outstanding Euro, Australian dollar, Japanese yen, Brazilian real, Canadian dollar, Mexican peso, Indian rupee, and Pound sterling foreign currency contracts was \$654.5 million and \$443.0 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 \$65.5 million and \$39.9 million as of December 31, 2019 and 2018, respectively.

The Company's earnings are affected by changes in the prices of commodities used in the production of motorcycles. The Company uses derivative financial instruments on a limited basis to hedge the prices of certain commodities. At December 31, 2019, the notional value of these instruments was \$8.9 million and the fair value was a net liability of \$0.1 million. As of December 31, 2018, the notional value of these instruments was \$6.1 million and the fair value was a net liability 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, debt and interest rate derivatives. HDFS utilizes interest rate swaps and caps to reduce the impact of fluctuations in interest rates on its debt. As of December 31, 2019, HDFS had interest rate swaps outstanding with a notional value of \$900.0 million and interest rate caps outstanding with a notional value of \$376.0 million. As of December 31, 2018, HDFS had interest rate swaps outstanding with a notional value of \$900.0 million and no outstanding interest rate caps. HDFS estimates that a 10% decrease in interest rates would result in a decrease in the fair value of the interest rate swap and cap agreements of \$10.2 million and \$8.3 million as of December 31, 2019 and 2018, respectively.

HDFS has currency exposure related to financing in currencies other than the functional currency. HDFS utilizes cross-currency swaps to mitigate the effect of the foreign currency exchange rate fluctuations. At December 31, 2019, HDFS' exposure relates to the Euro. As of December 31, 2019, HDFS had a cross-currency swap outstanding with a notional value of \$660.8 million. As of December 31, 2018, HDFS had no cross-currency swaps outstanding. HDFS estimates that a 10% adverse change in the underlying foreign currency exchange rate would result in a \$4.6 million decrease in the fair value of the swap agreement.

HDFS has short-term commercial paper and debt issued through the commercial paper conduit facilities that is subject to changes in interest rates. HDFS estimates that 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 2020 by approximately \$10.4 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, 2019, 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, 2019, 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, 2019 and 2018, 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, 2019, and the related notes and financial statement schedule listed in the Index at item 15(a) and our report dated February 19, 2020 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 19, 2020

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, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, 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, 2019, 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 19, 2020 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 the Company's 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 error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, 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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Allowance for Credit Losses - Retail Finance Receivables

Description of the Matter

The Company's retail receivable portfolio totaled \$6.4 billion as of December 31, 2019, and the associated allowance for credit losses (ACL) was \$188.5 million. As discussed in Note 7 to the consolidated financial statements, management utilizes a loss forecast model to estimate losses of its retail receivable portfolio. The loss forecast model utilizes a variety of assumptions including, but not limited to, historical loss trends, known and inherent risk in the portfolio, the value of the underlying collateral, recovery rates and current economic conditions including items such as unemployment rates. Management applies judgment in determining appropriate parameters and assumptions when estimating incurred losses, including the assessment of historical loss experience, the percentage of borrowers that are expected to default, and the valuation of collateral.

Auditing management's estimate of the ACL for retail finance receivables involved a high degree of judgment in evaluating management's assumptions.

How We Addressed the Matter in Our Audit

We tested certain of the Company's controls over the ACL process, which included, among others, management's review and approval of the model used to calculate the ACL, management's validation of data inputs as well as their review and approval of subjective model inputs. We also tested the Company's controls over the computational accuracy of the output of the model.

To test the ACL, our audit procedures included, among others, assessing the appropriateness of the significant assumptions and parameters in the ACL model by evaluating whether historical data utilized within the model was representative of current circumstances, including giving consideration to current economic conditions and recent losses incurred in the portfolio. In performing this evaluation, we also considered any adjustments management made to historical data in response to current trends. Lastly, we tested the completeness and accuracy of data from underlying informational systems used in the model.

Product Recall Liability

Description of the Matter

The Company's liability for product recalls, which represents a loss contingency, was \$36.4 million as of December 31, 2019. As discussed in Note 14 to the consolidated financial statements, the Company records the estimated recall cost when the liability is both probable and estimable. 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. Management applies judgment in determining when to initiate voluntary product recall campaigns. Management also applies judgment in determining assumptions that are in part based on historical experience when estimating the expected costs to repair the motorcycle and the percentage of customers expected to participate in the recall.

Auditing the completeness and valuation of the product recall liability involved a high degree of subjectivity in evaluating management's assumptions.

How We Addressed the Matter in Our Audit

We tested certain of the Company's controls over the product recall liability process, which included, among others, management's review of claims and identification of claims trends, and development of the assumptions and inputs used to estimate the cost of the product recall, including the motorcycle population subject to the product recall, the cost per motorcycle to repair, and the estimated customer participation percentage. We also tested controls over the completeness of the recalls accrued and the accuracy of the liability calculation.

To test the product recall liability, our audit procedures included among others, assessing the appropriateness of the significant assumptions in the product recall calculation by evaluating whether the historical data was representative of current circumstances, including giving consideration to the nature of the current recalls as compared to prior recalls as well as the actual customer participation to-date activity for the identified recalls and the related actual repair costs incurred to-date. In performing the evaluation, we also considered any adjustments management made to historical data in response to current trends, as applicable. We performed sensitivity analyses to assess the impact of possible changes to inputs and assumptions. We reviewed third-party product recall announcements and tested the completeness and accuracy of motorcycle population and repair cost data from underlying systems used in the calculation. Lastly, we performed a lookback analysis of retro rate adjustments, which would be indicative of product performance concerns not captured in the form of a product recall.

/s/ Ernst & Young LLP
We have served as the Company's auditor since 1982
Milwaukee, Wisconsin
February 19, 2020

HARLEY-DAVIDSON, INC.
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2019, 2018 and 2017
(In thousands, except per share amounts)

	2019	2018	2017
Revenue:			
Motorcycles and Related Products	\$ 4,572,678	\$ 4,968,646	\$ 4,915,027
Financial Services	789,111	748,229	732,197
	5,361,789	5,716,875	5,647,224
Costs and expenses:			
Motorcycles and Related Products cost of goods sold	3,229,798	3,351,796	3,272,330
Financial Services interest expense	210,438	193,187	180,193
Financial Services provision for credit losses	134,536	106,870	132,444
Selling, administrative and engineering expense	1,199,056	1,258,098	1,180,176
Restructuring expense	32,353	93,401	—
	4,806,181	5,003,352	4,765,143
Operating income	555,608	713,523	882,081
Other income (expense), net	16,514	3,039	9,182
Investment income	16,371	951	3,580
Interest expense	31,078	30,884	31,004
Income before provision for income taxes	557,415	686,629	863,839
Provision for income taxes	133,780	155,178	342,080
Net income	\$ 423,635	\$ 531,451	\$ 521,759
Earnings per share:			
Basic	\$ 2.70	\$ 3.21	\$ 3.03
Diluted	\$ 2.68	\$ 3.19	\$ 3.02
Cash dividends per common share	\$ 1.50	\$ 1.48	\$ 1.46

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

HARLEY-DAVIDSON, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31, 2019, 2018 and 2017
(In thousands)

	2019	2018	2017
Net income	\$ 423,635	\$ 531,451	\$ 521,759
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	8,795	(25,010)	46,280
Marketable securities	—	—	1,194
Derivative financial instruments	(16,371)	20,009	(29,778)
Pension and postretirement benefit plans	100,311	(16,286)	47,636
	<u>92,735</u>	<u>(21,287)</u>	<u>65,332</u>
Comprehensive income	<u>\$ 516,370</u>	<u>\$ 510,164</u>	<u>\$ 587,091</u>

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

HARLEY-DAVIDSON, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2019 and 2018
(In thousands, except share amounts)

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 833,868	\$ 1,203,766
Marketable securities	—	10,007
Accounts receivable, net	259,334	306,474
Finance receivables, net	2,272,522	2,214,424
Inventories, net	603,571	556,128
Restricted cash	64,554	49,275
Other current assets	168,974	144,368
	<u>4,202,823</u>	<u>4,484,442</u>
Finance receivables, net	5,101,844	5,007,507
Property, plant and equipment, net	847,382	904,132
Prepaid pension costs	56,014	—
Goodwill	64,160	55,048
Deferred income taxes	101,204	141,464
Lease assets	61,618	—
Other long-term assets	93,114	73,071
	<u>\$ 10,528,159</u>	<u>\$ 10,665,664</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 294,380	\$ 284,861
Accrued liabilities	582,288	601,130
Short-term debt	571,995	1,135,810
Current portion of long-term debt, net	1,748,109	1,575,799
	<u>3,196,772</u>	<u>3,597,600</u>
Long-term debt, net	5,124,826	4,887,667
Lease liabilities	44,447	—
Pension liabilities	56,138	107,776
Postretirement healthcare liabilities	72,513	94,453
Deferred income taxes	8,135	—
Other long-term liabilities	221,329	204,219
Commitments and contingencies (Note 16)		
Shareholders' equity:		
Preferred stock, none issued	—	—
Common stock (Note 5)	1,828	1,819
Additional paid-in-capital	1,491,004	1,459,620
Retained earnings	2,193,997	2,007,583
Accumulated other comprehensive loss	(536,949)	(629,684)
Treasury stock, at cost (Note 5)	(1,345,881)	(1,065,389)
	<u>1,803,999</u>	<u>1,773,949</u>
	<u>\$ 10,528,159</u>	<u>\$ 10,665,664</u>

HARLEY-DAVIDSON, INC.
CONSOLIDATED BALANCE SHEETS (continued)
December 31, 2019 and 2018
(In thousands, except share amounts)

	2019	2018
Balances held by consolidated variable interest entities (Note 12)		
Finance receivables, net - current	\$ 291,444	\$ 175,043
Other assets	\$ 2,420	\$ 1,563
Finance receivables, net - non-current	\$ 1,027,179	\$ 591,839
Restricted cash - current and non-current	\$ 63,812	\$ 47,203
Current portion of long-term debt, net	\$ 317,607	\$ 189,693
Long-term debt, net	\$ 937,212	\$ 488,191

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

HARLEY-DAVIDSON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2019, 2018 and 2017
(In thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net cash provided by operating activities (Note 6)	\$ 868,272	\$ 1,205,921	\$ 1,005,061
Cash flows from investing activities:			
Capital expenditures	(181,440)	(213,516)	(206,294)
Origination of finance receivables	(3,847,322)	(3,752,817)	(3,591,948)
Collections on finance receivables	3,499,717	3,325,669	3,228,311
Purchases of marketable securities	—	(10,007)	—
Sales and redemptions of marketable securities	10,007	—	6,916
Acquisition of business	(7,000)	—	—
Other investing activities	17,912	(11,598)	547
Net cash used by investing activities	(508,126)	(662,269)	(562,468)
Cash flows from financing activities:			
Proceeds from issuance of medium-term notes	1,203,236	1,591,828	893,668
Repayments of medium-term notes	(1,350,000)	(877,488)	(800,000)
Proceeds from securitization debt	1,021,453	—	—
Repayments of securitization debt	(353,251)	(257,869)	(444,671)
Borrowings of asset-backed commercial paper	177,950	509,742	469,932
Repayments of asset-backed commercial paper	(318,006)	(212,729)	(176,227)
Net (decrease) increase in credit facilities and unsecured commercial paper	(563,453)	(135,356)	212,809
Dividends paid	(237,221)	(245,810)	(251,862)
Repurchase of common stock	(296,520)	(390,606)	(465,263)
Issuance of common stock under employee stock option plans	3,589	3,525	11,353
Net cash used by financing activities	(712,223)	(14,763)	(550,261)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2,305)	(15,351)	26,747
Net (decrease) increase in cash, cash equivalents and restricted cash	<u>\$ (354,382)</u>	<u>\$ 513,538</u>	<u>\$ (80,921)</u>
Cash, cash equivalents and restricted cash:			
Cash, cash equivalents and restricted cash, beginning of period	\$ 1,259,748	\$ 746,210	\$ 827,131
Net (decrease) increase in cash, cash equivalents and restricted cash	(354,382)	513,538	(80,921)
Cash, cash equivalents and restricted cash, end of period	<u>\$ 905,366</u>	<u>\$ 1,259,748</u>	<u>\$ 746,210</u>
Reconciliation of cash, cash equivalents and restricted cash on the Consolidated balance sheets to the Consolidated statements of cash flows:			
Cash and cash equivalents	\$ 833,868	\$ 1,203,766	\$ 687,521
Restricted cash	64,554	49,275	47,518
Restricted cash included in Other long-term assets	6,944	6,707	11,171
Cash, cash equivalents and restricted cash per the Consolidated statements of cash flows	<u>\$ 905,366</u>	<u>\$ 1,259,748</u>	<u>\$ 746,210</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, 2019, 2018 and 2017
(In thousands, except share amounts)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
	Issued Shares	Balance					
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
Other comprehensive income, net of tax (Note 18)	—	—	—	—	65,332	—	65,332
Dividends	—	—	—	(251,862)	—	—	(251,862)
Repurchase of common stock	—	—	—	—	—	(465,263)	(465,263)
Share-based compensation	—	—	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
Net income	—	—	—	531,451	—	—	531,451
Other comprehensive loss, net of tax (Note 18)	—	—	—	—	(21,287)	—	(21,287)
Dividends	—	—	—	(245,810)	—	—	(245,810)
Repurchase of common stock	—	—	—	—	—	(390,606)	(390,606)
Share-based compensation	—	—	33,293	—	—	13,082	46,375
Issuance of nonvested stock	485,005	4	(4)	—	—	—	—
Exercise of stock options	159,673	2	3,523	—	—	—	3,525
Cumulative effect of change in accounting	—	—	—	6,024	—	—	6,024
Reclassification of certain tax effects	—	—	—	108,348	(108,348)	—	—
Balance, December 31, 2018	181,931,225	1,819	1,459,620	2,007,583	(629,684)	(1,065,389)	1,773,949
Net income	—	—	—	423,635	—	—	423,635
Other comprehensive income, net of tax (Note 18)	—	—	—	—	92,735	—	92,735
Dividends	—	—	—	(237,221)	—	—	(237,221)
Repurchase of common stock	—	—	—	—	—	(296,520)	(296,520)
Share-based compensation	—	—	27,804	—	—	16,028	43,832
Issuance of nonvested stock	715,579	7	(7)	—	—	—	—
Exercise of stock options	169,732	2	3,587	—	—	—	3,589
Balance, December 31, 2019	182,816,536	\$ 1,828	\$ 1,491,004	\$ 2,193,997	\$ (536,949)	\$ (1,345,881)	\$ 1,803,999

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 – All of the Company’s subsidiaries are wholly-owned. 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 material intercompany transactions have been eliminated.

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

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 aggregate transaction gain/(loss) resulting from foreign currency remeasurements was \$18.0 million, \$(19.9) million, and \$15.0 million for the years ended December 31, 2019, 2018 and 2017, respectively.

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 consolidated financial statements and the accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents – The Company considers all highly liquid investments with a maturity of 90 days or less when purchased to be cash equivalents.

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, net* on the *Consolidated balance sheets*. The allowance for doubtful accounts deducted from total accounts receivable was \$4.9 million and \$4.0 million as of December 31, 2019 and 2018, 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 through HDFS by the purchasing independent dealers and the related receivables are included in *Finance receivables, net* on the *Consolidated balance sheets*.

Inventories, net – Substantially all inventories located in the U.S. are valued using the last-in, first-out (LIFO) method. Other inventories totaling \$326.5 million and \$247.6 million at December 31, 2019 and 2018, respectively, are valued at the lower of cost or net realizable value using the first-in, first-out (FIFO) method.

Repossessed Inventory – Repossessed inventory representing recovered collateral on impaired finance receivables is recorded at the lower of cost or net realizable value through a fair value remeasurement. In the period during which the collateral is repossessed, the related finance receivable is adjusted to the fair value of the collateral through a change to the allowance for credit losses and reclassified to repossessed inventory, included in *Other current assets* on the *Consolidated balance sheets*.

Property, Plant and Equipment, net – Property, plant and equipment is recorded at cost, net of accumulated depreciation and amortization. Depreciation is determined using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of each class of property, plant and equipment generally consist of 30 years for buildings, 7 years for building and land improvements, 3 to 10 years for machinery and equipment, and 3 to 7 years for software. 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 2019 and 2018, 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. Refer to Note 3 for additional details surrounding the Company's restructuring activities impacting long-lived assets.

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 that 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.

Research and Development Expenses – Expenditures for research activities relating to product development and improvements are charged against income as incurred and included within *Selling, administrative and engineering expense* on the *Consolidated statements of income*. Research and development expenses were \$216.5 million, \$191.6 million and \$175.2 million for 2019, 2018 and 2017, respectively.

Advertising Costs – The Company expenses the production cost of advertising the first time the advertising takes place within *Selling, administrative and engineering expense*. Advertising costs relate to the Company's efforts to promote its products and brands through the use of media and other means. During 2019, 2018 and 2017, the Company incurred \$171.4 million, \$144.3 million and \$135.5 million in advertising costs, respectively.

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

New Accounting Standards

Accounting Standards Recently Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02 Leases (Topic 842) (ASU 2016-02). ASU 2016-02 amends the 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 adopted ASU 2016-02 on January 1, 2019 using a modified retrospective approach. Pursuant to ASU 2018-11, Leases (Topic 842): Targeted Improvements, the Company applied the new leases standard at the adoption date and recognized a cumulative effect adjustment to the opening balance sheet on January 1, 2019.

The Company elected the package of practical expedients upon transition that allows entities not to reassess lease identification, classification and initial direct costs for leases that existed prior to adoption. The Company also elected the short-term lease practical expedient that allows entities to recognize lease payments on a straight-line basis over the lease term for leases with a term of 12 months or less. The Company has elected the practical expedient allowing entities to not separate non-lease components from lease components, but instead account for such components as a single lease component for all leases except leases involving assets operated by a third-party.

The adoption of ASU 2016-02 resulted in the initial recognition of lease assets and lease liabilities related to the Company's leasing arrangements totaling approximately \$60 million on January 1, 2019. The adoption of ASU 2016-02 had no impact on opening retained earnings on January 1, 2019 and is not expected to materially impact consolidated net income or cash flows on an ongoing basis.

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 Accounting Standards Codification (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 adopted ASU 2017-12 on January 1, 2019 on a prospective basis. The adoption of ASU 2017-12 did not have a material impact on its financial statements.

Accounting Standards Not Yet Adopted

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 will adopt ASU 2016-13 effective January 1, 2020 on a modified retrospective basis. Adoption of this standard will impact how the Company recognizes credit losses on its financial instruments. An entity will apply the standard by recording a cumulative effect adjustment to retained earnings upon adoption. The Company has completed its work surrounding model development, documentation and validation as well as its evaluation of associated processes, data sources, internal controls and policies. The Company is working through its remaining steps for the adoption of ASU 2016-13, which includes finalizing assumptions related to economic forecasts and appropriate qualitative factors and their associated processes and internal controls. The impact of adoption is expected to result in an initial increase in the allowance for credit losses, with a decrease in retained earnings net of taxes. The initial change in the allowance for credit losses at adoption and the ongoing effect of ASU 2016-13 on the provision for credit losses will be impacted by the size and composition of the Company's finance receivables portfolio, economic conditions, reasonable and supportable forecasts, and other appropriate factors at each reporting period.

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.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement (ASU 2018-13). ASU 2018-13 amends ASC 820 to eliminate, modify, and add certain disclosure requirements for fair value measurements. The guidance is effective for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years. Early adoption is permitted in any period, for either the whole standard or only the provisions that eliminate or modify requirements. The amendments are required to be applied retrospectively, with the exception of a few disclosure additions, which are to be applied on a prospective basis. The Company does not expect the adoption of ASU 2018-13 to have material impact on its disclosures.

In August 2018, the FASB issued ASU No. 2018-15, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) (ASU 2018-15). The new guidance requires a customer in a cloud computing arrangement that is a service contract to follow the existing internal-use software guidance to determine which implementation costs to capitalize as assets or expense as incurred. The guidance is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Company does not expect the adoption of ASU 2018-15 to have a material impact on its financial statements.

In December 2019, the FASB issued ASU No. 2019-12, Simplifying the Accounting for Income Taxes (ASU No. 2019-12). The new guidance eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The guidance is effective for fiscal years beginning after December 15, 2020 and for interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of adopting ASU 2019-12.

2. Revenue

The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or service to a customer. Revenue is measured based on the consideration that the Company expects to be entitled to in exchange for the goods or services transferred. Taxes that are collected from a customer concurrent with revenue-producing activities are excluded from revenue.

Disaggregated revenue by major source was as follows for the years ended December 31, (in thousands):

	2019	2018
Motorcycles and Related Products Revenue:		
Motorcycles	\$ 3,538,269	\$ 3,882,963
Parts & accessories	713,400	754,663
General merchandise	237,566	241,964
Licensing	35,917	38,676
Other	47,526	50,380
	<u>4,572,678</u>	<u>4,968,646</u>
Financial Services Revenue:		
Interest income	678,205	645,985
Securitization and servicing fee income	599	1,136
Other income	110,307	101,108
	<u>789,111</u>	<u>748,229</u>
	<u>\$ 5,361,789</u>	<u>\$ 5,716,875</u>

Motorcycles and Related Products

Motorcycles, Parts & Accessories, and General Merchandise – Revenues from the sale of motorcycles, parts & accessories, and general merchandise are recorded when control is transferred to the customer, generally at the time of shipment. The sale of products to independent dealers outside the U.S. and Canada is generally on open account with terms that approximate 30-120 days and the resulting receivables are included in *Accounts receivable, net* on the *Consolidated balance sheets*. The sale of products to independent dealers in the U.S. and Canada is financed through HDFC and the related receivables are included in *Finance receivables, net* on the *Consolidated balance sheets*.

The Company offers sales incentive programs to independent dealers and retail customers designed to promote the sale of motorcycles, parts & accessories, and general merchandise. The Company estimates its variable consideration sold under its sales incentive programs using the expected value method. The Company accounts for consideration payable to a customer as part of its sales incentives as a reduction of revenue, which is accrued at the later of the date the related sale is recorded or the date the incentive program is both approved and communicated.

The Company offers the right to return eligible parts & accessories and general merchandise. When the Company offers a right to return, it estimates returns based on an analysis of historical trends and records revenue on the initial sale only in the amount that it expects to be entitled. The remaining consideration is deferred in a refund liability account. The refund liability is remeasured for changes in the estimate at each reporting date with a corresponding adjustment to revenue.

Variable consideration related to sales incentives and rights to return is adjusted at the earliest of when the amount of consideration the Company expects to receive changes or the consideration becomes fixed. Adjustments for variable consideration related to previously recognized sales were not material during 2019 and 2018.

Shipping and handling costs associated with freight after control of a product has transferred to a customer are accounted for as fulfillment costs. The Company accrues for the shipping and handling in the same period that the related revenue is recognized.

The Company offers standard, limited warranties on its motorcycles and parts & accessories. These warranties provide assurance that the product will function as expected and are not separate performance obligations. The Company accounts for estimated warranty costs as a liability when control of the product transfers to the customer.

Licensing – The Company licenses the Harley-Davidson name and other trademarks owned by the Company and collects royalties from its licensees. The trademark licenses are considered symbolic intellectual property, which grant the licensees a right to access the Company's intellectual property. The Company satisfies its performance obligation over the license period, as the Company fulfills its promise to grant the licensees rights to use and benefit from the intellectual property as well as maintain the intellectual property.

Payment is typically due within thirty days of the end of each quarter for the royalties earned in that quarter. Revenue, in the form of sales-based royalties, is recognized when the licensees' subsequent sales occur. The Company applies the practical expedient in *ASC Topic 606, Revenue from Contracts with Customers*, to recognize licensing revenues in the amount that the

Company has the right to invoice because the royalties due each period correspond directly with the value of the Company's performance to date. Revenue will be recognized over the remaining contract terms which range up to 5 years.

Other Revenue – Other revenue consists primarily of revenue from Harley Owners Group (H.O.G.[®]) membership sales, motorcycle rental commissions, museum admissions and events, and other miscellaneous products and services.

Financial Services

Interest Income – 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, net*. Certain loan origination costs related to finance receivables, including payments made to dealers for certain retail loans, are deferred and recorded within *Finance receivables, net* and amortized over the life of the contract.

Securitization and Servicing Fee Income – Securitization and servicing fee income consists of revenue from servicing and ancillary fees associated with HDFS' off-balance sheet asset-backed securitization transaction, discussed further in Note 12.

Other Income – Other income consists primarily of insurance and licensing revenues. HDFS works with certain unaffiliated insurance companies to offer motorcycle insurance and protection products through most Harley-Davidson independent dealers in the U.S. and Canada. HDFS also works with third-party financial institutions that issue credit cards or offer other financial products bearing the Harley-Davidson brand in the U.S. and internationally. For many of these contracts, the Company grants temporary rights to use the licensed trademarks owned by the Company and collects royalties from its customers in connection with sales of their products. The trademark licenses are considered symbolic intellectual property, which grant the customer a right to access the intellectual property. The Company satisfies its performance obligation over the license period, as it fulfills its promise to grant the customer rights to use and benefit from the intellectual property as well as maintain the intellectual property. Royalty and profit sharing amounts are received either quarterly or per annum, based upon the contract. Revenue, in the form of sales-based royalties, is recognized when the customers' subsequent sales occur. Revenue will be recognized over the remaining contract terms which range up to 6 years. The Company is the primary obligor for certain other insurance related contracts and, as a result, revenue is recognized over the life of the contract as the Company fulfills its performance obligation.

Contract Liabilities

The Company also maintains certain deferred revenue balances related to payments received at contract inception in advance of the Company's performance under the contract and generally relates to the sale of H.O.G. memberships and extended service plan contracts. Deferred revenue is recognized as revenue as the Company performs under the contract. Deferred revenue, included in *Accrued liabilities* and *Other long-term liabilities* on the *Consolidated balance sheets*, was as follows (in thousands):

	2019	2018
Balance, beginning of period	\$ 29,055	\$ 23,441
Balance, end of period	29,745	29,055

Previously deferred revenue recognized as revenue in 2019 and 2018 was \$26.3 million and \$19.6 million, respectively. The Company expects to recognize approximately \$15.8 million of the remaining unearned revenue in 2020 and \$13.9 million thereafter.

3. Restructuring Expenses

In January 2018, the Company initiated a plan to further improve its manufacturing operations and cost structure by commencing a multi-year manufacturing optimization plan which includes the consolidation of its plant in Kansas City, Missouri, into its plant in York, Pennsylvania, and the closure of its wheel operations in Adelaide, Australia (Manufacturing Optimization Plan). The consolidation of operations resulted in the elimination of approximately 800 jobs at the Kansas City facility and the addition of approximately 450 jobs at the York facility through 2019. The Adelaide facility closure resulted in the elimination of approximately 90 jobs.

The Motorcycles segment incurred \$145.4 million of restructuring expenses and other consolidation costs under the Manufacturing Optimization Plan since its inception in 2018, including \$43.0 million in 2019. Approximately 60% of total restructuring expenses and other consolidation costs under the Manufacturing Optimization Plan were cash charges.

In November 2018, the Company implemented a reorganization of its workforce (Reorganization Plan). As a result, approximately 70 employees left the Company on an involuntary basis.

Restructuring expense related to the restructuring plans is presented as a line item in the *Consolidated statements of income* and the accrued restructuring liability is recorded in *Accrued liabilities* on the *Consolidated balance sheets*. Changes in the accrued restructuring liability during the years ended December 31, were as follows (in thousands):

	2019					
	Manufacturing Optimization Plan				Reorganization Plan	
	Employee Termination Benefits	Accelerated Depreciation	Other	Total	Employee Termination Benefits	Total
Balance, beginning of period	\$ 24,958	\$ —	\$ 79	\$ 25,037	\$ 3,461	\$ 28,498
Restructuring expense	15	14,684	17,971	32,670	(317)	32,353
Utilized - cash	(24,102)	—	(16,950)	(41,052)	(3,118)	(44,170)
Utilized - non cash	—	(14,684)	(1,094)	(15,778)	—	(15,778)
Foreign currency changes	(6)	—	(4)	(10)	(26)	(36)
Balance, end of period	\$ 865	\$ —	\$ 2	\$ 867	\$ —	\$ 867

	2018					
	Manufacturing Optimization Plan				Reorganization Plan	
	Employee Termination Benefits	Accelerated Depreciation	Other	Total	Employee Termination Benefits	Total
Balance, beginning of period	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Restructuring expense	38,666	34,654	16,182	89,502	3,899	93,401
Utilized - cash	(13,060)	—	(16,095)	(29,155)	(444)	(29,599)
Utilized - non cash	—	(34,654)	—	(34,654)	—	(34,654)
Foreign currency changes	(648)	—	(8)	(656)	6	(650)
Balance, end of period	\$ 24,958	\$ —	\$ 79	\$ 25,037	\$ 3,461	\$ 28,498

The Company incurred incremental *Motorcycles and Related Products cost of goods sold* due to temporary inefficiencies resulting from implementing the Manufacturing Optimization Plan during 2019 and 2018 of \$10.3 million and \$12.9 million, respectively.

4. Income Taxes

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

	2019	2018	2017
Current:			
Federal	\$ 82,484	\$ 136,202	\$ 245,189
State	6,421	23,134	24,898
Foreign	23,328	29,823	21,138
	112,233	189,159	291,225
Deferred:			
Federal	18,760	(23,181)	47,046
State	402	(6,787)	2,688
Foreign	2,385	(4,013)	1,121
	21,547	(33,981)	50,855
	\$ 133,780	\$ 155,178	\$ 342,080

During 2017, the Company recorded income tax expense of \$53.1 million in connection with the enactment of the "Tax Cuts and Jobs Act" (2017 Tax Act). The Company completed its accounting for all of the initial income tax effects of the 2017 Tax Act during 2018 which resulted in a reduction to income tax expense during 2018 of \$1.5 million.

The 2017 Tax Act subjects U.S. shareholders to current tax on global intangible low-taxed income (GILTI) earned by certain foreign subsidiaries for which a company can elect to either recognize deferred taxes or to provide tax expense in the year incurred. The Company has elected to account for GILTI in the year the tax is incurred.

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

	2019	2018	2017
Domestic	\$ 465,798	\$ 593,099	\$ 788,878
Foreign	91,617	93,530	74,961
	<u>\$ 557,415</u>	<u>\$ 686,629</u>	<u>\$ 863,839</u>

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

	2019	2018	2017
Provision at statutory rate	21.0 %	21.0 %	35.0 %
State taxes, net of federal benefit	2.5	2.6	1.9
Foreign rate differential	0.3	0.4	(0.8)
Domestic manufacturing deduction	—	—	(2.2)
Foreign derived intangible income	(0.6)	(1.2)	—
Research and development credit	(1.5)	(1.1)	(0.7)
Unrecognized tax benefits including interest and penalties	0.1	(0.6)	2.3
Valuation allowance adjustments	1.4	0.1	(0.1)
State credits	(0.8)	—	—
Deferred tax balance remeasurement for rate change	—	(1.2)	5.5
Territorial tax	—	1.4	(0.1)
Global intangible low-taxed income	0.2	0.4	—
Adjustments for previously accrued taxes	(0.3)	(1.0)	(1.2)
Rate differential on intercompany transfers	—	0.9	—
Executive compensation limitation	0.5	0.5	—
Other foreign inclusions	0.8	—	—
Other	0.4	0.4	—
Provision for income taxes	<u>24.0 %</u>	<u>22.6 %</u>	<u>39.6 %</u>

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

	2019	2018
Deferred income tax assets:		
Accruals not yet tax deductible	\$ 95,746	\$ 108,284
Pension and postretirement healthcare plan obligations	17,685	48,347
Stock compensation	11,867	13,295
Net operating loss carryforward	45,279	34,842
Valuation allowance	(29,024)	(21,868)
Other, net	64,833	43,870
	<u>206,386</u>	<u>226,770</u>
Deferred income tax liabilities:		
Depreciation, tax in excess of book	(83,477)	(79,326)
Other	(29,840)	(5,980)
	<u>(113,317)</u>	<u>(85,306)</u>
	<u>\$ 93,069</u>	<u>\$ 141,464</u>

The Company reviews its deferred income 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 income 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.

The Company's gross state operating loss carryforwards were as follows as of December 31, (in thousands):

Year of Expiration	2019
2031	\$ 256,956
2033	166
2034	1,915
2038	4,460
2039	9,922
	<u>\$ 273,419</u>

The Company also had Wisconsin research and development credit carryforwards of \$18.1 million at December 31, 2019, expiring in 2024-2033.

At December 31, 2019, the Company had a deferred tax asset of \$31.4 million related to its state operating loss and Wisconsin research and development credit carryforwards and a deferred tax asset of \$13.8 million related to foreign net operating losses.

The Company's valuation allowance was \$29.0 million at December 31, 2019 and included \$9.6 million related to state operating loss and Wisconsin research and development credit carryforwards, \$9.8 million related to foreign net operating losses and \$9.6 million related to other deferred tax assets. The increase in the valuation allowance from prior year included \$6.7 million related to state operating loss and Wisconsin research and development credit carryforwards and \$0.4 million related to foreign net operating losses.

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

	2019	2018
Unrecognized tax benefits, beginning of period	\$ 61,411	\$ 72,230
Increase in unrecognized tax benefits for tax positions taken in a prior period	1,067	940
Decrease in unrecognized tax benefits for tax positions taken in a prior period	(5,608)	(9,783)
Increase in unrecognized tax benefits for tax positions taken in the current period	4,576	3,355
Statute lapses	(325)	—
Settlements with taxing authorities	(1,009)	(5,331)
Unrecognized tax benefits, end of period	<u>\$ 60,112</u>	<u>\$ 61,411</u>

The amount of unrecognized tax benefits as of December 31, 2019 and 2018 that, if recognized, would affect the effective tax rate was \$53.1 million and \$53.7 million, respectively.

The total gross amount of benefit related to interest and penalties associated with unrecognized tax benefits recognized during 2019, 2018 and 2017 in the *Consolidated statements of income* was \$0.1 million, \$3.2 million and \$2.8 million, respectively.

The total gross amount of interest and penalties associated with unrecognized tax benefits recognized at December 31, 2019 and 2018 in the *Consolidated balance sheets* was \$27.6 million and \$27.7 million, respectively.

The Company does not expect a significant change to the total amounts of unrecognized tax benefits related to continuing operations during the fiscal year ending December 31, 2020. 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 2015 or for U.S. federal income taxes before 2014. The Company is currently under audit for U.S. federal income taxes for years 2015 and 2016.

5. Capital Stock and Earnings Per Share

Capital Stock – The Company is authorized to issue 2,000,000 shares of preferred stock of \$1.00 par value, none of which is outstanding. The Company's common stock has a par value of \$0.01 per share. Share information regarding the Company's common stock at December 31, was as follows:

	2019	2018
Common stock shares:		
Authorized	800,000,000	800,000,000
Issued	182,816,536	181,931,225
Outstanding	152,468,442	159,657,947
Treasury stock shares	30,348,094	22,273,278

Discretionary share repurchases during the years ended December 31, 2019, 2018 and 2017 were \$286.7 million or 8.2 million shares, \$382.0 million or 9.2 million shares, and \$456.1 million or 8.7 million shares, respectively. Share repurchases of common stock that employees surrendered to satisfy withholding taxes in connection with the vesting of restricted stock units (RSUs) were \$9.8 million or 0.3 million shares, \$8.6 million or 0.2 million shares, and \$9.2 million or 0.2 million shares during the years ended December 31, 2019, 2018 and 2017, respectively, discussed further in Note 17.

The Company paid cash dividends of \$1.50, \$1.48, and \$1.46 per share during the years ended December 31, 2019, 2018, and 2017, respectively.

Earnings Per Share – The computation of basic and diluted earnings per share for the years ended December 31, was as follows (in thousands except per share amounts):

	2019	2018	2017
Net income	\$ 423,635	\$ 531,451	\$ 521,759
Basic weighted-average shares outstanding	157,054	165,672	171,995
Effect of dilutive securities – employee stock compensation plan	750	832	937
Diluted weighted-average shares outstanding	157,804	166,504	172,932
Earnings per share:			
Basic	\$ 2.70	\$ 3.21	\$ 3.03
Diluted	\$ 2.68	\$ 3.19	\$ 3.02

Outstanding options to purchase 1.1 million, 1.1 million and 0.8 million shares of common stock during 2019, 2018 and 2017, respectively, were not included in the effect 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 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, 2019, 2018 and 2017.

6. Additional Balance Sheet and Cash Flow Information

The Company's investments in marketable securities consisted of the following at December 31, (in thousands):

	2019	2018
Debt securities	\$ —	\$ 10,007
Mutual funds	52,575	44,243
	\$ 52,575	\$ 54,250

Debt securities, included in *Marketable securities* on the *Consolidated balance sheets*, were carried at fair value with unrealized gains or losses reported in other comprehensive income. Mutual funds, which are included in *Other long-term assets* on the *Consolidated balance sheets*, are carried at fair value with gains and losses recorded in net income. The mutual funds are held to support certain deferred compensation obligations.

Inventories, net consisted of the following as of December 31, (in thousands):

	2019	2018
Raw materials and work in process	\$ 235,433	\$ 177,110
Motorcycle finished goods	280,306	301,630
Parts & accessories and general merchandise	144,258	136,027
Inventory at lower of FIFO cost or net realizable value	659,997	614,767
Excess of FIFO over LIFO cost	(56,426)	(58,639)
	\$ 603,571	\$ 556,128

Inventory obsolescence reserves deducted from FIFO cost were \$49.3 million and \$39.0 million as of December 31, 2019 and 2018, respectively.

Property, plant and equipment, net consisted of the following as of December 31, (in thousands):

	2019	2018
Land and related improvements	\$ 75,798	\$ 73,025
Buildings and related improvements	507,178	483,965
Machinery and equipment	1,609,582	1,740,405
Software	750,978	733,180
Construction in progress	148,805	205,786
	3,092,341	3,236,361
Accumulated depreciation	(2,244,959)	(2,332,229)
	<u>\$ 847,382</u>	<u>\$ 904,132</u>

Software, net of accumulated amortization, included in *Property, plant and equipment, net*, was \$138.9 million and \$159.0 million as of December 31, 2019 and 2018, respectively.

Accrued liabilities consisted of the following as of December 31, (in thousands):

	2019	2018
Payroll, employee benefits and related expenses	\$ 113,621	\$ 125,056
Sales incentive programs	73,354	57,525
Warranty and recalls	57,068	103,074
Accrued interest	49,213	47,977
Tax-related accruals	29,871	43,083
Leases	19,013	—
Fair value of derivative financial instruments	13,934	5,316
Restructuring	867	28,498
Other	225,347	190,601
	<u>\$ 582,288</u>	<u>\$ 601,130</u>

Operating Cash Flow – The reconciliation of *Net income* to *Net cash provided by operating activities* for the years ended December 31, is as follows (in thousands):

	2019	2018	2017
Cash flows from operating activities:			
Net income	\$ 423,635	\$ 531,451	\$ 521,759
Adjustments to reconcile Net income to Net cash provided by operating activities:			
Depreciation and amortization	232,537	264,863	222,188
Amortization of deferred loan origination costs	76,326	81,315	82,911
Amortization of financing origination fees	9,823	8,367	8,045
Provision for long-term employee benefits	13,344	36,481	29,900
Employee benefit plan contributions and payments	(13,256)	(10,544)	(63,277)
Stock compensation expense	33,733	35,539	32,491
Net change in wholesale finance receivables related to sales	(5,822)	(56,538)	35,172
Provision for credit losses	134,536	106,870	132,444
Deferred income taxes	21,547	(33,981)	50,855
Other, net	298	37,554	8,559
Changes in current assets and liabilities:			
Accounts receivable, net	44,902	9,143	(18,149)
Finance receivables – accrued interest and other	(11,119)	773	(1,313)
Inventories, net	(47,576)	(31,059)	(20,584)
Accounts payable and accrued liabilities	(18,462)	196,192	10,128
Derivative financial instruments	1,936	473	1,866
Other	(28,110)	29,022	(27,934)
	444,637	674,470	483,302
Net cash provided by operating activities	\$ 868,272	\$ 1,205,921	\$ 1,005,061

Cash paid during the years ended December 31, for interest and income taxes was as follows (in thousands):

	2019	2018	2017
Interest	\$ 229,678	\$ 207,484	\$ 204,866
Income taxes	\$ 149,828	\$ 149,436	\$ 300,133

Interest paid represents interest payments of HDFS and interest payments of the Company, included in *Financial Services interest expense* and *Interest expense* on the *Consolidated statements of income*.

7. Finance Receivables

Finance receivables include both retail and wholesale finance receivables, 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 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, 2019 and 2018, 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.

The Company offers wholesale financing to the Company's independent dealers. Wholesale loans to independent 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.

Finance receivables, net at December 31, were as follows (in thousands):

	2019	2018	2017	2016	2015
Retail finance receivables:					
United States	\$ 6,180,236	\$ 6,103,378	\$ 5,901,002	\$ 5,769,410	\$ 5,803,071
Canada	236,192	224,823	239,598	212,801	188,400
	<u>6,416,428</u>	<u>6,328,201</u>	<u>6,140,600</u>	<u>5,982,211</u>	<u>5,991,471</u>
Wholesale finance receivables:					
United States	1,067,880	1,007,956	939,621	961,150	965,379
Canada	88,639	75,659	77,336	65,440	58,481
	<u>1,156,519</u>	<u>1,083,615</u>	<u>1,016,957</u>	<u>1,026,590</u>	<u>1,023,860</u>
	<u>7,572,947</u>	<u>7,411,816</u>	<u>7,157,557</u>	<u>7,008,801</u>	<u>7,015,331</u>
Allowance for credit losses	(198,581)	(189,885)	(192,471)	(173,343)	(147,178)
	<u>\$ 7,374,366</u>	<u>\$ 7,221,931</u>	<u>\$ 6,965,086</u>	<u>\$ 6,835,458</u>	<u>\$ 6,868,153</u>

Approved but unfunded retail finance loans totaled \$160.4 million and \$154.8 million at December 31, 2019 and 2018, respectively. Unused lines of credit extended to the Company's wholesale finance customers totaled \$1.14 billion and \$1.21 billion at December 31, 2019 and 2018, respectively.

Wholesale finance receivables are generally contractually due within one year. As of December 31, 2019, contractual maturities of total finance receivables were as follows (in thousands):

	United States	Canada	Total
2020	\$ 2,177,277	\$ 138,251	\$ 2,315,528
2021	1,188,915	52,390	1,241,305
2022	1,329,148	56,629	1,385,777
2023	1,486,564	61,211	1,547,775
2024	1,061,450	16,350	1,077,800
Thereafter	4,762	—	4,762
	<u>\$ 7,248,116</u>	<u>\$ 324,831</u>	<u>\$ 7,572,947</u>

The provision for credit losses on finance receivables is charged or credited to earnings in amounts that the Company believes are sufficient to maintain the allowance for credit losses at a level that is adequate to cover estimated losses inherent in the existing portfolio. The allowance for credit losses represents management's estimate of probable losses inherent in the finance receivable portfolio as of the balance sheet date.

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 evaluation for the wholesale allowance for credit losses 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 considered impaired on an individual basis are segregated, based on similar risk characteristics, according to the Company's internal risk rating system and collectively evaluated for impairment. The related allowance for credit losses is based on factors such as the specific borrower's financial performance and ability to repay, the Company's past loan loss experience, current economic conditions and the value of the underlying collateral.

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):

	2019		
	Retail	Wholesale	Total
Balance, beginning of period	\$ 182,098	\$ 7,787	\$ 189,885
Provision for credit losses	132,243	2,293	134,536
Charge-offs	(173,358)	—	(173,358)
Recoveries	47,518	—	47,518
Balance, end of period	<u>\$ 188,501</u>	<u>\$ 10,080</u>	<u>\$ 198,581</u>

	2018		
	Retail	Wholesale	Total
Balance, beginning of period	\$ 186,254	\$ 6,217	\$ 192,471
Provision for credit losses	105,292	1,578	106,870
Charge-offs	(154,433)	(8)	(154,441)
Recoveries	44,985	—	44,985
Balance, end of period	<u>\$ 182,098</u>	<u>\$ 7,787</u>	<u>\$ 189,885</u>

	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	<u>\$ 186,254</u>	<u>\$ 6,217</u>	<u>\$ 192,471</u>

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. Portions of the allowance for credit losses are established to cover estimated losses on finance receivables specifically identified for impairment. The unspecified portion of the allowance for credit losses covers estimated losses on finance receivables which are collectively reviewed for impairment.

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 finance receivables in troubled debt restructurings. Total restructured finance receivables are not significant.

The allowance for credit losses and finance receivables by portfolio, segregated by those amounts that are individually evaluated for impairment and those that are collectively evaluated for impairment, at December 31, was as follows (in thousands):

	2019		
	Retail	Wholesale	Total
Allowance for credit losses, ending balance:			
Individually evaluated for impairment	\$ —	\$ 2,100	\$ 2,100
Collectively evaluated for impairment	188,501	7,980	196,481
	<u>\$ 188,501</u>	<u>\$ 10,080</u>	<u>\$ 198,581</u>
Finance receivables, ending balance:			
Individually evaluated for impairment	\$ —	\$ 4,601	\$ 4,601
Collectively evaluated for impairment	6,416,428	1,151,918	7,568,346
	<u>\$ 6,416,428</u>	<u>\$ 1,156,519</u>	<u>\$ 7,572,947</u>
	2018		
	Retail	Wholesale	Total
Allowance for credit losses, ending balance:			
Individually evaluated for impairment	\$ —	\$ —	\$ —
Collectively evaluated for impairment	182,098	7,787	189,885
	<u>\$ 182,098</u>	<u>\$ 7,787</u>	<u>\$ 189,885</u>
Finance receivables, ending balance:			
Individually evaluated for impairment	\$ —	\$ —	\$ —
Collectively evaluated for impairment	6,328,201	1,083,615	7,411,816
	<u>\$ 6,328,201</u>	<u>\$ 1,083,615</u>	<u>\$ 7,411,816</u>

Additional information related to the wholesale finance receivables that are individually deemed to be impaired under ASC Topic 310, *Receivables* at December 31, 2019 includes (in thousands):

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Wholesale:					
No related allowance recorded	\$ —	\$ —	\$ —	\$ —	\$ —
Related allowance recorded	4,994	4,601	2,100	4,976	—
	<u>\$ 4,994</u>	<u>\$ 4,601</u>	<u>\$ 2,100</u>	<u>\$ 4,976</u>	<u>\$ —</u>

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 finance receivable is otherwise deemed uncollectible. All retail finance receivables accrue interest until either collected or charged-off.

Wholesale finance receivables are delinquent if the minimum payment is not received by the contractual due date. Wholesale finance receivables are written down once the Company 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. The recorded investment of non-accrual status wholesale finance receivables at December 31, 2019 was \$5.0 million. At December 31, 2019, \$2.6 million of wholesale finance receivables were over 90 days or more past due and on non-accrual status. There were no wholesale receivables on non-accrual status at December 31, 2018.

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

	2019					
	Current	31-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Total Finance Receivables
Retail finance receivables	\$ 6,171,930	\$ 142,479	\$ 53,995	\$ 48,024	\$ 244,498	\$ 6,416,428
Wholesale financial receivables	1,152,416	1,145	384	2,574	4,103	1,156,519
	<u>\$ 7,324,346</u>	<u>\$ 143,624</u>	<u>\$ 54,379</u>	<u>\$ 50,598</u>	<u>\$ 248,601</u>	<u>\$ 7,572,947</u>

	2018					
	Current	31-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Total Finance Receivables
Retail finance receivables	\$ 6,100,186	\$ 136,945	\$ 49,825	\$ 41,245	\$ 228,015	\$ 6,328,201
Wholesale financial receivables	1,081,729	522	273	1,091	1,886	1,083,615
	<u>\$ 7,181,915</u>	<u>\$ 137,467</u>	<u>\$ 50,098</u>	<u>\$ 42,336</u>	<u>\$ 229,901</u>	<u>\$ 7,411,816</u>

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):

	2019	2018	2017	2016	2015
United States	\$ 47,138	\$ 41,285	\$ 39,051	\$ 39,399	\$ 31,677
Canada	888	1,051	1,025	1,326	1,192
	<u>\$ 48,026</u>	<u>\$ 42,336</u>	<u>\$ 40,076</u>	<u>\$ 40,725</u>	<u>\$ 32,869</u>

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 generally considered prime, and loans with a FICO score below 640 are generally 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):

	2019	2018
Prime	\$ 5,278,093	\$ 5,183,754
Sub-prime	1,138,335	1,144,447
	<u>\$ 6,416,428</u>	<u>\$ 6,328,201</u>

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 individually 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):

	2019	2018
Doubtful	\$ 11,664	\$ 2,210
Substandard	6,122	9,660
Special Mention	16,125	10,299
Medium Risk	16,800	25,802
Low Risk	1,105,808	1,035,644
	<u>\$ 1,156,519</u>	<u>\$ 1,083,615</u>

8. Goodwill and Intangible Assets

On March 4, 2019, the Company purchased certain assets and liabilities of StaCyc, Inc. StaCyc produces electric-powered two-wheelers specifically designed for children and supports the Company's plans to expand its portfolio of electric two-wheeled vehicles. Total consideration of the transaction was \$14.9 million including cash paid at acquisition of \$7.0 million. The primary assets acquired and included in the Motorcycles segment were goodwill of \$9.5 million, which is tax deductible, and intangible assets of \$5.3 million.

Changes in the carrying amount of goodwill in the Motorcycles segment for the years ended December 31, was as follows (in thousands):

	2019	2018	2017
Balance, beginning of period	\$ 55,048	\$ 55,947	\$ 53,391
Acquisitions	9,520	—	—
Currency translation	(408)	(899)	2,556
Balance, end of period	<u>\$ 64,160</u>	<u>\$ 55,048</u>	<u>\$ 55,947</u>

Intangible assets, excluding goodwill, included in the Motorcycles segment consist primarily of customer relationships and trademarks with useful lives ranging from 5 to 20 years. Intangible assets are amortized on a straight-line basis over their estimated useful lives. Intangible assets are recorded in *Other long-term assets* on the *Consolidated balance sheets*. The gross carrying amounts at December 31, 2019 and 2018 differ from the acquisition date amounts due to changes in foreign currency exchange rates. Intangible assets at December 31, were as follows (in thousands):

	2019	2018	2017
Gross carrying amount	\$ 12,837	\$ 7,234	\$ 7,860
Accumulated amortization	(2,240)	(1,236)	(950)
	<u>\$ 10,597</u>	<u>\$ 5,998</u>	<u>\$ 6,910</u>

Amortization of intangible assets, excluding goodwill, is recorded in *Selling, administrative and engineering expense* on the *Consolidated statements of income* and was \$0.9 million, \$0.4 million and \$4.2 million for 2019, 2018 and 2017, respectively. Future amortization of the Company's intangible assets as of December 31, 2019 is as follows (in thousands):

2020	\$ 1,061
2021	1,061
2022	1,061
2023	1,061
2024	820
Thereafter	5,533
	<u>\$ 10,597</u>

The Financial Services segment had no goodwill or intangible assets at December 31, 2019 and 2018.

9. Derivative Financial Instruments and Hedging Activities

The Company is exposed to risks from fluctuations in foreign currency exchange rates, interest rates and commodity prices. 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.

The Company sells products in foreign currencies and utilizes foreign currency exchange contracts to mitigate the effects of foreign currency exchange rate fluctuations related to the Euro, Australian dollar, Japanese yen, Brazilian real, Canadian dollar, Mexican peso, Indian rupee, and Pound sterling. The Company's foreign currency exchange contracts generally have maturities of less than one year.

The Company utilizes commodity contracts to mitigate the effects of commodity price fluctuations related to metals and fuel consumed in the Company's motorcycle operations. The Company's commodity contracts generally have maturities of less than one year.

The Company periodically utilizes treasury rate lock contracts to fix the interest rate on a portion of the principal related to an anticipated issuance of long-term debt, interest rate swaps to reduce the impact of fluctuations in interest rates on medium-term notes with floating interest rates, as well as cross-currency swaps to mitigate the effect of foreign currency exchange rate fluctuations on foreign denominated debt. The Company also utilizes interest rate caps to facilitate certain asset-backed securitization transactions.

All derivative financial instruments are recognized on the *Consolidated balance sheets* at fair value. In accordance with *ASC Topic 815, Derivatives and Hedging* (ASC Topic 815), the accounting for changes in the fair value of a derivative financial 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 derivative financial instruments that are designated as cash flow hedges are 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 ongoing basis, whether the derivative financial instruments that are used in cash flow hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. No component of a hedging derivative financial instrument's gain or loss is excluded from the assessment of hedge effectiveness. Derivative financial instruments not designated as hedges are not speculative and are used to manage the Company's exposure to foreign currency, commodity risks, and interest rate risks. Changes in the fair value of derivative financial instruments not designated as hedging instruments are recorded directly in earnings.

The notional and recorded fair values of the Company's derivative financial instruments under ASC Topic 815, at December 31, were as follows (in thousands):

	Derivative Financial Instruments Designated as Cash Flow Hedging Instruments					
	2019			2018		
	Notional Value	Other Current Assets	Accrued Liabilities	Notional Value	Other Current Assets	Accrued Liabilities
Foreign currency contracts	\$ 434,321	\$ 3,505	\$ 3,661	\$ 442,976	\$ 15,071	\$ 313
Commodity contracts	616	—	80	827	—	46
Cross-currency swap	660,780	8,326	—	—	—	—
Interest rate swaps	900,000	—	9,181	900,000	—	4,494
	<u>\$ 1,995,717</u>	<u>\$ 11,831</u>	<u>\$ 12,922</u>	<u>\$ 1,343,803</u>	<u>\$ 15,071</u>	<u>\$ 4,853</u>
	Derivative Financial Instruments Not Designated as Hedging Instruments					
	2019			2018		
	Notional Value	Other Current Assets	Accrued Liabilities	Notional Value	Other Current Assets	Accrued Liabilities
Foreign currency contracts	\$ 220,139	\$ 721	\$ 865	\$ —	\$ —	\$ —
Commodity contracts	8,270	95	147	5,239	—	463
Interest rate cap	375,980	2	—	—	—	—
	<u>\$ 604,389</u>	<u>\$ 818</u>	<u>\$ 1,012</u>	<u>\$ 5,239</u>	<u>\$ —</u>	<u>\$ 463</u>

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

	Gain/(Loss) Recognized in OCI			Gain/(Loss) Reclassified from AOCL into Income		
	2019	2018	2017	2019	2018	2017
Foreign currency contracts	\$ 8,235	\$ 41,657	\$ (53,964)	\$ 21,433	\$ 11,492	\$ (7,202)
Commodity contracts	(103)	34	(246)	(70)	24	—
Cross-currency swap	8,326	—	—	12,156	—	—
Treasury rate locks	—	41	(719)	(492)	(498)	(442)
Interest rate swaps	(9,981)	(6,046)	—	(5,295)	(1,552)	—
	<u>\$ 6,477</u>	<u>\$ 35,686</u>	<u>\$ (54,929)</u>	<u>\$ 27,732</u>	<u>\$ 9,466</u>	<u>\$ (7,644)</u>

The location and amount of gains and losses recognized in income related to derivative financial instruments designated as cash flow hedges for the years ended December 31, were as follows (in thousands):

	Motorcycles cost of goods sold	Selling, administrative & engineering expense	Interest expense	Financial Services interest expense
	2019			
Line item on the Consolidated statements of income in which the effects of cash flow hedges are recorded	\$ 3,229,798	\$ 1,199,056	\$ 31,078	\$ 210,438
Gain/(loss) reclassified from AOCL into income:				
Foreign currency contracts	\$ 21,433	\$ —	\$ —	\$ —
Commodity contracts	\$ (70)	\$ —	\$ —	\$ —
Cross-currency swap	\$ —	\$ 12,156	\$ —	\$ —
Treasury rate locks	\$ —	\$ —	\$ (362)	\$ (130)
Interest rate swaps	\$ —	\$ —	\$ —	\$ (5,295)
	2018			
Line item on the Consolidated statements of income in which the effects of cash flow hedges are recorded	\$ 3,351,796	\$ 1,258,098	\$ 30,884	\$ 193,187
Gain/(loss) reclassified from AOCL into income:				
Foreign currency contracts	\$ 11,492	\$ —	\$ —	\$ —
Commodity contracts	\$ 24	\$ —	\$ —	\$ —
Treasury rate locks	\$ —	\$ —	\$ (362)	\$ (136)
Interest rate swaps	\$ —	\$ —	\$ —	\$ (1,552)
	2017			
Line item on the Consolidated statements of income in which the effects of cash flow hedges are recorded	\$ 3,272,330	\$ 1,180,176	\$ 31,004	\$ 180,193
Gain/(loss) reclassified from AOCL into income:				
Foreign currency contracts	\$ (7,202)	\$ —	\$ —	\$ —
Treasury rate locks	\$ —	\$ —	\$ (362)	\$ (80)

The amount of net gain included in *Accumulated other comprehensive loss* (AOCL) at December 31, 2019, estimated to be reclassified into income over the next twelve months was \$16.4 million.

The amount of gains and losses recognized in income related to derivative financial instruments not designated as hedging instruments were as follows (in thousands). Foreign currency contracts and commodity contracts were recorded in *Motorcycles cost of goods sold* and the interest rate cap was recorded in *Financial Services interest expense*.

	Amount of Gain/(Loss) Recognized in Income		
	2019	2018	2017
Foreign currency contracts	\$ 191	\$ —	\$ —
Commodity contracts	17	(430)	503
Interest rate cap	(143)	—	—
	<u>\$ 65</u>	<u>\$ (430)</u>	<u>\$ 503</u>

The Company is exposed to credit loss risk in the event of non-performance by counterparties to its derivative financial instruments. Although no assurances can be given, the Company does not expect any of the counterparties to its derivative financial instruments to fail to meet their obligations. To manage credit loss risk, the Company evaluates counterparties based on credit ratings and, on a quarterly basis, evaluates each hedge's net position relative to the counterparty's ability to cover their position.

10. Leases

The Company determines if an arrangement is or contains a lease at contract inception. Right-of-use (ROU) assets related to leases are recorded in *Lease assets* and lease liabilities are recorded in *Accrued liabilities* and *Lease liability* on the *Consolidated balance sheets*.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the lease term. The ROU asset also includes prepaid lease payments and initial direct costs and is reduced for lease incentives paid by the lessor. The discount rate used to determine the present value is generally the Company's incremental borrowing rate because the implicit rate in the lease is not readily determinable. The lease term used to calculate the ROU asset and lease liabilities includes periods covered by options to extend or terminate when the Company is reasonably certain the lease term will include these optional periods.

The Company has operating lease arrangements for sales and administrative offices, manufacturing and distribution facilities, product testing facilities, equipment and vehicles. The Company's leases have remaining lease terms ranging from 1 to 13 years, some of which include options to extend the lease term for periods generally not greater than 5 years and some of which include options to terminate the leases within 1 year. Certain leases also include options to purchase the leased asset. Leases do not contain any material residual value guarantees or material restrictive covenants.

Operating lease expense for the year ended December 31, 2019 was \$27.4 million. This includes variable lease costs related to leases involving assets operated by a third-party of approximately \$6.5 million. Other variable and short-term lease costs were not material.

Balance sheet information related to the Company's leases at December 31, was as follows (in thousands):

	2019
Lease assets	\$ 61,618
Accrued liabilities	\$ 19,013
Lease liabilities	44,447
	<u>\$ 63,460</u>

Future maturities of the Company's operating lease liabilities at December 31, 2019 were as follows (in thousands):

2020	\$	20,755
2021		17,972
2022		13,268
2023		6,590
2024		4,587
Thereafter		4,589
Future lease payments		67,761
Present value discount		(4,301)
Lease liability	\$	<u>63,460</u>

Other lease information surrounding the Company's operating leases as of December 31, was as follows (dollars in thousands):

		2019
Cash outflows for amounts included in the measurement of lease liabilities	\$	21,491
Right-of-use assets obtained in exchange for lease obligations	\$	21,759
		2019
Weighted-average remaining lease term (in years)		4.68
Weighted-average discount rate		2.1%

11. Debt

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

		2019		2018
Unsecured commercial paper	\$	571,995	\$	1,135,810

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

		2019		2018
Secured debt:				
Asset-backed Canadian commercial paper conduit facility	\$	114,693	\$	155,951
Asset-backed U.S. commercial paper conduit facilities		490,427		582,717
Asset-backed securitization debt		766,965		95,216
Unamortized discounts and debt issuance costs		(2,573)		(49)
		<u>1,369,512</u>		<u>833,835</u>

		2019	2018
Unsecured notes (at par value):			
Medium-term notes:			
Due in 2019, issued January 2016	2.25%	—	600,000
Due in 2019, issued March 2017	LIBOR + 0.35%	—	150,000
Due in 2019, issued September 2014	2.40%	—	600,000
Due in 2020, issued February 2015	2.15%	600,000	600,000
Due in 2020, issued May 2018	LIBOR + 0.50%	450,000	450,000
Due in 2020, issued March 2017	2.40%	350,000	350,000
Due in 2021, issued January 2016	2.85%	600,000	600,000
Due in 2021, issued in November 2018	LIBOR + 0.94%	450,000	450,000
Due in 2021, issued May 2018	3.55%	350,000	350,000
Due in 2022, issued February 2019	4.05%	550,000	—
Due in 2022, issued June 2017	2.55%	400,000	400,000
Due in 2023, issued February 2018	3.35%	350,000	350,000
Due in 2024, issued November 2019 ^(a)	3.14%	672,936	—
Unamortized discounts and debt issuance costs		(12,809)	(12,993)
		4,760,127	4,887,007
Senior notes:			
Due in 2025, issued July 2015	3.50%	450,000	450,000
Due in 2045, issued July 2015	4.625%	300,000	300,000
Unamortized discounts and debt issuance costs		(6,704)	(7,376)
		743,296	742,624
		5,503,423	5,629,631
Long-term debt		6,872,935	6,463,466
Current portion of long-term debt, net		(1,748,109)	(1,575,799)
Long-term debt, net		\$ 5,124,826	\$ 4,887,667

(a) Euro denominated €600.0 million par value remeasured to U.S. dollar at December 31, 2019

The Company's future principal payments on debt obligations as of December 31, 2019 were as follows (in thousands):

2020	\$ 2,326,688
2021	1,751,129
2022	1,351,281
2023	614,982
2024	672,936
Thereafter	750,000
	\$ 7,467,016

Unsecured Commercial Paper – Commercial paper maturities may range up to 365 days from the issuance date. The weighted-average interest rate of outstanding commercial paper balances was 1.94% and 2.79% at December 31, 2019 and 2018, respectively.

Credit Facilities – In May 2019, the Company entered into a \$195.0 million 364-day credit facility which matures in May 2020. The Company also has a \$780.0 million five-year credit facility which matures in April 2023 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 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.

Unsecured Notes – The fixed-rate unsecured notes provide for semi-annual interest payments and the floating-rate unsecured notes provide for quarterly interest payments. Principal on the unsecured notes is due at maturity.

During January, March, and September of 2019, \$600.0 million of 2.25%, \$150.0 million of floating-rate, and \$600.0 million of 2.40% medium-term notes matured, respectively, and the principal and accrued interest were paid in full. During June 2018, \$877.5 million of 6.80% medium-term notes matured, and the principal and accrued interest were paid in full.

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 medium-term and senior 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 ratio of HDFS' consolidated debt, excluding secured debt, to HDFS' consolidated shareholders' equity, excluding accumulated other comprehensive loss (AOCL), cannot exceed 10.0 to 1.0 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 consolidated shareholders' equity (where the Company's consolidated debt in each case excludes that of HDFS and its subsidiaries, and the Company's consolidated shareholders' equity excluding AOCL), cannot exceed 0.7 to 1.0 as of the end of any fiscal quarter. No financial covenants are required under the medium-term and senior or the U.S. or Canadian asset-backed commercial paper conduit facilities.

At December 31, 2019 and 2018, HDFS and the Company remained in compliance with all of the then existing covenants.

12. 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 (SPEs), 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* (ASC Topic 860). 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 of 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 *Consolidated balance sheets* 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 statements 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.

The assets and liabilities related to the on-balance sheet asset-backed financings included in the *Consolidated balance sheets* at December 31, were as follows (in thousands):

	2019					
	Finance receivables	Allowance for credit losses	Restricted cash	Other assets	Total assets	Asset-backed debt
On-balance sheet assets and liabilities:						
Consolidated VIEs:						
Asset-backed securitizations	\$ 826,047	\$ (24,935)	\$ 36,037	\$ 778	\$ 837,927	\$ 764,392
Asset-backed U.S. commercial paper conduit facilities	533,587	(16,076)	27,775	1,642	546,928	490,427
Unconsolidated VIEs:						
Asset-backed Canadian commercial paper conduit facility	232,699	(2,786)	7,686	296	237,895	114,693
	<u>\$ 1,592,333</u>	<u>\$ (43,797)</u>	<u>\$ 71,498</u>	<u>\$ 2,716</u>	<u>\$ 1,622,750</u>	<u>\$ 1,369,512</u>
	2018					
	Finance receivables	Allowance for credit losses	Restricted cash	Other assets	Total assets	Asset-backed debt
On-balance sheet assets and liabilities:						
Consolidated VIEs:						
Asset-backed securitizations	\$ 158,718	\$ (4,691)	\$ 17,191	\$ 329	\$ 171,547	\$ 95,167
Asset-backed U.S. commercial paper conduit facilities	631,588	(18,733)	30,012	1,234	644,101	582,717
Unconsolidated VIEs:						
Asset-backed Canadian commercial paper conduit facility	181,774	(3,130)	8,779	343	187,766	155,951
	<u>\$ 972,080</u>	<u>\$ (26,554)</u>	<u>\$ 55,982</u>	<u>\$ 1,906</u>	<u>\$ 1,003,414</u>	<u>\$ 833,835</u>

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 have various contractual maturities ranging from 2020 to 2026.

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.

During 2019, the Company transferred \$539.1 million and \$580.2 million, respectively, of U.S. retail motorcycle finance receivables to SPEs. The SPEs in turn issued \$500.0 million and \$525.0 million, or \$498.7 million and \$522.6 million net of discounts and issuance costs, respectively, of secured notes through on-balance sheet asset-backed securitization transactions. There were no on-balance sheet asset-backed securitization transactions during 2018. At December 31, 2019, the *Consolidated balance sheets* 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
June 2019	\$525,000	2.37%	July 2020 - November 2026
May 2019	\$500,000	3.05%	July 2026

In addition, outstanding balances related to the following secured notes included in the *Consolidated balance sheets* at December 31, 2018 were repaid during 2019 (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

For the years ended December 31, 2019 and 2018, interest expense on the secured notes was \$13.3 million and \$3.2 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 2.36% and 1.67% at December 31, 2019 and 2018, respectively.

On-Balance Sheet Asset-Backed U.S. Commercial Paper Conduit Facilities VIE— The Company has two separate agreements with third-party bank-sponsored asset-backed U.S. commercial paper conduits under which it may transfer U.S. retail motorcycle finance receivables to an SPE, which in turn may issue debt to those third-party bank-sponsored asset-backed U.S. commercial paper conduits. In May 2019, the Company amended its \$300.0 million revolving facility agreement to allow for incremental borrowings, at the lender's discretion, of up to an additional \$300.0 million in excess of the \$300.0 million commitment. The aggregate commitment under this agreement is reduced monthly as collections on the related finance receivables are applied to the outstanding principal until the outstanding principal balance is less than or equal to \$300.0 million, at which point the aggregate commitment will equal \$300.0 million. On November 27, 2019, the Company renewed its existing \$600.0 million and amended \$300.0 million revolving facility agreements with third-party bank-sponsored asset-backed U.S. commercial paper conduits. 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 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. 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. The expected remaining term of the related receivables held by the SPE is approximately 5 years. Unless earlier terminated or extended by mutual agreement of the Company and the lenders, the U.S. Conduit Facilities have an expiration date of November 25, 2020.

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.

The following table includes quarterly transfers of U.S. retail motorcycle finance receivables to the U.S. Conduit Facilities and the respective proceeds (in thousands):

	2019		2018	
	Transfers	Proceeds	Transfers	Proceeds
First quarter	\$ —	\$ —	\$ 32,900	\$ 29,300
Second quarter	—	—	59,100	53,300
Third quarter	174,400	154,600	—	—
Fourth quarter	—	—	400,200	356,800
	<u>\$ 174,400</u>	<u>\$ 154,600</u>	<u>\$ 492,200</u>	<u>\$ 439,400</u>

For the years ended December 31, 2019 and 2018, interest expense under the U.S. Conduit Facilities was \$18.5 million and \$10.9 million, respectively, which is included in *Financial Services interest expense*. The weighted average interest rate of the outstanding U.S. Conduit Facilities was 2.63% and 3.26% at December 31, 2019 and 2018, respectively.

On-Balance Sheet Asset-Backed Canadian Commercial Paper Conduit Facility— In June 2019, the Company renewed 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 expected remaining term of the related receivables is approximately 5 years. Unless earlier terminated or extended by mutual agreement of the Company and the lenders, the Canadian Conduit expires on June 26, 2020.

The Company is not the primary beneficiary of the Canadian bank-sponsored, multi-seller conduit VIE; therefore, the Company does not 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 does not 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 \$123.2 million at December 31, 2019. The maximum exposure is not an indication of the Company's expected loss exposure.

The following table includes quarterly transfers of Canadian retail motorcycle finance receivables to the Canadian Conduit and the respective proceeds (in thousands):

	2019		2018	
	Transfers	Proceeds	Transfers	Proceeds
First quarter	\$ —	\$ —	\$ 7,600	\$ 6,200
Second quarter	28,200	23,400	38,900	32,200
Third quarter	—	—	—	—
Fourth quarter	—	—	39,000	32,200
	<u>\$ 28,200</u>	<u>\$ 23,400</u>	<u>\$ 85,500</u>	<u>\$ 70,600</u>

For the years ended December 31, 2019 and 2018, interest expense on the Canadian Conduit was \$3.6 million and \$3.8 million, respectively, which is included in *Financial Services interest expense*. The weighted average interest rate of the outstanding Canadian Conduit was 2.68% at December 31, 2019 and 2018.

Off-Balance Sheet Asset-Backed Securitization VIE – There were no off-balance sheet asset-backed securitization transactions during the years ended December 31, 2019, 2018 and 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 a 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 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 *Consolidated balance sheets* 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 statements of income*.

At December 31, 2019, the assets of this off-balance sheet asset-backed securitization VIE were \$35.2 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, 2019. 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 financings, 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 statements 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 \$0.6 million and \$1.1 million for the years ended December 31, 2019 and December 31, 2018, respectively.

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

	2019	2018
On-balance sheet retail motorcycle finance receivables	\$ 6,274,551	\$ 6,185,350
Off-balance sheet retail motorcycle finance receivables	35,197	79,613
	<u>\$ 6,309,748</u>	<u>\$ 6,264,963</u>

The unpaid principal balance of retail motorcycle finance receivables serviced by the Company 30 days or more delinquent at December 31, was as follows (in thousands):

	Amount 30 days or more past due	
	2019	2018
On-balance sheet retail motorcycle finance receivables	\$ 244,498	\$ 228,015
Off-balance sheet retail motorcycle finance receivables	885	1,658
	<u>\$ 245,383</u>	<u>\$ 229,673</u>

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

	2019	2018
On-balance sheet retail motorcycle finance receivables	\$ 125,840	\$ 109,448
Off-balance sheet retail motorcycle finance receivables	458	907
	<u>\$ 126,298</u>	<u>\$ 110,355</u>

13. 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, commodity prices, and yield curves. The Company uses the market approach to derive the fair value for its Level 2 fair value measurements. Foreign currency contracts, commodity contracts, cross-currency swaps, and treasury rate locks are valued using quoted forward rates and prices; interest rate swaps and caps are valued using quoted interest rates and yield curves; investments in marketable securities and cash equivalents are valued using quoted prices.

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

Recurring Fair Value Measurements – The Company’s assets and liabilities measured at fair value on a recurring basis as of December 31, (in thousands):

	2019		
	Balance	Level 1	Level 2
Assets:			
Cash equivalents	\$ 624,832	\$ 459,885	\$ 164,947
Marketable securities	52,575	52,575	—
Derivative financial instruments	12,649	—	12,649
	<u>\$ 690,056</u>	<u>\$ 512,460</u>	<u>\$ 177,596</u>
Liabilities:			
Derivative financial instruments	\$ 13,934	\$ —	\$ 13,934
	2018		
	Balance	Level 1	Level 2
Assets:			
Cash equivalents	\$ 998,601	\$ 728,800	\$ 269,801
Marketable securities	54,250	44,243	10,007
Derivative financial instruments	15,071	—	15,071
	<u>\$ 1,067,922</u>	<u>\$ 773,043</u>	<u>\$ 294,879</u>
Liabilities:			
Derivative financial instruments	\$ 5,316	\$ —	\$ 5,316

Nonrecurring Fair Value Measurements – Repossessed inventory was \$21.4 million and \$20.2 million at December 31, 2019 and 2018, respectively, for which the fair value adjustment was \$11.9 million and \$9.7 million, 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 fair value and carrying value of the Company’s remaining financial instruments that are measured at cost or amortized cost at December 31, were as follows (in thousands):

	2019		2018	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Assets:				
Finance receivables, net	\$ 7,419,627	\$ 7,374,366	\$ 7,304,334	\$ 7,221,931
Liabilities:				
Debt:				
Unsecured commercial paper	\$ 571,995	\$ 571,995	\$ 1,135,810	\$ 1,135,810
Asset-backed U.S. commercial paper conduit facilities	\$ 490,427	\$ 490,427	\$ 582,717	\$ 582,717
Asset-backed Canadian commercial paper conduit facility	\$ 114,693	\$ 114,693	\$ 155,951	\$ 155,951
Medium-term notes	\$ 4,816,153	\$ 4,760,127	\$ 4,829,671	\$ 4,887,007
Senior notes	\$ 774,949	\$ 743,296	\$ 707,198	\$ 742,624
Asset-backed securitization debt	\$ 768,094	\$ 764,392	\$ 94,974	\$ 95,167

Finance Receivables, net – The carrying value of retail and wholesale finance receivables 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 is generally amortized cost, net of discounts and debt issuance costs. The fair value of unsecured commercial paper is calculated using Level 2 inputs and approximates carrying value due to its short maturity. The fair value of debt provided under the U.S. Conduit Facilities and Canadian Conduit Facility is calculated using Level 2 inputs and approximates carrying 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 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).

14. Product Warranty and Recall Campaigns

The Company currently provides a standard two-year limited warranty on all new motorcycles sold worldwide, except in Japan, where the Company provides a standard three-year limited warranty. In addition, the Company provides a one-year warranty for parts and accessories. 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 at the time of sale 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 records estimated recall costs when the liability is both probable and estimable. This generally occurs when management approves and commits to a recall. Changes in the Company's warranty and recall liability were as follows (in thousands):

	2019	2018	2017
Balance, beginning of period	\$ 131,740	\$ 94,200	\$ 79,482
Warranties issued during the period	50,470	53,367	57,834
Settlements made during the period	(90,404)	(79,300)	(82,554)
Recalls and changes to pre-existing warranty liabilities	(2,013)	63,473	39,438
Balance, end of period	<u>\$ 89,793</u>	<u>\$ 131,740</u>	<u>\$ 94,200</u>

The liability for recall campaigns was \$36.4 million, \$73.3 million and \$35.3 million at December 31, 2019, 2018 and 2017, respectively. Additionally, the Company recorded supplier recoveries within operating expenses separate from the amounts disclosed above of \$28.0 million in 2019.

15. Employee Benefit Plans and Other Postretirement Benefits

The Company has a qualified defined benefit pension plan and postretirement healthcare benefit plans. The plans cover certain eligible employees and retirees 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. Plan participants 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 participant contributions to partially offset benefit costs.

Obligations and Funded Status:

The changes in the benefit obligation, fair value of plan assets and the funded status of the Company's pension and SERPA plans and the postretirement healthcare plans as of the Company's measurement dates of December 31, were as follows (in thousands):

	Pension and SERPA Benefits		Postretirement Healthcare Benefits	
	2019	2018	2019	2018
Change in benefit obligation:				
Benefit obligation, beginning of period	\$ 1,984,708	\$ 2,201,021	\$ 286,574	\$ 338,488
Service cost	25,408	32,340	4,449	7,180
Interest cost	85,483	82,778	11,753	11,556
Actuarial losses (gains)	236,719	(213,583)	9,590	(42,039)
Plan participant contributions	—	—	1,999	2,492
Plan amendments	8,371	(12,926)	—	(4,710)
Special early retirement benefits	1,583	—	—	—
Benefits paid	(126,079)	(106,280)	(20,860)	(23,448)
Net curtailments and settlements	(4,181)	1,358	—	(2,945)
Benefit obligation, end of period	2,212,012	1,984,708	293,505	286,574
Change in plan assets:				
Fair value of plan assets, beginning of period	1,874,618	2,162,885	190,357	217,537
Return on plan assets	459,388	(185,468)	41,717	(13,287)
Plan participant contributions	—	—	1,999	2,492
Benefits paid	(124,784)	(102,799)	(13,081)	(16,385)
Fair value of plan assets, end of period	2,209,222	1,874,618	220,992	190,357
Funded status of the plan	\$ (2,790)	\$ (110,090)	\$ (72,513)	\$ (96,217)
Funded status as recognized on the Consolidated balance sheets:				
Prepaid pension costs	\$ 56,014	\$ —	\$ —	\$ —
Accrued liabilities	(2,666)	(2,314)	—	(1,764)
Pension liabilities	(56,138)	(107,776)	—	—
Postretirement healthcare liabilities	—	—	(72,513)	(94,453)
	\$ (2,790)	\$ (110,090)	\$ (72,513)	\$ (96,217)
Amounts included in Accumulated other comprehensive loss, net of tax:				
Prior service credits	\$ (6,489)	\$ (14,371)	\$ (7,559)	\$ (9,381)
Actuarial losses (gains)	496,919	593,608	(1,321)	12,005
	\$ 490,430	\$ 579,237	\$ (8,880)	\$ 2,624

During 2019, the actuarial losses related to the obligation for pension and SERPA benefits were due primarily to a decrease in the discount rate. Conversely, during 2018, the actuarial gains related to this obligation were due primarily to an increase in the discount rate.

During 2019, the actuarial losses related to the obligation for postretirement healthcare benefits were due primarily to a decrease in the discount rate partially offset by favorable claim cost adjustments. During 2018, the actuarial gains related to this obligation were due primarily to an increase in the discount rate, favorable claim cost experience and a change in the benefit delivery structure.

The funded status of the qualified pension plan and the SERPA plans are combined above. 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 thousands):

	2019	2018
Plans with PBO in excess of fair value of plan assets:		
PBO	\$ 58,804	\$ 1,984,708
Fair value of plan assets	\$ —	\$ 1,874,618
Plans with ABO in excess of fair value of plan assets:		
ABO	\$ 44,232	\$ 40,085
Fair value of plan assets	\$ —	\$ —

The total ABO for all the Company's pension and SERPA plans combined was \$2.12 billion and \$1.90 billion as of December 31, 2019 and 2018, respectively.

Benefit Costs:

Service costs are allocated among *Selling, administrative and engineering expense, Motorcycles and Related Products cost of goods sold and Inventories, net*. Amounts capitalized in inventory are not significant. Non-service cost components of net periodic benefit cost are presented in *Other income (expense), net*. Components of net periodic benefit costs for the years ended December 31, include the following (in thousands):

	Pension and SERPA Benefits			Postretirement Healthcare Benefits		
	2019	2018	2017	2019	2018	2017
Service cost	\$ 25,408	\$ 32,340	\$ 31,584	\$ 4,449	\$ 7,180	\$ 7,500
Interest cost	85,483	82,778	85,076	11,753	11,556	13,648
Expected return on plan assets	(142,323)	(147,671)	(141,385)	(14,030)	(14,161)	(12,623)
Amortization of unrecognized:						
Prior service (credit) cost	(1,930)	(420)	1,018	(2,381)	(1,842)	(2,171)
Net loss	44,511	64,773	43,993	277	1,817	3,261
Special early retirement benefits	1,583	—	—	—	—	—
Curtailment loss (gain)	—	1,017	—	(960)	(886)	—
Settlement loss	1,503	—	—	—	—	—
Net periodic benefit cost	\$ 14,235	\$ 32,817	\$ 20,286	\$ (892)	\$ 3,664	\$ 9,615

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 and 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.

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		
	2019	2018	2017	2019	2018	2017
Assumptions for benefit obligations:						
Discount rate	3.49%	4.38%	3.71%	3.26%	4.23%	3.52%
Rate of compensation increase	3.39%	3.38%	3.43%	n/a	n/a	n/a
Assumptions for net periodic benefit cost:						
Discount rate	4.38%	3.71%	4.30%	4.23%	3.52%	4.03%
Expected return on plan assets	7.10%	7.25%	7.25%	7.25%	7.25%	7.25%
Rate of compensation increase	3.38%	3.43%	3.50%	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 56% equities and 44% 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 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 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 13. The fair values of the Company's pension plan assets at December 31, 2019 were as follows (in thousands):

	Balance	Level 1	Level 2
Cash and cash equivalents	\$ 35,463	\$ —	\$ 35,463
Equity holdings:			
U.S. companies	728,892	707,276	21,616
Foreign companies	79,707	77,275	2,432
Harley-Davidson common stock	47,365	47,365	—
Pooled equity funds	377,301	377,301	—
Other	72	72	—
	<u>1,233,337</u>	<u>1,209,289</u>	<u>24,048</u>
Fixed-income holdings:			
U.S. Treasuries	67,234	67,234	—
Federal agencies	15,434	—	15,434
Corporate bonds	583,475	—	583,475
Pooled fixed income funds	142,134	48,674	93,460
Foreign bonds	103,439	—	103,439
Municipal bonds	12,339	—	12,339
	<u>924,055</u>	<u>115,908</u>	<u>808,147</u>
Plan assets subject to fair value leveling	2,192,855	<u>\$ 1,325,197</u>	<u>\$ 867,658</u>
Plan assets measured at net asset value:			
Limited partnership interests	4,118		
Real estate investment trusts	12,249		
	<u>16,367</u>		
	<u>\$ 2,209,222</u>		

Included in the pension plan assets are 1,273,592 shares of the Company's common stock with a market value of \$47.4 million at December 31, 2019.

The fair values of the Company's postretirement healthcare plan assets at December 31, 2019 were as follows (in thousands):

	Balance	Level 1	Level 2
Cash and cash equivalents	\$ 2,458	\$ —	\$ 2,458
Equity holdings:			
U.S. companies	104,399	104,399	—
Foreign companies	22,422	21,744	678
Pooled equity funds	25,029	25,029	—
Other	7	7	—
	<u>151,857</u>	<u>151,179</u>	<u>678</u>
Fixed-income holdings:			
U.S. Treasuries	5,782	5,782	—
Federal agencies	7,986	—	7,986
Corporate bonds	8,425	—	8,425
Pooled fixed income funds	36,720	36,720	—
Foreign bonds	672	—	672
Municipal bonds	454	—	454
	<u>60,039</u>	<u>42,502</u>	<u>17,537</u>
Plan assets subject to fair value leveling	214,354	<u>\$ 193,681</u>	<u>\$ 20,673</u>
Plan assets measured at net asset value:			
Real estate investment trusts	6,638		
	<u>\$ 220,992</u>		

The fair values of the Company's pension plan assets at December 31, 2018 were as follows (in thousands):

	<u>Balance</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 40,984	\$ —	\$ 40,984
Equity holdings:			
U.S. companies	636,308	621,459	14,849
Foreign companies	66,143	66,143	—
Harley-Davidson common stock	43,455	43,455	—
Pooled equity funds	330,476	330,476	—
Other	85	85	—
	<u>1,076,467</u>	<u>1,061,618</u>	<u>14,849</u>
Fixed-income holdings:			
U.S. Treasuries	45,102	45,102	—
Federal agencies	27,811	—	27,811
Corporate bonds	434,070	—	434,070
Pooled fixed income funds	140,630	42,400	98,230
Foreign bonds	83,852	266	83,586
Municipal bonds	9,276	—	9,276
	<u>740,741</u>	<u>87,768</u>	<u>652,973</u>
Plan assets subject to fair value leveling	<u>1,858,192</u>	<u>\$ 1,149,386</u>	<u>\$ 708,806</u>
Plan assets measured at net asset value:			
Limited partnership interests	5,918		
Real estate investment trust	10,508		
	<u>16,426</u>		
	<u>\$ 1,874,618</u>		

Included in the pension plan assets were 1,273,592 shares of the Company's common stock with a market value of \$43.5 million at December 31, 2018.

The fair values of the Company's postretirement healthcare plan assets at December 31, 2018 were as follows (in thousands):

	Balance	Level 1	Level 2
Cash and cash equivalents	\$ 5,276	\$ —	\$ 5,276
Equity holdings:			
U.S. companies	86,975	86,949	26
Foreign companies	16,342	16,342	—
Pooled equity funds	20,747	20,747	—
Other	9	9	—
	<u>124,073</u>	<u>124,047</u>	<u>26</u>
Fixed-income holdings:			
U.S. Treasuries	8,707	8,707	—
Federal agencies	5,445	—	5,445
Corporate bonds	6,590	—	6,590
Pooled fixed income funds	33,959	33,959	—
Foreign bonds	538	—	538
Municipal bonds	272	—	272
	<u>55,511</u>	<u>42,666</u>	<u>12,845</u>
Plan assets subject to fair value leveling	<u>184,860</u>	<u>\$ 166,713</u>	<u>\$ 18,147</u>
Plan assets measured at net asset value:			
Real estate investment trust	5,497		
	<u>\$ 190,357</u>		

For 2020, the Company's overall expected long-term rate of return is 6.70% for pension assets and 7.00% 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 rates used in determining the accumulated postretirement benefit obligation of the healthcare plans were as follows:

	2019	2018
Healthcare cost trend rate for next year	7.25%	6.75%
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	2029	2026

Future Contributions and Benefit Payments:

During 2019, the Company did not make any voluntary contributions to its qualified pension plan or postretirement healthcare plans. No pension plan contributions are required in 2020. The Company expects that 2020 postretirement healthcare plan benefits and benefits due under the SERPA plans will be paid by the Company or, in the case of postretirement healthcare plan benefits, partially funded with plan assets.

The Company's future expected benefit payments as of December 31, 2019 were as follows (in thousands):

	Pension Benefits	SERPA Benefits	Postretirement Healthcare Benefits
2020	\$ 97,227	\$ 2,666	\$ 23,328
2021	\$ 98,376	\$ 3,000	\$ 23,501
2022	\$ 101,566	\$ 3,309	\$ 23,625
2023	\$ 104,864	\$ 4,176	\$ 23,307
2024	\$ 108,436	\$ 4,401	\$ 22,902
2025-2028	\$ 590,687	\$ 29,048	\$ 109,195

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 makes additional contributions to the plans on behalf of the employees and expensed \$21.9 million, \$20.1 million and \$19.0 million during 2019, 2018 and 2017, respectively related to the contributions.

16. 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 Department of Justice (DOJ), on behalf of 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. On March 1, 2018, the Company and the DOJ each filed separate response briefs. The Company is awaiting the court's decision on whether or not to finalize the Settlement, and on February 8, 2019 the DOJ filed a status update reminding the court of the current status of the outstanding matter. The Company has an accrual associated with this matter recorded in *Accrued liabilities* on 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 Matter – The Company is involved with government agencies and the U.S. Navy 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. The Company has an agreement with the U.S. Navy which calls for the U.S. 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). A site wide remedial investigation/feasibility study and a proposed final remedy for the York facility have been completed and approved by the Pennsylvania Department of Environmental Protection and the EPA. The associated cleanup plan documents were submitted for approval in December 2019 and remaining cleanup activities will begin in mid-2020. The Company has an accrual for its share of the estimated future Response Costs recorded in *Other long-term liabilities* on the *Consolidated balance sheets*.

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*.

17. Share-Based Awards

The Company has a share-based compensation plan which was approved by its shareholders in April 2014 (the Plan) under which its Board of Directors may grant to employees share-based awards including restricted stock units (RSUs), performance shares, and nonqualified stock options. Performance shares include a three-year performance period with vesting based on achievement of internal performance targets. 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. Stock options expire 10 years from the date of grant. At December 31, 2019, there were 7.2 million shares of common stock available for future awards under the Plan.

The Company recognizes the cost of its share-based awards in the *Consolidated statements 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. Forfeitures for share-based awards are estimated at the grant date and adjusted when it is likely to change. Share-based award expense is recognized on a straight-line basis over the service or performance periods of each separately vesting tranche within 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 2019, 2018 and 2017 was \$33.7 million, \$35.5 million and \$32.5 million, respectively, or \$25.8 million, \$27.2 million and \$20.5 million net of taxes, respectively.

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 activity for these awards for the year ended December 31, 2019 was as follows (in thousands, except for per share amounts):

	Shares & Units	Weighted-Average Fair Value Per Share
Nonvested, beginning of period	1,894	\$ 48
Granted	1,149	\$ 37
Vested	(717)	\$ 46
Forfeited	(315)	\$ 41
Nonvested, end of period	<u>2,011</u>	<u>\$ 43</u>

As of December 31, 2019, there was \$31.1 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 settled in cash are recorded in the *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 activity for these awards for the year ended December 31, 2019 was as follows (in thousands, except for per share amounts):

	Units	Weighted-Average Fair Value Per Share
Nonvested, beginning of period	105	\$ 39
Granted	94	\$ 38
Vested	(48)	\$ 37
Forfeited	(24)	\$ 35
Nonvested, end of period	<u>127</u>	<u>\$ 38</u>

Stock Options – There were no stock options granted in 2019, 2018 or 2017. All outstanding stock options were vested as of December 31, 2018. The Company’s policy is to issue new shares of common stock upon the exercise of employee stock options. The stock option transactions for the year ended December 31, 2019 were as follows (in thousands, except for per share amounts):

	Options	Weighted-Average Exercise Price
Outstanding, beginning of period	1,055	\$ 50
Exercised	(168)	\$ 21
Forfeited	(71)	\$ 54
Outstanding, end of period	<u>816</u>	<u>\$ 56</u>
Exercisable, end of period	816	\$ 56

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

	2019	2018	2017
Exercised	\$ 2,614	\$ 3,855	\$ 4,051
Outstanding	\$ 52	\$ 2,366	\$ 11,711
Exercisable	\$ 52	\$ 2,366	\$ 11,711

Stock options outstanding at December 31, 2019 were as follows (options in thousands):

Price Range	Weighted-Average Contractual Life	Options	Weighted-Average Exercise Price
\$20.01 to \$30	0.5	4	\$ 24
\$40.01 to \$50	1.6	207	\$ 44
\$50.01 to \$60	2.9	157	\$ 52
\$60.01 to \$70	4.3	448	\$ 63
Options outstanding	3.0	<u>816</u>	<u>\$ 56</u>
Options exercisable	3.0	816	\$ 56

18. Accumulated Other Comprehensive Loss

Changes in *Accumulated other comprehensive loss* (AOCL) for the years ended December 31, were as follows (in thousands):

	2019				
	Foreign currency translation adjustments	Marketable securities	Derivative financial instruments	Pension and postretirement benefit plans	Total
Balance, beginning of period	\$ (49,608)	\$ —	\$ 1,785	\$ (581,861)	\$ (629,684)
Other comprehensive income, before reclassifications	9,229	—	6,477	90,071	105,777
Income tax expense	(434)	—	(1,541)	(21,149)	(23,124)
	8,795	—	4,936	68,922	82,653
Reclassifications:					
Net gain on derivative instruments	—	—	(27,732)	—	(27,732)
Prior service credits ^(a)	—	—	—	(4,311)	(4,311)
Actuarial losses ^(a)	—	—	—	44,788	44,788
Curtailed and settlement losses ^(a)	—	—	—	543	543
Reclassifications before tax	—	—	(27,732)	41,020	13,288
Income tax benefit (expense)	—	—	6,425	(9,631)	(3,206)
	—	—	(21,307)	31,389	10,082
Other comprehensive income (loss)	8,795	—	(16,371)	100,311	92,735
Balance, end of period	\$ (40,813)	\$ —	\$ (14,586)	\$ (481,550)	\$ (536,949)
	2018				
	Foreign currency translation adjustments	Marketable securities	Derivative financial instruments	Pension and postretirement benefit plans	Total
Balance, beginning of period	\$ (21,852)	\$ —	\$ (17,254)	\$ (460,943)	\$ (500,049)
Other comprehensive (loss) income, before reclassifications	(28,212)	—	35,686	(84,725)	(77,251)
Income tax benefit (expense)	3,202	—	(8,455)	19,893	14,640
	(25,010)	—	27,231	(64,832)	(62,611)
Reclassifications:					
Net gain on derivative instruments	—	—	(9,466)	—	(9,466)
Prior service credits ^(a)	—	—	—	(2,262)	(2,262)
Actuarial losses ^(a)	—	—	—	66,590	66,590
Curtailed and settlement gains ^(a)	—	—	—	(886)	(886)
Reclassifications before tax	—	—	(9,466)	63,442	53,976
Income tax benefit (expense)	—	—	2,244	(14,896)	(12,652)
	—	—	(7,222)	48,546	41,324
Other comprehensive (loss) income	(25,010)	—	20,009	(16,286)	(21,287)
Reclassification of certain tax effects	(2,746)	—	(970)	(104,632)	(108,348)
Balance, end of period	\$ (49,608)	\$ —	\$ 1,785	\$ (581,861)	\$ (629,684)

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 (expense) benefit	(5,865)	(702)	20,338	(5,711)	8,060
	46,280	1,194	(34,591)	18,610	31,493
Reclassifications:					
Net loss on derivative instruments	—	—	7,644	—	7,644
Prior service credits ^(a)	—	—	—	(1,153)	(1,153)
Actuarial losses ^(a)	—	—	—	47,254	47,254
Reclassifications before tax	—	—	7,644	46,101	53,745
Income tax expense	—	—	(2,831)	(17,075)	(19,906)
	—	—	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)

(a) Amounts reclassified are included in the computation of net periodic benefit cost, discussed further in Note 15.

19. Reportable Segments and Geographic Information

Reportable Segments – Harley-Davidson, Inc. is the parent company of Harley-Davidson Motor Company (HDMC) and Harley-Davidson Financial Services (HDFS). The Company operates in two segments: the Motorcycles and Related Products (Motorcycles) and Financial Services. 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 Harley-Davidson motorcycles as well as motorcycle parts, accessories, general merchandise and services. The Company's products are sold to retail customers primarily through a network of independent dealers. The Company conducts business on a global basis, with sales in the U.S., Canada, Europe/Middle East/Africa (EMEA), Asia Pacific, and Latin America.

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.

Selected segment information is set forth below for the years ended December 31, (in thousands):

	2019	2018	2017
Motorcycles and Related Products:			
Motorcycles revenue	\$ 4,572,678	\$ 4,968,646	\$ 4,915,027
Gross profit	1,342,880	1,616,850	1,642,697
Selling, administrative and engineering expense	1,020,907	1,101,086	1,035,921
Restructuring expense	32,353	93,401	—
Operating income	289,620	422,363	606,776
Financial Services:			
Financial Services revenue	789,111	748,229	732,197
Financial Services expense	523,123	457,069	456,892
Operating income	265,988	291,160	275,305
Operating income	\$ 555,608	\$ 713,523	\$ 882,081

Financial Services revenue includes \$10.0 million, \$9.0 million and \$6.9 million of interest paid by HDMC to HDFS on wholesale finance receivables in 2019, 2018 and 2017, respectively. The offsetting cost of these interest incentives was recorded as a reduction to Motorcycles revenue.

Additional segment information is set forth below as of December 31, (in thousands):

	Motorcycles	Financial Services	Consolidated
2019:			
Assets	\$ 2,548,115	\$ 7,980,044	\$ 10,528,159
Depreciation and amortization	\$ 223,656	\$ 8,881	\$ 232,537
Capital expenditures	\$ 176,264	\$ 5,176	\$ 181,440
2018:			
Assets	\$ 2,562,931	\$ 8,102,733	\$ 10,665,664
Depreciation and amortization	\$ 260,707	\$ 4,156	\$ 264,863
Capital expenditures	\$ 197,905	\$ 15,611	\$ 213,516
2017:			
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

Geographic Information – Included in the *Consolidated financial statements* are the following amounts relating to geographic locations for the years ended December 31, (in thousands):

	2019	2018	2017
Motorcycles revenue^(a):			
United States	\$ 2,971,223	\$ 3,159,049	\$ 3,215,513
EMEA	743,385	893,589	790,725
Canada	210,381	230,211	232,883
Japan	156,644	161,370	180,938
Australia and New Zealand	117,525	147,561	168,670
Other countries	373,520	376,866	326,298
	<u>\$ 4,572,678</u>	<u>\$ 4,968,646</u>	<u>\$ 4,915,027</u>
Financial Services revenue^(a):			
United States	\$ 754,535	\$ 712,898	\$ 698,383
Canada	22,799	23,120	22,580
Europe	8,435	8,411	6,845
Other countries	3,342	3,800	4,389
	<u>\$ 789,111</u>	<u>\$ 748,229</u>	<u>\$ 732,197</u>
Long-lived assets^(b):			
United States	\$ 757,594	\$ 838,446	\$ 912,032
International:			
Thailand	78,651	50,331	31,087
Other countries	11,137	15,355	24,662
	<u>89,788</u>	<u>65,686</u>	<u>55,749</u>
	<u>\$ 847,382</u>	<u>\$ 904,132</u>	<u>\$ 967,781</u>

(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.

20. Supplemental Consolidating Data

The supplemental consolidating data is presented for informational purposes and is different than segment information due to the allocation of consolidating reporting adjustments to the reportable segments. Supplemental consolidating data is as follows (in thousands):

	Year Ended December 31, 2019			
	HDMC Entities	HDFS Entities	Consolidating Adjustments	Consolidated
Revenue:				
Motorcycles and Related Products	\$ 4,593,585	\$ —	\$ (20,907)	\$ 4,572,678
Financial Services	—	779,163	9,948	789,111
	4,593,585	779,163	(10,959)	5,361,789
Costs and expenses:				
Motorcycles and Related Products cost of goods sold	3,229,798	—	—	3,229,798
Financial Services interest expense	—	210,438	—	210,438
Financial Services provision for credit losses	—	134,536	—	134,536
Selling, administrative and engineering expense	1,034,921	175,258	(11,123)	1,199,056
Restructuring expense	32,353	—	—	32,353
	4,297,072	520,232	(11,123)	4,806,181
Operating income	296,513	258,931	164	555,608
Other income (expense), net	16,514	—	—	16,514
Investment income	196,371	—	(180,000)	16,371
Interest expense	31,078	—	—	31,078
Income before provision for income taxes	478,320	258,931	(179,836)	557,415
Provision for income taxes	75,278	58,502	—	133,780
Net income	\$ 403,042	\$ 200,429	\$ (179,836)	\$ 423,635

	Year Ended December 31, 2018			
	HDMC Entities	HDFS Entities	Consolidating Adjustments	Consolidated
Revenue:				
Motorcycles and Related Products	\$ 4,981,445	\$ —	\$ (12,799)	\$ 4,968,646
Financial Services	—	747,432	797	748,229
	4,981,445	747,432	(12,002)	5,716,875
Costs and expenses:				
Motorcycles and Related Products cost of goods sold	3,352,438	—	(642)	3,351,796
Financial Services interest expense	—	193,187	—	193,187
Financial Services provision for credit losses	—	106,870	—	106,870
Selling, administrative and engineering expense	1,104,919	164,623	(11,444)	1,258,098
Restructuring expense	93,401	—	—	93,401
	4,550,758	464,680	(12,086)	5,003,352
Operating income	430,687	282,752	84	713,523
Other income (expense), net	3,039	—	—	3,039
Investment income	235,951	—	(235,000)	951
Interest expense	30,884	—	—	30,884
Income before provision for income taxes	638,793	282,752	(234,916)	686,629
Provision for income taxes	85,153	70,025	—	155,178
Net income	\$ 553,640	\$ 212,727	\$ (234,916)	\$ 531,451

Year Ended December 31, 2017

	HDMC Entities	HDFS Entities	Consolidating Adjustments	Consolidated
Revenue:				
Motorcycles and Related Products	\$ 4,925,003	\$ —	\$ (9,976)	\$ 4,915,027
Financial Services	—	734,008	(1,811)	732,197
	4,925,003	734,008	(11,787)	5,647,224
Costs and expenses:				
Motorcycles and Related Products cost of goods sold	3,272,330	—	—	3,272,330
Financial Services interest expense	—	180,193	—	180,193
Financial Services provision for credit losses	—	132,444	—	132,444
Selling, administrative and engineering expense	1,037,529	154,232	(11,585)	1,180,176
	4,309,859	466,869	(11,585)	4,765,143
Operating income	615,144	267,139	(202)	882,081
Other income (expense), net	9,182	—	—	9,182
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

December 31, 2019

	HDMC Entities	HDFS Entities	Consolidating Adjustments	Consolidated
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 470,649	\$ 363,219	\$ —	\$ 833,868
Marketable securities	—	—	—	—
Accounts receivable, net	369,717	—	(110,383)	259,334
Finance receivables, net	—	2,272,522	—	2,272,522
Inventories, net	603,571	—	—	603,571
Restricted cash	—	64,554	—	64,554
Other current assets	110,145	59,665	(836)	168,974
	1,554,082	2,759,960	(111,219)	4,202,823
Finance receivables, net	—	5,101,844	—	5,101,844
Property, plant and equipment, net	794,131	53,251	—	847,382
Prepaid pension costs	56,014	—	—	56,014
Goodwill	64,160	—	—	64,160
Deferred income taxes	62,768	39,882	(1,446)	101,204
Lease assets	55,722	5,896	—	61,618
Other long-term assets	166,972	19,211	(93,069)	93,114
	\$ 2,753,849	\$ 7,980,044	\$ (205,734)	\$ 10,528,159
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	\$ 266,710	\$ 138,053	\$ (110,383)	\$ 294,380
Accrued liabilities	463,491	119,186	(389)	582,288
Short-term debt	—	571,995	—	571,995
Current portion of long-term debt, net	—	1,748,109	—	1,748,109
	730,201	2,577,343	(110,772)	3,196,772
Long-term debt, net	743,296	4,381,530	—	5,124,826
Lease liability	38,783	5,664	—	44,447
Pension liability	56,138	—	—	56,138
Postretirement healthcare liability	72,513	—	—	72,513
Deferred income taxes	6,219	1,916	—	8,135
Other long-term liabilities	180,033	38,693	2,603	221,329
Commitments and contingencies (Note 16)				
Shareholders' equity	926,666	974,898	(97,565)	1,803,999
	\$ 2,753,849	\$ 7,980,044	\$ (205,734)	\$ 10,528,159

December 31, 2018

	HDMC Entities	HDFS Entities	Consolidating Adjustments	Consolidated
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 544,548	\$ 659,218	\$ —	\$ 1,203,766
Marketable securities	10,007	—	—	10,007
Accounts receivable, net	425,727	—	(119,253)	306,474
Finance receivables, net	—	2,214,424	—	2,214,424
Inventories, net	556,128	—	—	556,128
Restricted cash	—	49,275	—	49,275
Other current assets	91,172	59,070	(5,874)	144,368
	1,627,582	2,981,987	(125,127)	4,484,442
Finance receivables, net	—	5,007,507	—	5,007,507
Property, plant and equipment, net	847,176	56,956	—	904,132
Goodwill	55,048	—	—	55,048
Deferred income taxes	105,388	37,603	(1,527)	141,464
Other long-term assets	144,122	18,680	(89,731)	73,071
	\$ 2,779,316	\$ 8,102,733	\$ (216,385)	\$ 10,665,664
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	\$ 258,587	\$ 145,527	\$ (119,253)	\$ 284,861
Accrued liabilities	496,643	110,063	(5,576)	601,130
Short-term debt	—	1,135,810	—	1,135,810
Current portion of long-term debt, net	—	1,575,799	—	1,575,799
	755,230	2,967,199	(124,829)	3,597,600
Long-term debt, net	742,624	4,145,043	—	4,887,667
Pension liability	107,776	—	—	107,776
Postretirement healthcare liability	94,453	—	—	94,453
Other long-term liabilities	164,243	37,142	2,834	204,219
Commitments and contingencies (Note 16)				
Shareholders' equity	914,990	953,349	(94,390)	1,773,949
	\$ 2,779,316	\$ 8,102,733	\$ (216,385)	\$ 10,665,664

Year Ended December 31, 2019

	HDMC Entities	HDFS Entities	Consolidating Adjustments	Consolidated
Cash flows from operating activities:				
Net income	\$ 403,042	\$ 200,429	\$ (179,836)	\$ 423,635
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	223,656	8,881	—	232,537
Amortization of deferred loan origination costs	—	76,326	—	76,326
Amortization of financing origination fees	672	9,151	—	9,823
Provision for long-term employee benefits	13,344	—	—	13,344
Employee benefit plan contributions and payments	(13,256)	—	—	(13,256)
Stock compensation expense	30,396	3,337	—	33,733
Net change in wholesale finance receivables related to sales	—	—	(5,822)	(5,822)
Provision for credit losses	—	134,536	—	134,536
Deferred income taxes	20,952	676	(81)	21,547
Other, net	4,425	(3,963)	(164)	298
Changes in current assets and liabilities:				
Accounts receivable, net	53,772	—	(8,870)	44,902
Finance receivables - accrued interest and other	—	(11,119)	—	(11,119)
Inventories, net	(47,576)	—	—	(47,576)
Accounts payable and accrued liabilities	(43,211)	(4,107)	28,856	(18,462)
Derivative financial instruments	1,808	128	—	1,936
Other	(33,105)	10,033	(5,038)	(28,110)
	<u>211,877</u>	<u>223,879</u>	<u>8,881</u>	<u>444,637</u>
Net cash provided by operating activities	614,919	424,308	(170,955)	868,272
Cash flows from investing activities:				
Capital expenditures	(176,264)	(5,176)	—	(181,440)
Origination of finance receivables	—	(7,053,898)	3,206,576	(3,847,322)
Collections on finance receivables	—	6,715,338	(3,215,621)	3,499,717
Sales and redemptions of marketable securities	10,007	—	—	10,007
Acquisition of business	(7,000)	—	—	(7,000)
Other investing activities	17,912	—	—	17,912
Net cash used by investing activities	(155,345)	(343,736)	(9,045)	(508,126)

Year Ended December 31, 2019

	HDMC Entities	HDFS Entities	Consolidating Adjustments	Consolidated
Cash flows from financing activities:				
Proceeds from issuance of medium-term notes	—	1,203,236	—	1,203,236
Repayments of medium-term notes	—	(1,350,000)	—	(1,350,000)
Proceeds from securitization debt	—	1,021,453	—	1,021,453
Repayments of securitization debt	—	(353,251)	—	(353,251)
Borrowings of asset-backed commercial paper	—	177,950	—	177,950
Repayments of asset-backed commercial paper	—	(318,006)	—	(318,006)
Net decrease in credit facilities and unsecured commercial paper	—	(563,453)	—	(563,453)
Dividends paid	(237,221)	(180,000)	180,000	(237,221)
Repurchase of common stock	(296,520)	—	—	(296,520)
Issuance of common stock under employee stock option plans	3,589	—	—	3,589
Net cash used by financing activities	(530,152)	(362,071)	180,000	(712,223)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(3,321)	1,016	—	(2,305)
Net decrease in cash, cash equivalents and restricted cash	<u>\$ (73,899)</u>	<u>\$ (280,483)</u>	<u>\$ —</u>	<u>\$ (354,382)</u>
Cash, cash equivalents and restricted cash:				
Cash, cash equivalents and restricted cash, beginning of period	\$ 544,548	\$ 715,200	\$ —	\$ 1,259,748
Net decrease in cash, cash equivalents and restricted cash	(73,899)	(280,483)	—	(354,382)
Cash, cash equivalents and restricted cash, end of period	<u>\$ 470,649</u>	<u>\$ 434,717</u>	<u>\$ —</u>	<u>\$ 905,366</u>

Year Ended December 31, 2018

	HDMC Entities	HDFS Entities	Consolidating Adjustments	Consolidated
Cash flows from operating activities:				
Net income	\$ 553,640	\$ 212,727	\$ (234,916)	\$ 531,451
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization of intangibles	260,707	4,156	—	264,863
Amortization of deferred loan origination costs	—	81,315	—	81,315
Amortization of financing origination fees	663	7,704	—	8,367
Provision for long-term employee benefits	36,481	—	—	36,481
Employee benefit plan contributions and payments	(10,544)	—	—	(10,544)
Stock compensation expense	31,855	3,684	—	35,539
Net change in wholesale finance receivables related to sales	—	—	(56,538)	(56,538)
Provision for credit losses	—	106,870	—	106,870
Deferred income taxes	(41,905)	7,716	208	(33,981)
Other, net	36,840	798	(84)	37,554
Changes in current assets and liabilities:				
Accounts receivable, net	43,613	—	(34,470)	9,143
Finance receivables – accrued interest and other	—	773	—	773
Inventories, net	(31,059)	—	—	(31,059)
Accounts payable and accrued liabilities	152,930	(1,778)	45,040	196,192
Derivative financial instruments	337	136	—	473
Other	39,031	(10,216)	207	29,022
	<u>518,949</u>	<u>201,158</u>	<u>(45,637)</u>	<u>674,470</u>
Net cash provided by operating activities	1,072,589	413,885	(280,553)	1,205,921
Cash flows from investing activities:				
Capital expenditures	(197,905)	(15,611)	—	(213,516)
Origination of finance receivables	—	(7,192,063)	3,439,246	(3,752,817)
Collections on finance receivables	—	6,719,362	(3,393,693)	3,325,669
Purchases of marketable securities	(10,007)	—	—	(10,007)
Other investing activities	(11,598)	—	—	(11,598)
Net cash used by investing activities	(219,510)	(488,312)	45,553	(662,269)

Year Ended December 31, 2018

	HDMC Entities	HDFS Entities	Consolidating Adjustments	Consolidated
Cash flows from financing activities:				
Proceeds from issuance of medium-term notes	—	1,591,828	—	1,591,828
Repayments of medium-term notes	—	(877,488)	—	(877,488)
Repayments of securitization debt	—	(257,869)	—	(257,869)
Borrowings of asset-backed commercial paper	—	509,742	—	509,742
Repayments of asset-backed commercial paper	—	(212,729)	—	(212,729)
Net decrease in credit facilities and unsecured commercial paper	—	(135,356)	—	(135,356)
Dividends paid	(245,810)	(235,000)	235,000	(245,810)
Repurchase of common stock	(390,606)	—	—	(390,606)
Issuance of common stock under employee stock option plans	3,525	—	—	3,525
Net cash (used by) provided by financing activities	(632,891)	383,128	235,000	(14,763)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(13,826)	(1,525)	—	(15,351)
Net increase in cash, cash equivalents and restricted cash	<u>\$ 206,362</u>	<u>\$ 307,176</u>	<u>\$ —</u>	<u>\$ 513,538</u>
Cash, cash equivalents and restricted cash:				
Cash, cash equivalents and restricted cash, beginning of period	\$ 338,186	\$ 408,024	\$ —	\$ 746,210
Net increase in cash, cash equivalents and restricted cash	206,362	307,176	—	513,538
Cash, cash equivalents and restricted cash, end of period	<u>\$ 544,548</u>	<u>\$ 715,200</u>	<u>\$ —</u>	<u>\$ 1,259,748</u>

Year Ended December 31, 2017

	HDMC Entities	HDFS Entities	Consolidating Adjustments	Consolidated
Cash flows from operating activities:				
Net income	\$ 578,727	\$ 139,234	\$ (196,202)	\$ 521,759
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	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
Changes in current assets and liabilities:				
Accounts receivable, net	(6,792)	—	(11,357)	(18,149)
Finance receivables – accrued interest and other	—	(1,313)	—	(1,313)
Inventories, net	(20,584)	—	—	(20,584)
Accounts payable and accrued liabilities	9,753	(11,497)	11,872	10,128
Derivative financial instruments	1,785	81	—	1,866
Other	(31,868)	(1,684)	5,618	(27,934)
	<u>199,588</u>	<u>242,797</u>	<u>40,917</u>	<u>483,302</u>
Net cash provided by operating activities	778,315	382,031	(155,285)	1,005,061
Cash flows from investing activities:				
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 investing activities	547	—	—	547
Net cash used by investing activities	<u>(185,741)</u>	<u>(336,012)</u>	<u>(40,715)</u>	<u>(562,468)</u>

	Year Ended December 31, 2017			
	HDMC Entities	HDFS Entities	Consolidating Adjustments	Consolidated
Cash flows from financing activities:				
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
Dividends paid	(251,862)	(196,000)	196,000	(251,862)
Repurchase of common stock	(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)	(40,489)	196,000	(550,261)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	25,844	903	—	26,747
Net (decrease) increase in cash, cash equivalents and restricted cash	\$ (87,354)	\$ 6,433	\$ —	\$ (80,921)
Cash, cash equivalents and restricted cash:				
Cash, cash equivalents and restricted cash, beginning of period	\$ 425,540	\$ 401,591	\$ —	\$ 827,131
Net (decrease) increase in cash, cash equivalents and restricted cash	(87,354)	6,433	—	(80,921)
Cash, cash equivalents and restricted cash, end of period	\$ 338,186	\$ 408,024	\$ —	\$ 746,210

21. Supplementary Unaudited Quarterly Financial Data

(In millions, except per share data)	1 st Quarter		2 nd Quarter		3 rd Quarter		4 th Quarter	
	March 31, 2019	April 1, 2018	June 30, 2019	July 1, 2018	Sep 29, 2019	Sep 30, 2018	Dec 31, 2019	Dec 31, 2018
Motorcycles:								
Revenue	\$ 1,195.6	\$ 1,363.9	\$ 1,434.0	\$ 1,525.1	\$ 1,068.9	\$ 1,123.9	\$ 874.1	\$ 955.6
Operating income (loss)	\$ 108.4	\$ 172.8	\$ 180.7	\$ 243.4	\$ 47.0	\$ 65.7	\$ (46.5)	\$ (59.5)
Financial Services:								
Revenue	\$ 188.7	\$ 178.2	\$ 198.6	\$ 188.1	\$ 203.6	\$ 191.7	\$ 198.2	\$ 190.2
Operating income	\$ 58.7	\$ 63.6	\$ 75.5	\$ 80.5	\$ 72.9	\$ 83.8	\$ 58.9	\$ 63.3
Consolidated:								
Income (loss) before taxes	\$ 170.4	\$ 230.2	\$ 256.1	\$ 319.4	\$ 117.3	\$ 141.2	\$ 13.7	\$ (4.1)
Net income	\$ 127.9	\$ 174.8	\$ 195.6	\$ 242.3	\$ 86.6	\$ 113.9	\$ 13.5	\$ 0.5
Earnings per share:								
Basic	\$ 0.80	\$ 1.04	\$ 1.23	\$ 1.45	\$ 0.55	\$ 0.69	\$ 0.09	\$ —
Diluted	\$ 0.80	\$ 1.03	\$ 1.23	\$ 1.45	\$ 0.55	\$ 0.68	\$ 0.09	\$ —

22. Subsequent Event

In January 2020, HDFS issued \$525.0 million of secured notes through an on-balance sheet asset-backed securitization transaction at a weighted average interest rate of 1.83%.

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, 2019. 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. Consolidated Financial Statements and Supplementary Data* 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, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information to be included in the Company's definitive proxy statement for the 2020 annual meeting of shareholders (the Proxy Statement) under the captions *Questions and Answers about the Company – Who are our Executive Officers for SEC Purposes?*, *Board Matters and Corporate Governance – Audit and Finance Committee*, *Proposal 1: Election of Directors*, *Section 16(A) Beneficial Ownership Reporting*, *Audit and Finance Committee Report*, and *Board Matters and Corporate Governance – 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, Chief Financial Officer, Principal Accounting Officer, 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. 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 as of December 31, 2019:

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)
Plan approved by shareholders:			
Management employees	815,676	\$ 55.76	7,196,998
Plan not approved by shareholders:			
Non-employee Board of Directors	—	\$ —	218,029
	<u>815,676</u>		<u>7,415,027</u>

Documents for the Company's equity compensation plans have been filed with the Securities and Exchange Commission on a timely basis and included in the list of exhibits to this Annual Report on Form 10-K.

Under the Company's management plan the Board of Directors may grant to employees share-based awards including restricted stock units (RSUs), performance shares, and nonqualified stock options. Performance shares include a three-year performance period with vesting based on achievement of internal performance targets. RSUs vest ratably over a three-year period. Stock options 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. Stock options expire 10 years from the date of grant.

The Company's 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 Company's 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 their annual retainer in common stock until the Director reaches the Director stock ownership guidelines defined below.

In May 2016, the Company's Board of Directors approved the "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), 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 captions *Certain Transactions* and *Board Matters and Corporate Governance – Independence of Directors* are incorporated by reference herein.

Item 14. Principal Accounting Fees and Services

The information to be included in the Proxy Statement under the caption *Proposal 5: Ratification of the 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 under <i>Item 8. Consolidated Financial Statements and Supplementary Data</i>	
Reports of Independent Registered Public Accounting Firm	43
Consolidated statements of income for the years ended December 31, 2019, 2018, and 2017	46
Consolidated statements of comprehensive income for the years ended December 31, 2019, 2018, and 2017	47
Consolidated balance sheets at December 31, 2019 and 2018	48
Consolidated statements of cash flows for the years ended December 31, 2019, 2018, and 2017	50
Consolidated statements of shareholders' equity for the years ended December 31, 2019, 2018, and 2017	51
Notes to Consolidated financial statements	52
(2) Financial Statement Schedule	
Schedule II – Valuation and qualifying accounts	107
(3) Exhibits	108

Reference is made to the separate *Index to Exhibits* contained on pages 108 through 111 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.
SCHEDULE II - CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS
Years ended December 31, 2019, 2018 and 2017
(In thousands)

	2019	2018	2017
Accounts receivable - Allowance for doubtful accounts			
Balance, beginning of period	\$ 4,007	\$ 4,091	\$ 2,741
Provision charged to expense	1,569	731	1,328
Reserve adjustments	7	(137)	99
Write-offs, net of recoveries	(655)	(678)	(77)
Balance, end of period	<u>\$ 4,928</u>	<u>\$ 4,007</u>	<u>\$ 4,091</u>
Finance receivables - Allowance for credit losses			
Balance, beginning of period	\$ 189,885	\$ 192,471	\$ 173,343
Provision for credit losses	134,536	106,870	132,444
Charge-offs, net of recoveries	(125,840)	(109,456)	(113,316)
Balance, end of period	<u>\$ 198,581</u>	<u>\$ 189,885</u>	<u>\$ 192,471</u>
Inventories - Allowance for obsolescence^(a)			
Balance, beginning of period	\$ 39,015	\$ 38,669	\$ 39,873
Provision charged to expense	24,984	25,722	16,940
Reserve adjustments	(39)	(332)	306
Write-offs, net of recoveries	(14,611)	(25,044)	(18,450)
Balance, end of period	<u>\$ 49,349</u>	<u>\$ 39,015</u>	<u>\$ 38,669</u>
Deferred tax assets - Valuation allowance			
Balance, beginning of period	\$ 21,868	\$ 21,561	\$ 30,953
Adjustments	7,156	307	(9,392)
Balance, end of period	<u>\$ 29,024</u>	<u>\$ 21,868</u>	<u>\$ 21,561</u>

(a) 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)]

Exhibit No.	Description
2.1	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))
3.1	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))
3.2	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))
4.1	5-Year Credit Agreement, dated as of April 6, 2018, 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 2020 (incorporated herein by reference to Exhibit 4.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 1, 2018 (File No. 1-9183))
4.2	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))
4.3	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 on Form 10-K for the year ended December 31, 2014 (File No. 1-9183))
4.4	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 on Form 10-K for the year ended December 31, 2015 (File No. 1-9183))
4.5	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))
4.6	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))
4.7	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))
4.8	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))
4.9	Amendment No. 1 to 5-Year Credit Agreement, dated as of April 6, 2018, 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, 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 4.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 1, 2018 (File No. 1-9183))
4.10	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))
4.11	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))
4.12	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 (incorporated herein by reference to Exhibit 4.14 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2017 (File No. 1-9183))
4.13	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 (incorporated herein by reference to Exhibit 4.15 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2017 (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)]

Exhibit No.	Description
4.14	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 (incorporated herein by reference to Exhibit 4.17 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2017 (File No. 1-9183))
4.15	Officers' Certificate, dated February 9, 2018, pursuant to Sections 102 and 301 of the Indenture, dated March 4, 2011, with the form of 3.350% Medium-Term Notes due 2023 (incorporated herein by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 1, 2018 (File No. 1-9183))
4.16	Officers' Certificate, dated May 21, 2018, pursuant to Sections 102 and 301 of the Indenture, dated March 4, 2011, with the form of 3.550% Medium-Term Notes due 2021 (incorporated herein by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 1, 2018 (File No. 1-9183))
4.17	Officers' Certificate, dated May 21, 2018, pursuant to Sections 102 and 301 of the Indenture, dated March 4, 2011, with the form of Floating Rate Medium-Term Notes due 2020 (incorporated herein by reference to Exhibit 4.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 1, 2018 (File No. 1-9183))
4.18	Officers' Certificate, dated November 28, 2018, pursuant to Sections 102 and 301 of the Indenture, dated March 4, 2011, with the form of Floating Rate Medium-Term Notes due 2021 (incorporated herein by reference to Exhibit 4.20 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2018 (File No. 1-9183))
4.19	Officers' Certificate, dated February 4, 2019, pursuant to Sections 102 and 301 of the Indenture, dated March 4, 2011, with the form of 4.05% Medium-Term Notes due 2022 (incorporated herein by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 (File No. 1-9183))
4.20	Fiscal Agency Agreement, dated November 19, 2019, relating to the 0.9% Medium Term Notes due November 2024, among certain subsidiaries of the Company, The Bank of New York Mellon Trust Company, N.A. and The Bank of New York Mellon, London Branch
4.21	364-Day Credit Agreement, dated May 13, 2019, 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
4.22	Description of Registrants Securities
10.1*	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))
10.2*	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))
10.3*	Amended and Restated Harley-Davidson, Inc. 2014 Incentive Stock Plan as amended effective January 25, 2019 (incorporated herein by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 (File No. 1-9183))
10.4*	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))
10.5*	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))
10.6*	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))
10.7*	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))
10.8*	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))
10.9*	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))
10.10*	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))
10.11*	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))

* 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)]

Exhibit No.	Description
<u>10.12*</u>	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))
<u>10.13*</u>	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))
<u>10.14*</u>	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))
<u>10.15*</u>	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))
<u>10.16*</u>	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))
<u>10.17*</u>	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, Levatic 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))
<u>10.18*</u>	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))
<u>10.19*</u>	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))
<u>10.20*</u>	Form of Notice of Grant 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))
<u>10.21*</u>	Form of Notice of Grant 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))
<u>10.22*</u>	Form of Notice of Grant 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))
<u>10.23*</u>	Executive Severance Plan (incorporated herein by reference to Exhibit 10.36 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2017 (File No. 1-9183))
<u>10.24*</u>	Form of Transition Agreement between the Registrant and each of Messrs. Levatic 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))
<u>10.25*</u>	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))
<u>10.26*</u>	Form of Aircraft Time Sharing Agreement between the Registrant and each of Messrs. Levatic, Olin, Mansfield and Hund and Ms. Kumbier and Anding (incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 (File No. 1-9183))
<u>10.27*</u>	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))
<u>10.28*</u>	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))
<u>10.29*</u>	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))

* 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)]

Exhibit No.	Description
10.30*	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 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))
10.31*	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))
10.32*	Form of Notice of Award of Restricted Stock Units and Restricted Stock Unit 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))
10.33*	Form of Transition Agreement between the Registrant and each of Mr. Mansfield and Mses. Kumbier and Anding (incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the period ended April 1, 2018 (File No. 1-9183))
10.34*	Form of Notice of Award of Restricted Stock Units and Restricted Stock Unit Agreement (Standard), Form of Notice of Award of Restricted Stock Units and Restricted Stock Unit Agreement (Standard International), Form of Notice of Award of Restricted Stock Units and Restricted Stock Unit Agreement (Special), Form of Notice of Award of Restricted Stock Units and Restricted Stock Unit Agreement (Special Retention), and 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. 2014 Incentive Stock Plan first approved for use in February 2018 (incorporated herein by reference to Exhibit 10.43 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2018 (File No. 1-9183))
10.35*	Form of Notice of Award of Performance Shares and Performance Shares Agreement (Standard), Form of Notice of Award of Performance Share Units and Performance Share Unit Agreement (Standard International), and 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 first approved for use in February 2018 (incorporated herein by reference to Exhibit 10.44 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2018 (File No. 1-9183))
10.36*	Form of Notice of Award of Restricted Stock Units and Restricted Stock Unit Agreement (Standard), Form of Notice of Award of Restricted Stock Units and Restricted Stock Unit Agreement (Standard International), Form of Notice of Award of Restricted Stock Units and Restricted Stock Unit Agreement (Special), and Form of Notice of Award of Restricted Stock Units and Restricted Stock Unit Agreement (Special Retention) of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2014 Incentive Stock Plan first approved for use in February 2019 (incorporated herein by reference to Exhibit 10.45 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2018 (File No. 1-9183))
10.37*	Form of Notice of Award of Performance Shares and Performance Shares Agreement (Standard) and 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 first approved for use in February 2019 (incorporated herein by reference to Exhibit 10.46 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2018 (File No. 1-9183))
10.38*	Separation Agreement and Release between the Registrant and Mr. Grimmer dated October 25, 2019
21	Harley-Davidson, Inc. Subsidiaries
23	Consent of Independent Registered Public Accounting Firm
31.1	Chief Executive Officer Certification pursuant to Rule 13a-14(a)
31.2	Chief Financial Officer Certification pursuant to Rule 13a-14(a)
32	Written Statement of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. §1350
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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
104	Cover Page Interactive Data File - formatted in Inline XBRL and contained in Exhibit 101

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

Dated 19 November 2019

HARLEY-DAVIDSON FINANCIAL SERVICES, INC.

as Issuer

and

HARLEY-DAVIDSON CREDIT CORP.

as Guarantor

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

as Fiscal Agent, Registrar and Transfer Agent

and

THE BANK OF NEW YORK MELLON, LONDON BRANCH

as Paying Agent

FISCAL AGENCY AGREEMENT

relating to

Euro 600,000,000 0.900 per cent. Guaranteed Notes due 2024

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This Agreement is made on 19 November 2019 **between:**

- (1) **HARLEY-DAVIDSON FINANCIAL SERVICES, INC.** (the "Issuer");
- (2) **HARLEY-DAVIDSON CREDIT CORP.** (the "Guarantor");
- (3) **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.** as fiscal agent, registrar and transfer agent; and
- (4) **THE BANK OF NEW YORK MELLON, LONDON BRANCH** as paying agent.

WHEREAS:

- (A) The Issuer proposes to issue Euro 600,000,000 principal amount of Notes (as defined below) to be known as its 0.009 per cent. Guaranteed Notes due 19 November 2024, which will be unconditionally and irrevocably guaranteed as to payment of principal and interest by the Guarantor.
- (B) The Notes will be issued in registered form in the denominations of Euro 100,000 and integral multiples of Euro 1,000 in excess thereof.
- (C) The Notes will initially be represented by a Temporary Global Certificate (as defined below). Following the expiry of the Distribution Compliance Period (as defined below), the Temporary Global Certificate will be exchangeable into the Permanent Global Certificate (as defined below). The Global Certificates (as defined below) are exchangeable for Individual Certificates (as defined below) in the limited circumstances described therein.

It is agreed as follows:

1 Interpretation

1.1 Definitions

Terms defined in the Conditions have the same meaning in this Agreement (except where otherwise defined in this Agreement) and except where the context requires otherwise:

"**Agents**" means the Fiscal Agent, the Paying Agent, the Registrar and the Transfer Agent or any of them and shall include such other Agent or Agents as may be appointed from time to time hereunder and, except in Clause 16, references to Agents are to them acting solely through their specified offices;

"**Applicable Law**" means any law or regulation including, but not limited to: (a) any domestic or foreign statute or regulation; (b) any rule or practice of any Authority with which the Agents are bound or accustomed to comply; and (c) any agreement entered into by the Agents and any Authority or between any two or more Authorities;

"**Authority**" means any competent regulatory, prosecuting, tax or governmental authority in any jurisdiction, domestic or foreign.

"**Business Day**" means a day, other than Saturday and Sunday, on which commercial banks and foreign exchange markets are open for business in both New York City and London and the TARGET System is operating;

"**Certificate**" means a certificate representing one or more Notes and, save as provided in the Conditions, comprising the entire holding by a Noteholder of his Notes and, save in the case of a Global Certificate, being substantially in the form set out in Part B of Schedule 1;

“**Clearstream, Luxembourg**” means Clearstream Banking, *société anonyme*;

“**Code**” means the U.S. Internal Revenue Code of 1986, as amended, and any subsequent recodification of such legislation;

“**Common Depository**” means a depository common to Euroclear and Clearstream, Luxembourg;

“**Conditions**” means the terms and conditions of the Notes which shall be substantially in the form set out in Schedule 2 as modified, with respect to any Notes represented by a Global Certificate, by the provisions of such Global Certificate and shall be endorsed on the relevant Certificate, and any reference to a particularly numbered Condition shall be construed accordingly;

“**Direct Rights**” has the meaning given in the Deed of Covenant;

“**Distribution Compliance Period**” means the 40-day distribution compliance period as defined in Regulation S;

“**Euroclear**” means Euroclear Bank SA/NV;

“**Exchange Act**” means the U.S Securities Exchange Act of 1934, as amended;

“**Exercise Notice**” has the meaning given to it in the Conditions and shall be substantially in the form set out in Schedule 5;

“**Extraordinary Resolution**” has the meaning set out in Schedule 3;

“**FATCA Withholding tax**” means any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations, agreements or undertakings thereunder or official interpretations thereof) or any intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement);

“**Fiscal Agent**” means The Bank of New York Mellon Trust Company, N.A. at its specified office as fiscal agent hereunder (or such other Fiscal Agent as may be appointed from time to time hereunder);

“**Global Certificates**” means the Temporary Global Certificate and the Permanent Global Certificate;

“**Individual Certificate**” means an individual certificate representing one or more Notes in definitive, registered form, in or substantially in the form set out in Part B of Schedule 1, and includes any replacement Individual Certificate issued pursuant to Condition 12;

“**Issue Date**” means the date on which the Notes have been issued;

“**Notes**” means the Euro 6000,000,000 0.900 per cent. Guaranteed Notes due 2024 of the Issuer, which expression shall, if the context so admits, include any Global Certificate representing the Notes;

“**outstanding**” means, in relation to the Notes, all the Notes issued other than (a) those that have been redeemed in accordance with the Conditions, (b) those in respect of which the date for redemption in accordance with the Conditions has occurred and the redemption moneys (including all interest accrued on such Notes to the date for such redemption and

any interest payable after such date) have been duly paid to the Paying Agent as provided in this Agreement (and where appropriate notice to that effect has been given to the Noteholders in accordance with Condition 14) and remain available for payment against surrender of Certificates representing such Notes, (c) those in respect of which claims have become void or in respect of which claims have become prescribed, (d) those which have been purchased and cancelled as provided in the Conditions and (e) those mutilated or defaced Notes which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 12 and (f) (for the purpose only of determining how many Notes are outstanding and without prejudice to their status for any other purpose of the relevant Notes) those Notes alleged to have been lost, stolen or destroyed and in respect of which replacement Notes have been issued, provided that for the purposes of (1) ascertaining the right to attend and vote at any meeting of the Noteholders and (2) the determination of how many Notes are outstanding for the purposes of Condition 13 and Schedule 3, those Notes which are beneficially held by or on behalf of HDI, the Issuer, the Guarantor or any of the Issuer's Subsidiaries or HDI's Subsidiaries and not cancelled shall (unless no longer so held) be deemed not to remain outstanding;

"Paying Agent" means The Bank of New York Mellon, London Branch at its specified office as paying agent hereunder (or such other Paying Agent as may be appointed from time to time hereunder);

"Permanent Global Certificate" means a certificate substantially in the form set out in Part A of Schedule 1 representing Notes that are registered in the name of a nominee for Euroclear, Clearstream, Luxembourg and/or any other clearing system;

"Register" means the register for the Notes maintained by the Registrar;

"Registrar" means The Bank of New York Mellon Trust Company, N.A. at its specified office as registrar hereunder (or such other Registrar as may be appointed from time to time hereunder);

"Regulation S" means Regulation S under the Securities Act;

"Regulations" means the regulations referred to in Clause 11.2;

"Securities Act" means the U.S. Securities Act of 1933, as amended;

"specified office" means each of the offices of the Agents specified herein and shall include such other office or offices as may be specified from time to time hereunder;

"Subsidiary" means, at any particular time, a company which is then directly or indirectly controlled, or more than 50 per cent of whose issued equity share capital (or equivalent) is then beneficially owned, by the Issuer and/or one or more of its Subsidiaries. For a company to be **"controlled"** by another means that the other (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that company or otherwise controls or has the power to control the affairs and policies of that company;

"Taxes" means all taxes, levies, imposts, charges, assessments, deductions, withholdings and related liabilities;

“Temporary Global Certificate” means a certificate substantially in the form set out in Part A of Schedule 1 (including the Temporary Global Certificate Legend set out in Part A of Schedule 1) representing Notes that are registered in the name of a nominee for Euroclear, Clearstream, Luxembourg and/or any other clearing system; and

“Transfer Agent” means The Bank of New York Mellon Trust Company, N.A. at its specified office as transfer agent hereunder and such further or other Transfer Agent or Agents as may be appointed from time to time hereunder.

1.2 Construction of Certain References: References to:

1.2.1 other capitalised terms not defined in this Agreement are to those terms as defined in the Conditions;

1.2.2 principal and interest shall be construed in accordance with Condition 6; and

1.2.3 costs, charges, remuneration or expenses include any value added, turnover or similar tax charged in respect thereof.

1.3 Headings: Headings shall be ignored in construing this Agreement.

1.4 Contracts: References in this Agreement to this Agreement or any other document are to this Agreement or those documents as amended, supplemented or replaced from time to time and include any document which amends, supplements or replaces them.

1.5 Schedules: The Schedules are part of this Agreement and have effect accordingly.

1.6 Contracts (Rights of Third Parties) Act 1999: A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement, but this does not affect any right or remedy of any person which exists apart from that Act.

1.7 Counterparts: This Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

2 Appointment

2.1 Appointment: The Issuer and the Guarantor appoint the Agents as their respective agents in respect of the Notes in accordance with this Agreement and the Conditions at their respective specified offices referred to in the Notes. Except in Clause 16, references to the Agents are to them acting solely through such specified offices. Each Agent shall perform the duties required of it by this Agreement together with such additional duties as may be set out in the Conditions. The obligations of the Agents are several and not joint.

2.2 Acceptance of Appointment: Each Agent accepts its appointment as agent of the Issuer and the Guarantor in relation to the Notes and agrees to comply with provisions of this Agreement.

2.3 Maintenance of Agents: The Issuer and the Guarantor each agrees that, so long as any of the Notes is outstanding, or until moneys for the payment of all principal of and interest (and any additional amounts) on all outstanding Notes shall have been made available at the offices

of the Paying Agent, or, as to moneys remaining unclaimed, shall have been returned to the Issuer as provided in Clause 5 hereof, whichever occurs earlier, there shall at all times be a Paying Agent in respect of the Notes or other Agents for the payment of the principal of and interest (and any additional amounts) on the Notes and a Registrar for transfer and exchange of Notes in accordance with Section 2 of the Conditions.

3 Issue of Notes

- 3.1 Form of the Notes:** The Notes shall on issue be evidenced by a Temporary Global Certificate and following expiry of the Distribution Compliance Period, a Permanent Global Certificate, in each case in accordance with the following provisions.
- 3.2 Issue of a Global Certificate:** The Issuer hereby authorises and instructs the Fiscal Agent to complete a Global Certificate in an aggregate principal amount equal to that of the Notes to be issued, authenticate such Global Certificate (or cause its agent on its behalf to do so).
- 3.3 Delivery of Global Certificates:** Following receipt of the Temporary Global Certificate, the Fiscal Agent shall (in the case of any unauthenticated Temporary Global Certificate, after first authenticating it as, or as agent for, the Registrar) deliver it on the Business Day immediately preceding the Issue Date to the Common Depository, together with instructions to the clearing systems to whom (or to whose depository) such Temporary Global Certificate has been delivered to credit the underlying Notes represented by such Temporary Global Certificate to the securities account(s) at such clearing systems that have been notified to the Fiscal Agent by the Issuer on a delivery against payment basis or, if notified to the Fiscal Agent by the Issuer, on a delivery free of payment basis. The Registrar shall cause an appropriate entry to be made in the Register to reflect the issue of the Notes to the person(s) whose name and address appears on such Temporary Global Certificate on the Issue Date. On or around the first day following expiry of the Distribution Compliance Period, beneficial interests in the Temporary Global Certificate will be exchanged by Euroclear and Clearstream, Luxembourg, with no further action by the Issuer, for beneficial interests in a duly authenticated Permanent Global Certificate. Simultaneously with the authentication of the Permanent Global Certificate, the Fiscal Agent will cancel the Temporary Global Certificate and the Registrar shall cause an appropriate entry to be made in the Register to reflect such cancellation.
- 3.4 Clearing Systems:** In delivering any Temporary Global Certificate in accordance with Clause 3.3, the Paying Agent shall give instructions to the relevant clearing system to hold the Notes represented by such Temporary Global Certificate to the order of the Fiscal Agent pending transfer to the securities account(s) referred to in Clause 3.3. Upon payment for any such Notes being made to the Paying Agent, it shall transfer such payment to the account notified to it by the Issuer. For so long as any such Note continues to be held to the order of the Fiscal Agent, the Fiscal Agent shall hold such Note to the order of the Issuer.
- 3.5 Advance Payment:** If the Fiscal Agent pays an amount (the "**Advance**") to the Issuer on the basis that a payment (the "**Payment**") has been, or will be, received from any person and if the Payment has not been, or is not, received by the Fiscal Agent on the date the Fiscal Agent pays the Issuer, the Issuer, failing whom the Guarantor, shall, on demand, reimburse the Fiscal Agent the Advance and pay interest to the Fiscal Agent on the outstanding amount of the Advance from the date on which it is paid out to the date of reimbursement at the rate per annum equal to the cost to the Fiscal Agent of funding such amount, as certified by the Fiscal Agent. Such interest shall be compounded daily.

- 3.6 Individual Certificates:** The Individual Certificates shall be printed in accordance with all applicable legal and stock exchange requirements.
- 3.7 Signing of Certificates:** Any Global Certificate and any Individual Certificates shall be signed manually or in facsimile on behalf of the Issuer by a director of the Issuer or a person duly authorised on behalf of the Issuer and any Global Certificate will be authenticated by or on behalf of the Registrar. The Issuer may however adopt and use the signature of any person who at the date of signing a Certificate is a duly authorised signatory of the Issuer even if, before the Certificate is issued, he ceases for whatever reason to hold such office and the Certificates issued in such circumstances shall nevertheless represent valid and binding obligations of the Issuer.
- 3.8 Details of Certificates Delivered:** As soon as practicable after delivering any Certificate, the Fiscal Agent shall supply to the Issuer and the other Agents all relevant details of the Certificates delivered, in such format as it shall from time to time agree with the Issuer.
- 3.9 Cancellation:** If any Note in respect of which information has been supplied under Clause 3.2 is not to be issued on the Issue Date, the Issuer shall immediately (and, in any event, prior to the Issue Date) notify the Fiscal Agent and the Registrar. Upon receipt of such notice, the Fiscal Agent shall not thereafter issue or release the relevant Certificate(s) but shall cancel and, unless otherwise instructed by the Issuer, destroy them and the Registrar shall not make any entry in the Register in respect of them.
- 3.10 Outstanding Amount:** The Fiscal Agent shall, upon request from the Issuer or the Guarantor, inform such person of the aggregate principal amount of Notes then outstanding at the time of such request.
- 3.11 Exchange of Interests in a Global Certificate for Individual Certificates :**
- 3.11.1 In the event that:
- (i) either Euroclear or Clearstream, Luxembourg (or any other clearing system as shall have been designated by the Issuer (“**Alternative Clearing System**”) on behalf of which the Notes evidenced by a Global Certificate may be held) is closed for business for a continuous period of 14 calendar days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
 - (ii) if principal in respect of any Notes is not paid when due and payable,
- the Issuer will, free of charge to the Noteholders (but against such indemnity as the Fiscal Agent may reasonably require in respect of any Tax or other duty of whatever nature which may be levied or imposed on the Fiscal Agent in connection with such exchange), cause sufficient number of Individual Certificates to be executed by the Issuer and delivered to the Fiscal Agent for despatch to Noteholders in accordance with the Conditions, this Clause 3.11 and Schedule 4 hereto. In no event shall the Temporary Global Certificate be exchanged for Individual Certificates prior to the expiration of the Distribution Compliance Period and the receipt by the Fiscal Agent of any certificates required pursuant to Rule 903(b)(3)(ii)(B) under the Securities Act.
- 3.11.2 Upon one of the events set out in Clause 3.11.1 occurring, a person having an interest in any Note evidenced by a Global Certificate will provide the Fiscal Agent with a written order containing instructions and such other information as the Issuer and the

Fiscal Agent may require to complete, execute and deliver such Individual Certificates representing its ownership of Notes.

3.11.3 Upon receipt of the documents referred to in sub-Clause 3.11.2, the Fiscal Agent shall arrange for the execution and delivery, to or to the order of the person or persons named in such documents, of an Individual Certificate representing the relevant Notes registered in the name or names requested by such person or persons and the Registrar shall alter the entries in the Register in respect of any Global Certificate(s) accordingly.

3.12 Holder of a Global Certificate: Subject to the provisions of this Agreement, the registered holder of the Notes evidenced by a Global Certificate may grant proxies and otherwise authorise any person, including participants and persons that may hold interests through participants, to take any action that a holder is entitled to take under this Agreement or the Notes.

3.13 Further Issues: If the Issuer shall issue Further Notes forming a single series with the Notes as contemplated by Condition 16, the Issuer and the Fiscal Agent shall follow the same procedures set forth herein with respect to the initial issuance of such Further Notes. In the case of a Global Certificate:

- (i) a new Global Certificate reflecting the increased principal amount shall be issued in exchange for the Global Certificate outstanding prior to such additional issuance and such existing Global Certificate shall be destroyed; or
- (ii) the principal amount of the then existing Global Certificate shall be increased to reflect the issuance of Further Notes,
- (iii) as the Issuer may specify. After any further issuance of Notes, all references herein or in any Note to the aggregate principal amount of Notes shall be deemed to refer to the principal amount as increased by such further issuance.

4 Payment

4.1 Payment to the Paying Agent: The Issuer, failing whom the Guarantor, shall, by no later than 10.00 a.m. (London time), on the Business Day prior to which any payment in respect of the Notes becomes due, transfer to the Paying Agent such amount as may be required for the purposes of such payment. In this Clause, the date on which a payment in respect of the Notes becomes due means the first date on which the holder of a Note could claim the relevant payment by transfer to an account under the Conditions. The Agents shall not be bound to make payment until satisfied that the full payment has been received from the Issuer (failing whom, the Guarantor) in cleared funds by the Fiscal Agent.

4.2 Pre-advice of Payment: The Issuer, failing whom the Guarantor, shall procure that the bank through which the payment to the Paying Agent required by Clause 4.1 is to be made shall irrevocably confirm to the Paying Agent by authenticated SWIFT message no later than 3.00 p.m. (local time in the city of the Paying Agent's specified office) on the third Business Day before the due date for any such payment that it will make such payment.

4.3 Notification of Failure to Pre-advise Payment: The Paying Agent shall as soon as reasonably practicable notify by facsimile each of the other Agents, the Issuer and the

Guarantor if it has not received the confirmation referred to in Clause 4.2 by the time specified for its receipt, unless it is satisfied that it will receive the amount referred to in Clause 4.1.

- 4.4 Payment by Agents:** Unless the other Agents receive a notification from the Paying Agent under Clause 4.3 and subject as provided in Clause 4.7, the Paying Agent shall, subject to and in accordance with the Conditions, pay or cause to be paid on behalf of the Issuer and the Guarantor on and after each due date therefor the amounts due in respect of the Notes.
- 4.5 Notification of Non-payment:** The Paying Agent shall as soon as reasonably practicable notify by facsimile each of the other Agents, the Issuer and the Guarantor if it has not received the amount referred to in Clause 4.1 by the time specified for its receipt, unless it is satisfied that it will receive such amount or it has already notified such persons pursuant to Clause 4.3.
- 4.6 Payment After Failure to Pre-advise or Late Payment:** The Paying Agent shall as soon as reasonably practicable notify by facsimile each of the other Agents, the Issuer and the Guarantor if at any time following the giving of a notice by the Paying Agent under Clause 4.3 or 4.5 either any payment provided for in Clause 4.1 is made on or after its due date but otherwise in accordance with this Agreement or the Paying Agent is satisfied that it will receive such payment.
- 4.7 Suspension of Payment by Agents:** Upon receipt of a notice from the Paying Agent under Clause 4.3, no Agent shall make any payment in accordance with Clause 4.4. Upon receipt of a notice from the Paying Agent under Clause 4.5, each Agent shall cease making payments in accordance with Clause 4.4 as soon as is reasonably practicable. Upon receipt of a notice from the Paying Agent under Clause 4.6, each Agent shall make, or shall recommence making, payments in accordance with Clause 4.4.
- 4.8 Reimbursements of Agents:** The Paying Agent shall on demand promptly reimburse each Agent for payments in respect of the Notes properly made by it in accordance with the Conditions and this Agreement.
- 4.9 Method of payment to Paying Agent:** All sums payable to the Paying Agent hereunder shall be paid in Euros and in immediately available or same day funds to such account with such bank as the Paying Agent may from time to time notify to the Issuer and the Guarantor.
- 4.10 Moneys held by Agents:** Each Agent may deal with moneys paid to it under this Agreement in the same manner as other moneys paid to it as a banker by its customers and shall not be subject to the UK FCA Client Money Rules except that (1) it may not exercise any lien, right of set-off or similar claim in respect of them and (2) it shall not be liable to anyone for interest on any sums held by it under this Agreement. No moneys held by any Agent need be segregated except as may be required by law. The Agents shall be entitled to make payments net of any Taxes or other sums required by any applicable law to be withheld or deducted. The Agents shall be entitled to deduct any applicable FATCA Withholding Tax and shall have no obligation to gross-up any payment hereunder or to pay any additional amount as a result of such applicable FATCA Withholding Tax.
- 4.11 Partial Payments:** If on surrender of a Certificate only part of the amount payable in respect of it is paid (except as a result of a deduction of Tax permitted by the Conditions), the Agent to whom it is surrendered shall procure that it is enfaced with a memorandum of the amount paid and the date of payment and shall return it to the person who surrendered it. Upon making

payment of only part of the amount payable in respect of any Note, the Registrar shall make a note of the details of such payment in the Register.

- 4.12 Interest:** If the Paying Agent pays out any amount due in respect of the Notes in accordance with the Conditions or due in accordance with Clause 4.8 before receipt of the amount due under Clause 4.1, the Issuer, failing whom the Guarantor, shall on demand reimburse the Paying Agent for the relevant amount and pay interest to the Paying Agent on such amount that is outstanding from the date on which it is paid out to the date of reimbursement at the rate per annum equal to the cost to the Paying Agent of funding the amount paid out, as certified by the Paying Agent. Such interest shall be compounded daily.
- 4.13 Void Global Certificate:** If any Note represented by a Global Certificate becomes void in accordance with its terms after the occurrence of an Event of Default, the Fiscal Agent shall promptly notify the Agents and, after such notice has been given, no payment shall be made by them in respect of that Note to the extent that the Global Certificate representing such Note has become void and Direct Rights have taken effect in respect thereof pursuant to the Deed of Covenant.
- 4.14 Payments in respect of Direct Rights:** If Direct Rights have taken effect in respect of any outstanding principal amount of the Notes, the Agents will make payments to each Relevant Account Holder (through the relevant clearing system(s) as contemplated by clause 4.2 of the Deed of Covenant) in satisfaction of such amounts due under those Direct Rights, subject to the receipt of sufficient funds by the Fiscal Agent pursuant to Clause 4.1 to settle in full the amounts due under such Direct Rights.
- 4.15 Withholding:** Any payment by the Agents under this Agreement will be made without any deduction or withholding for or on account of any Taxes unless such deduction or withholding is required by any Applicable Law. The Issuer and the Guarantor acknowledges and agrees that the Agents may debit any amount available in any balance held for the Issuer or the Guarantor (as appropriate) and apply such amount in satisfaction of Taxes. The Agents will timely pay the full amount debited or withheld to the relevant Authority in accordance with the relevant Applicable Law. If any Taxes become payable with respect to any prior credit to the Issuer or the Guarantor (as appropriate) by the Agents, the Issuer acknowledges that the Agents may debit any balance held for it in satisfaction of such prior Taxes. The Issuer or the Guarantor (as appropriate) shall remain liable for any deficiency and agrees that it shall pay any such deficiency upon notice from the Agents or any Authority. If Taxes are paid by the Agents or any of its affiliates, the Issuer and the Guarantor agrees that it shall promptly reimburse the Agents for such payment to the extent not covered by withholding from any payment or debited from any balance held for it. If the Agents are required to make a deduction or withholding referred to above, it will not pay an additional amount in respect of that deduction or withholding to the Issuer.
- 4.16 FATCA Withholding:** If the Issuer or the Guarantor (as appropriate) determines in its sole discretion that it will be required to withhold or deduct any FATCA Withholding Tax in connection with any payment due on any Notes, then the Issuer or the Guarantor (as appropriate) will be entitled to re-direct or reorganise any such payment in any way that it may reasonably determine in order that the payment may be made without FATCA Withholding Tax provided that, any such re-direction or reorganisation of any payment is made through a recognised institution of international standing and such payment is otherwise made in accordance with this Agreement.

4.17 Source of Payments: Payments made by the Issuer are from U.S. source for U.S. federal tax purposes and are “withholdable payments” within the meaning of Section 1473(1) of the Code.

5 Repayment

If claims in respect of any Note become void or prescribed under the Conditions, the Fiscal Agent or the Paying Agent (to the extent it is then in possession of the requisite funds) shall upon request repay to the Issuer the amount that would have been due on such Note if it or the relative Certificate had been surrendered for payment before such claims became void or prescribed. The Fiscal Agent shall not however be otherwise required or entitled to repay any sums received by it under this Agreement.

6 Early Redemption and Exercise of Options

6.1 Notice to Fiscal Agent: If the Issuer intends to redeem all of the Notes before their stated maturity date in accordance with Condition 7(b), it shall, at least 14 days before the latest date for the publication of the notice of exercise of the Issuer’s option required to be given to Noteholders, give notice of such intention to the Fiscal Agent stating the date on which such Notes are to be redeemed and the principal amount of Notes to be redeemed, together with a duly signed certificate and legal opinion, all in accordance with Condition 7(b).

6.2 Notice to Noteholders: The Fiscal Agent shall publish any notice to Noteholders required in connection with any exercise of the Issuer’s option under Condition 7(b). Such notice shall specify the date fixed for redemption, the redemption price and the manner in which redemption will be effected. In addition, the Fiscal Agent shall send to each holder of Notes a copy of such notice at its address shown in the Register. So long as any Note is represented by a Global Certificate, notices to Noteholders shall be given in accordance with the terms of the Global Certificate.

6.3 [HDI Change of Control Option Exercise Notices: The Registrar and each Transfer Agent will keep a stock of Exercise Notices and will make them available on demand to holders of the Notes in accordance with Condition 7(c). The Registrar or the relevant Transfer Agent with which a Certificate is deposited in a valid exercise of the Noteholder’s option under Condition 7(c) shall hold such Certificate on behalf of the depositing Noteholder (but shall not, save as provided below, release it) until the due date for redemption of the relevant Note(s) consequent upon the exercise of such option, when, subject as provided below, it shall surrender any such Certificate to itself for payment of the amount due in accordance with the Conditions and shall cause the Paying Agent to pay such moneys in accordance with the directions of the Noteholder contained in the Exercise Notice. If any Note evidenced by any Certificate so deposited becomes immediately due and payable before the due date for its redemption or exercise of the option, or if upon due surrender of the Certificate representing a Note payment of the amount due is improperly withheld or refused, the Agent concerned shall mail the Certificate representing such Note by uninsured post to, and at the risk of, the relevant Noteholder (unless the Noteholder otherwise requests and pays the costs of such insurance in advance to the relevant Agent) to such address as may have been given by the Noteholder in the Exercise Notice or where no address has been given, to the address appearing in the Register. At the end of each period for the exercise of any such option, each Agent shall promptly notify the Fiscal Agent of the principal amount of the Notes in respect

of which such option has been exercised with it together with the certificate numbers of the Certificates representing them and the Fiscal Agent shall promptly notify such details to the Issuer and the Guarantor.

7 Cancellation, Destruction, Records and Reporting Requirements

- 7.1 Cancellation by Agents:** All Certificates representing Notes that are redeemed, shall be cancelled as soon as reasonably practicable by the Transfer Agent to which the Certificates are surrendered for redemption of the Notes. Such Transfer Agent shall send to the Registrar the details required by such person for the purposes of this Clause and the cancelled Certificates.
- 7.2 Cancellation by Issuer:** If the Issuer or the Guarantor or any of the Issuer's Subsidiaries purchase any Notes, the Issuer or the Guarantor shall immediately notify the Fiscal Agent of the principal amount of those Notes it (or, where applicable, the relevant Issuer's Subsidiary) has purchased and shall procure their cancellation.
- 7.3 Certification:** The Fiscal Agent shall as soon as possible and in any event within three months after the date of any such redemption or purchase, send to the Issuer upon request a notice stating (1) the aggregate principal amount of Notes which have been redeemed and cancelled and (2) the certificate numbers of the Certificates representing them.
- 7.4 Destruction:** Unless otherwise instructed by the Issuer or the Guarantor or unless, in the case of a Global Certificate, it is to be returned to its holder in accordance with its terms, the Fiscal Agent (or its designated agent) shall destroy the Certificates representing the cancelled Notes in its possession and shall upon request send the Issuer and the Guarantor a certificate giving the certificate numbers of such Certificates in numerical sequence.
- 7.5 Records:** The Fiscal Agent shall keep a full and complete record of the payment, redemption, purchase, replacement, surrender, exchange, cancellation and destruction of the Notes. It shall make such record available at all reasonable times to the Issuer, the Guarantor and the Registrar.
- 7.6 Reporting Requirements:** The Fiscal Agent shall (on behalf of the Issuer and, where appropriate, the Guarantor) submit such reports or information as may be required from time to time in relation to the issue and purchase of Notes by applicable law, regulations and guidelines promulgated by any governmental or regulatory authority agreed between the Issuer or the Guarantor and the Fiscal Agent.
- 7.7 Information from Issuer:** The Fiscal Agent shall only be required to comply with its obligations under this Clause 7 in respect of Certificates surrendered for cancellation following a purchase of the same by the Issuer, the Guarantor or by any of the Issuer's Subsidiaries to the extent it has been informed by the Issuer or the Guarantor of such purchase in accordance with Clause 7.2 above.

8 Replacement Certificates

- 8.1 Stocks of Individual Certificates:** From time to time after such time (if ever) as the Notes may be transferred into a name other than that of the holder(s) of any Global Certificate, the Issuer will cause a sufficient quantity of additional blank Individual Certificates to be available, upon request, to the Fiscal Agent at its specified office, for the purpose of delivering

replacement Individual Certificates as provided below. The Issuer will promptly notify the Fiscal Agent and the Registrar if the authorised signatory of the Issuer whose facsimile signature appears on such stocks of replacement Individual Certificates ceases to be so authorised. In such circumstances the Issuer will promptly, properly and validly appoint a replacement authorised signatory, and upon the request of the Registrar or the Fiscal Agent, will promptly deliver to the Fiscal Agent such number of replacement Individual Certificates as the Registrar or the Fiscal Agent may reasonably request, duly signed manually or in facsimile by such replacement authorised signatory. Upon receipt of such replacement Individual Certificates the Registrar or its agent will be deemed to have been authorised by the Issuer to destroy any previous replacement Individual Certificates and will notify the Issuer of such destruction.

- 8.2 Safekeeping of Individual Certificates:** The Fiscal Agent shall maintain in safe custody all Individual Certificates and blank Individual Certificates delivered to and held by it and shall ensure that Individual Certificates are issued only in accordance with the Conditions (including the provisions of any Global Certificate) and the provisions of this Agreement.
- 8.3 Information:** Within seven days of any request therefor by the Issuer or any Agent, so long as any of the Notes are outstanding, the Fiscal Agent shall certify to the Issuer and the relevant Agent the number of blank Individual Certificates held by it hereunder.
- 8.4 Replacements:** Subject to the following provisions of this Clause, the Fiscal Agent shall issue replacement Certificates in accordance with the Conditions. The Fiscal Agent will inform the Issuer upon receiving any request from a holder of the Notes for the issue of a replacement Individual Certificate.
- 8.5 Verification:** The Fiscal Agent will verify with the relevant Agent, in the case of an allegedly lost, stolen, mutilated, defaced or destroyed Individual Certificate in respect of which the identifying number is known or believed to be known, that the Notes in respect of which such Individual Certificate is issued have not been purchased by the Issuer, the Guarantor or any of the Issuer's Subsidiaries and cancelled and the Fiscal Agent shall not deliver or cause to be delivered any replacement Individual Certificate unless and until the applicant therefor shall have:
- 8.5.1 paid such expenses as may be incurred in connection therewith;
 - 8.5.2 furnished the Fiscal Agent with such evidence (including evidence as to the identifying number of the Individual Certificate in question if known), security, indemnity and other terms as the Issuer or the Fiscal Agent may reasonably require; and
 - 8.5.3 surrendered to the Fiscal Agent any mutilated or defaced Individual Certificate to be replaced.
- 8.6 Cancellation:** The Fiscal Agent shall cancel and, unless otherwise instructed by the Issuer, destroy any mutilated or defaced Certificates replaced by it and shall send the Issuer a certificate containing the information specified in Clause 7.3.
- 8.7 Notification:** The Fiscal Agent shall, on issuing a replacement Certificate, forthwith inform the other Agents of its certificate number and of the one that it replaces.

- 8.8 Records:** The Registrar shall keep a full and complete record of all replacement Certificates delivered and shall make such record available at all reasonable times to the Issuer and the Fiscal Agent.
- 8.9 Surrender after Replacement:** If a Certificate that has been replaced is surrendered to an Agent for payment, that Agent shall forthwith inform the Registrar, who shall so inform the Issuer.

9 Additional Duties of the Transfer Agent

The Transfer Agent to which a Certificate is surrendered for the transfer of, or pursuant to any exercise of the Noteholders' option referred to in Condition 7(c) relating to, the Notes represented by such Certificate shall forthwith notify the Registrar of (1) the name and address of the holder of the Note(s) appearing on such Certificate, (2) the certificate number of such Certificate and principal amount of the Note(s) represented by it, (3) (in the case of an exercise of the option referred to in Condition 7(c)) the contents of the relevant Exercise Notice, (4) (in the case of a transfer of, or exercise of an option relating to, part only of the Notes represented by such Certificate) the principal amount of the Note(s) to be transferred or in respect of which such option is exercised, and (5) (in the case of a transfer) the name and address of the transferee to be entered on the Register, and, subject to Clause 6.3, shall cancel such Certificate and forward it to the Registrar.

10 Additional Duties of the Registrar

- 10.1 The Register:** The Registrar shall maintain a register outside the United Kingdom and in accordance with the Conditions and the Regulations. The Register shall show the number of issued Certificates, their principal amount, their date of issue and their certificate number (which shall be unique for each Certificate) and shall identify each Note, record the name and address of its initial subscriber, all subsequent transfers, exercises of options and changes of ownership in respect of it, any replacement Certificates issued in respect thereof, the names and addresses of its subsequent holders and the Certificate from time to time representing it.
- 10.2 Register Available for Inspection:** The Registrar shall at all reasonable times during office hours make the Register available to the Issuer, the Guarantor, the other Agents and any person authorised by any of them for inspection and for the taking of copies thereof or extracts therefrom and the Registrar shall deliver to such persons all such lists of holders of the Notes, their addresses and holdings and other details as they may request.
- 10.3 Payment Records:** The Registrar will, whilst any Certificates are still outstanding, record details of all payments of interest or any other amounts made in respect of the Certificates in the Register.
- 10.4 Transfers:** The Registrar will receive requests for transfers of Notes and will also receive Certificates representing Notes deposited with the Transfer Agent, effect the necessary entries in the Register and issue new Individual Certificate(s) in accordance with the applicable transfer restrictions and deliver new Individual Certificate(s) to the relevant Transfer Agent (if appropriate).

11 Information and Regulations Concerning the Notes

- 11.1 Provision of information:** Each Agent will give to the other Agents such further information with regard to its activities hereunder as may reasonably be required by them for the proper carrying out of their respective duties.
- 11.2 Regulations:**
- 11.2.1 The Issuer may, subject to the Conditions, from time to time with the approval of the Agents promulgate regulations concerning the carrying out of transactions relating to the Notes and the forms and evidence to be provided. All such transactions shall be made subject to the Regulations. The initial Regulations are set out in Schedule 5.
- 11.2.2 The Registrar shall, at the expense of the Issuer, failing whom the Guarantor, provide copies of the current Regulations to holders of the Notes upon request in accordance with Condition 2(a).

12 Documents and Forms

- 12.1 Fiscal Agent:** The Issuer shall provide to the Fiscal Agent in a sufficient quantity, for distribution among the relevant Agents as required by this Agreement or the Conditions all documents (including Exercise Notices) required under the Notes or by any stock exchange on which the Notes are listed to be available for issue or inspection during business hours (and the Transfer Agent shall make such documents available for collection or inspection to the Noteholders that are so entitled and carry out the other functions set out in Schedule 5).
- 12.2 Certificates held by Agents:** Each Agent (1) acknowledges that all forms of Certificates delivered to and held by it pursuant to this Agreement shall be held by it as custodian only and it shall not be entitled to and shall not claim any lien or other security interest on such forms, (2) shall only use such forms in accordance with this Agreement, (3) shall maintain all such forms in safe custody, (4) shall take such security measures as may reasonably be necessary to prevent their theft, loss or destruction and (5) shall keep an inventory of all such forms and make it available to the Issuer, the Guarantor and the other Agents at all reasonable times.

13 Fees and Expenses

- 13.1 Fees:** The Issuer, failing whom the Guarantor, shall pay to the Fiscal Agent the fees and expenses in respect of the Agents' services as is separately agreed with the Fiscal Agent and neither the Issuer nor the Guarantor need concern itself with the apportionment of payment between the Agents.
- 13.2 Costs:** The Issuer, failing whom the Guarantor, shall also pay on demand all out-of-pocket expenses (including legal, advertising and postage expenses), in each case properly incurred by the Agents in connection with their services together with any applicable irrecoverable value added tax, sales, stamp, issue, registration, documentary or other similar taxes or duties, provided that there shall be no double recovery under this Clause and Clause 14 below.
- 13.3 Taxes:** All payments made by the Issuer and/or the Guarantor to the Agents in relation to any costs and/or expenses incurred by such Agent pursuant to the terms of this Agreement shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or government charges of whatsoever nature imposed, levied, collected, withheld or assessed by any government having power to tax, unless such withholding or

deduction is required by law. In that event, the Issuer and/or the Guarantor shall pay such additional amounts as will result in receipt by the relevant Agent of such amounts which would have been received by it if no such withholding or deduction had been required.

14 Indemnity

- 14.1 By Issuer and Guarantor:** The Issuer, failing whom the Guarantor, shall indemnify each Agent, on an after tax basis, against any loss, liability, cost, claim, action, demand or expense (including, but not limited to, all properly incurred costs, charges and expenses paid or incurred in disputing or defending any of the foregoing) that it may properly incur or that may be made against it arising out of or in relation to or in connection with its appointment or the exercise of its functions, except such as a result of such Agent's gross negligence, wilful default or fraud or that of its directors, officers, employees or agents.
- 14.2 No liability for consequential loss:** Notwithstanding anything to the contrary, no Agent shall be liable for (i) any special, consequential, punitive, or indirect loss or damage of any kind whatsoever or (ii) for any loss of business, goodwill, opportunity, reputation or profit, in each case whether or not foreseeable, even if the relevant Agent had been advised of the possibility of such loss or damage and regardless of whether the claim for loss or damage is made in negligence, for breach of contract, duty or otherwise.
- 14.3 Survival:** The indemnities set out in this Clause 14 shall survive the termination or expiry of this Agreement.

15 General

- 15.1 No Agency or Trust:** In acting under this Agreement the Agents shall have no obligation towards or relationship of agency or trust with any Noteholder and need only perform the duties set out specifically in this Agreement and the Conditions and any duties necessarily incidental to them. The Agents shall act solely as agents of the Issuer and, subject as expressly set out in this Agreement and the Conditions, need have no concern for the interests of the Noteholders.
- 15.2 Holder to be treated as Owner:** Except as otherwise required by law, each Agent shall treat the registered holder of a Note as its absolute owner as provided in the Conditions and shall not be liable for doing so.
- 15.3 No Lien:** No Agent shall exercise any lien, right of set-off or similar claim against any Noteholder in respect of moneys payable by it under this Agreement.
- 15.4 Taking of Advice:** Each Agent may, at the cost of the Issuer, failing whom the Guarantor, consult on any legal matter any legal adviser auditor, banker, financial adviser, financial institution, valuer, surveyor, broker, auctioneer, accountant or other expert selected by it, (who may be an employee of or adviser to the Issuer or the Guarantor), and it shall not be liable in respect of anything done, or omitted to be done, relating to that matter in good faith in accordance with that adviser's opinion. Each Agent may rely without liability to any person on any information, report, confirmation, evaluation, certificate or any advice of any legal adviser, auditor, banker, financial adviser, financial institution, valuer, surveyor, broker, auctioneer, accountant or other expert whether or not liability in relation thereto is limited by reference to a monetary cap, methodology or otherwise.

- 15.5 Reliance on Documents etc.:** No Agent shall be liable in respect of anything done or suffered by it in reliance on any Global Certificate or Individual Certificate or other document, certificate, instruction or information from any electronic or other source reasonably believed by it to be genuine and to have been signed or otherwise given or disseminated by the proper parties.
- 15.6 Other Relationships:** Any Agent and any other person, whether or not acting for itself, may acquire, hold or dispose of any Note or other security (or any interest therein) of the Issuer, the Guarantor or any other person, may enter into or be interested in any contract or transaction with any such person, and may act on, or as depository, trustee or agent for, any committee or body of holders of securities of any such person, in each case with the same rights as it would have had if that Agent were not an Agent and need not account for any profit.
- 15.7 Information:** Each of the Issuer and the Guarantor, shall provide as soon as reasonably practicable on request to any Agent such information as it shall reasonably require for the purpose of the discharge or exercise of its duties herein.
- 15.8 List of Authorised Persons:** The Issuer and the Guarantor, shall provide the Fiscal Agent for itself and for delivery to each other Agent with a copy of the certified list of persons authorised to take action on behalf of the Issuer and/or the Guarantor, as the case may be, in connection with this Agreement and containing specimen signatures of such designated persons, and shall notify the Fiscal Agent and each other Agent immediately in writing if any of such persons ceases to be so authorised or if any additional person becomes so authorised. Unless and until notified of any such change, each Agent may rely on the certificate(s) most recently delivered to it and all instructions given in accordance with such certificate(s) shall be binding on the Issuer and the Guarantor.
- 15.9 Monitoring:** No Agent shall be under any obligation to monitor or supervise, enquire about or satisfy itself as to (i) the Issuer's ratings for purposes of Condition 7, (ii) the functions or acts of any of the parties and shall be entitled to assume, in the absence of express notice in writing to the contrary, that each other party is properly performing and complying with its obligations under the documents to which it is party and that no Event of Default or other relevant event has occurred and shall have no liability to any person for any loss arising from any breach by that party or any such event.
- 15.10 Illegality:** Notwithstanding anything else herein contained, the Agents may refrain without liability from doing anything that would or might in its opinion be contrary to any law of any state or jurisdiction (including but not limited the United States of America or any jurisdiction forming a part of it and England & Wales) or any directive or regulation of any agency of any such state or jurisdiction or any internal policy relating to anti-money laundering and "know your customer" requirements and may without liability do anything which is, in its opinion, necessary to comply with any such law, directive or regulation.
- 15.11 Force Majeure:** Notwithstanding anything in this Agreement to the contrary, the Agents shall not be responsible or liable for any delay or failure to perform under this Agreement or for any losses resulting, in whole or in part, from or caused by any event beyond the reasonable control of the Agents including without limitation: strikes, work stoppages, acts of war, terrorism, acts of God, governmental actions, exchange or currency controls or restrictions, devaluations or fluctuations, interruption, loss or malfunction of utilities, communications or any computer (software or hardware) services, the application of any law or regulation in effect now or in the future, or any event in the country in which the relevant duties under this

Agreement are performed, (including, but not limited to, nationalisation, expropriation or other governmental actions, regulation of the banking or securities industry, sanctions imposed at national or international level or market conditions) which may affect, limit, prohibit or prevent the performance in full or in part of such duties until such time as such law, regulation or event shall no longer affect, limit, prohibit or prevent such performance (in full or in part) and in no event shall the Agents be obliged to substitute another currency for a currency whose transferability, convertibility or availability has been affected, limited, prohibited or prevented by such law, regulation or event.

15.12 No duty to expend own funds: No Agent shall be under any obligation to take any action under this Agreement that it expects will result in any expense to or liability of such Agent, the payment of which is not, in its opinion, assured to it within a reasonable time.

16 Changes in Agents

16.1 Appointment and Termination: The Issuer and the Guarantor may at any time appoint additional Agents and/or terminate the appointment of any Agent by giving to the Fiscal Agent and that Agent at least 60 days' notice to that effect, which notice shall expire at least 30 days before or after any due date for payment in respect of the Notes. Upon any letter of appointment being executed by or on behalf of the Issuer, the Guarantor and any person appointed as an Agent, such person shall become a party to this Agreement as if originally named in it and shall act as such Agent in respect of the Notes.

16.2 Resignation: Any Agent may resign its appointment at any time by giving the Issuer, the Guarantor and the Fiscal Agent at least 60 days' notice to that effect, which notice shall expire at least 30 days before or after any due date for payment in respect of the Notes.

16.3 Condition to Resignation or Termination: No resignation or (subject to Clause 16.5) termination of the appointment of the Fiscal Agent shall, however, take effect until a new Fiscal Agent (which shall be a bank or trust company) has been appointed and no resignation or termination of the appointment of a Transfer Agent or the Registrar shall take effect if there would not then be a Transfer Agent or a Registrar as required by the Conditions. If the appointment of an Agent is terminated pursuant to Clause 16.1 or Clause 16.5 or any Agent gives notice of its resignation pursuant to Clause 16.2, the Issuer and the Guarantor shall use all reasonable endeavours to procure that another Agent is appointed if such appointment is required pursuant to this Clause 16.3, but if it fails to do so before the fifth day before the expiry of the relevant notice period, the relevant Agent shall have the power to appoint as its replacement any reputable and experienced financial institution. Immediately following such appointment, the Issuer shall give notice of such appointment to the remaining Agents and the Noteholders whereupon the Issuer, the Guarantor, the remaining Agents and the replacement Agent shall acquire and become subject to the same rights and obligations between themselves as if they had entered into an agreement in the form *mutatis mutandis* of this Agreement.

16.4 Change of Office: If an Agent changes the address of its specified office in a city it shall give the Issuer, the Guarantor and the Fiscal Agent at least 60 days' notice of the change, giving the new address and the date on which the change is to take effect.

16.5 Automatic Termination: The appointment of an Agent shall forthwith terminate if such Agent becomes incapable of acting, is adjudged bankrupt or insolvent, files a voluntary petition in

bankruptcy, makes an assignment for the benefit of its creditors, consents to the appointment of a receiver, administrator or other similar official of all or a substantial part of its property or admits in writing its inability to pay or meet its debts as they mature or suspends payment thereof, or if a resolution is passed or an order made for the insolvency, winding-up or dissolution of such Agent, a receiver, administrator or other similar official of such Agent or all or a substantial part of its property is appointed, a court order is entered approving a petition filed by or against it under applicable bankruptcy or insolvency law, or a public officer takes charge or control of such Agent or its property or affairs for the purpose of rehabilitation, conservation or liquidation.

16.6 Payee Status of Agents :

- 16.6.1 Each Agent shall be a person to whom payments are free from FATCA Withholding Tax at the time of such Agent's appointment,
- 16.6.2 Each Agent that is for the purposes of receiving payments under this Agreement not a "foreign person" within the meaning of U.S. Treasury Regulations Section 1.1441-1(c)(2): (i) represents that it is a financial institution within the meaning of U.S. Treasury Regulations Section 1.1441-1(c)(5), (ii) confirms that it will comply with all withholding requirements imposed on payments with respect to the Notes under Sections 1441, 1442, and 1471 through 1474 of the Code (and any applicable U.S. Treasury Regulations thereunder or official interpretations thereof) and (iii) agrees that upon its appointment it will provide the Issuer with a properly completed, signed and valid IRS Form W-9.
- 16.6.3 Each Agent that is for the purposes of receiving payments under this Agreement a "foreign person" within the meaning of U.S. Treasury Regulations Section 1.1441-1(c)(2): (i) represents that it is a "qualified intermediary" within the meaning of U.S. Treasury Regulations Section 1.1441-1(e)(5)(ii), will remain so, and will assume primary chapter 3 and chapter 4 withholding and 1099 reporting and (ii) agrees that upon its appointment it will provide the Issuer with a properly, completed, signed and valid IRS Form W-8IMY, with its Global Intermediary Identification Number included thereon and identifying itself as a qualified intermediary that has undertaken primary responsibility for chapter 3 and chapter 4 withholding and 1099 reporting

16.7 Delivery of Records: If an Agent resigns or its appointment is terminated, it shall on the date on which the resignation or termination takes effect pay to the new Agent any amount held by it for payment in respect of the Notes and deliver to the new Agent the records kept by it and all Individual Certificates (if any), documents and forms (save for those required to be retained by law or regulation) held by it pursuant to this Agreement.

16.8 Successor Corporations: A corporation into which an Agent is merged or converted or with which it is consolidated or that results from a merger, conversion or consolidation to which it is a party shall, to the extent permitted by applicable law, be the successor Agent under this Agreement without further formality. The Agent concerned shall forthwith notify such an event to the other parties to this Agreement.

16.9 Notices: The Issuer shall give Noteholders at least 30 days' notice of any proposed appointment, termination, resignation or change under Clauses 16.1 to 16.4 of which it is aware and, as soon as practicable, notice of any succession under Clause 16.7 of which it is

aware. The Issuer shall give Noteholders, as soon as practicable, notice of any termination under Clause 16.5 of which it is aware.

17 Communications

17.1 Notices: Any communication shall be by letter, fax or electronic communications:

in the case of the Issuer, to it at:

Harley-Davidson Financial Services, Inc
Address: 222 West Adams Street, Suite 2000, Chicago, Illinois 60606, United States of America
Telephone no.: 414-343-7863
Email: darrell.thomas@harley-davidson.com
Attention: Treasurer

With a copy to:

Harley-Davidson Financial Services, Inc
Address: 222 West Adams Street, Suite 2000, Chicago, Illinois 60606, United States of America
Telephone no.: 312-634-2829
Email: bill.jue@hdfs.com
Attention: General Counsel

in the case of the Guarantor, to it at:

Harley-Davidson Credit Corp.
Address: 222 West Adams Street, Suite 2000, Chicago, Illinois 60606, United States of America
Telephone no.: 414-343-7863
Email: darrell.thomas@harley-davidson.com
Attention: Treasurer

With a copy to:

Harley-Davidson Credit Corp.
Address: 222 West Adams Street, Suite 2000, Chicago, Illinois 60606, United States of America
Telephone no.: 312-634-2829
Email: bill.jue@hdfs.com
Attention: General Counsel

and, in the case of any of the Agents, to its care of:

The Bank of New York Mellon Trust Company, N.A.

Address 2 N. LaSalle Street, Suite 700, Chicago, Illinois 60602

Attention: Corporate Trust Administration

Telephone: 312-827-8546

The Bank of New York Mellon, London Branch

Address: One Canada Square, London E14 5AL, England

Attention: Corporate Trust Administration

Telephone: +44 (0) 207 964 2536

or any other address of which written notice has been given to the parties in accordance with this Clause. Such communications will take effect, in the case of a letter, when delivered, in the case of a fax, when the relevant delivery receipt is received by the sender or, in the case of an electronic communication, when the relevant receipt of such communication being read is given, or where no read receipt is requested by the sender, at the time of sending, provided that no delivery failure notification is received by the sender within 24 hours of sending such communication; provided that any communication which is received (or deemed to take effect in accordance with the foregoing) outside business hours or on a non-business day in the place of receipt shall be deemed to take effect at the opening of business on the next following business day in such place. Any communication delivered to any party under this Agreement which is to be sent by fax or electronic communication will be written legal evidence.

17.2 Notices through Fiscal Agent: All communications relating to this Agreement between the Issuer, the Guarantor and any of the Agents or between the Agents themselves shall be made (except where otherwise expressly provided) through the Fiscal Agent.

17.3 The Agents are entitled to do nothing, without liability, if conflicting, unclear or equivocal instructions are received.

17.4 Unsecured methods of communication: If an Agent is requested to act on instructions or directions delivered by fax, email or any other unsecured method of communication or any instructions or directions delivered through BNY Mellon Connect, CIDD, Nexen or any alternative electronic platform used to submit instructions, such Agent shall have:

17.4.1 no duty or obligation to verify or confirm that the person who sent such instructions or directions is, in fact, a person authorised to give instructions or directions on behalf of the Issuer; and

17.4.2 no liability for any losses, liabilities, costs or expenses incurred or sustained by the Issuer as a result of such reliance upon or compliance with such instructions or directions.

18 Notices

- 18.1 Publication:** At the request and expense of the Issuer, failing whom the Guarantor, the Fiscal Agent shall arrange for the publication of all notices to Noteholders. Notices to Noteholders shall be published in accordance with the Conditions.
- 18.2 Notice of Default:** The Fiscal Agent shall promptly notify the Issuer, the Guarantor and the Noteholders of any notice received by it under Condition 10.

19 Governing Law and Jurisdiction

- 19.1 Governing Law:** This Agreement and any non-contractual obligations arising out of or in connection with it are governed by, and shall be construed in accordance with, English law.
- 19.2 Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Agreement and accordingly any legal action or proceedings arising out of or in connection with this Agreement ("**Proceedings**") may be brought in such courts. The Issuer, the Guarantor and each of the Agents irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This Clause is for the benefit of the Agents and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).
- 19.3 Service of Process:** The Guarantor and the Issuer irrevocably appoints Law Debenture Corporate Services Limited of Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom as its authorised agent for service of process in England. If for any reason such agent shall cease to be such agent for the service of process, the Issuer and the Guarantor shall forthwith appoint a new agent for service of process in England and deliver to the Fiscal Agent a copy of the new agent's acceptance of that appointment within 30 days. Nothing shall affect the right to serve process in any other manner permitted by law.
- 19.4** This Agreement contains the whole agreement between the Parties relating to the subject matter of this Agreement at the date of this Agreement to the exclusion of any terms implied by law which may be excluded by contract and supersedes any previous written or oral agreement between the Parties in relation to the matters dealt with in this Agreement.

Each Party acknowledges that it has not been induced to enter into this Agreement by any representation, warranty or undertaking not expressly incorporated into it.

This Agreement has been entered into on the date stated at the beginning.

Schedule 1
Part A
Form of Global Certificates

THE NOTES IN RESPECT OF WHICH THIS GLOBAL CERTIFICATE IS ISSUED (THE “**NOTES**”) AND THE GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT. EACH HOLDER AGREES THE NOTES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THE NOTES WERE FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S UNDER THE SECURITIES ACT (“**REGULATION S**”)) IN RELIANCE ON REGULATION S (THE “**RESALE RESTRICTION TERMINATION DATE**”), EXCEPT (A) TO THE ISSUER, THE GUARANTOR OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S OR, (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THE NOTES ARE TRANSFERRED A NOTICE SUBSTANTIALLY SIMILAR TO THE EFFECT OF THIS LEGEND. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. EACH HOLDER REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THE NOTES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S.

[TEMPORARY GLOBAL CERTIFICATE LEGEND]

THE RIGHTS ATTACHING TO THIS TEMPORARY GLOBAL CERTIFICATE, AND THE CONDITIONS AND PROCEDURES GOVERNING ITS EXCHANGE FOR A PERMANENT GLOBAL CERTIFICATE, ARE AS SPECIFIED IN THE FISCAL AGENCY AGREEMENT (AS DEFINED HEREIN).

ISIN: XS2075185228

Common Code: 207518522

Certificate Number: [1/2]

HARLEY-DAVIDSON FINANCIAL SERVICES, INC.

(incorporated under the laws of the State of Delaware, United State of America)

**Euro 600,000,000 0.900 per cent. Guaranteed
Notes due 2024**

GLOBAL CERTIFICATE

Global Certificate No. [1/2]

Registered Holder:

Address of Registered Holder:

Principal amount of Notes represented by this
Global Certificate:

This Global Certificate is issued in respect of the principal amount specified above of the Notes (the “**Notes**”) of Harley-Davidson Financial Services, Inc. (the “**Issuer**”) and guaranteed by Harley-Davidson Credit Corp. (the “**Guarantor**”). This Global Certificate certifies that the person whose name is entered in the Register (the “**Registered Holder**”) is registered as the holder of such principal amount of the Notes at the date hereof.

Interpretation and Definitions

References in this Global Certificate to the “**Conditions**” are to the Terms and Conditions applicable to the Notes (which are in the form set out in Schedule 2 to the Fiscal Agency Agreement (the “**Fiscal Agency Agreement**”) dated 19 November 2019 between the Issuer, the Guarantor, The Bank of New York Mellon Trust Company, N.A. as fiscal agent and the other agents named in it, as such form is supplemented and/or modified and/or superseded by the provisions of this Global Certificate, which in the event of any conflict shall prevail). Other capitalised terms used in this Global Certificate shall have the meanings given to them in the Conditions or the Fiscal Agency Agreement.

Promise to Pay

The Issuer, for value received, promises to pay to the holder of the Notes represented by this Global Certificate (subject to surrender of this Global Certificate if no further payment falls to be made in respect of such Notes) on the Maturity Date (or on such earlier date as the amount payable upon redemption under the Conditions may become repayable in accordance with the Conditions) the amount payable upon redemption under the Conditions in respect of the Notes represented by this Global Certificate and (unless the Notes represented by this Certificate do not bear interest) to pay interest in respect of such Notes from the Interest Commencement Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation is made in respect of the total aggregate amount of the Notes represented by this Global Certificate, together with such other sums and additional amounts (if any) as may be payable under the Conditions, in accordance with the Conditions. Each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January.

For the purposes of this Global Certificate, (a) the holder of the Notes represented by this Global Certificate is bound by the provisions of the Fiscal Agency Agreement, (b) the Issuer certifies that the Registered Holder is, at the date hereof, entered in the Register as the holder of the Notes represented by this Global Certificate, (c) this Global Certificate is evidence of entitlement only, (d) title to the

Notes represented by this Global Certificate passes only on due registration on the Register, and (e) only the holder of the Notes represented by this Global Certificate is entitled to payments in respect of the Notes represented by this Global Certificate.

Transfer of Notes Represented by Global Certificates

Transfers of the holding of Notes represented by this Global Certificate pursuant to Condition 2(a) may only be made in part:

- (i) if the Notes represented by this Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system as shall have been designated by the Issuer (an “**Alternative Clearing System**”) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) upon or following any failure to pay principal in respect of any Notes when it is due and payable,

provided that, in the case of the first transfer of part of a holding pursuant to (i) or (ii) above, the holder of the Notes represented by this Global Certificate has given the Registrar not less than 30 days’ notice at its specified office of such holder’s intention to effect such transfer. Where the holding of Notes represented by this Global Certificate is only transferable in its entirety, the Certificate issued to the transferee upon transfer of such holding shall be a Global Certificate. Where transfers are permitted in part, Certificates issued to transferees shall not be Global Certificates unless the transferee so requests and certifies to the Registrar that it is, or is acting as a nominee for, Clearstream, Luxembourg, Euroclear and/or an Alternative Clearing System.

Cancellation

Cancellation of any Notes represented by this Global Certificate in accordance with the Conditions will be effected by the Registrar making a notation of such cancellation in the Register, and by a corresponding reduction in the principal amount of Notes represented by this Global Certificate.

Meetings

For the purposes of any meeting of Noteholders, the holder of the Notes represented by this Global Certificate shall (unless this Global Certificate represents only one Note) be treated as two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and as being entitled to one vote in respect of each integral currency unit of the currency of the Notes.

Transfers

Transfers of interests in the Notes in respect of which this Global Certificate is issued shall be made in accordance with the Fiscal Agency Agreement.

Notices

Notices required to be given in respect of the Notes represented by this Global Certificate may be given by their being delivered (so long as this Global Certificate is held on behalf of Euroclear and Clearstream, Luxembourg or an Alternative Clearing System) to Euroclear, Clearstream, Luxembourg

or an Alternative Clearing System, as the case may be, or otherwise to the holder of this Global Certificate, rather than by publication as required by the Conditions, except that so long as the Notes are listed, traded or quoted on any stock exchange or securities market, notices shall also be published in a manner which complies with the rules and regulations of the relevant listing authority, stock exchange, securities market and/or quotation system. Any such notice shall be deemed to have been given to the holders of the Certificates on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system.

Events of Default

Following the occurrence of any of the events set out in Condition 10, the holder of the Notes represented by this Global Certificate may exercise its right under Condition 10 to declare some or all of the Notes represented by this Global Certificate immediately due and payable by stating in the notice to the Fiscal Agent the principal amount of Notes to which such notice relates.

If principal in respect of any Notes is not paid when due, the holder of the Notes represented by this Global Certificate may (subject as provided below) from time to time elect that Direct Rights under the provisions of (and as defined in) the Deed of Covenant (as supplemented and/or amended as at the Issue Date, the "**Deed of Covenant**") executed by the Issuer and the Guarantor as of 19 November 2019 (a copy of which is available for inspection at the specified office of the Fiscal Agent and which the Issuer and the Guarantor acknowledges to apply to the Notes represented by this Global Certificate) shall come into effect in respect of a principal amount of Notes up to the aggregate principal amount in respect of which such failure to pay has occurred. Such election shall be made by notice to the Fiscal Agent by the holder of the Notes represented by this Global Certificate specifying the principal amount of Notes represented by this Global Certificate in respect of which Direct Rights shall arise under the Deed of Covenant. Upon each such notice being given, this Global Certificate and the corresponding entry in the Register shall become void to the extent of the principal amount stated in such notice, save to the extent that the appropriate Direct Rights shall fail to take effect, for whatever reason.

No such election may however be made unless the transfer of the whole or a part of the holding of Notes represented by this Global Certificate shall have been improperly withheld or refused. This Global Certificate shall not become valid for any purpose until authenticated by or on behalf of the Registrar.

This Global Certificate and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

In witness whereof the Issuer has caused this Global Certificate to be signed on its behalf.

Dated as of the Issue Date.

HARLEY-DAVIDSON FINANCIAL SERVICES, INC.

By:

Certificate of Authentication

This Global Certificate is authenticated
by or on behalf of the Fiscal Agent.

The Bank of New York Mellon Trust Company, N.A.
as Fiscal Agent

By:

Authorised Signatory

For the purposes of authentication only.

Form of Transfer

For value received the undersigned transfers to

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF TRANSFEREE)

principal amount of the Notes represented by this Global Certificate, and all rights under them.

Dated:

Signed:

Certifying Signature:

Notes:

- 1** The signature of the person effecting a transfer shall conform to a list of duly authorised specimen signatures supplied by the holder of the Notes represented by this Global Certificate or (if such signature corresponds with the name as it appears on the face of this Global Certificate) be certified by a notary public or a recognised bank or be supported by such other evidence as a Transfer Agent or the Registrar may reasonably require.
- 2** A representative of the Noteholder should state the capacity in which he signs e.g. executor.

Schedule 1
Part B
Form of Individual Certificate

On the front:

THE NOTES IN RESPECT OF WHICH THIS CERTIFICATE IS ISSUED (THE “**NOTES**”) AND THE GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT. EACH HOLDER AGREES THE NOTES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THE NOTES WERE FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S UNDER THE SECURITIES ACT (“**REGULATION S**”)) IN RELIANCE ON REGULATION S (THE “**RESALE RESTRICTION TERMINATION DATE**”), EXCEPT (A) TO THE ISSUER, THE GUARANTOR OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S OR, (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THE NOTES ARE TRANSFERRED A NOTICE SUBSTANTIALLY SIMILAR TO THE EFFECT OF THIS LEGEND. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. EACH HOLDER REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THE NOTES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S.

ISIN: XS2075185228

Common Code: 207518522

Certificate Number: [●]

HARLEY-DAVIDSON FINANCIAL SERVICES, INC.

(incorporated under the laws of the State of Delaware, United State of America

Euro 600,000,000 0.900 per cent. Guaranteed
Notes due 2024

Registered Holder:

Address of Registered Holder:

Principal amount of Notes represented by this
Certificate:

This Certificate certifies that [●] of [●] (the “**Registered Holder**”) is, as at the date hereof, registered as the holder of [*principal amount*] of the Notes referred to above (the “**Notes**”) of Harley-Davidson Financial Services, Inc. (the “**Issuer**”) guaranteed by Harley-Davidson Credit Corp. (the “**Guarantor**”). The Notes are subject to the Terms and Conditions (the “**Conditions**”) endorsed hereon. Expressions defined in the Conditions have the same meanings in this Certificate.

The Issuer, for value received, promises to pay to, or to the order of, the holder of the Notes represented by this Certificate (subject to surrender of this Certificate if no further payment falls to be made in respect of such Notes) on the Maturity Date (or on such earlier date as the amount payable upon redemption under the Conditions may become payable in accordance with the Conditions) the amount payable upon redemption under the Conditions in respect of the Notes represented by this Certificate and to pay interest in respect of such Notes from the Interest Commencement Date in arrear at the rates, in the amounts and on the dates for payment provided for in the Conditions together with such other sums and additional amounts (if any) as may be payable under the Conditions, in accordance with the Conditions.

For the purposes of this Certificate, (a) the holder of the Notes represented by this Certificate is bound by the provisions of the Fiscal Agency Agreement, (b) the Issuer certifies that the Registered Holder is, at the date hereof, entered in the Register as the holder of the Notes represented by this Certificate, (c) this Certificate is evidence of entitlement only, (d) title to the Notes represented by this Certificate passes only on due registration on the Register, and (e) only the holder of the Notes represented by this Certificate is entitled to payments in respect of the Notes represented by this Certificate.

This Certificate and any non-contractual obligations arising out of or in connection with it are governed by, and shall be construed in accordance with, the laws of England.

In witness whereof the Issuer has caused this Certificate to be signed on its behalf.

Dated as of [*insert date*].

HARLEY-DAVIDSON FINANCIAL SERVICES, INC.

By:

On the back:

Terms and Conditions of the Notes

(The Conditions set out in Schedule 2 of the Fiscal Agency Agreement will be set out here)

Form of Transfer

For value received the undersigned transfers to

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF TRANSFEREE)

[●] principal amount of the Notes represented by this Certificate, and all rights under them.

Dated: [●]

Signed: Certifying Signature:

Notes:

- 1** The signature of the person effecting a transfer shall conform to a list of duly authorised specimen signatures supplied by the holder of the Note(s) represented by this Certificate or (if such signature corresponds with the name as it appears on the face of this Certificate) be certified by a notary public or a recognised bank or be supported by such other evidence as a Transfer Agent or the Registrar may reasonably require.
- 2** A representative of the Noteholder should state the capacity in which he signs.

Unless the context otherwise required, capitalised terms used in this Form of Transfer have the same meaning as in the Fiscal Agency Agreement dated [DATE] 2019 between the Issuer, the Guarantor, [AGENT] as fiscal agent and the other agents named in it.

[TO BE COMPLETED BY TRANSFEREE:

[INSERT ANY REQUIRED TRANSFEREE REPRESENTATIONS, CERTIFICATIONS ETC.]]

[At the foot of the Individual Certificate]

FISCAL AGENT, REGISTRAR AND TRANSFER AGENT

The Bank of New York Mellon Trust Company, N.A., 2 N. LaSalle Street, Suite 700, Chicago, Illinois 60602

PAYING AGENT

The Bank of New York Mellon, London Branch, One Canada Square, London E14 5AL, England

Schedule 2

Terms and Conditions of the Notes

The issue of €600,000,000 0.900 per cent. Guaranteed Notes due 2024 (the "Notes", which expression shall in these terms and conditions (the "Conditions"), unless the context otherwise requires, include any further notes issued pursuant to Condition 16 and forming a single series with the Notes) was authorised by a resolution of the Board of Directors of Harley Davidson Financial Services, Inc. (the "Issuer") passed on 31 October 2019 and the guarantee of the Notes was authorised by a resolution of the Board of Directors of Harley Davidson Credit Corp. (the "Guarantor") passed on 30 October 2019. A fiscal agency agreement dated 19 November 2019 (the "Fiscal Agency Agreement") has been entered into in relation to the Notes between the Issuer, the Guarantor, The Bank of New York Mellon Trust Company, N.A. as fiscal agent and transfer agent, The Bank of New York Mellon Trust Company, N.A. as registrar and The Bank of New York Mellon, London Branch as paying agent. The Notes have the benefit of: (i) a Deed of Covenant (the "Deed of Covenant") dated 19 November 2019 executed by the Issuer and the Guarantor relating to the Notes; and (ii) a Deed of Guarantee (the "Deed of Guarantee") dated 19 November 2019 executed by the Guarantor relating to the Notes. The fiscal agent, the registrar, the transfer agent and the paying agent are referred to respectively as the "Fiscal Agent", the "Registrar", the "Transfer Agent" and the "Paying Agent". "Agents" means the Fiscal Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time with respect to the Notes. The Fiscal Agency Agreement includes the form of the Notes.

Copies of the Fiscal Agency Agreement, the Deed of Covenant, the Deed of Guarantee and the Support Agreement are available for inspection during normal business hours at the specified offices of the Fiscal Agent, the Registrar and the Transfer Agent.

The Noteholders (as defined below) are deemed to have notice of all the provisions of the Fiscal Agency Agreement and are entitled to the benefit of and are deemed to have notice of all the provisions of the Deed of Covenant and the Deed of Guarantee applicable to them.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Fiscal Agency Agreement.

1 Form, Specified Denomination and Title

The Notes are issued in the specified denomination of €100,000 and integral multiples of €1,000 in excess thereof.

The Notes are represented by registered certificates ("Certificates") and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Notes by the same holder.

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Fiscal Agency Agreement (the "Register"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "Noteholder" and "holder" means the person in whose name a Note is registered.

2 Transfers of Notes

(a) Transfer: A holding of Notes may, subject to Condition 2(e), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or any Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar, the Fiscal Agent and the Paying Agent, provided that any such change is not prejudicial to the interests of the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(b) Exercise of Options or Partial Redemption in Respect of Notes: In the case of an exercise of a Noteholders' option in respect of, or a partial redemption of, a holding of Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.

(c) Delivery of New Certificates: Each new Certificate to be issued pursuant to Condition 2(a) or 2(b) shall be available for delivery within three business days of receipt of a duly completed form of transfer or Exercise Notice (as defined in Condition 7(c)) and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of any Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to any Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/ or such insurance as it may specify. In this Condition 2(c), "business day" means a day, other than a Saturday or Sunday, on which commercial banks and foreign exchange markets are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(d) Transfer or Exercise Free of Charge: Certificates, on transfer, exercise of an option or partial redemption, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or any Transfer Agent may require).

(e) Closed Periods: No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Note, (ii) after any

such Note has been called for redemption, or (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 8(a)(ii)).

3 Status of the Notes

The Notes constitute direct, unconditional and (subject to Condition 5) unsecured obligations of the Issuer and shall at all times rank and will rank pari passu and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 5, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

4 Guarantee and Status of the Guarantee

(a) Guarantee: The Guarantor has unconditionally, irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Notes. The Guarantor's obligations in that respect (the "Guarantee") are set out in the Deed of Guarantee.

(b) Status: The Guarantee constitutes direct, unsecured and unconditional obligations of the Guarantor. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 5, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

(c) Limitations: Anything to the contrary in these Conditions notwithstanding, the Guarantee by the Guarantor shall be, and hereby is, limited to the maximum amount that can be guaranteed by the Guarantor without rendering the Guarantee, as it relates to the Guarantor, voidable under any applicable law relating to fraudulent conveyance, fraudulent transfer or similar laws affecting the rights of creditors generally.

5 Covenants

Each of the Issuer and the Guarantor covenants that, for so long as any Certificate is outstanding:

5.1 Negative Pledge

(a) The Issuer and the Guarantor will not, nor will they permit any of their Subsidiaries to issue or assume any Indebtedness secured by a Lien upon any Property (now owned or hereinafter acquired) of the Issuer 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 all of the Notes outstanding (together with, if the Issuer or the Guarantor shall so determine, any other Indebtedness of the Issuer or the Guarantor or any such Subsidiary ranking equally with the Notes) shall be secured equally and rateably with such Indebtedness.

(b) The restrictions set forth in paragraph (a) above will not, however, apply if the aggregate amount of such Indebtedness so secured by Liens, together with all other Indebtedness of the Issuer, 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 paragraphs (c)(i) to (c)(xiv) below, does not at the time exceed 15 per cent. of the Consolidated Net Tangible Assets.

(c) The restrictions set forth in paragraphs (a) and (b) above shall not apply to Indebtedness secured by:

(i) Liens existing on the issue date of the Notes;

- (ii) Liens on any Property of any company existing at the time such company becomes a Subsidiary of the Issuer or the Guarantor, which Liens are not created in contemplation of such company becoming a Subsidiary of the Issuer or the Guarantor;
- (iii) Liens on any Property existing at the time such Property is acquired by the Issuer, the Guarantor or a Subsidiary of the Issuer 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 Issuer, the Guarantor or a Subsidiary of the Issuer 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 Issuer, the Guarantor or a Subsidiary of the Issuer 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 Issuer, a Subsidiary of the Issuer or the Guarantor owing to the Issuer, the Guarantor or to another Subsidiary of the Issuer or the Guarantor;
- (v) Liens created in connection with a securitisation 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, licences, 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 Issuer, 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 Issuer, the Guarantor or any of their respective Subsidiaries;
- (xi) Liens arising from leases, subleases or licences granted to others which do not interfere in any material respect with the business of the Issuer, 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 US GAAP as in effect as of issue date of the Notes) entered into by the Issuer, 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; and
- (xiv) 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) to (xiii); 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.

For the purposes of these Conditions:

(i) “**Capital Lease Obligation**” means an obligation that is required to be classified and accounted for as a capitalised lease for financial reporting purposes in accordance with US GAAP as in effect on the issue date of the Notes; and the amount of Indebtedness represented by such obligation will be the capitalised amount of such obligation determined in accordance with US GAAP as in effect on the issue date of the Notes; and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty;

(ii) “**Consolidated Net Tangible Assets**” means the consolidated total assets of the Issuer and its Subsidiaries taken as one enterprise as reflected in the Issuer’s most recent consolidated balance sheet preceding the date of determination prepared in accordance with US GAAP consistently applied, less (a) all current liabilities, excluding current maturities of long-term debt and Capital Lease Obligations, and (b) all goodwill, tradenames, trademarks, patents, minority interests of others, unamortised debt discount and expense and other similar intangible assets, excluding any investments in permits or licenses;

(iii) “**Lien**” means any mortgage, pledge, lien, security interest, charge or other encumbrance or preferential arrangement (including any conditional sale or other title retention agreement or lease in the nature thereof other than a title retention agreement in connection with the purchase of goods in the ordinary course of business which is outstanding for not more than 90 days); and

(iv) “**Property**” means any asset, revenue or any other property, whether tangible or intangible, real or personal, including, without limitation, any right to receive income.

5.2 Support Agreement

The Issuer shall not permit any change to be made to the terms of the Support Agreement.

5.3 Merger and Consolidation

(a) Issuer May Consolidate, Etc., Only on Certain Terms

The Issuer shall not merge or consolidate with or into any other person or convey, transfer, lease or otherwise dispose (in each case excluding any pledge) of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to any person, unless:

(i) either (A) the Issuer shall be the continuing person (in the case of a merger), or (B) the successor person (if other than the Issuer) formed by such consolidation or into which the Issuer is merged or which acquires by sale, assignment, transfer, lease or other conveyance all or substantially all the properties and assets of the Issuer shall be a Corporation organised and existing under the laws of the United States or any state thereof and shall expressly assume, by way of deed poll, executed by such successor Corporation and the Guarantor and delivered to the Fiscal Agent, the due and punctual payment of the principal of, premium, if any, and interest on, and any additional amounts with respect to, the Notes and the due and punctual performance and observance of every obligation in the Notes on the part of the Issuer to be performed or observed;

(ii) at the time of such proposed transaction and immediately after giving effect to such transaction and treating any Indebtedness which becomes an obligation of the Issuer and the Guarantor as a result of such transaction as having been incurred by the Issuer at the time of such transaction, no

Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing;

(iii) the Guarantee shall remain in full force and effect; and

(iv) either the Issuer or the successor person shall have delivered to the Fiscal Agent a certificate signed by two directors of the Issuer and an opinion of independent legal advisers of recognised standing, each stating that such consolidation, merger, conveyance, transfer or lease and, if a deed poll is required in connection with such transaction, such deed poll complies with this Condition 5.3 and that all conditions precedent herein provided for relating to such transaction have been complied with. No such consolidation, merger, conveyance, transfer or lease shall be permitted by this Condition 5.3 unless prior thereto the Guarantor shall have delivered to the Fiscal Agent a certificate signed by two directors of the Issuer and an opinion of independent legal advisers of recognised standing, each stating that the Guarantor's obligations hereunder shall remain in full force and effect thereafter.

(b) The Guarantor May Consolidate, Etc., Only on Certain Terms

The Guarantor shall not consolidate with or merge into any other person (whether or not affiliated with the Guarantor), or convey, transfer or lease (in each case excluding any pledge) its properties and assets as an entirety or substantially as an entirety to any other person (whether or not affiliated with the Guarantor), unless:

(i) either (A) the Guarantor shall be the continuing person (in the case of a merger), or (B) the successor person (if other than the Guarantor) formed by such consolidation or into which the Guarantor is merged or which acquires by sale, assignment, transfer, lease or other conveyance all or substantially all the properties and assets of the Guarantor shall be a Corporation organised and existing under the laws of the United States or any state thereof and shall expressly assume, by a supplemental deed of guarantee, executed by such successor Corporation and the Issuer, the due and punctual payment of the principal of, premium, if any, and interest on, and any additional amounts with respect to, all the Notes and the due and punctual performance and observance of every obligation in the Notes and the Guarantee on the part of the Guarantor to be performed or observed;

(ii) immediately after giving effect to such transaction, no Event of Default and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing;

(iii) the Guarantee (other than the Guarantee of the Guarantor (subject to paragraph (i) above) shall remain in full force and effect; and

(iv) either the Guarantor or the successor person shall have delivered to the Fiscal Agent a certificate signed by two directors of the Issuer and an opinion of independent legal advisers of recognised standing, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental guarantee is required in connection with such transaction, such supplemental guarantee complies with this Condition 5.3 and that all conditions precedent herein provided for relating to such transaction have been complied with. No such consolidation, merger, conveyance, transfer or lease shall be permitted by this Condition 5.3 unless prior thereto the Guarantor shall have delivered to the Fiscal Agent a certificate signed by two directors of the Issuer and an opinion of independent legal advisers of recognised standing, each stating that the Guarantor's obligations hereunder shall remain in full force and effect thereafter.

6 Interest

The Notes bear interest on their outstanding principal amount from and including 19 November 2019 (the "**Interest Commencement Date**") at the rate of 0.900 per cent. per annum, payable annually in arrear on 19 November in each year (each an "**Interest Payment Date**"). Each Note will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Note, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Fiscal Agent or the Paying Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

The period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

The amount of interest payable per €1,000 principal amount of Notes (the "**Calculation Amount**") for any period shall be equal to the product of the rate of interest specified above, the Calculation Amount and the day--count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated by applying the rate of 0.900 per cent. per annum to each Calculation Amount and on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the "**Accrual Date**") to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date. The resultant figure shall be rounded to the nearest cent, half a cent being rounded upwards. The interest payable in respect of a Note shall be the product of such rounded figure and the amount by which the Calculation Amount is multiplied to reach the denomination of the relevant Note, without any further rounding.

7 Redemption and Purchase

(a) Final Redemption: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 19 November 2024 (the "**Maturity Date**"). The Notes may not be redeemed at the option of the Issuer or the Guarantor other than in accordance with this Condition 7.

(b) Redemption for Taxation and other Reasons: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving no fewer than 10 nor more than 30 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable), at their principal amount, (together with interest accrued to but excluding the date fixed for redemption), if (i) the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the United States or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 15 November 2019, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures

available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this Condition 7(b), the Issuer shall deliver to the Fiscal Agent a certificate signed by two directors of the Issuer (or the Guarantor, as the case may be) stating that the Issuer (or the Guarantor, as the case may be) is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer (or the relevant Guarantor, as the case may be) has or will become obliged to pay such additional amounts as a result of such change or amendment.

(c) Redemption at the Option of Noteholders: If an HDI Change of Control Triggering Event (as defined below) occurs, the Issuer shall, at the option of the holder of any Note (unless prior to the giving of the relevant Exercise Notice (as defined below) the Issuer has given notice of redemption under Condition 7(b)), redeem in whole (but not in part) such Note on the Put Date (as defined below) at a price of 101 per cent. of its outstanding principal amount together with interest (if any) accrued to (but excluding) the Put Date.

Promptly upon the Issuer becoming aware that an HDI Change of Control Triggering Event has occurred, the Issuer shall give notice (a " **Change of Control Notice**") to the Noteholders in accordance with Condition 14 specifying the nature of the Change of Control and the procedure for exercising such option.

For the purpose of these Conditions:

(i) "**Below Investment Grade Rating Event**" means the means the Notes are rated below 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) public notice of the intention of Harley--Davidson, Inc. ("HDI") to effect an HDI Change of Control (which 60--day period will be extended so long as the rating of the Notes is under publicly announced consideration for a possible downgrade by any of the Rating Agencies); 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 in these Conditions) if any of the Rating Agencies making the reduction in rating to which this definition would otherwise apply does not announce or publicly confirm 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);

(ii) "**Fitch**" means Fitch Ratings, Inc.;

(iii) "**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 Securities Exchange Act of 1934, as amended (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 per cent. 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), 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, other than HDI or one of its subsidiaries. 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 per cent. of the Voting Stock of such holding company;

(iv) "**HDI Change of Control Triggering Event**" means the occurrence of both an HDI Change of Control and a Below Investment Grade Rating Event;

(v) "**Investment Grade Rating**" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's, BBB- (or the equivalent) by S&P and BBB- (or the equivalent) by Fitch, and the equivalent investment grade credit rating from any replacement Rating Agency or Rating Agencies selected by the Issuer;

(vi) "**Moody's**" means Moody's Investors Service, Inc.;

(vii) "**Rating Agencies**" means (1) each of Moody's, S&P and Fitch, and (2) if any of Moody's, S&P or Fitch ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons outside of the Issuer's control, a "nationally recognized statistical rating organization" within the meaning of Rule 15c3--1(c)(2)(vi)(F) under the Exchange Act selected by the Issuer (as certified by a resolution of the Issuer's Board of Directors) as a replacement agency for Moody's, S&P or Fitch, as the case may be;

(viii) "**S&P**" means Standard & Poor's Ratings Services;

(ix) "**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;

(x) "**Put Date**" shall be the tenth Business Day after the expiry of the Put Period; and

(xi) "**Put Period**" shall be the period of 30 days after a Change of Control Notice is given.

To exercise such option the holder must surrender the Certificate representing such Note to any Transfer Agent or the Registrar at its specified office at any time during the Put Period, together with a duly completed exercise notice ("**Exercise Notice**") in the form obtainable from any Transfer Agent or the Registrar within the Put Period. No Certificate so surrendered and option so exercised may be withdrawn (except as provided in the Fiscal Agency Agreement) without the prior consent of the Issuer, provided however that:

(i) if prior to the relevant Put Date the Notes evidenced by any Certificate so surrendered become immediately due and payable; or

(ii) if payment of the redemption monies in respect of the Note(s) represented by any Certificate so surrendered is improperly withheld or refused,

such Certificate shall, without prejudice to the exercise of the option, be returned to the holder by uninsured post to, and at the risk of, the relevant Noteholder (unless the Noteholder otherwise requests and pays the costs of such insurance in advance to the relevant Agent) to such address as may have

been given by the Noteholder in the Exercise Notice or, where no address has been given, to the address appearing in the Register. The Issuer shall redeem the relevant Notes on the Put Date unless previously redeemed and cancelled.

(d) **Clean-up call:** In the event that 95 per cent. or more in principal amount of the Notes originally issued have been redeemed pursuant to Condition 7(c), the Issuer may, on giving no fewer than 10 nor more than 30 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable) redeem all, but not some only, of the Notes then outstanding at a price of 101 per cent. of the outstanding principal amount of each Note together with interest accrued thereon to but excluding the date of such redemption. Any such notice of redemption given pursuant to this Condition 7(d) shall be given no later than 30 days following the Put Date referred to in Condition 7(c).

(e) **Make-whole:** the Issuer may, on giving no fewer than 10 nor more than 30 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable) redeem all of the Notes. Any such redemption of Notes shall:

(A) where such redemption date falls any time on or after 19 August 2024, be at a price which shall be equal to the principal amount of the Notes with interest accrued to (but excluding) the date of such redemption; and

(B) where such redemption date falls any time before 19 August 2024, be at a price which shall be equal to the higher of the following, in each case together with interest accrued to (but excluding) the date of such redemption: (a) 100 per cent. of the nominal amount of the Notes being redeemed; or (b) the price (as reported to the Issuer and the Fiscal Agent by the Financial Adviser and expressed as a percentage) that provides for a Gross Redemption Yield on such Notes on the Reference Date equal (after adjusting for any difference in compounding frequency) to the Reference Bond Rate at the Specified Time on the Reference Date, plus the Redemption Margin.

For the purpose of these Conditions:

(i) "**Financial Adviser**" means an investment banking, accountancy, appraisal or financial advisory firm with international standing that has (in the reasonable opinion of the Issuer) appropriate expertise relevant to the determination required to be made under this Condition 7(e) selected by the Issuer;

(ii) "**Gross Redemption Yield**" means a yield expressed as a percentage and calculated by the Financial Adviser in accordance with generally accepted market practice;

(iii) "**Redemption Margin**" shall be 0.25%;

(iv) "**Reference Bond**" means OBL 0.000% due 18 October 2024 (ISIN: DE0001141802);

(v) "**Reference Bond Rate**" means the actual yield per annum calculated by the Financial Adviser in accordance with generally accepted market practice by reference to the arithmetic mean of the middle market prices provided by three Reference Dealers for the Reference Bond;

(vi) "**Reference Date**" means the fifth London Business Day prior to the date of redemption;

(vii) "**Reference Dealer**" means a bank selected by the relevant Issuer or its affiliates in consultation with the Financial Adviser which is (A) a primary government securities dealer, or (B) a market maker in pricing corporate bond issues; and

(viii) "**Specified Time**" shall be 11:00 am London time.

(f) **Purchase:** The Issuer, the Guarantor and their respective Subsidiaries (as defined in the Fiscal Agency Agreement) may at any time purchase Notes in the open market or otherwise at any price.

(g) Cancellation: All Certificates representing Notes purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries shall be surrendered for cancellation. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

8 Payments

(a) Method of Payment:

(iii) Payments of principal shall be made (subject to surrender of the relevant Certificates at the specified office of the Paying Agent in the manner provided in paragraph (ii) below.

(iv) Interest on each Note shall be paid to the person shown on the Register at the close of business on the business day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Note shall be made in Euro by cheque drawn on a bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar, the Paying Agent or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in Euro maintained by the payee with a bank.

(v) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Noteholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

(b) Payments subject to Laws: Save as provided in Condition 9, payments will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws and regulations to which the Issuer or the Guarantor or their respective agents agree to be subject and neither the Issuer nor the Guarantor will be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements. No commission or expenses shall be charged to the Noteholders in respect of such payments.

(c) Payment Initiation: Where payment is to be made by transfer to an account in Euro, payment instructions (for value the due date, or if that is not a Business Day, for value the first following day which is a Business Day) will be initiated, and, where payment is to be made by cheque, the cheque will be mailed on the last day on which the Paying Agent is open for business preceding the due date for payment or, in the case of payments of principal (and accrued interest, if applicable) where the relevant Certificate has not been surrendered at the specified office of the Payment Agent, on a day on which the Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) Appointment of Agents: The Fiscal Agent, the Registrar, the Paying Agent and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Registrar, the Paying Agent and the Transfer Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, the Registrar, the Paying Agent or any Transfer Agent and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Paying Agent located in a European city, (ii) a Registrar, (iii) a Transfer Agent, and (iv) such other agents as may be required by any other stock exchange on which the Notes may be listed.

Notice of any change of any specified office shall promptly be given to the Noteholders in accordance with Condition 14.

(e) Delay in Payment: Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a Business Day, if the Noteholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a cheque mailed in accordance with Condition 8(a)(ii) arrives after the due date for payment.

(f) Non-Business Days: If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment.

In this Condition 8, "**business day**" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located and a day on which the TARGET System is open.

9 Taxation

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United States or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law and/or by agreement of the Issuer or the Guarantor. In that event the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

(a) Other connection: held by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with the United States, other than the mere holding of the Note;

(b) Surrender more than 30 days after the Relevant Date: in cases where surrender is required, in respect of which the Certificate representing such Note is surrendered for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the Certificate representing such Note for payment on the last day of such period of 30 days assuming that day to have been a business day (as defined in Condition 8);

(c) FATCA: where such withholding or deduction is imposed under Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), any regulations or other guidance promulgated thereunder, an agreement described in Section 1471(b)(1) of the Code or any intergovernmental agreement implementing such provisions of the Code or an alternative approach thereto or any laws, regulations, agreements, undertakings or official interpretations implementing any of the foregoing;

(d) Payment by another Agent: where the Certificate representing such Note is surrendered for payment by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by surrendering the relevant Certificate to another Agent in a Member State of the European Union;

(e) Certification: where such withholding or deduction would not have been imposed had the Holder or any third party complied with any applicable certification, identification or other reporting

requirements (such as a U.S. Internal Revenue Service Form W-8) concerning the nationality, residence or identity of the Holder, beneficial owner of the Notes or third party, or its connection (or lack thereof) with the relevant taxing jurisdiction;

(f) 10% Shareholders: where such withholding or deduction is imposed because the holder of the Note is considered a 10% shareholder of the Issuer or the Guarantor for purposes of Sections 871(h)(3) or 881(c)(3) of the Code;

(g) Related Controlled Foreign Corporations: where such withholding or deduction is imposed because the holder of the Note is considered a "controlled foreign corporation" (as defined in Section 957 of the Code) related to the Issuer through stock ownership of the Issuer or the Guarantor for purposes of Section 881(c)(3)(C) of the Code;

(h) Certain banks: where such withholding or deduction is imposed because the holder (1) is a bank purchasing the Note in the ordinary course of its lending business or (2) is a bank that is neither (A) buying the Note for investment purposes only nor (B) buying the Note for resale to a third party that either is not a bank or will not hold the Note for investment purposes only;

(i) where such withholding or deduction is payable by reason of any combination of (a) through (h) above.

"Relevant Date" in respect of any Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further surrender of the Certificate representing such Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 9.

10 Events of Default

If any of the following events ("**Events of Default**") occurs and is continuing:

(a) Non-Payment: either the Issuer or the Guarantor pursuant to the Guarantee fails to pay the principal of or any interest on any of the Notes (or as the case may be under the Guarantee) when due and such failure continues for a period of seven days in the case of principal or 14 days in the case of interest or any other amounts payable pursuant to these Conditions; or

(b) Breach of Other Obligations: either the Issuer or the Guarantor does not perform or comply with any one or more of its covenants or other obligations under these Conditions or under the Guarantee which default is incapable of remedy or is not remedied within 30 days after notice of such default shall have been given to the Fiscal Agent at its specified office by any Noteholder; or

(c) Support Agreement: the Support Agreement shall have been terminated or revoked or HDI refuses to perform or otherwise breaches any of its obligations therein or thereunder or the Support Agreement or any provision thereof otherwise becomes unenforceable for any reason unless, prior to such termination, revocation, refusal to perform, breach or unenforceability, each of Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service, Inc., Fitch Ratings, Inc. and any other "nationally recognized statistical rating organization" (as such term is defined for purposes of Rule 436(g)(2) under the US Securities Act of 1933, as amended) then

rating the Notes at the Issuer's request, has confirmed that the rating assigned to the Notes by such rating agency immediately prior to such termination, revocation, refusal to perform, breach or unenforceability, will not be downgraded as a result of such termination, revocation, refusal to perform, breach or unenforceability of the Support Agreement; or

(d) Cross--Default: (i) any other present or future Indebtedness of the Issuer, the Guarantor or any of the Issuer's other Subsidiaries becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such Indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, provided that the aggregate amount of the relevant Indebtedness in respect of which one or more of the events mentioned above in this Condition 10(d) have occurred equals or exceeds U.S.\$25,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates); or

(e) Enforcement Proceedings: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or a material part of the property, assets or revenues of the Issuer, the Guarantor or any of the Issuer's other Material Subsidiaries and is not discharged, dismissed or stayed within 30 days; or

(f) Security Enforced: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any of the Issuer's other Material Subsidiaries over all or a material part of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person) and is not discharged, dismissed or stayed within 30 days; or

(g) Order to Pay Specified Amount: one or more judgments or orders for the payment of any sum in excess of U.S.\$25,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates), whether individually or in aggregate, is (or are) rendered against the Issuer, the Guarantor and/or any of the Issuer's other Material Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date thereof; or

(h) Insolvency, etc.: the Issuer, the Guarantor or any of the Issuer's other Material Subsidiaries, or, so long as the Support Agreement continues to be in full force and effect, HDI is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, or stops, suspends or threatens to stop or suspend payment of all or a material part of (or all of a particular type of) its debts, or proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any material part which it will or might otherwise be unable to pay when due), or proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts, or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any material part of (or of a particular type of) the debts of the Issuer, the Guarantor or any of the Issuer's other Material Subsidiaries, or, so long as the Support Agreement continues to be in full force and effect, HDI; or

(i) Winding--up, etc.: an administrator is appointed, an order is made or an effective resolution passed for the winding--up or dissolution or administration of the Issuer, the Guarantor or any of the Issuer's other Material Subsidiaries (or, so long as the Support Agreement continues to be in full force and effect, HDI), or the Issuer or the Guarantor (or, so long as the Support Agreement continues to be in

full force and effect, HDI) ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Noteholders, (ii) in the case of a Subsidiary of the Issuer (other than a Guarantor), whereby the undertaking and assets of the Subsidiary are transferred to or otherwise vested in the Issuer or the Guarantor (as the case may be) or another of the Issuer's Subsidiaries, or (iii) in accordance with the terms of Condition 5.3; or

(j) Judgement: a final judgement of money in excess of U.S.\$25,000,000 (not covered by third-party insurance), singularly or in the aggregate, shall be rendered against the Issuer, the Guarantor or any or their respective Material Subsidiaries and shall remain undischarged and unstayed for a period (during which execution shall not be effectively stayed) of 60 days after such judgement becomes final; or

(k) Authorisation and Consents: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Notes, the Guarantee and the Support Agreement (as applicable), (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes, the Support Agreement and the Guarantee admissible in evidence in the courts of England, is not taken, fulfilled or done and such failure is incapable of remedy or is not remedied within 30 days; or

(l) Illegality: (A) it is or will become unlawful or impossible for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Notes or the Guarantee (as the case may be); or (B) it is or will become unlawful or impossible for HDI to perform or comply with any one or more of its obligations under the Support Agreement; or

(m) Analogous Events: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs of this Condition 10.

then any Note may, by notice in writing given to the Fiscal Agent at its specified office by the holder, be declared immediately due and payable whereupon it shall become immediately due and payable at its principal amount together with interest (if any) accrued to the date of payment without further action or formality.

11 Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 9) in respect of them.

12 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement

is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13 Meetings of Noteholders and Modification

(a) Meetings of Noteholders: The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by the Issuer, the Guarantor or Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to modify the maturity of the Notes or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of, or interest on, or to vary the method of calculating the rate of interest on, the Notes, (iii) to change the currency of payment of the Notes, (iv) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or cancel the Guarantee or the Support Agreement, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Noteholders (whether or not they were present at the meeting at which such resolution was passed).

The Fiscal Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) Modification of the Fiscal Agency Agreement: The Issuer and the Guarantor shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Fiscal Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

14 Notices

Notices to the holders of Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Notes shall also be given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) on which the Notes are for the time being admitted to listing, trading and/or quotation. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

15 Currency Indemnity

Euro is the sole currency of account and payment for all sums payable by the Issuer or the Guarantor under or in connection with the Notes, including damages. Any amount received or recovered in a currency other than Euro (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or the Guarantor or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer or

the Guarantor shall only constitute a discharge to the Issuer and the Guarantor to the extent of the Euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that Euro amount is less than the Euro amount expressed to be due to the recipient under any Note, the Issuer or the Guarantor (as the case may be) shall indemnify it against any loss sustained by it as a result. In any such event, the Issuer or the Guarantor (as the case may be) shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Noteholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantor's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order made in connection with the Notes.

16 Further Issues

The Issuer may from time to time without the consent of the Noteholders create and issue further notes either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition 16 and forming a single series with the Notes.

17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18 Governing Law and Jurisdiction

(a) **Governing Law:** The Fiscal Agency Agreement, the Deed of Covenant, the Deed of Guarantee and the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Notes or the Guarantee and accordingly any legal action or proceedings arising out of or in connection with any Notes ("**Proceedings**") may be brought in such courts. Each of the Issuer and the Guarantor irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. These submissions are made for the benefit of each of the Noteholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) **Agent for Service of Process:** The Issuer and the Guarantor irrevocably appoints Law Debenture Corporate Services Limited, Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom as its agent in England to receive service of process in any Proceedings in England based on any of the Notes or the Guarantee. If for any reason the Issuer or the Guarantor does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such

appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

19 Definitions and Interpretation

"Accounting Standards" means, with respect to a person, US GAAP, or if such person does not prepare accounts in accordance with US GAAP, such local accounting standards as are applied by such person in the ordinary course of its financial reporting;

"Board of Directors" means, as to any person, the board of directors, management board or equivalent competent governing body of such person, or any duly authorised committee thereof;

"Business Day" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in London, New York and the TARGET System is operating;

"Corporation" means a corporation, partnership, association, limited liability company, other company, business trust or statutory trust;

"Event of Default" has the meaning in Condition 10;

"Finance Lease" means any lease or hire purchase contract which would, in accordance with Accounting Standards, be treated as a finance or capital lease;

"Group" means the Issuer and its Subsidiaries;

"Hedging Obligation" means, with respect to any person, any obligation of such person under any agreements or arrangements designed to manage or protect such member against fluctuations in currency exchange, interest rates or commodity prices, and in each case, entered into in the ordinary course of business and for non--speculative purposes only;

"US GAAP" means U.S. generally accepted accounting principles as in effect from time to time;

"Indebtedness" means, at any time, the aggregate outstanding principal, capital or nominal amount (and any fixed or minimum premium payable on prepayment or redemption) of any indebtedness of any person for or in respect of:

- (a) moneys borrowed and debit balances at banks or other financial institutions;
- (b) any acceptances under any acceptance credit facility or bill discount facility (or dematerialised equivalent);
- (c) any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) any Finance Lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non--recourse basis and meet any requirements for de--recognition under Accounting Standards);
- (f) any counter--indemnity obligation in respect of a guarantee, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution by way of support for borrowings under paragraphs (a) — (e) and (g) — (k) of this definition;
- (g) the issue of shares which are redeemable (other than at the option of such person) prior to the Maturity Date or are otherwise classified as borrowings Accounting Standards;

(h) any liability under an advance or deferred purchase agreement if (i) one of the primary reasons behind the entry into such agreement is to raise finance or to finance the acquisition or construction of the asset or service in question or (ii) the agreement is in respect of the supply of assets or services and payment is due more than 180 days after the date of supply;

(i) any other transaction (including any forward sale or purchase agreement, sale and sale back arrangement or sale and leaseback arrangement) having the commercial effect of a borrowing or otherwise classified as borrowings under Accounting Standards;

(j) any Hedging Obligation; and

(k) any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (j) above;

"Material Subsidiary" means, as to any person, any Subsidiary of such person with consolidated shareholders' equity equal to or greater than 5 per cent. of the consolidated shareholders' equity of such person (as of the end of the most recent fiscal quarter for which such person's financial statements have been issued), or net income (for the period of four consecutive fiscal quarters then most recently ended for which such person's financial statements have been issued and during which the consolidated net income of such person was not a loss), after elimination of intercompany items, equal to or greater than 10 per cent. of consolidated net income (for such period) of such person.

"person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, limited liability company or government or other entity;

"Subsidiary" of any specified person means any corporation, partnership, joint venture, association or other business or entity, whether now existing or hereafter organised or acquired:

(a) in the case of a corporation, of which more than 50 per cent. of the total voting power of the Voting Stock is held by such first-named person and/or any of its Subsidiaries and such first-named person or any of its Subsidiaries has the power to direct the management, policies and affairs thereof at the time such Voting Stock is held by such first named person and or any of its Subsidiaries; or

(b) in the case of a partnership, joint venture, association, or other business or entity, with respect to which such first-named person or any of its Subsidiaries has the power to direct or cause the direction of the management and policies of such entity by contract or otherwise,

if (in each case in (a) and (b)) in accordance with Accounting Standards, as consistently applied, such entity would be consolidated with the first-named person for financial statement purposes;

"Support Agreement" means the agreement dated 26 September 1996 (and all amendments and supplements thereto), by and between the Issuer and HDI, whereby, under certain circumstances, HDI agrees to provide the Issuer certain financial support;

"TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto; and

"Voting Stock" has the meaning in Condition 7(c).

Schedule 3
Provisions for Meetings of Noteholders

1 Interpretation

In this Schedule:

- 1.1 references to a meeting are to a meeting of all Noteholders of Notes and include, unless the context otherwise requires, any adjournment;
- 1.2 “agent” means a proxy for, or representative of, a Noteholder;
- 1.3 “Electronic Consent” has the meaning set out in paragraph 11;
- 1.4 “Extraordinary Resolution” means a resolution passed (a) at a meeting duly convened and held in accordance with this Agreement by a majority of at least 75 per cent. of the votes cast, (b) by a Written Resolution or (c) by an Electronic Consent;
- 1.5 “Written Resolution” means a resolution in writing signed by the holders of not less than 90 per cent. in principal amount of the Notes outstanding; and
- 1.6 references to persons representing a proportion of the Notes are to Noteholders or agents holding or representing in the aggregate at least that proportion in principal amount of the Notes for the time being outstanding.

2 Appointment of Proxy or Representative

A proxy or representative may be appointed in the following circumstances:

- 2.1 A holder of Notes may, by an instrument in writing in the English language (a “form of proxy”) signed by the holder or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation and delivered to the specified office of the Registrar or a Transfer Agent not less than 48 hours before the time fixed for the relevant meeting, appoint the person (a “proxy”) to act on his or its behalf in connection with any meeting of the Noteholders and any adjourned such meeting.
- 2.2 Any holder of Notes which is a corporation may, by delivering to any Agent not later than 48 hours before the time fixed for any meeting a resolution of its directors or other governing body, authorise any person to act as its representative (a “representative”) in connection with any meeting of the Noteholders and any adjourned such meeting.
- 2.3 Any proxy appointed pursuant to sub-paragraph 2.1 above or representative appointed pursuant to sub-paragraph 2.2 shall, so long as such appointment remains in full force, be deemed, for all purposes in connection with the relevant meeting or adjourned meeting of the Noteholders, to be the holder of the Notes to which such appointment relates and the holder of the Notes shall be deemed for such purposes not to be the holder or owner, respectively.

3 Powers of meetings

A meeting shall, subject to the Conditions and without prejudice to any powers conferred on other persons by this Agreement, have power by Extraordinary Resolution:

- 3.1 to sanction any proposal by the Issuer or the Guarantor or any modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Noteholders against the Issuer or the Guarantor, whether or not those rights arise under the Notes;
- 3.2 to sanction the exchange or substitution for the Notes of, or the conversion of the Notes into, shares, notes or other obligations or securities of the Issuer, the Guarantor or any other entity;
- 3.3 to assent to any modification of this Agreement, the Notes, the Deed of Guarantee or the Deed of Covenant proposed by the Issuer, the Guarantor or the Fiscal Agent;
- 3.4 to authorise anyone to concur in and do anything necessary to carry out and give effect to an Extraordinary Resolution;
- 3.5 to give any authority, direction or sanction required to be given by Extraordinary Resolution;
- 3.6 to appoint any persons (whether Noteholders or not) as a committee or committees to represent the Noteholders' interests and to confer on them any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution;
- 3.7 to approve the substitution of any entity for the Issuer or the Guarantor (or any previous substitute) as principal debtor or guarantor under this Agreement,

provided that the special quorum provisions in paragraph 7 shall apply to any Extraordinary Resolution (a “ **special quorum resolution**”) for the purpose of sub-paragraph 3.2 or 3.7 or for the purpose of making a modification to this Fiscal Agency Agreement or the Notes which would have the effect of:

- (i) modifying the maturity of the Notes or the dates on which interest is payable in respect of the Notes;
- (ii) reducing or cancelling the principal amount of, or interest on, or varying the method of calculating the rate of interest on, the Notes;
- (iii) changing the currency of payment of the Notes;
- (iv) modifying the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution;
- (v) modifying or cancelling the Guarantee;
- (vi) modifying or cancelling the Support Agreement; or
- (vii) amending this proviso.

4 Convening a meeting

- 4.1 The Issuer or the Guarantor may at any time convene a meeting. If it receives a written request by Noteholders holding at least 10 per cent. in principal amount of the Notes for the time being outstanding and is indemnified to its satisfaction against all costs and expenses, the Issuer shall convene a meeting of the Noteholders. Every meeting shall be held at a time and place approved by the Fiscal Agent.

4.2 At least 21 days' notice (exclusive of the day on which the notice is given and of the day of the meeting) shall be given to the Noteholders. A copy of the notice shall be given by the party convening the meeting to the other parties. The notice shall specify the day, time and place of meeting and the nature of the resolutions to be proposed and shall explain how Noteholders may appoint proxies or representatives.

5 Chairman

5.1 The chairman of a meeting shall be such person as the Issuer may nominate in writing, but if no such nomination is made or if the person nominated is not present within 15 minutes after the time fixed for the meeting the Noteholders or agents present shall choose one of their number to be chairman, failing which the Issuer may appoint a chairman.

5.2 The chairman may but need not be a Noteholder or agent. The chairman of an adjourned meeting need not be the same person as the chairman of the original meeting.

6 Attendance

6.1 The following may attend and speak at a meeting:

6.1.1 Noteholders and agents;

6.1.2 the chairman; and

6.1.3 the Issuer, the Guarantor and the Fiscal Agent (through their respective representatives) and their respective financial and legal advisers.

6.2 No-one else may attend or speak.

7 Quorum and Adjournment

7.1 No business (except choosing a chairman) shall be transacted at a meeting unless a quorum is present at the commencement of business. If a quorum is not present within 15 minutes from the time initially fixed for the meeting, it shall, if convened on the requisition of Noteholders, be dissolved. In any other case it shall be adjourned until such date, not less than 14 nor more than 42 days later, and time and place as the chairman may decide. If a quorum is not present within 15 minutes from the time fixed for a meeting so adjourned, the meeting shall be dissolved.

7.2 Two or more Noteholders or agents present in person shall be a quorum:

7.2.1 in the cases marked "**No minimum proportion**" in the table below, whatever the proportion of the Notes which they represent; and

7.2.2 in any other case, only if they represent the proportion of the Notes shown by the table below.

Purpose of meeting	Required proportion at any meeting except one referred to in column 3	Required proportion at any meeting previously adjourned through want of a quorum
To pass a special quorum resolution	Not less than two thirds	Not less than 25 per cent.
To pass any other Extraordinary Resolution	More than 50 per cent.	No minimum proportion
Any other purpose	Not less than 10 per cent.	No minimum proportion

7.3 The chairman may with the consent of (and shall if directed by) a meeting adjourn the meeting from time to time and from place to place. Only business which could have been transacted at the original meeting may be transacted at a meeting adjourned in accordance with this paragraph or paragraph 7.1.

7.4 At least 10 days' notice of a meeting adjourned through want of a quorum shall be given in the same manner as for an original meeting and that notice shall state the quorum required at the adjourned meeting. No notice need, however, otherwise be given of an adjourned meeting.

8 Voting

8.1 Each question submitted to a meeting shall be decided by a show of hands unless a poll is (before, or on the declaration of the result of, the show of hands) demanded by the chairman, the Issuer, the Guarantor or one or more persons representing two per cent. of the Notes.

8.2 Unless a poll is demanded a declaration by the chairman that a resolution has or has not been passed shall be conclusive evidence of the fact without proof of the number or proportion of the votes cast in favour of or against it.

8.3 If a poll is demanded, it shall be taken in such manner and (subject as provided below) either at once or after such adjournment as the chairman directs. The result of the poll shall be deemed to be the resolution of the meeting at which it was demanded as at the date it was taken. A demand for a poll shall not prevent the meeting continuing for the transaction of business other than the question on which it has been demanded.

8.4 A poll demanded on the election of a chairman or on a question of adjournment shall be taken at once.

8.5 On a show of hands every person who is present in person and who produces a Note or is a proxy has one vote. On a poll every such person has one vote in respect of each integral currency unit of the currency of the Notes or for which he is a proxy or representative. Without prejudice to the obligations of proxies, a person entitled to more than one vote need not use them all or cast them all in the same way.

8.6 In case of equality of votes the chairman shall both on a show of hands and on a poll have a casting vote in addition to any other votes which he may have.

9 Effect and Publication of an Extraordinary Resolution

An Extraordinary Resolution shall be binding on all the Noteholders, whether or not present at the meeting, and each of them shall be bound to give effect to it accordingly. The passing

of such a resolution shall be conclusive evidence that the circumstances justify its being passed. The Issuer shall give notice of the passing of an Extraordinary Resolution to Noteholders within 14 days but failure to do so shall not invalidate the resolution.

10 Minutes

Minutes shall be made of all resolutions and proceedings at every meeting and, if purporting to be signed by the chairman of that meeting or of the next succeeding meeting, shall be conclusive evidence of the matters in them. Until the contrary is proved every meeting for which minutes have been so made and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

11 Written Resolutions and Electronic Consent

11.1 Subject to paragraph 11.2 below, a Written Resolution may be contained in one document or in several documents in like form, each signed by or on behalf of one or more of the Noteholders.

11.2 For so long as the Notes are in the form of a Global Certificate registered in the name of any nominee for, one or more of Euroclear, Clearstream, Luxembourg or an Alternative Clearing System, then, in respect of any resolution proposed by the Issuer or the Guarantor:

11.2.1 where the terms of the proposed resolution have been notified to the Noteholders through the relevant clearing system(s), the Issuer and the Guarantor shall be entitled to rely upon approval of such resolution proposed by the Issuer or the Guarantor (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 90 per cent. in principal amount of the Notes outstanding ("**Electronic Consent**"). Neither the Issuer nor the Guarantor shall be liable or responsible to anyone for such reliance; and

11.2.2 where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution has been validly passed, the Issuer and the Guarantor shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Guarantor, as the case may be, by (a) accountholders in the clearing system(s) with entitlements to such Global Certificate and/or, (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of

electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Guarantor shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

11.3 A Written Resolution and/or Electronic Consent shall take effect as an Extraordinary Resolution. A Written Resolution and/or Electronic Consent will be binding on all Noteholders, whether or not they participated in such Written Resolution and/or Electronic Consent.

Schedule 4
Regulations Concerning the Transfer
and Registration of Notes

- 1** Each Certificate shall represent an integral number of Notes.
- 2** Unless otherwise requested by him and agreed by the Issuer and save as provided in the Conditions, each holder of more than one Note shall be entitled to receive only one Certificate in respect of his holding.
- 3** Unless otherwise requested by them and agreed by the Issuer and save as provided in the Conditions, the joint holders of one or more Notes shall be entitled to receive only one Certificate in respect of their joint holding which shall, except where they otherwise direct, be delivered to the joint holder whose name appears first in the register of the holders of Notes in respect of the joint holding. All references to “holder”, “transferor” and “transferee” shall include joint holders, transferors and transferees.
- 4** The executors or administrators of a deceased holder of Notes (not being one of several joint holders) and, in the case of the death of one or more of joint holders, the survivor or survivors of such joint holders shall be the only persons recognised by the Issuer as having any title to such Notes.
- 5** Any person becoming entitled to Notes in consequence of the death or bankruptcy of the holder of such Notes may, upon producing such evidence that he holds the position in respect of which he proposes to act under this paragraph or of his title as a Transfer Agent or the Registrar shall require (including certificates and/or legal opinions), be registered himself as the holder of such Notes or, subject to the preceding paragraphs as to transfer, may transfer such Notes. The Issuer, the Transfer Agent and the Registrar may retain any amount payable upon the Notes to which any person is so entitled until such person shall be so registered or shall duly transfer the Notes.
- 6** Upon the surrender of a Certificate representing any Notes to be transferred or in respect of which an option is to be exercised or any other Noteholders’ right to be demanded or exercised, the Registrar or the Transfer Agent to whom such Note is surrendered shall request reasonable evidence as to the identity of the person (the “**Surrendering Party**”) who has executed the form of transfer on the Certificate or other accompanying notice or documentation, as the case may be, if such signature does not conform to any list of duly authorised specimen signatures supplied by the registered holder. If the signature corresponds with the name of the registered holder, such evidence may take the form of a certifying signature by a notary public or a recognised bank. If the Surrendering Party is not the registered holder or is not one of the persons included on any list of duly authorised persons supplied by the registered holder, the Registrar or the Transfer Agent shall require reasonable evidence (which may include legal opinions) of the authority of the Surrendering Party to act on behalf of, or in substitution for, the registered holder in relation to such Notes. In the case of a transfer of fewer than all the Notes in respect of which a Certificate is issued, a new Certificate in respect of the Notes not transferred will be so delivered to the holder to its address appearing on the Register.

Schedule 5
Form of Exercise Notice for Change of Control Put Option

HARLEY-DAVIDSON FINANCIAL SERVICES, INC.

(incorporated under the laws of the State of Delaware, United States of America)

Euro 600,000,000 0.900 per cent. Guaranteed
Notes due 2024

By depositing this duly completed Notice with the Registrar or any Transfer Agent for the Notes described above (the “ **Notes**”) the undersigned holder of such of the Notes as are represented by the Certificate that is surrendered with this Notice and referred to below irrevocably exercises its option to have such Notes, or the principal amount of Notes specified below, redeemed on the relevant Put Date under Condition 7(c) of the Notes.

This Exercise Notice relates to Notes in the aggregate principal amount of Euro [●], bearing the following certificate numbers: [●].

If the Certificate representing the Notes to which this Exercise Notice relates is to be returned, or, in the case of a partial exercise of an option in respect of a single holding of Notes, a new Certificate representing the balance of such holding in respect of which no option has been exercised is to be issued, to their holder, it should be returned by post, at the holder's risk, unless the holder otherwise requests and pays the costs of such insurance in advance to the relevant Agent, to: [●]*

**Where no address is specified, the address in the Register will be used .*

Payment Instructions

Please make payment in respect of the above Notes by transfer to the following Euro account:

Bank: [●]
Branch Address: [●]
Branch Code: [●]
Account Number: [●]
Account Name: [●]

Signature of holder:

Certifying signature (2):

[To be completed by recipient Transfer Agent or Registrar]

Received by:

[Signature and stamp of Transfer Agent or Registrar]

At its office at: [●]

On: [●]

Notes:

1. The Fiscal Agency Agreement provides that Certificates so returned or Certificates issued will be sent by post, uninsured and at the risk of the Noteholder, unless the Noteholder otherwise requests and pays the costs of such insurance in advance to the relevant Agent. This section need only be completed if the Certificate is not to be forwarded to the registered address.
2. The signature of any person relating to any Notes shall conform to a list of duly authorised specimen signatures supplied by the holder of such Notes or (if such signature corresponds with the name as it appears on the face of the Certificate) be certified by a notary public or a recognised bank or be supported by such other evidence as a Transfer Agent may reasonably require. A representative of the holder should state the capacity in which he signs.
3. This Exercise Notice is not valid unless all of the paragraphs requiring completion are duly completed.
4. The Agent with whom the above Certificates are deposited shall not in any circumstances be liable to the depositing Noteholder or any other person for any loss or damage arising from any act, default or omission of such Agent in relation to the Certificates or any of them unless such loss or damage was caused by the fraud or negligence of such Agent or its directors, officers or employees.

Signatories to the Fiscal Agency Agreement

This Agreement has been entered into on the date stated at the beginning.

HARLEY-DAVIDSON FINANCIAL SERVICES, INC.

By: /s/J. Darrell Thomas

Vice President, Treasurer, Chief Financial Officer

HARLEY-DAVIDSON CREDIT CORP.

By: /s/J. Darrell Thomas

Vice President, Treasurer, Chief Financial Officer

FISCAL AGENT, REGISTRAR AND TRANSFER AGENT

The Bank of New York Mellon Trust Company, N.A.

By: /s/Lawrence M. Kusch

Lawrence M. Kusch

Vice President

PAYING AGENT

The Bank of New York Mellon, London Branch

By: /s/Latoya S. Elvin

SIGNATURE PAGE TO THE FISCAL AGENCY AGREEMENT

EXECUTION COPY

364-DAY CREDIT AGREEMENT

Dated as of May 13, 2019

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

BARCLAYS BANK PLC,
GOLDMAN SACHS BANK USA and
THE TORONTO-DOMINION BANK, NEW YORK BRANCH,
as Documentation Agents

JPMORGAN CHASE BANK, N.A.,
as Sole Lead Arranger

and

JPMORGAN CHASE BANK, N.A.,
as Sole Book Runner

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364-DAY CREDIT AGREEMENT

This 364-Day Credit Agreement dated as of May 13, 2019 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 Barclays Bank plc, Goldman Sachs Bank USA and The Toronto-Dominion Bank, New York Branch, each in its capacity as a Documentation 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 \$195,000,000.

“**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, 2018 (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 as in effect without giving effect to the relevant change in Agreement Accounting Principles (or in the application thereof), 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 that for the purpose of this definition, the Eurodollar Rate for any day shall be based on LIBOR (or if LIBOR is not available for such one month Interest Period, the Interpolated Rate) at approximately 11:00 a.m. London time on such day; 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. If the Alternate Base Rate is being used as an alternate rate of interest pursuant to Section 3.3 hereof, then the Alternate Base Rate shall be the greater of clause (a) and (b) above and shall be determined without reference to clause (c) above.

“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.

“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.

“**Benefit Plan**” means any of (a) an “employee benefit plan” (as defined in Section 3(3) of ERISA) that is subject to Title I of ERISA, (b) a “plan” as defined in Section 4975 of the Code to which Section 4975 of the Code applies, and (c) any Person whose assets include (for purposes of the Plan Asset Regulations or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such “employee benefit plan” or “plan”.

“**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.

“**Board**” means the Board of Governors of the Federal Reserve System of the United States of America.

“**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, subject to Section 9.8, 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 December 1, 2018.

“**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 13, 2019.

“**Code**” means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

“**Combination**” has the meaning assigned to such term in Section 2.4(b).

“**Combined Lender**” has the meaning assigned to such term in Section 2.4(b).

“**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 Shareholders’ Equity**” 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.

“**Credit Party**” means any Lender or the Global Administrative Agent, individually, and “**Credit Parties**” means each of the Lenders and the Global Administrative Agent, collectively.

“**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 any of their Subsidiaries 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.

“**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 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, in the case of each Lender or applicable Lending Installation and the Global Administrative Agent, (a) taxes imposed on (or measured by) its overall net income, and franchise taxes imposed on it, by (i) the jurisdiction under the laws of which such Lender or the Global Administrative Agent is incorporated or organized or (ii) the jurisdiction in which the Global Administrative Agent’s or such Lender’s principal executive office or such Lender’s applicable Lending Installation is located and (b) withholding taxes imposed under FATCA.

“**Exemption Certificate**” is defined in Section 3.5(iv) hereof.

“**FATCA**” means Sections 1471 through 1474 of the Code, as of the Closing Date (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, any agreements entered into pursuant to Section 1471(b)(1) of the Code, and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty or convention among Governmental Authorities and implementing such Sections 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 effective federal funds rate; provided that if the Federal Funds Effective Rate as so determined would be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

“**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.

“**IBA**” is defined in Section 9.20 hereof.

“**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.

“**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, except in the case of a one (1) week Interest Period, 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, for any Interest Period, 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 that displays such rate or, in the event such rate does not appear on such Reuters page or screen, 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**” is defined in Section 3.5(iv) hereof.

“**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; provided, further, that if any of the aforesaid rates as so determined would be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

“**Obligations**” means all Loans, advances, debts, liabilities, obligations, covenants and duties owing by any Borrower to the Global Administrative Agent, the 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.

“**Participant Register**” is defined in Section 13.2(D) hereof.

“**Participants**” is defined in Section 13.2(A) hereof.

“**Payment Date**” means the last Business Day of each calendar quarter and the Maturity Date.

“**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, limited liability company, 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.

"Plan Asset Regulations" means 29 CFR § 2510.3-101 *et seq.*, as modified by Section 3(42) of ERISA, as amended from time to time.

"Prime Rate" means the rate of interest last quoted by The Wall Street Journal as the "Prime Rate" in the U.S. or, if The Wall Street Journal ceases to quote such rate, the highest per annum interest rate published by the Board in Federal Reserve Statistical Release H.15 (519) (Selected Interest Rates) as the "bank prime loan" rate or, if such rate is no longer quoted therein, any similar rate quoted therein (as determined reasonably and in good faith by the Administrative Agent and consistent with any such determination by the Global Administrative Agent generally under substantially similar credit facilities for which it acts as administrative agent) or any similar release by the Board (as determined reasonably and in good faith by the Administrative Agent and consistent with any such determination by the Global Administrative Agent generally under substantially similar credit facilities for which it acts as administrative agent). Each change in the Prime Rate shall be effective from and including the date such change is publicly announced or quoted 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.

“**PTE**” means a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

“**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 as from time to time in effect and any successor thereto or other regulation or official interpretation of the Board 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.

“**Replacement Lender**” has the meaning assigned to such term in [Section 2.4\(b\)](#).

“**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.

“**Retired Commitments**” has the meaning assigned to such term in [Section 2.4\(b\)](#).

“**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, Her Majesty’s Treasury of the United

Kingdom or other relevant sanctions authority, (b) any Person organized or resident in a Sanctioned Country in violation of Sanctions or (c) any Person 50% or greater owned or 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, any EU member state, 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 April 7, 2016, the letter agreement dated as of April 6, 2018 and the letter agreement dated as of May 13, 2019, in each case 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.

“**Surviving Commitment**” has the meaning assigned to such term in Section 2.4(b).

“**Surviving Lender**” has the meaning assigned to such term in Section 2.4(b).

“**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, in each case (i) imposed on or with respect to any payment made by or on account of any obligation of the Borrowers under any Loan Document, but (ii) *excluding* Excluded Taxes.

“**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) May 11, 2020 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.

“**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 pursuant to this Section 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.

(a) 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 pursuant to this Section 2.4(a) 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(a).

(b) Notwithstanding the foregoing, upon the acquisition of one Lender by another Lender, or the merger, consolidation or other combination of any two or more Lenders (any such acquisition, merger, consolidation or other combination being referred to hereinafter as a "Combination" and each Lender which is a party to such Combination being hereinafter referred to as a "Combined Lender"), Harley may notify the Global Administrative Agent that it desires to reduce the Commitment of the Lender surviving such Combination (the "Surviving Lender") to an amount equal to the Commitment of that Combined Lender which had the largest Commitment of each of the Combined Lenders party to such Combination (such largest Commitment being the "Surviving Commitment" and the Commitments of the other Combined Lenders being hereinafter referred to, collectively, as the "Retired Commitments"). If the Required Lenders (determined as set forth below) and the Global Administrative Agent agree to such reduction in the Surviving Lender's Commitment, then (i) the aggregate amount of the Commitments shall be reduced by the Retired Commitments effective upon the effective date of the Combination (or such later date as Harley may specify in its request), provided, that, on or before such date the Borrowers have paid in full the outstanding principal amount of the Loans

of each of the Combined Lenders other than the Combined Lender whose Commitment is the Surviving Commitment, (ii) from and after the effective date of such reduction, the Surviving Lender shall have no obligation with respect to the Retired Commitments, and (iii) Harley shall notify the Global Administrative Agent whether they wish such reduction to be a permanent reduction or a temporary reduction. If such reduction is to be a temporary reduction, then Harley shall be responsible for finding one or more financial institutions (each, a “Replacement Lender”), acceptable to the Global Administrative Agent (such acceptance not to be unreasonably withheld, conditioned or delayed), willing to assume the obligations of a Lender hereunder with aggregate Commitments up to the amount of the Retired Commitments. The Global Administrative Agent may require the Replacement Lenders to execute such documents, instruments or agreements as the Global Administrative Agent deems necessary or desirable to evidence such Replacement Lenders’ agreement to become parties hereunder. For purposes of this Section 2.4(b), Required Lenders shall be determined as if the reduction in the aggregate amount of the Commitments requested by Harley had occurred (i.e., the Combined Lenders shall be deemed to have a single Commitment equal to the Surviving Commitment and the aggregate amount of the Commitments shall be deemed to have been reduced by the Retired Commitments).

2.5 Method of Borrowing Syndicated Global Advances. The Global Administrative Agent shall, promptly upon receipt of a Syndicated Global Advance Borrowing Notice, notify each Syndicated Global Lender of such Syndicated Global Advance Borrowing Notice and, not later than such time as is reasonably requested by the Global Administrative Agent on each Borrowing Date, each Syndicated Global Lender shall make available its Syndicated Global Loan or Loans, in funds immediately available to the Global Administrative Agent at its address specified pursuant hereto. The Global Administrative Agent will promptly make the funds so received from the Syndicated Global Lenders available to the relevant Global Borrower.

2.6 Method of Selecting Types and Interest Periods for Syndicated Global Advances. Each Borrower shall select the Type of Syndicated Global Advance and, in the case of each Eurodollar Rate Advance, the Interest Period applicable to each Syndicated Global Advance from time to time. Each Global Borrower shall give the applicable office of the Global Administrative Agent or its applicable Affiliate (in each case as previously directed by the Global Administrative Agent to such Global Borrower) irrevocable notice (a “**Syndicated Global Advance Borrowing Notice**”), at its applicable office as previously specified to such Borrower, not later than the applicable time described in Schedule I, specifying: (i) the Borrowing Date of such Advance (which shall be a Business Day); (ii) the aggregate amount of such Advance; (iii) the Type of Advance selected and (iv) in the case of each Eurodollar Rate Advance, the Interest Period applicable thereto. There shall be no more than ten (10) Interest Periods in effect with respect to all of the Syndicated Global Advances to any one Global Borrower at any time. Each Floating Rate Advance shall bear interest from and including the date of the making of such Advance to (but not including) the date of repayment thereof at the applicable Floating Rate, changing when and as such Floating Rate changes, plus the Floating Rate Margin. Changes in the rate of interest on that portion of any Syndicated Global Advance maintained as a Floating Rate Loan will take effect simultaneously with each change in the Alternate Base Rate. Each Eurodollar Rate Advance shall bear interest from and including the first day of the Interest Period applicable thereto to (but not including) the last day of such Interest Period at the interest rate determined as applicable to such Eurodollar Rate Advance.

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 (to the extent such accrued interest relates to the principal amount 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 (to the extent such accrued interest relates to the principal amount 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 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 May 11, 2021; 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, duties, levies, imposts, deductions, assessments, fees, charges or withholdings (other than (A) Taxes, (B) Excluded Taxes and (C) Other Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto, or

(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 attributable to making, funding and maintaining its Loans and its Commitment 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.

(a) 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 (including, without limitation, because the LIBOR Screen Rate is not available or published on a current basis), 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) in the case of any occurrence set forth in clause (i) above, 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.

(b) Notwithstanding the foregoing, if at any time the Global Administrative Agent determines (which determination shall be conclusive absent demonstrable error) that (i) the circumstances set forth in Section 3.3(a)(ii) have arisen and such circumstances are unlikely to be temporary or (ii) the circumstances set forth in Section 3.3(a)(ii) have not arisen but any of (w) the supervisor for the administrator of the LIBOR Screen Rate has made a public statement that the administrator of the LIBOR Screen Rate is insolvent (and there is no successor administrator that will continue publication of the LIBOR Screen Rate), (x) the administrator of the LIBOR Screen Rate has made a public statement identifying a specific date after which the LIBOR Screen Rate will permanently or indefinitely cease to be published by it (and there is no successor administrator that will continue publication of the LIBOR Screen Rate), (y) the supervisor for the administrator of the LIBOR Screen Rate has made a public statement identifying a specific date after which the LIBOR Screen Rate will permanently or indefinitely cease to be published or (z) the supervisor for the administrator of the LIBOR Screen Rate or a Governmental Authority having jurisdiction over the Global Administrative Agent has made a public statement identifying a specific date after which the LIBOR Screen Rate may no longer be used for determining interest rates for loans, then the Global Administrative Agent and Harley shall endeavor to establish an alternate rate of interest to LIBOR that gives due consideration to the then prevailing market convention for determining a rate of interest for syndicated loans in the United States at such time, and shall enter into an amendment to this Agreement to reflect such alternate rate of interest and such other related changes to this Agreement as may be applicable; provided that, if such alternate rate of interest as so determined would be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement. Notwithstanding anything to the contrary in Section 8.3, such amendment shall become effective without any further action or consent of any other party to this Agreement so long as the Global Administrative Agent shall not have received, within five (5) Business Days of the date notice of such alternate rate of interest is provided to the Lenders, a written notice from the Required Lenders stating that such Required Lenders object to such amendment. Until an alternate rate of interest shall be determined in accordance with this Section 3.3(b) (but, in the case of the circumstances described in clause (ii)(w), clause (ii)(x) or clause (ii)(y) of the first sentence of this Section 3.3(b), only to the extent the LIBOR Screen Rate for the Interest Period is not available or published at such time on a current basis), (A) the availability of Fixed Rate Advances of the affected Type shall be suspended and (B) in the case of any occurrence set forth in clause (i) above, 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 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 and excluding Excluded Taxes) 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 Taxes or Other Taxes (including, without limitation, any 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 least five (5) Business Days prior to the first date on which interest or fees are payable hereunder for the account of any Syndicated Global Lender, such Lender to the extent it is not incorporated under the laws of the United States of America or a state thereof (each a “**Non-U.S. Lender**”) agrees that it will deliver to each of Harley, the Guarantor and the Global Administrative Agent (1) two duly completed copies of IRS Form W-8BEN, IRS Form W-8BEN-E or W-8ECI, as applicable, certifying in each case that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes or (2) in the case of a Non-U.S. Lender that is fiscally transparent, a copy of IRS Form W-8IMY together with the applicable accompanying forms, W-8 or W-9, as the case may be, and certify that it is entitled to an exemption from United States backup withholding tax (such certificate, an “**Exemption Certificate**”). Each Non-U.S. Lender further undertakes to deliver to each of Harley, the Guarantor and the Global Administrative Agent (i) two renewals or additional copies of such form (or any successor form) on or before the date that such form expires or becomes obsolete, and (ii) after the occurrence of any event requiring a change in the most recent forms so delivered by it, such additional forms or amendments thereto as may be reasonably requested by Harley, the Guarantor or the Global Administrative Agent. All forms or amendments described in the preceding sentence shall certify that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, *unless* an event (including without limitation any change in treaty, law or regulation) has

occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form or amendment with respect to it and such Lender immediately advises Harley, the Guarantor and the Global Administrative Agent in writing that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

(v) Except as provided in clause (xii) below, for any period during which a Non-U.S. Lender has failed to provide Harley or the Guarantor with an appropriate form or Exemption Certificate pursuant to clause (iv) above (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 a form or Exemption Certificate 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 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 a form or Exemption Certificate required under clause (iv), above, Harley 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 any Loan Document 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 Harley and the Global Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by Harley, 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 Harley, the Guarantor or the Global Administrative Agent as may be necessary for Harley, the Guarantor and the Global Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has or has not complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (vi), "FATCA" shall include any amendments made to FATCA after the Closing Date.

(vii) Each Lender shall severally indemnify the Global Administrative Agent, within 10 days after demand therefor, for (i) any Taxes attributable to such Lender (but only to the extent that the Borrowers have not already indemnified the Global Administrative Agent for such Taxes and without limiting the obligation of the Borrowers to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 13.2(D) relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid 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. A certificate as to the amount of such payment or liability delivered to any Lender by the Global Administrative Agent shall be conclusive 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 clause (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 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) and (iii) 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. Each party hereto agrees that (1) an assignment required pursuant to this paragraph may be effected pursuant to an assignment and assumption executed by Harley, the Global Administrative Agent and the assignee (or, to the extent applicable, an agreement incorporating an Assignment and Assumption by reference pursuant to Debt Domain, Intralinks, Syndtrak, ClearPar or a substantially similar Electronic System as to which the Global Administrative Agent and such parties are participants), and (2) the Lender required to make such assignment need not be a party thereto in order for such assignment to be effective and shall be deemed to have consented to and be bound by the terms thereof; provided that, following the effectiveness of any such assignment, the other parties to such assignment agree to execute and deliver such documents necessary to evidence such assignment as reasonably requested by the applicable Lender, provided that any such documents shall be without recourse to or warranty by the parties thereto.

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, 2018, 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, 2018, 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, 2018, 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), 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 the Board.

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 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 directors and officers and, to the knowledge of each Company, its employees 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 [Reserved].

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 HDFS 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 HDFS 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 HDFS) 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 HDFS 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 HDFS 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 HDFS) 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 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 Harley or its Subsidiaries; (ii) that is protected from disclosure by the attorney-client privilege or the attorney work product privilege or (iii) constitutes non-financial trade secrets or non-financial proprietary information).

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 except to the extent permissible for a Person required to comply with 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 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 (b), (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 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.

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 shareholders’ equity 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, (ii) Subordinated Intercompany Indebtedness and (iii) Indebtedness for borrowed money in respect of Permitted Finance Receivables Securitizations to the extent such obligations would appear as a liability upon a balance sheet of such Person prepared in accordance with Agreement Accounting Principles; provided that the aggregate outstanding credit enhancements in the form of cash or letter(s) of credit provided by HDFS or any of its Subsidiaries (other than any structured bankruptcy-remote Subsidiary of HDFS) in excess of 10% of the aggregate outstanding Indebtedness for borrowed money and owner trust certificates (however classified) incurred in connection with such Permitted Finance Receivables Securitizations shall not be excluded from Consolidated Finco Debt pursuant to this clause (iii).

“**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.

“**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, 6.1.9(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 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, (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, (v) prepayments required by the terms of debt as a result of customary provisions in respect of illegality, replacement of lenders and gross-up provisions for taxes, increased costs, capital adequacy and other similar customary requirements and (vi) any voluntary prepayment, redemption or other satisfaction of debt that becomes mandatory in accordance with the terms of such debt solely as the result of the company or applicable subsidiary delivering a prepayment, redemption or similar notice with respect to such prepayment, redemption or other satisfaction.

(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. Without the consent of the Required Lenders and the Global Administrative Agent, 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. Except as provided in Section 3.3(b), 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 and except that no amendment entered into pursuant to the terms of Section 3.3(b) shall constitute a reduction in the rate of interest or fees for purposes of this clause (ii));

(iii) reduce the percentage specified in the definition of Required Lenders or any other provision hereof specifying the percentage or number of Lenders specified 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, it being understood that an amendment, modification, termination, waiver or consent with respect to any condition precedent, covenant, mandatory prepayment, Unmatured Default or Default shall not constitute an increase in the Commitment of any Syndicated Global Lender;

(v) permit any Borrower to assign its rights under this Agreement;

(vi) [reserved];

(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 Arranger 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 Arranger, 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 HDFS, 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, (x) 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 December 1, 2018 without giving effect to the phase-in of the effectiveness of any amendments to Agreement Accounting Principles that have been adopted as of December 1, 2018 and (y) Accounting Standards Update 2016-13 Financial Instruments- Credit Losses (Topic 326) Measurement of Credit Losses on Financial

Instruments (or any other Accounting Standards Codification or Financial Accounting Standard having a similar result or effect) shall not be given effect.

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 Credit Parties shall be solely that of borrower or guarantor and lender. No Credit Party shall have any fiduciary responsibilities to any of the Companies. No Credit Party 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. Each Company further acknowledges and agrees, and acknowledges its Subsidiaries' understanding, that each Credit Party is a full service securities or banking firm engaged in securities trading and brokerage activities as well as providing investment banking and other financial services. In the ordinary course of business, any Credit Party may provide investment banking and other financial services to, and/or acquire, hold or sell, for its own accounts and the accounts of customers, equity, debt and other securities and financial instruments (including bank loans and other obligations) of, such Company, its Subsidiaries and other companies with which such Company or any of its Subsidiaries may have commercial or other relationships. With respect to any securities and/or financial instruments so held by any Credit Party or any of its customers, all rights in respect of such securities and financial instruments, including any voting rights, will be exercised by the holder of the rights, in its sole discretion. In addition, each Company acknowledges and agrees, and acknowledges its Subsidiaries' understanding, that each Credit Party and its affiliates may be providing debt financing, equity capital or other services (including financial advisory services) to other companies in respect of which such Company or any of its Subsidiaries may have conflicting interests regarding the transactions described herein and otherwise. No Credit Party will use confidential information obtained from the Company by virtue of the transactions contemplated by the Loan Documents or its other relationships with the Company in connection with the performance by such Credit Party of services for other companies, and no Credit Party will furnish any such information to other companies. Each Company also acknowledges that no Credit Party has any obligation to use in connection with the transactions contemplated by the Loan Documents, or to furnish to such Company or any of its Subsidiaries, confidential information obtained from other companies.

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).

9.17 Certain Calculations. No Unmatured Default or Default shall arise as a result of any limitation or threshold set forth in Dollars in Sections 6.2 and 6.3 and Article VII under this Agreement being exceeded solely as a result of changes in currency exchange rates from those rates applicable on the last day of the fiscal quarter of Harley immediately preceding the fiscal quarter of Harley in which such transaction requiring a determination occurs.

9.18 Interest Rates. The Global Administrative Agent does not warrant or accept responsibility for, and shall not have any liability with respect to, the administration, submission or any other matter related to the rates in the definition of “LIBOR” or with respect to any comparable or successor rate thereto, or replacement rate therefor (other than, for the avoidance of doubt, with respect to its obligation to apply the definition of such rate in accordance with its terms).

9.19 LLC Division. Any reference in this Agreement to a merger, transfer, consolidation, amalgamation, consolidation, assignment, sale, disposition or transfer, or similar term, shall be deemed to apply to a division of or by a limited liability company, limited partnership or trust, in each case within the meaning of applicable law, or an allocation of assets, rights, obligations or liabilities to a series of a limited liability company, limited partnership or trust (or the unwinding of such a division or allocation), in each case within the meaning of applicable law, as if it were a merger, transfer, consolidation, amalgamation, consolidation, assignment, sale, disposition or transfer, or similar term, as applicable, to, of or with a separate Person, and any Person resulting from such a division of a limited liability company, limited partnership or trust shall constitute a separate Person hereunder (and any Person resulting from such a division of any limited liability company, limited partnership or trust that is a Subsidiary, joint venture or any other like term shall also constitute a separate Person or entity).

9.20 Interest Rates; LIBOR Notification. The interest rate on Fixed Rate Advances is determined by reference to LIBOR, which is derived from the London interbank offered rate. The London interbank offered rate is intended to represent the rate at which contributing banks may obtain short-term borrowings from each other in the London interbank market. In July 2017, the U.K. Financial Conduct Authority announced that, after the end of 2021, it would no longer persuade or compel contributing banks to make rate submissions to the ICE Benchmark Administration (together with any successor to the ICE Benchmark Administration, the “IBA”) for purposes of the IBA setting the London interbank offered rate. As a result, it is possible that commencing in 2022, the London interbank offered rate may no longer be available or may no longer be deemed an appropriate reference rate upon which to determine the interest rate on Fixed Rate Advances. In light of this eventuality, public and private sector industry initiatives are currently underway to identify new or alternative reference rates to be used in place of the London interbank offered rate. In the event that the London interbank offered rate is no longer available or in certain other circumstances as set forth in Section 3.3(b) of this Agreement, such Section 3.3(b) provides a mechanism for determining an alternative rate of interest. The Global Administrative Agent will notify Harley, pursuant to Section 3.3, and

endeavor to agree upon a successor benchmark as expressly contemplated by Section 3.3, in advance of any change to the reference rate upon which the interest rate on Eurodollar Loans is based. However, the Global Administrative Agent does not warrant or accept any responsibility for, and shall not have any liability with respect to, the administration, submission or any other matter related to the London interbank offered rate or other rates in the definition of “LIBOR” or with respect to any alternative or successor rate thereto, or replacement rate thereof (provided that, for the avoidance of doubt, the Global Administrative Agent shall administer the definition of any such rate in accordance with its terms and to comply with the terms of Section 3.3(b), subject to the other terms and conditions of this Agreement), including without limitation, whether the composition or characteristics of any such alternative, successor or replacement reference rate, as it may or may not be adjusted pursuant to Section 3.3(b), will be similar to, or produce the same value or economic equivalence of, LIBOR or have the same volume or liquidity as did the London interbank offered rate prior to its discontinuance or unavailability.

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.

10.13 Certain ERISA Matters.

(a) Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Global Administrative Agent, and the Arranger and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Companies, that at least one of the following is and will be true:

(i) such Lender is not using “plan assets” (within the meaning of the Plan Asset Regulations) of one or more Benefit Plans in connection with the Loans or the Commitments,

(ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender’s entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement,

(iii) (A) such Lender is an investment fund managed by a “Qualified Professional Asset Manager” (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Loans, the Commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender’s entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement, or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Global Administrative Agent, in its sole discretion, and such Lender.

(b) In addition, unless sub-clause (i) in the immediately preceding clause (a) is true with respect to a Lender or such Lender has not provided another representation, warranty and covenant as provided in sub-clause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases

being a Lender party hereto, for the benefit of, the Global Administrative Agent, and the Arranger or any of their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Companies, that none of the Global Administrative Agent, or the Arranger or any of their respective Affiliates is a fiduciary with respect to the assets of such Lender involved in the Loans, the Commitments and this Agreement (including in connection with the reservation or exercise of any rights by the Global Administrative Agent under this Agreement, any Loan Document or any documents related hereto or thereto).

(c) The Global Administrative Agent and the Arranger hereby inform the Lenders that each such Person is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the transactions contemplated hereby, and that such Person has a financial interest in the transactions contemplated hereby in that such Person or an Affiliate thereof (i) may receive interest or other payments with respect to the Loans, the Commitments, this Agreement and any other Loan Documents, (ii) may recognize a gain if it extended the Loans, or the Commitments for an amount less than the amount being paid for an interest in the Loans, or the Commitments by such Lender or (iii) may receive fees or other payments in connection with the transactions contemplated hereby, the Loan Documents or otherwise, including structuring fees, commitment fees, arrangement fees, facility fees, commitment fees, upfront fees, underwriting fees, ticking fees, agency fees, administrative agent fees or collateral agent fees, utilization fees, minimum usage fees, letter of credit fees, fronting fees, deal-away or alternate transaction fees, amendment fees, processing fees, term out premiums, banker's acceptance fees, breakage or other early termination fees or fees similar to the foregoing.

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 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.

(A) 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; 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.

(B) Voting Rights. Each Lender shall retain (B) 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.

(C) 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.

(D) Participant Register. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrowers, 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 any Loan, Commitment or other 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 (including the identity of any Participant or any information relating to a Participant's interest in any Loan, Commitment or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such Loan, Commitment or other obligation is in registered form under Treasury

Regulations Section 5f.103-1(c) and Proposed Treasury Regulations Section 1.163-5(b) (or any amended or successor version). 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.

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, conditioned 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, conditioned 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 under Section 7.1(a) or Section 7.1(e) shall have occurred and be continuing at such time or (B) the Purchaser 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.

(d) Reports Due on Non-Business Days. If any document, statement, notice or report hereunder or under any other Loan Document shall be due on a day that is not a Business Day, the date of required delivery shall be extended to the next succeeding Business Day.

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

**HARLEY-DAVIDSON FINANCIAL
SERVICES, INC.,**
as a U.S. Borrower

By: /s/J.Darrell

Thomas

Name: J. Darrell Thomas

Title: Vice President, Chief Financial Officer
and Treasurer

Address:

3700 West Juneau Avenue

Milwaukee, Wisconsin 53208

Attention: J. Darrell Thomas, Vice President, Chief
Financial Officer 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, Chief Financial Officer
and Treasurer

Address:
3700 West Juneau Avenue
Milwaukee, Wisconsin 53208
Attention: J. Darrell Thomas, Vice President, Chief
Financial Officer, Treasurer and Assistant
Secretary
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, 3rd 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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BARCLAYS BANK PLC,
as Documentation Agent and as a Lender

By: /s/Craig Malloy
Name: Craig Malloy
Title: Director

Address: 745 Seventh Avenue, 8th Floor,
New York, NY 10019

Attention: Oksana Shtogrin
Telephone No.: +1-212-526-3441
Facsimile No.: +1-212-526-5115

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**THE TORONTO-DOMINION BANK, NEW
YORK BRANCH,**
as Documentation Agent and as a Lender

By: /s/Michael Borowiecki
Name: Michael Borowiecki
Title: Authorized Signatory

Address:
E&Y Tower, 222 Bay St,
15th Floor, Toronto, Ontario
M5K 1A2

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**AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED,**
as Lender

By: /s/Robert Grillo
Name: Robert Grillo
Title: Director

Address: 277 Park Avenue, 31st Floor
New York, NY 10172

Attention: Penny (Yi) Dong
Telephone No.: 212-801-9778
Facsimile No.: 212-536-9265

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GOLDMAN SACHS BANK USA,
as Documentation Agent and as a Lender

By: /s/Ryan Durkin _____
Name: Ryan Durkin
Title: Authorized Signatory

Address:
200 West Street
New York, NY 10282

Attention: Jamie Minieri
c/o Goldman, Sachs & Co.
2001 Ross Ave, 29th Floor
Dallas, TX 75201
Telephone No.: 972-368-2966
Facsimile No.: 212-256-6425

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**LLOYDS BANK CORPORATE MARKETS
PLC,**
as a Lender

By: /s/Kamala Basdeo
Name: Kamala Basdeo
Title: Assistant Manager

By: /s/Tina Wong
Name: Tina Wong
Title: Assistant Manager

Address:
1095 Avenue of the Americas
New York, NY 10036

Attention: Tina Wong
Telephone No.: 212-895-9539

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SCHEDULE I

FUNDING PROTOCOLS re: SYNDICATED GLOBAL LOANS

Harley-Davidson \$195 million Global Credit Facility

Location	Tenor	Notice to Ad Agent	Minimum Amounts Borrowing/Increments	Rate fixing	Screen	Comment
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U.S. Borrower – Syndicated Global Loans – US or IBF Nassau

Houston Loan & Agency						
ABR	overnight	same day/3PM NYT	\$5mm/500m	Not Applicable	Not Applicable	
Eurodollar	7, 30, 60, 90, 180 ¹	2 Business Days/12 noon NYT	\$5mm/500m	Not Applicable	Reuters LIBOR01	NY fixing

⁽¹⁾For each option which is offered with a tenor of 7, 30, 60, 90 and 180, such tenor may also be for such other period as may be agreed to by each Lender.

DESCRIPTION OF CAPITAL STOCK

The following description of the capital stock of Harley-Davidson, Inc. (the “corporation,” “we,” “us,” and “our”) summarizes general terms and provisions that apply to our capital stock. Because this is only a summary it does not contain all of the information that may be important to you. The summary is subject to and qualified in its entirety by reference to our restated articles of incorporation (our “articles of incorporation” and by-laws, as amended (our “by-laws”), which are filed as exhibits to this Annual Report on Form 10-K.

General

Our authorized capital stock consists of 800,000,000 shares of common stock, \$0.01 par value per share, and 2,000,000 shares of preferred stock, \$1.00 par value per share.

Common Stock; Voting Rights

Subject to Section 180.1150 of the Wisconsin Business Corporation Law (described below under “Articles of Incorporation, By-Laws and Statutory Provisions”), holders of our common stock are entitled to one vote for each share of common stock held by them on all matters properly presented to shareholders. Section 180.0728 of the Wisconsin Business Corporation Law requires that, unless otherwise provided in a corporation’s articles of incorporation, directors are elected by a plurality of the votes cast by the shares entitled to vote at a meeting. Our articles of incorporation allow for a majority voting standard in uncontested elections of directors, and our by-laws provide for such a standard.

Subject to the prior rights of the holders of any shares of our preferred stock that are outstanding, our board of directors may at its discretion declare and pay dividends on our common stock out of our earnings or assets legally available for the payment of dividends. Subject to the prior rights of the holders of any shares of our preferred stock that are outstanding, if we are liquidated, any amounts remaining after the discharge of outstanding indebtedness will be paid pro rata to the holders of our common stock. Holders of our common stock have no preemptive, subscription, redemption or conversion rights. The rights, preferences and privileges of holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future.

Preferred Stock

Our board of directors is authorized to issue our preferred stock in one or more series and to fix the voting rights; the designations, preferences, limitations and relative rights of any series with respect to the rate of dividend, the price, the terms and conditions of redemption; the amounts payable in the event of voluntary or involuntary liquidation; sinking fund provisions for redemption or purchase of a series; and the terms and conditions on which a series may be converted.

It is not possible to state the actual effect of the issuance of any shares of preferred stock upon the rights of holders of our common stock until our board of directors determines the specific rights of the holders of the preferred stock. However, these effects might include:

- restricting dividends on the common stock;
- diluting the voting power of the common stock;
- impairing the liquidation rights of the common stock; and
- delaying or preventing a change in control of the corporation.

Articles of Incorporation, By-Laws and Statutory Provisions

Provisions of our articles of incorporation and by-laws might discourage some types of transactions that involve an actual or threatened change of control of the corporation. Our articles of incorporation provide that our board of directors will be composed of not less than six or more than fifteen directors. A director may be removed from office by shareholders prior to the expiration of his or her term, but only for cause and by the affirmative vote of a majority of the votes then entitled to be cast in an election of directors.

Our by-laws provide that a special meeting of shareholders may be called only by a majority of our board of directors and will be called by our board of directors upon the demand of shareholders representing at least 10% of all of the votes entitled to be cast at the special meeting. Our by-laws establish a procedure that shareholders seeking to call a special meeting of shareholders must satisfy. This procedure involves notice to us, the receipt by us of written demands for a special meeting from holders of 10% or more of the issued and outstanding shares of common stock, a review of the validity of such demands by an independent inspector appointed by us and the fixing of the record and meeting dates by our board of directors. In addition, shareholders demanding a special meeting must deliver to us a written agreement to pay the costs that we incur in holding a special meeting, including the costs of preparing and mailing the proxy materials for our solicitation of proxies for use at the meeting, in the event such shareholders are unsuccessful in their proxy solicitation.

Our articles of incorporation provide that shareholders may not take action without a meeting by less than unanimous consent. Our articles of incorporation provide that the affirmative vote of the holders of at least eighty percent of all of our capital stock then entitled to vote in an election of directors, considered as one class, is required to amend, alter, change or repeal, or adopt any provision inconsistent with: the provisions of our by-laws relating to special meetings of shareholders; the provisions of our by-laws relating to the record date and notice requirements for annual and special meetings of shareholders; the provisions of our articles of incorporation relating to shareholder action without a meeting; or the provisions of our articles of incorporation requiring at least an eighty percent vote.

Provisions of Wisconsin law might also discourage some types of transactions that involve an actual or threatened change of control of the corporation. Sections 180.1140 to 180.1144 of the Wisconsin Business Corporation Law contain some limitations and special voting provisions applicable to specified business combinations involving Wisconsin corporations such as us and a significant shareholder, unless the board of directors of the corporation approves the business combination or the shareholder's acquisition of shares before these shares are acquired.

Similarly, Sections 180.1130 to 180.1133 of the Wisconsin Business Corporation Law contain special voting provisions applicable to some business combinations, unless specified minimum price and procedural requirements are met. Following commencement of a takeover offer, Section 180.1134 of the Wisconsin Business Corporation Law imposes special voting requirements on share repurchases effected at a premium to the market and on asset sales by the corporation, unless, as it relates to the potential sale of assets, the corporation has at least three independent directors and a majority of the independent directors vote not to have the provision apply to the corporation.

Section 180.1150 of the Wisconsin Business Corporation Law provides that the voting power of public Wisconsin corporations such as us held by any person or persons acting as a group in excess of 20% of our voting power is limited to 10% of the full voting power of those shares, unless full voting power of those shares has been restored pursuant to a vote of shareholders.

Our by-laws also provide our board of directors with discretion in postponing shareholder meetings, including, within certain limits, special meetings of shareholders. Additionally, our Chairman of the board of directors, our Chief Executive Officer or our board of directors (acting by resolution) may adjourn a shareholder meeting at any time prior to the transaction of business at such meeting, within certain limits. Our by-laws also contain strict time deadlines and procedures applicable to shareholders seeking to nominate a person for election as a director or to otherwise bring business before a meeting.

October 25, 2019

Neil Grimmer
400 N. Broadway
Unit 700
Milwaukee, WI 53202

Dear Neil:

In connection with your separation from employment with Harley-Davidson Motor Company (“the Company”), below is a summary of the severance you are being offered, provided you sign the attached Separation Agreement & Release (the “Release Agreement”), as well as a summary of how your benefits and compensation will be affected and other miscellaneous details. For the sake of clarity, this letter and the Release Agreement and not the Company’s Executive Severance Plan, shall govern the terms of your separation from the Company.

1. Your last day of employment was October 25, 2019 (“Last Day”).
2. As a condition to receiving the payments and benefits set forth below, you must sign the attached Release Agreement. Per the attached Release Agreement, you have one week (until November 13, 2019) to do so. Assuming that you have signed the attached Release Agreement and have returned it to the Company as indicated in paragraph 16 of the Release Agreement, you will receive the following benefits:
 - a. A lump sum severance payment of \$700,000, which consists of one year of your current annual base pay, less applicable taxes and withholdings, within thirty (30) days following your delivery of an executed Release Agreement in accordance with paragraph 16 of the Release Agreement).
 - b. Except as provided in the last sentence of this paragraph, your group health, dental and vision insurance benefits and that of your dependents, if applicable, will be continued under COBRA, for a period of eighteen (18) months following your Last Day on the same terms and required employee costs as such plans are made available to the Company’s salaried employees generally, except that employees receiving severance are not eligible for Healthy Behavior Rewards contributions. Your Benefit Period runs from November 1, 2019 to April 30, 2021. As your Benefit Period spans a full 18 months, there will be no provision for COBRA beyond April 30, 2021. You will receive COBRA application paperwork from WageWorks which must be completed in order to continue this coverage.
 - c. In accordance with the Company’s relocation plan, you would otherwise owe the Company \$26,646.52 for relocation expenses. For the avoidance of doubt, the Company agrees that it will forgive and not seek to collect this amount, with the understanding that no additional relocation expenses incurred by you will be reimbursed by or paid for

by the Company. You are solely responsible for any individual tax liability for this relocation reimbursement forgiveness.

3. You will be paid for unused 2019 vacation.
4. You can elect to convert your group basic employee life of 150% of base pay to a private, direct pay plan by making application to Prudential Insurance Company within 31 days following your Last Day. The amount of life insurance you may elect to convert into an individual policy is the amount provided under the salaried employee group life plan (150% of pay). You can contact Amy Ostop at 414-343-8109 for additional information.
5. Under our Stock Incentive Plan, any restricted share units and restricted shares not vested on your Last Day are forfeited. After your Last Day, while you are no longer subject to Company policies, you must comply with all applicable laws, including insider trading laws.
6. Your 401(k) Retirement Savings Plan contribution, if applicable, will be suspended as of October 25, 2019. Your length of service with the Company is not sufficient to become vested in the Company contributions therefore they will be forfeited. Since your balance exceeds \$5,000, you may elect to keep your balance in the Retirement Savings Plan until you reach age 70 ½, or you may elect to rollover your account balance to an IRA or another qualified plan. Alternatively, you may take a taxable distribution (note: penalties may apply to an early distribution). Please consult your tax advisor prior to making a distribution election.
7. You will not receive any STIP or similar payment for 2019 and thereafter.
8. If you have any reimbursable expenses incurred in the ordinary course of employment prior to your Last Day, you are expected to submit them as soon as possible, but no later than November 25, 2019, for payment.
9. You agree to be bound by (i) the non-compete and non-solicit covenants set forth in the Release Agreement, which covenants shall supersede and replace any non-compete and non-solicit covenants otherwise set forth in any other agreement with the Company (including but not limited to your Restricted Stock Unit Agreement(s) and Performance Shares Agreement(s), if applicable) and (ii) the confidentiality obligations under the Employee Commitment which you signed during your employment, and any other confidentiality obligations set forth in the Release Agreement.
10. There will be no other compensation, bonuses, incentive plan payments, stock, stock units or options, benefits or payments of any kind except as provided in this letter.
11. Please note that this summary is being provided for your convenience. The Release Agreement and/or any applicable benefit plan document contain the actual controlling language and details. Therefore, to the extent there are any inconsistencies between this

summary and the provisions of the Release Agreement or any applicable plan document, the terms and provisions of the Release Agreement or applicable plan document will govern.

Neil, I hope this information is clear to you. I have asked Amy Ostop to make herself available to you to explain the payments and benefits set forth above. If you have any questions regarding the Release Agreement, you should feel free to contact Paul Krause directly.

Very truly yours,

/S/ Julie Anding

Julie Anding

Vice President, Human Resources

EXECUTIVE ACKNOWLEDGES THAT HE HAS READ, UNDERSTANDS AND AGREES TO THE PROVISIONS OF THIS LETTER.

/S/ Neil Grimmer 11/13/19

Neil Grimmer Date

SEPARATION AGREEMENT & RELEASE

This Separation Agreement & Release (the "Release Agreement") is by and between Harley-Davidson Motor Company (the "Company") and Neil Grimmer (the "Executive"). Executive enters into this Release Agreement on behalf of Executive, Executive's spouse, heirs, successors, assigns, executors, and representatives of any kind, if any.

1. In consideration of the various payments and benefits set forth in the attached letter, which Executive acknowledges are different than Executive is entitled to under the Company's normal policies and procedures, Executive releases the Company, its parent, its parent's direct or indirect subsidiaries, related and affiliated companies, and each of their past and present Executives, directors, officers, agents, insurers, successors, executors, assigns and representatives (referred to in this Release Agreement as "Released Parties") from all claims, charges, demands, and liabilities of any kind arising before or through the date of this Release Agreement, except as otherwise provided below. This release includes, but is not limited to, all claims, charges, demands and liabilities arising out of or in connection with Executive's employment with the Company, and any other contract between the Executive and the Company, or the termination of the Executive's employment. Executive also releases and waives any claim or right to further compensation, benefits, reinstatement of employment, damages, penalties, attorneys' fees, costs or expenses of any kind from the Company or any of the other Released Parties. Notwithstanding the foregoing, nothing in this Release Agreement shall waive or release (i) any rights Executive may have under the terms of this Release Agreement; (ii) any rights that cannot be released as a matter of law; (iii) any right or claim that arises against the Company or any of the Released Parties after the payment of the lump sum set forth in paragraph 2(a) of the attached letter; or (iv) any rights in respect to any accrued vested benefits; provided however that Executive specifically acknowledges that he is not entitled to any benefits or options under the Harley-Davidson, Inc. 2009 or 2014 Amended Incentive Stock Plans or the Company's Executive Severance Plan.
2. Executive fully understands and acknowledges that the general release contained in paragraph 1 above includes a release of any rights or claims Executive may have under Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1866 (42 U.S.C. §§ 1981 and 1983); the Americans with Disabilities Act; the Americans with Disabilities Act Amendments Act; the Genetic Information Nondiscrimination Act; the Federal Family and Medical Leave Act; the Fair Labor Standards Act; the Worker Adjustment and Retraining Notification Act; the Equal Pay Act; Executive Order 11246; the Rehabilitation Act of 1973; the Civil Rights Act of 1991; the Executive Retirement Income Security Act of 1974; the Wisconsin Fair Employment Act; the Wisconsin Family and Medical Leave Act; the Wisconsin Business Closing and Mass Layoff Notification Law (Wis. Stat. § 109.07); the Milwaukee Housing and Employment Discrimination Ordinance; and any other federal, state or local laws or regulations of any kind, but shall not include claims under the Age

Discrimination in Employment Act. The general release contained in this Release Agreement also includes, but is not limited to, a release by Executive of any claims for wrongful termination or any tort, breach of contract or invasion of privacy claims. The release covers both claims that Executive knows about and those Executive may not know about. One exception to this release is that Company re-affirms its obligations under its by-laws, board resolutions, and policies, and under Wisconsin law, to indemnify and hold Executive harmless, including attorney fees, from any third-party claim made against Executive for activities arising out of his employment with Company subject to the terms (including the exceptions) of such indemnity obligations.

3. Executive states that Executive has not filed or joined in any complaints, charges, lawsuits or proceedings of any kind against the Company or any of the other Released Parties.
4. Executive promises never to file or join in any complaints or proceedings of any kind asserting any claims that are released in this Release Agreement, except as otherwise provided in paragraph 10 below. If Executive breaks this promise and files or voluntarily joins in any complaint or proceeding based on any claim that Executive has released, Executive agrees that the Company will cease any remaining payment and benefits remaining and Executive will reimburse the Company for any severance pay and relocation reimbursement forgiveness already provided to Executive pursuant to paragraph 2 and its subparagraphs of the attached letter and will pay for all costs incurred by the Company or any of the other Released Parties in defending against Executive's claim, including reasonable attorneys' fees; provided, however, this does not restrict Executive from proceeding against Company in the event the Company breaches this Release Agreement and, in such event, the Executive shall not be responsible for the Company's or any other Released Parties' costs of defense.
5. By making this Release Agreement, the Company does not admit any liability to Executive and Executive does not admit any liability to the Company, and each expressly denies any such liability. The Company represents that it is not currently aware of any circumstances or events that would give rise to any claims by the Company against Executive in respect to his employment with the Company.
6. Executive agrees to keep the existence, terms, and conditions of this Release Agreement completely confidential and not to disclose (whether in person, by telephone, electronically, through the internet, or via any other mode of communication) any information concerning the Agreement to anyone, except as otherwise required by law, and except that Executive may share information concerning the Release Agreement with Executive's spouse, significant other, legal counsel, accountant, tax advisors or other professional consultants as necessary for the purposes of legal or tax advice. If Executive is subpoenaed in a matter that Executive may have to reveal the existence, terms or conditions of this Release Agreement, Executive will provide written notice within three (3) business days of receipt of such subpoena to Paul Jones, Chief Legal Officer, Harley-Davidson, Inc., 3700 W. Juneau

Ave., Milwaukee, WI 53208. Executive agrees to instruct all individuals who may be informed of the existence, terms, and conditions of this Release Agreement, of the confidential nature of the Release Agreement and to instruct those individuals to maintain confidentiality. If Executive violates this confidentiality provision, Executive agrees to pay all of the Company's attorneys' fees and costs incurred in enforcing this Release Agreement.

7. Executive agrees that Executive will make himself reasonably available to the Company if expressly requested by the Company, for example, to assist in defending current or future litigation, arbitrations or other disputes. If Executive incurs any expenses in performing such services, the Company will reimburse the Executive all reasonable approved expenses. Executive will not be entitled to any additional compensation for any such services.
8. Executive agrees to return all Company property to the Company including all documents, reports, credit cards, computer equipment including but not limited to any laptop and/or USB drive(s), phones, identification cards and other Company equipment, if any are still in Executive's possession. Executive agrees that Executive will delete all Company information, if any, from Executive's personal computer(s), laptop(s), smartphone(s), tablet(s), and/or USB drive(s). Executive agrees that any money which Executive owes Company as the result of credit card charges, personal advances, or other similar items, if not paid, will be deducted from Executive's paycheck or from any other payments to be made to Executive. Executive further represents that Executive has returned all other property and information belonging to the Company in all formats and media, including, but not limited to, all employee information, personnel information (including but not limited to all files, investigation and meeting notes, employment statistics and all other information collected in connection with Executive's performance of duties for the Company), confidential business information, strategy information and plans, technical and product information, pricing information and customer information such as customer lists and customer identification information, brochures, specifications, quotations, marketing strategies, inventory records, sales records, or other similar material; provided that the foregoing information, brochures, etc., shall not include information that is available to the public. Executive acknowledges that Executive has not kept any copies, nor made or retained any abstracts or notes, of such information to be returned hereunder in any form or media including any information on Executive's personal computer(s) or laptop(s). Executive further reaffirms that based upon Executive's obligations under the Wisconsin Trade Secrets Act and fiduciary duties as a key employee under common law, for a period of two years after Executive's Last Day, Executive will keep completely confidential and share with no other person, employer or entity, any information Executive acquired at the Company relating to any of the confidential matters described in this paragraph, and that Executive will comply with all terms of the Employee Commitment Executive electronically executed, a copy of which is attached as Attachment A and incorporated herein. In the event that Executive breaks this promise, the Company reserves the right to cease any remaining

payments and benefits. Nothing in this paragraph shall limit the duration of Executive's obligation to refrain from misappropriating trade secrets of the Company.

9. Executive agrees as follows:

- a. Except as is noted below, Executive will not make statements inconsistent with the Company's position that he was separated from the Company for judgment and conduct as a senior leader that did not align with the Company's culture and values.
- b. Notwithstanding the provisions of paragraph 9(a), for the sake of clarity, the Executive may, in a private conversation relating to prospective employment, provide additional factual information and context (in a manner that does not violate paragraph 9(d) below).
- c. Executive will not at any time after the Last Day represent that Executive remains a current or active employee of the Company, even if Executive is receiving pay or benefits.
- d. Executive will not take any action or make any statements after the execution of this Release Agreement that would be harmful or disparaging or that could reasonably be viewed as reflecting negatively on the reputation of the Company or any of its officers, directors, or other employees.
- e. Executive acknowledges that the Company may make future public statements that are consistent with the position set forth in paragraph 9(a) above, including explanatory statements that are also consistent with such position. In such limited instance, Executive may respond to such statements without violating the terms of this paragraph, provided Executive does not violate the separate obligations set forth in paragraph 9(d).
- f. If Executive violates the terms of this paragraph, Executive will reimburse the Company for the pay and relocation reimbursement forgiveness provided to Executive pursuant to paragraph 2 and its subparagraphs of the attached letter.

10. Nothing in this Release Agreement (including any confidentiality provision in paragraph 6, the non-disparagement provision in paragraph 9, and the covenant not to sue in paragraph 4) prevents Executive from (i) filing a charge or complaint with any appropriate federal, state or local agency or court; (ii) testifying, assisting, participating in, or cooperating with the investigation of any charge or complaint pending before or being investigated by such agency or court; (iii) enforcing this Agreement; (iv) testifying in any legal or administrative proceeding if such testimony is compelled or requested (or from otherwise complying with legal requirements) or conferring with legal counsel; or (v) reporting violations of any law administered by the Securities and Exchange Commission ("SEC") or Occupational Safety and Health Administration ("OSHA"), receiving any financial awards from the SEC or

OSHA for reporting possible violations of federal law or regulation, or making other disclosures protected under the whistleblower provisions of state or federal law or regulation.

Executive understands that, with the exception of financial awards from the SEC and OSHA for reporting violations of the laws those agencies administer, this Release Agreement will completely bar any recovery or relief obtained on Executive's behalf, whether monetary or otherwise, by any person or entity with respect to any of the claims that Executive has released against the Released Parties.

11. Executive agrees that Executive will not recruit, solicit or encourage any employee of the Company or any of its subsidiaries, related or affiliated companies, whom Executive directly or indirectly supervised or about whom Executive received confidential information during the two years preceding termination to leave his or her employment to work for another entity for a period of two (2) years from the Last Day. Executive shall contact the Vice President, Human Resources for Harley-Davidson, Inc. for confirmation of the expectations set forth in this Paragraph if Executive has any concern that any of Executive's actions may be considered a violation of this Paragraph. Any understanding between Executive and the Vice President, Human Resources detailing specific conduct permitted under this Paragraph 11 shall be reduced to writing and signed by both parties. If Executive breaks the promise set forth in this Paragraph and/or any additional written understanding as set forth above, Executive will reimburse the Company for the pay and relocation reimbursement forgiveness set forth in paragraph 2 and its subparagraphs of the attached letter.
12. Executive further agrees that during the twelve-month period following the Last Day (*i.e.*, through October 25, 2020), Executive shall not on behalf of or in connection with any Competitive Business accept or perform any employment or service or provide any assistance, whether as an employee, consultant, contractor, agent, officer, director, investor, member or otherwise, in any position or capacity in which Executive's knowledge of Company confidential information or trade secrets of the Company or personal association with the goodwill of the Company would reasonably be considered useful. In this regard, the parties expressly agree that by virtue of Executive's prior, high-level duties for the Company, the forgoing necessarily and at a minimum precludes Executive from holding a senior level executive position relating to motorcycles for a Competitive Business. "Competitive Business" as used in this Release Agreement means any person, firm, corporation, or entity of any type other than the Company that: (a) is engaged in developing, making, marketing or selling: (i) two- or three-wheeled motorcycles; (ii) motorcycle parts, motorcycle accessories, and/or motorcycle clothing; or (iii) other motorcycle-related or motorcycle brand-identified products or services; and (b) markets or sells, or attempts, intends, or is reasonably expected to market or sell, directly or indirectly such as through a dealer or dealer network, any of these products or services in any Prohibited Territory. Examples of a Competitive Business provided for your convenience and subject to change in an evolving marketplace include, but are not limited to the following: KTM AG; Husqvarna Motorcycles GmbH; Royal Enfield; Erik Buell Racing LLC; MV AGUSTA Motor S.p.A.; Parts Unlimited; Tucker Rocky Distributing; Polaris Industries, Inc.; Victory Motorcycles; Indian Motorcycle Company; Triumph Motorcycles Ltd.; Honda Racing

Corporation; Yamaha Motor Co., Ltd.; Suzuki Motor Corporation; Kawasaki Motorcycle & Engine Company; Zero Motorcycles, Inc.; Brammo, Inc.; BMW Motorrad; Bombardier Recreational Products Inc.; Bajaj Auto Limited; TVS Motor Company Ltd.; The Hero Group, Ltd.; and Ural Motorcycles. Tesla, Inc. would be another example of a Competitive Business if Tesla is engaged in developing, manufacturing, marketing or selling a two- or three-wheeled motorcycle and/or related products or services. This non-exhaustive list of examples of competitive businesses does not limit the scope of the definition of Competitive Business provided above. "Prohibited Territory" shall mean any country in which the Company, at any time during the time period from Executive's date of hire (April 15, 2019) through Last Day (a) directly or indirectly, such as through a dealer network, marketed or sold its motorcycles or motorcycle-related products or services, or (b) had documented plans to market or sell, directly or indirectly, its motorcycles or motorcycle-related products or services (unless such plans had been abandoned). Executive further agrees:

- a. If Executive fails to comply with this noncompete promise, the Company will suffer irreparable harm and shall be entitled to an immediate injunction requiring Executive's strict compliance with this promise and can also seek monetary damages.
 - b. If Executive fails to comply with this noncompete promise, the Company has the right to stop all payments set forth in paragraph 2 or if such payments have been made, to seek monetary damages including but not limited to recoupment of the payments set forth in paragraph 2. The Executive agrees that this promise is a material consideration for the Company's willingness to enter into this Release Agreement.
 - c. Executive shall provide reasonable advance written notice to the current or acting Vice-President, Human Resources for Company before Executive becomes otherwise employed or performs any services for any person, firm, corporation or entity related in any way to a Competitive Business during the non-compete period (through October 25, 2020).
 - d. Executive shall contact the Vice President, Human Resources for Harley-Davidson, Inc. for confirmation of the expectations set forth in this Paragraph if he has any concern that any of Executive's actions may be considered a violation of this Paragraph. Any understanding between Executive and the Vice President, Human Resources detailing specific conduct permitted under this Paragraph 12 shall be reduced to writing and signed by both parties.
13. It is agreed and understood that Executive shall be solely responsible for any individual tax liability imposed on Executive for the payments made pursuant to the attached letter, except for any Company statutory tax withholding obligations.
14. Except as specifically incorporated by reference herein, this is the whole Release Agreement between Executive and Company and the other Released Parties. For the sake of clarity, (a) Executive's Employee Commitment (Attachment A) is specifically incorporated by reference herein and remains in full force and effect and (b) prior non-compete and non-

solicit covenants that were set forth in Restricted Stock Unit Agreement(s) and Performance Shares Agreement(s), if applicable are now superseded by the terms set forth in paragraph 12 of this Release Agreement . No other promises or oral or written statements have been made to Executive other than those in or incorporated into this Release Agreement. If any portion of this Release Agreement is found to be unenforceable, then Executive, Company and the other Released Parties desire that all other portions that can be separated from it or appropriately limited in scope, shall remain fully valid and enforceable.

15. This Release Agreement may not and shall not be deemed or construed to have been modified, amended, rescinded, cancelled or waived in whole or in part except by a written instrument signed by all parties.
16. Executive hereby acknowledges that the benefits described in the attached letter and/or provided in this Release Agreement are different than those to which Executive is entitled by any contract, employment policy, or otherwise. Executive may accept the terms of this Release Agreement by delivering a signed copy of this Release Agreement to Vice President, Human Resources at 3700 W. Juneau Avenue, Milwaukee, WI 53208 on or before 4:00 p.m. on November 13, 2019.
17. The parties agree that this Release Agreement becomes effective upon the payment of the lump sum set forth in paragraph 2(a) of the attached letter.

EXECUTIVE ACKNOWLEDGES THAT EXECUTIVE HAS READ THIS RELEASE AGREEMENT, EXECUTIVE UNDERSTANDS IT, EXECUTIVE KNOWS IT CONTAINS A GENERAL RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS, AND EXECUTIVE IS VOLUNTARILY ENTERING INTO IT.

/S/Neil Grimmer 11/13/19

Neil Grimmer Date

HARLEY-DAVIDSON MOTOR COMPANY

By: /S/Julie Anding 11/13/19

Date

Title: Vice President, Human Resources

HARLEY-DAVIDSON, INC. SUBSIDIARIES

Name	Jurisdiction of Incorporation
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 Asia Pacific, LLC	Wisconsin
Harley-Davidson Retail, Inc.	Wisconsin
Buell Motorcycle Company, LLC	Wisconsin
HDWA, LLC	Wisconsin
H-D LiveWire Labs, LLC	California
Harley-Davidson Dealer Systems, Inc.	Ohio
ElectricSoul, LLC	Delaware
StaCyc, Inc.	Delaware
H-D International Holding Co., Inc.	Wisconsin
Harley-Davidson Holding Co., Inc.	Delaware
Harley-Davidson Benelux B.V.	Netherlands
Harley-Davidson Retail 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
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

Name	Jurisdiction of Incorporation
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 Motor (Thailand) Limited	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
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 2019-L	Delaware
Harley-Davidson Motorcycle Trust 2019-A	Delaware
Harley-Davidson Motorcycle Trust 2020-A	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. 333-123405) pertaining to the Harley-Davidson, Inc. 2004 Incentive Stock Plan;
- (3) Registration Statement (Form S-8 No. 333-166549) pertaining to the Harley-Davidson, Inc. 2009 Incentive Stock Plan;
- (4) Registration Statement (Form S-8 No. 333-171813) pertaining to the Harley-Davidson, Inc. Stock Purchase Plan;
- (5) 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, and the Harley-Davidson Retirement Savings Plan for York Hourly Bargaining Unit Employees;
- (6) Registration Statement (Form S-8 No. 333-199972) pertaining to the Harley-Davidson, Inc. 2014 Incentive Stock Plan;
- (7) Registration Statement (Form S-8 No. 333-231340) pertaining to the 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, and the Harley-Davidson Retirement Savings Plan for York Hourly Bargaining Unit Employees

of our reports dated February 19, 2020, 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, Inc. for the year ended December 31, 2019.

/s/ Ernst & Young LLP
Milwaukee, Wisconsin
February 19, 2020

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 19, 2020

/S/ Matthew S. Levatich

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 19, 2020

/s/ John A. Olin

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, 2019 (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 19, 2020

/S/ Matthew S. Levatich

Matthew S. Levatich

President and Chief Executive Officer

/S/ John A. Olin

John A. Olin

Senior Vice President and
Chief Financial Officer