

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549**

FORM 10-Q

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

For the quarterly period ended April 1, 2018

☐ **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
Milwaukee, Wisconsin**
(Address of principal executive offices)

53208
(Zip code)

Registrants telephone number: (414) 342-4680

None
(Former name, former address and former fiscal year, if changed since last report)

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 requirements for the past 90 days. Yes ☒ No ☐

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

Indicate by check mark 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	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth 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 Exchange Act. Yes ☐ No ☒

Number of shares of the registrant's common stock outstanding at May 4, 2018: 166,436,632 shares

Harley-Davidson, Inc.

Form 10-Q

For The Quarter Ended April 1, 2018

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

HARLEY-DAVIDSON, INC. **CONSOLIDATED STATEMENTS OF INCOME** (In thousands, except per share amounts) (Unaudited)

	Three months ended	
	April 1, 2018	March 26, 2017
Revenue:		
Motorcycles and Related Products	\$ 1,363,947	\$ 1,328,711
Financial Services	178,174	173,221
Total revenue	1,542,121	1,501,932
Costs and expenses:		
Motorcycles and Related Products cost of goods sold	890,174	853,888
Financial Services interest expense	48,450	43,289
Financial Services provision for credit losses	30,052	43,589
Selling, administrative and engineering expense	290,186	271,984
Restructuring expense	46,842	—
Total costs and expenses	1,305,704	1,212,750
Operating income	236,417	289,182
Other income (expense), net	220	2,296
Investment income	1,203	879
Interest expense	7,690	7,673
Income before provision for income taxes	230,150	284,684
Provision for income taxes	55,387	98,315
Net income	\$ 174,763	\$ 186,369
Earnings per common share:		
Basic	\$ 1.04	\$ 1.06
Diluted	\$ 1.03	\$ 1.05
Cash dividends per common share	\$ 0.370	\$ 0.365

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

HARLEY-DAVIDSON, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three months ended April 1, 2018	March 26, 2017
Net income	\$ 174,763	\$ 186,369
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	6,915	15,557
Derivative financial instruments	765	(9,052)
Marketable securities	—	(10)
Pension and postretirement benefit plans	85,765	7,256
Total other comprehensive income, net of tax	93,445	13,751
Comprehensive income	\$ 268,208	\$ 200,120

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

HARLEY-DAVIDSON, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)

	(Unaudited) April 1, 2018	December 31, 2017	(Unaudited) March 26, 2017
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 753,517	\$ 687,521	\$ 839,700
Marketable securities	—	—	5,004
Accounts receivable, net	355,107	329,986	335,578
Finance receivables, net	2,341,918	2,105,662	2,354,095
Inventories	564,571	538,202	485,476
Restricted cash	54,569	47,518	75,705
Other current assets	150,472	175,853	142,362
Total current assets	4,220,154	3,884,742	4,237,920
Finance receivables, net	4,784,524	4,859,424	4,792,027
Property, plant and equipment, net	934,645	967,781	953,044
Prepaid pension costs	122,230	19,816	—
Goodwill	56,524	55,947	53,967
Deferred income taxes	77,624	109,073	165,196
Other long-term assets	81,920	75,889	79,701
	<u>\$ 10,277,621</u>	<u>\$ 9,972,672</u>	<u>\$ 10,281,855</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Current liabilities:			
Accounts payable	\$ 319,040	\$ 227,597	\$ 358,684
Accrued liabilities	566,408	529,822	547,637
Short-term debt	1,036,976	1,273,482	953,357
Current portion of long-term debt, net	1,872,679	1,127,269	697,061
Total current liabilities	3,795,103	3,158,170	2,556,739
Long-term debt, net	4,108,511	4,587,258	5,320,797
Pension liability	54,921	54,606	52,559
Postretirement healthcare liability	113,031	118,753	171,143
Other long-term liabilities	210,106	209,608	187,208
Commitments and contingencies (Note 15)			
Shareholders' equity:			
Preferred stock, none issued	—	—	—
Common stock	1,818	1,813	1,813
Additional paid-in-capital	1,432,692	1,422,808	1,397,172
Retained earnings	1,725,626	1,607,570	1,459,431
Accumulated other comprehensive loss	(406,604)	(500,049)	(551,630)
Treasury stock, at cost	(757,583)	(687,865)	(313,377)
Total shareholders' equity	1,995,949	1,844,277	1,993,409
	<u>\$ 10,277,621</u>	<u>\$ 9,972,672</u>	<u>\$ 10,281,855</u>

HARLEY-DAVIDSON, INC.
CONSOLIDATED BALANCE SHEETS (continued)
(In thousands)

	(Unaudited) April 1, 2018	December 31, 2017	(Unaudited) March 26, 2017
Balances held by consolidated variable interest entities (Note 11)			
Current finance receivables, net	\$ 182,033	\$ 194,813	\$ 218,001
Other assets	\$ 2,175	\$ 2,148	\$ 3,204
Non-current finance receivables, net	\$ 464,185	\$ 521,940	\$ 825,825
Restricted cash - current and non-current	\$ 55,140	\$ 48,706	\$ 79,254
Current portion of long-term debt, net	\$ 205,055	\$ 209,247	\$ 253,070
Long-term debt, net	\$ 361,049	\$ 422,834	\$ 718,509

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

HARLEY-DAVIDSON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three months ended April 1, 2018	March 26, 2017
Net cash provided by operating activities (Note 7)	\$ 191,594	\$ 159,939
Cash flows from investing activities:		
Capital expenditures	(28,436)	(23,967)
Origination of finance receivables	(798,067)	(844,692)
Collections on finance receivables	809,800	781,154
Other	(4,948)	52
Net cash used by investing activities	(21,651)	(87,453)
Cash flows from financing activities:		
Proceeds from issuance of medium-term notes	347,553	497,406
Repayments of medium-term notes	—	(400,000)
Repayments of securitization debt	(67,955)	(111,359)
Borrowings of asset-backed commercial paper	35,504	305,209
Repayments of asset-backed commercial paper	(45,907)	(29,383)
Net decrease in credit facilities and unsecured commercial paper	(234,145)	(101,702)
Dividends paid	(62,731)	(64,611)
Purchase of common stock for treasury	(72,968)	(79,753)
Issuance of common stock under employee stock option plans	1,719	7,336
Net cash (used) provided by financing activities	(98,930)	23,143
Effect of exchange rate changes on cash, cash equivalents and restricted cash	2,034	7,219
Net increase in cash, cash equivalents and restricted cash	\$ 73,047	\$ 102,848
Cash, cash equivalents and restricted cash:		
Cash, cash equivalents and restricted cash—beginning of period	\$ 746,210	\$ 827,131
Net increase in cash, cash equivalents and restricted cash	73,047	102,848
Cash, cash equivalents and restricted cash—end of period	\$ 819,257	\$ 929,979
Reconciliation of cash, cash equivalents and restricted cash to the Consolidated Balance Sheet:		
Cash and cash equivalents	\$ 753,517	\$ 839,700
Restricted cash	54,569	75,705
Restricted cash included in other long-term assets	11,171	14,574
Total cash, cash equivalents and restricted cash shown in the Statement of Cash Flows	\$ 819,257	\$ 929,979

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

HARLEY-DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation and Use of Estimates

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 are eliminated.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the consolidated balance sheets as of April 1, 2018 and March 26, 2017, the consolidated statements of income for the three month periods then ended, the consolidated statements of comprehensive income for the three month periods then ended and the consolidated statements of cash flows for the three month periods then ended.

Certain information and footnote disclosures normally included in complete financial statements have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and U.S. generally accepted accounting principles (U.S. GAAP) for interim financial reporting. These consolidated financial statements should be read in conjunction with the audited financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

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

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

2. New Accounting Standards

Accounting Standards Recently Adopted

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09 Revenue from Contracts with Customers (ASU 2014-09). ASU 2014-09 is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The Company adopted ASU 2014-09 on January 1, 2018. The Company applied the standard to all contracts using the modified retrospective method. As such, the Company recognized the cumulative effect of the adoption as an adjustment to the opening balance of retained earnings. The comparative information has not been restated.

The majority of the Company's Motorcycles and related products revenue will continue to be recognized when products are shipped to customers. For a limited number of vehicle sales where revenue was previously deferred due to a guaranteed resale value the Company will now recognize revenue when those vehicles are shipped in accordance with ASU 2014-09. The Company recorded a net increase to the opening balance of retained earnings of \$6.0 million, net of income taxes, as of January 1, 2018 as a result of adopting ASU 2014-09. The Company also adjusted other assets and accrued liabilities associated with these vehicle sales in connection with its adoption of ASU 2014-09.

The majority of the Financial Services segment's revenues relate to loan and servicing activities which are outside the scope of this guidance. Financial Services revenues that fall under the scope of ASU 2014-09 continue to be recognized at the point of sale, or over the estimated life of the contract, as appropriate.

The following tables illustrate the impact of adoption of ASU 2014-09 on the consolidated statement of income for the three months ended April 1, 2018 and the consolidated balance sheet as of April 1, 2018 (in thousands):

Consolidated Statement of Income

	As Reported	Without Adoption of ASC 606	Effect of Change
Revenue:			
Motorcycles and Related Products	\$ 1,363,947	\$ 1,367,984	\$ (4,037)
Costs and expenses:			
Motorcycles and Related Products cost of goods sold	\$ 890,174	\$ 890,238	\$ (64)
Operating income	\$ 236,417	\$ 240,390	\$ (3,973)
Income before provision for income taxes	\$ 230,150	\$ 234,123	\$ (3,973)
Provision for income taxes	\$ 55,387	\$ 56,350	\$ (963)
Net income	\$ 174,763	\$ 177,773	\$ (3,010)

Consolidated Balance Sheet

	As Reported	Without Adoption of ASC 606	Effect of Change
ASSETS			
Other current assets	\$ 150,472	\$ 166,864	\$ (16,392)
Deferred income taxes	\$ 77,624	\$ 79,472	\$ (1,848)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Accrued liabilities	\$ 566,408	\$ 587,662	\$ (21,254)
Retained earnings	\$ 1,725,626	\$ 1,722,612	\$ 3,014

In March 2017, the FASB issued ASU No. 2017-07 Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (ASU 2017-07). ASU 2017-07 amends ASC 715, Compensation - Retirement Benefits by requiring employers to present the service cost component of net periodic benefit cost in the same income statement line item as other employee compensation costs arising from services rendered during the period. Other components of the net periodic benefit cost will be presented separately from the line item that includes the service cost and outside of any subtotal of operating income. The guidance also limits the components that are eligible for capitalization in assets. The Company adopted ASU 2017-07 retrospectively on January 1, 2018. As a result, the non-service cost components of net periodic benefit cost have been presented in Other income (expense), net and the prior period has been recast to reflect the new presentation. The Company elected the practical expedient allowing the use of previously disclosed benefit components as the basis for the retrospective application. Net periodic benefit cost (credit) previously recorded in Motorcycles and Related Products cost of goods sold and Selling, administrative and engineering expense of \$2.7 million and \$(0.4) million, respectively, for the three months ended March 26, 2017 has been reclassified to Other income (expense), net.

In November 2016, the FASB issued ASU No. 2016-18 Statement of Cash Flows (Topic 230): Restricted Cash (ASU 2016-18). ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. As such, restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Company adopted ASU 2016-18 on January 1, 2018 on a retrospective basis. As a result, the change in restricted cash has been excluded from financing activities and included in the change in cash, cash equivalents and restricted cash and the prior period has been recast to reflect the new presentation.

In January 2016, the FASB issued ASU No. 2016-01 Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities (ASU 2016-01). ASU 2016-01 enhances the existing financial instruments reporting model by modifying fair value measurement tools, simplifying impairment assessments for certain equity instruments and modifying overall presentation and disclosure requirements. The ASU was subsequently amended by ASU No. 2018-03 and ASU No. 2018-04. The Company adopted ASU 2016-01 on January 1, 2018 on a prospective basis. The adoption of ASU 2016-01 did not have a material impact on its financial statements.

In August 2016, the FASB issued ASU No. 2016-15 Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (ASU 2016-15). ASU 2016-15 addresses eight specific cash flow items with the objective of reducing diversity in practice regarding how certain cash receipts and cash payments are presented in the statement of cash flows. The Company adopted ASU 2016-15 on January 1, 2018 on a retrospective basis. The adoption of ASU 2016-15 did not have a material impact on its financial statements.

In October 2016, the FASB issued ASU No. 2016-16 Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory (ASU 2016-16). ASU 2016-16 states that an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The Company adopted ASU 2016-16 on January 1, 2018 using a modified retrospective approach. The adoption of ASU 2016-16 did not have a material impact on its financial statements.

Accounting Standards Not Yet Adopted

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

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

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

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

In February 2018, the FASB issued ASU No. 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (ASU 2018-02). Under existing U.S. GAAP, the effects of changes in tax rates and laws on deferred tax balances are recorded as a component of income tax expense in the period in which the law was enacted. When deferred tax balances related to items originally recorded in accumulated other comprehensive income are adjusted, certain tax effects

become stranded in accumulated other comprehensive income. The amendments in ASU 2018-02 allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the 2017 Tax Cuts and Jobs Act. The amendments in this ASU also require certain disclosures about stranded tax effects. The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption in any period is permitted. The Company's provisional adjustments recorded in 2017 to account for the impact of the 2017 Tax Cuts and Jobs Act resulted in stranded tax effects. The Company is currently evaluating the impact of adopting ASU 2018-02.

3. 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.

The following table disaggregates revenue by major source for the three months ended April 1, 2018 (in thousands):

Motorcycles and Related Products:		
Motorcycles	\$	1,121,673
Parts & Accessories		169,075
General Merchandise		56,601
Licensing		8,358
Other		8,240
Revenue from Motorcycles and Related Products		1,363,947
Financial Services:		
Interest income		154,041
Securitization and servicing fee income		352
Other income		23,781
Revenue from Financial Services		178,174
Total revenue	\$	1,542,121

The following is a description of principal activities from which the Company generates its revenue, by reportable segment.

Motorcycles and Related Products

Motorcycles, Parts and Accessories, and General Merchandise - Sales of motorcycles, parts and accessories, and general merchandise are recorded when control is transferred to wholesale customers (independent dealers). This generally takes place upon shipment of the products. The sale of products to independent dealers outside the U.S. and Canada is generally on open account with terms that generally approximate 30-120 days and the resulting receivables are included in accounts receivable in the consolidated balance sheets. The sale of products in the U.S. and Canada is financed by the purchasing dealers through HDFS and the related receivables are included in finance receivables in the consolidated balance sheets.

The Company may offer sales incentive programs to dealers and retail customers designed to promote the sale of motorcycles, parts and accessories, and general merchandise. The Company estimates its variable consideration related to motorcycles and related products sold under its sales incentive programs using the expected value method. Further, 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 may offer to its dealers the right to return eligible parts and 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 decreased revenue by an immaterial amount during the three months ended April 1, 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 and 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 name “Harley-Davidson” and other trademarks owned by the Company and collects royalties from its customers (licensees). The trademark licenses are considered symbolic intellectual property, which grant the customer 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 customer 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 customers’ subsequent sales occur. The Company applies the practical expedient in ASC 606-10-55-18 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 6 years.

Other Revenue - Other Revenue consists primarily of revenue from Harley Ownership Group (H.O.G.) membership sales, motorcycle rental commissions, dealer software sales, 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. Certain loan origination costs related to finance receivables, including payments made to dealers for certain retail loans, are deferred and recorded within finance receivables, and amortized over the estimated life of the contract.

Securitization and Servicing Income - Securitization and Servicing income consists of revenue from servicing and ancillary fees associated with HDFS’ off-balance sheet asset-backed securitization transaction. Refer to Note 11 of the Notes to Consolidated Financial Statements for further discussion regarding asset-backed financing.

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 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

Deferred revenue relates 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. On January 1, 2018, \$23.4 million of deferred revenue was included in *Accrued liabilities* and *Other long-term liabilities* in the consolidated balance sheet. \$4.0 million of this was recognized as revenue in the three months ended April 1, 2018. At April 1, 2018, the unearned revenue balance was \$27.6

million. The Company expects to recognize approximately \$12.7 million of the remaining unearned revenue in 2018, \$7.2 million in 2019 and \$7.8 million thereafter.

4. 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 motorcycle assembly plant in Kansas City, Missouri, into its plant in York, Pennsylvania, and the closure of its wheel operations in Adelaide, Australia. As the U.S. operations are consolidated, the Company expects approximately 800 jobs will be eliminated with the closure of Kansas City operations and approximately 450 jobs will be added in York by 2019. Approximately 90 jobs will be eliminated in Adelaide.

The Company expects to incur restructuring and other consolidation costs of \$170 to \$200 million in the Motorcycles segment related to this plan through 2019, of which approximately 70% will be cash charges. This includes \$135 million to \$155 million of restructuring expense and \$35 million to \$45 million of costs related to temporary inefficiencies. The Company expects restructuring expenses to include the cost of employee termination benefits, accelerated depreciation and other project implementation costs of \$50 million to \$60 million, \$45 million to \$50 million and \$40 million to \$45 million, respectively. Restructuring expense is recorded as a separate line item in the consolidated statement of income and the accrued restructuring liability is recorded in accrued liabilities in the consolidated balance sheet. The Company expects the plan to be completed by mid-2019. Changes in the accrued restructuring liability (in thousands) were as follows:

	Three months ended April 1, 2018			
	Employee Termination Benefits	Accelerated Depreciation	Other	Total
Balance, beginning of period	\$ —	\$ —	\$ —	\$ —
Restructuring expense	(40,791)	(5,613)	(438)	(46,842)
Utilized - cash	2,300	—	374	2,674
Utilized - non cash	—	5,613	—	5,613
Foreign currency changes	204	—	1	205
Balance, end of period	<u>\$ (38,287)</u>	<u>\$ —</u>	<u>\$ (63)</u>	<u>\$ (38,350)</u>

The Company incurred \$0.7 million of incremental cost of goods sold during the three month period ended April 1, 2018 due to temporary inefficiencies resulting from implementing the manufacturing optimization plan.

5. Income Taxes

The Company's 2018 effective income tax rate for the three months ended April 1, 2018 was 24.1% compared to 34.5% for the three months ended March 26, 2017. The Company's effective income tax rate was lower in 2018 due primarily to the impact of the 2017 Tax Cuts and Jobs Act (2017 Tax Act) that was enacted in December of 2017. The 2017 Tax Act included broad and complex changes to the U.S. tax code including a reduction of the corporate income tax rate from 35% to 21%, the move toward a territorial tax system and the elimination of the domestic manufacturing deduction. During the three months ended December 31, 2017, the Company recorded a \$53.1 million tax expense to recognize the initial effects of the 2017 Tax Act relating primarily to the remeasurement of deferred tax assets. The Company has deemed its income tax estimates related to the 2017 Tax Act to be provisional under SEC Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118). The Company believes future guidance, interpretations and pronouncements will add clarity to the numerous aspects of the 2017 Tax Act that may impact the Company which may result in revisions to the Company's provisional estimates. There were no material changes to these provisional estimates during the three month period ended April 1, 2018.

6. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share amounts):

	Three months ended	
	April 1, 2018	March 26, 2017
Numerator:		
Net income used in computing basic and diluted earnings per share	\$ 174,763	\$ 186,369
Denominator:		
Denominator for basic earnings per share - weighted-average common shares	168,139	176,001
Effect of dilutive securities - employee stock compensation plan	1,035	1,069
Denominator for diluted earnings per share - adjusted weighted-average shares outstanding	169,174	177,070
Earnings per common share:		
Basic	\$ 1.04	\$ 1.06
Diluted	\$ 1.03	\$ 1.05

Outstanding options to purchase 1.0 million and 0.8 million shares of common stock for the three months ended April 1, 2018 and March 26, 2017, respectively, were not included in the Company's computation of dilutive securities because the exercise price was greater than the market price, and therefore, the effect would have been anti-dilutive.

The Company has a share-based compensation plan under which employees may be granted share-based awards including restricted stock units (RSUs). Non-forfeitable dividend equivalents are paid on unvested RSUs. As such, RSUs are considered participating securities under the two-class method of calculating earnings per share as described in ASC Topic 260, "Earnings per Share." The two-class method of calculating earnings per share did not have a material impact on the Company's earnings per share calculation for the three month periods ended April 1, 2018 and March 26, 2017.

7. Additional Balance Sheet and Cash Flow Information

Marketable Securities

The Company's marketable securities consisted of the following (in thousands):

	April 1, 2018	December 31, 2017	March 26, 2017
Available-for-sale corporate bonds	\$ —	\$ —	\$ 5,004
Mutual funds	49,402	48,006	41,674
Total marketable securities	\$ 49,402	\$ 48,006	\$ 46,678

The Company's available-for-sale corporate debt securities are carried at fair value with any unrealized gains or losses reported in other comprehensive income. During the first three months of 2017, unrealized losses were not material. There were no available-for-sale debt securities outstanding at April 1, 2018. The mutual fund investments are held by the Company to fund certain deferred compensation obligations. These investments are carried at fair value with gains and losses recorded in net income and are included in other long-term assets on the consolidated balance sheets.

Inventories

Substantially all inventories located in the United States are valued using the last-in, first-out (LIFO) method. Other inventories are valued at the lower of cost or net realizable value using the first-in, first-out (FIFO) method. Inventories consisted of the following (in thousands):

	April 1, 2018	December 31, 2017	March 26, 2017
Raw materials and work in process	\$ 177,652	\$ 161,664	\$ 153,195
Motorcycle finished goods	289,046	289,530	263,408
Parts and accessories and general merchandise	150,228	139,363	117,140
Inventory at lower of FIFO cost or net realizable value	616,926	590,557	533,743
Excess of FIFO over LIFO cost	(52,355)	(52,355)	(48,267)
Total inventories, net	<u>\$ 564,571</u>	<u>\$ 538,202</u>	<u>\$ 485,476</u>

Operating Cash Flow

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

	Three months ended April 1, 2018	March 26, 2017
Cash flows from operating activities:		
Net income	\$ 174,763	\$ 186,369
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of intangibles	62,473	54,900
Amortization of deferred loan origination costs	20,116	20,078
Amortization of financing origination fees	2,028	2,076
Provision for long-term employee benefits	9,747	7,475
Employee benefit plan contributions and payments	(5,486)	(29,957)
Stock compensation expense	7,962	6,992
Net change in wholesale finance receivables related to sales	(239,902)	(317,087)
Provision for credit losses	30,052	43,589
Deferred income taxes	3,188	3,989
Other, net	(1,902)	(5,334)
Changes in current assets and liabilities:		
Accounts receivable, net	(17,688)	(39,230)
Finance receivables - accrued interest and other	4,758	5,142
Inventories	(21,542)	23,476
Accounts payable and accrued liabilities	148,923	182,928
Derivative instruments	702	3,120
Other	13,402	11,413
Total adjustments	<u>16,831</u>	<u>(26,430)</u>
Net cash provided by operating activities	<u>\$ 191,594</u>	<u>\$ 159,939</u>

8. Finance Receivables

The Company provides retail financial services to customers of the Company's independent dealers in the United States 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 sales contracts. The Company holds either titles or liens on titles to vehicles financed by promissory notes and installment sales contracts.

The Company offers wholesale financing to the Company's independent dealers. Wholesale loans to dealers are generally secured by financed inventory or property and are originated in the U.S. and Canada.

Finance receivables, net, consisted of the following (in thousands):

	April 1, 2018	December 31, 2017	March 26, 2017
Retail	\$ 6,064,192	\$ 6,140,600	\$ 6,002,550
Wholesale	1,252,600	1,016,957	1,327,602
Total finance receivables	7,316,792	7,157,557	7,330,152
Allowance for credit losses	(190,350)	(192,471)	(184,030)
Finance receivables, net	\$ 7,126,442	\$ 6,965,086	\$ 7,146,122

A 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 losses of principal 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. However, due to the use of projections and assumptions in estimating the losses, the amount of losses actually incurred by the Company could differ from the amounts estimated.

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

Three months ended April 1, 2018			
	Retail	Wholesale	Total
Balance, beginning of period	\$ 186,254	\$ 6,217	\$ 192,471
Provision for credit losses	28,069	1,983	30,052
Charge-offs	(45,081)	—	(45,081)
Recoveries	12,908	—	12,908
Balance, end of period	\$ 182,150	\$ 8,200	\$ 190,350

Three months ended March 26, 2017			
	Retail	Wholesale	Total
Balance, beginning of period	\$ 166,810	\$ 6,533	\$ 173,343
Provision for credit losses	42,160	1,429	43,589
Charge-offs	(45,924)	—	(45,924)
Recoveries	13,022	—	13,022
Balance, end of period	\$ 176,068	\$ 7,962	\$ 184,030

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.

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 the 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.

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, was as follows (in thousands):

	April 1, 2018		
	Retail	Wholesale	Total
Allowance for credit losses, ending balance:			
Individually evaluated for impairment	\$ —	\$ 184	\$ 184
Collectively evaluated for impairment	182,150	8,016	190,166
Total allowance for credit losses	\$ 182,150	\$ 8,200	\$ 190,350
Finance receivables, ending balance:			
Individually evaluated for impairment	\$ —	\$ 220	\$ 220
Collectively evaluated for impairment	6,064,192	1,252,380	7,316,572
Total finance receivables	\$ 6,064,192	\$ 1,252,600	\$ 7,316,792
	December 31, 2017		
	Retail	Wholesale	Total
Allowance for credit losses, ending balance:			
Individually evaluated for impairment	\$ —	\$ —	\$ —
Collectively evaluated for impairment	186,254	6,217	192,471
Total allowance for credit losses	\$ 186,254	\$ 6,217	\$ 192,471
Finance receivables, ending balance:			
Individually evaluated for impairment	\$ —	\$ —	\$ —
Collectively evaluated for impairment	6,140,600	1,016,957	7,157,557
Total finance receivables	\$ 6,140,600	\$ 1,016,957	\$ 7,157,557
	March 26, 2017		
	Retail	Wholesale	Total
Allowance for credit losses, ending balance:			
Individually evaluated for impairment	\$ —	\$ —	\$ —
Collectively evaluated for impairment	176,068	7,962	184,030
Total allowance for credit losses	\$ 176,068	\$ 7,962	\$ 184,030
Finance receivables, ending balance:			
Individually evaluated for impairment	\$ —	\$ —	\$ —
Collectively evaluated for impairment	6,002,550	1,327,602	7,330,152
Total finance receivables	\$ 6,002,550	\$ 1,327,602	\$ 7,330,152

Additional information related to the wholesale finance receivables that are individually deemed to be impaired under ASC Topic 310, "Receivables," at April 1, 2018 includes (in thousands):

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Wholesale:					
No related allowance recorded	\$ —	\$ —	\$ —	\$ —	\$ —
Related allowance recorded	251	220	184	251	—
Total impaired wholesale finance receivables	\$ 251	\$ 220	\$ 184	\$ 251	\$ —

Retail finance receivables are contractually delinquent if the minimum payment is not received by the specified due date. Retail finance receivables are generally charged-off when the receivable is 120 days or more delinquent, the related asset is

repossessed or the receivable is otherwise deemed uncollectible. All retail finance receivables accrue interest until either collected or charged-off. Accordingly, as of April 1, 2018, December 31, 2017 and March 26, 2017, all retail finance receivables were accounted for as interest-earning receivables, of which \$27.9 million, \$40.0 million and \$28.5 million, respectively, were 90 days or more past due.

Wholesale finance receivables are delinquent if the minimum payment is not received by the contractual due date. Wholesale finance receivables are written down once management determines that the specific borrower does not have the ability to repay the loan in full. Interest continues to accrue on past due finance receivables until the date the finance receivable becomes uncollectible and the finance receivable is placed on non-accrual status. The Company will resume accruing interest on these accounts when payments are current according to the terms of the loans and future payments are reasonably assured. While on non-accrual status, all cash received is applied to principal or interest as appropriate. The recorded investment of non-accrual status wholesale finance receivables at April 1, 2018 was \$0.2 million. There were no wholesale receivables on non-accrual status at December 31, 2017 or March 26, 2017. At April 1, 2018, December 31, 2017 and March 26, 2017, \$0.2 million, \$0.1 million, and \$0.6 million of wholesale finance receivables were 90 days or more past due and accruing interest, respectively.

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

April 1, 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	\$ 5,897,632	\$ 105,366	\$ 33,275	\$ 27,919	\$ 166,560	\$ 6,064,192
Wholesale	1,247,175	549	4,705	171	5,425	1,252,600
Total	\$ 7,144,807	\$ 105,915	\$ 37,980	\$ 28,090	\$ 171,985	\$ 7,316,792
December 31, 2017						
	Current	31-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Total Finance Receivables
Retail	\$ 5,913,473	\$ 139,629	\$ 47,539	\$ 39,959	\$ 227,127	\$ 6,140,600
Wholesale	1,016,000	595	245	117	957	1,016,957
Total	\$ 6,929,473	\$ 140,224	\$ 47,784	\$ 40,076	\$ 228,084	\$ 7,157,557
March 26, 2017						
	Current	31-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Total Finance Receivables
Retail	\$ 5,840,164	\$ 100,471	\$ 33,403	\$ 28,512	\$ 162,386	\$ 6,002,550
Wholesale	1,325,575	1,129	273	625	2,027	1,327,602
Total	\$ 7,165,739	\$ 101,600	\$ 33,676	\$ 29,137	\$ 164,413	\$ 7,330,152

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

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

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

	April 1, 2018	December 31, 2017	March 26, 2017
Prime	\$ 4,923,237	\$ 4,966,193	\$ 4,806,730
Sub-prime	1,140,955	1,174,407	1,195,820
Total	\$ 6,064,192	\$ 6,140,600	\$ 6,002,550

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 in wholesale finance receivables, by internal credit quality indicator, was as follows (in thousands):

	April 1, 2018	December 31, 2017	March 26, 2017
Doubtful	\$ 1,582	\$ 688	\$ 1,133
Substandard	3,368	3,837	9,213
Special Mention	33,085	26,866	19,898
Medium Risk	10,512	9,917	14,648
Low Risk	1,204,053	975,649	1,282,710
Total	\$ 1,252,600	\$ 1,016,957	\$ 1,327,602

9. Derivative Instruments and Hedging Activities

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

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

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

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

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

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

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

Derivatives Designated As Hedging Instruments Under ASC Topic 815	April 1, 2018			December 31, 2017			March 26, 2017		
	Notional Value	Asset Fair Value(a)	Liability Fair Value(b)	Notional Value	Asset Fair Value(a)	Liability Fair Value(b)	Notional Value	Asset Fair Value(a)	Liability Fair Value(b)
Foreign currency contracts ^(c)	\$ 720,869	\$ 3,442	\$ 22,807	\$ 675,724	\$ 1,388	\$ 21,239	\$ 534,652	\$ 12,195	\$ 1,015
Commodity contracts ^(c)	728	—	11	915	—	69	1,027	23	—
Total	<u>\$ 721,597</u>	<u>\$ 3,442</u>	<u>\$ 22,818</u>	<u>\$ 676,639</u>	<u>\$ 1,388</u>	<u>\$ 21,308</u>	<u>\$ 535,679</u>	<u>\$ 12,218</u>	<u>\$ 1,015</u>

Derivatives Not Designated As Hedging Instruments Under ASC Topic 815	April 1, 2018			December 31, 2017			March 26, 2017		
	Notional Value	Asset Fair Value(a)	Liability Fair Value(b)	Notional Value	Asset Fair Value(a)	Liability Fair Value(b)	Notional Value	Asset Fair Value(a)	Liability Fair Value(b)
Commodity contracts	\$ 4,577	\$ 171	\$ 32	\$ 4,532	\$ 381	\$ —	\$ 5,046	\$ 228	\$ 37
Total	<u>\$ 4,577</u>	<u>\$ 171</u>	<u>\$ 32</u>	<u>\$ 4,532</u>	<u>\$ 381</u>	<u>\$ —</u>	<u>\$ 5,046</u>	<u>\$ 228</u>	<u>\$ 37</u>

(a) Included in other current assets

(b) Included in accrued liabilities

(c) Derivative designated as a cash flow hedge

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

Cash Flow Hedges	Amount of Gain/(Loss) Recognized in OCI, before tax	
	Three months ended	
	April 1, 2018	March 26, 2017
Foreign currency contracts	\$ (5,890)	\$ (11,797)
Commodity contracts	(16)	(106)
Total	<u>\$ (5,906)</u>	<u>\$ (11,903)</u>

	Amount of Gain/(Loss) Reclassified from AOCL into Income		
	Three months ended		Expected to be Reclassified
	April 1, 2018	March 26, 2017	Over the Next Twelve Months
Cash Flow Hedges			
Foreign currency contracts ^(a)	\$ (6,709)	\$ 2,516	\$ (15,783)
Commodity contracts ^(a)	(73)	48	1
Treasury rate locks ^(b)	(126)	(90)	(506)
Total	\$ (6,908)	\$ 2,474	\$ (16,288)

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

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

For the three months ended April 1, 2018 and March 26, 2017, the cash flow hedges were highly effective and, as a result, the amount of hedge ineffectiveness was not material. No amounts were excluded from effectiveness testing.

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

Derivatives Not Designated As Hedges	Amount of Gain/(Loss) Recognized in Income on Derivative	
	Three months ended	
	April 1, 2018	March 26, 2017
Commodity contracts ^(a)	\$ 6	\$ 20
Total	\$ 6	\$ 20

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

The Company is exposed to credit loss risk in the event of non-performance by counterparties to these derivative financial instruments. Although no assurances can be given, the Company does not expect any of the counterparties to these derivative financial instruments to fail to meet its 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 its position.

10. Debt

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

	April 1, 2018	December 31, 2017	March 26, 2017
Unsecured commercial paper	\$ 1,036,976	\$ 1,273,482	\$ 953,357
Total short-term debt	<u>\$ 1,036,976</u>	<u>\$ 1,273,482</u>	<u>\$ 953,357</u>

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

	April 1, 2018	December 31, 2017	March 26, 2017
Secured debt (Note 11)			
Asset-backed Canadian commercial paper conduit facility	\$ 158,162	\$ 174,779	\$ 141,013
Asset-backed U.S. commercial paper conduit facilities	281,311	279,457	286,205
Asset-backed securitization debt	285,130	353,085	686,396
Less: unamortized discount and debt issuance costs	(337)	(461)	(1,022)
Total secured debt	<u>724,266</u>	<u>806,860</u>	<u>1,112,592</u>
Unsecured notes (at par value)			
1.55% Medium-term notes due in 2017, issued November 2014	—	—	400,000
6.80% Medium-term notes due in 2018, issued May 2008	877,488	877,488	877,488
2.25% Medium-term notes due in 2019, issued January 2016	600,000	600,000	600,000
Floating-rate Medium-term notes due in 2019, issued March 2017 ^(a)	150,000	150,000	150,000
2.40% Medium-term notes due in 2019, issued September 2014	600,000	600,000	600,000
2.15% Medium-term notes due in 2020, issued February 2015	600,000	600,000	600,000
2.40% Medium-term notes due in 2020, issued March 2017	350,000	350,000	350,000
2.85% Medium-term notes due in 2021, issued January 2016	600,000	600,000	600,000
2.55% Medium-term notes due in 2022, issued June 2017	400,000	400,000	—
3.35% Medium-term notes due in 2023, issued February 2018	350,000	—	—
3.50% Senior unsecured notes due in 2025, issued July 2015	450,000	450,000	450,000
4.625% Senior unsecured notes due in 2045, issued July 2015	300,000	300,000	300,000
Less: unamortized discount and debt issuance costs	(20,564)	(19,821)	(22,222)
Gross long-term debt	5,981,190	5,714,527	6,017,858
Less: current portion of long-term debt, net of unamortized discount and debt issuance costs	(1,872,679)	(1,127,269)	(697,061)
Total long-term debt	<u>\$ 4,108,511</u>	<u>\$ 4,587,258</u>	<u>\$ 5,320,797</u>

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

11. 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." 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 balance sheet and a gain or loss is recognized for the difference between the cash proceeds received, the assets derecognized, and the liabilities recognized as part of the transaction. The gain or loss on sale is included in Financial Services revenue in the Consolidated Statement of Income.

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

The following tables show the assets and liabilities related to the on-balance sheet asset-backed financings included in the financial statements (in thousands):

April 1, 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	\$ 367,584	\$ (11,387)	\$ 38,207	\$ 1,207	\$ 395,611	\$ 284,793
Asset-backed U.S. commercial paper conduit facilities	299,318	(9,297)	16,933	968	307,922	281,311
Unconsolidated VIEs						
Asset-backed Canadian commercial paper conduit facility	183,073	(3,085)	10,600	320	190,908	158,162
Total on-balance sheet assets and liabilities	<u>\$ 849,975</u>	<u>\$ (23,769)</u>	<u>\$ 65,740</u>	<u>\$ 2,495</u>	<u>\$ 894,441</u>	<u>\$ 724,266</u>
December 31, 2017						
	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	\$ 439,301	\$ (13,686)	\$ 34,919	\$ 1,260	\$ 461,794	\$ 352,624
Asset-backed U.S. commercial paper conduit facilities	300,530	(9,392)	13,787	888	305,813	279,457
Unconsolidated VIEs						
Asset-backed Canadian commercial paper conduit facility	203,691	(3,746)	9,983	470	210,398	174,779
Total on-balance sheet assets and liabilities	<u>\$ 943,522</u>	<u>\$ (26,824)</u>	<u>\$ 58,689</u>	<u>\$ 2,618</u>	<u>\$ 978,005</u>	<u>\$ 806,860</u>
March 26, 2017						
	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	\$ 772,152	\$ (23,239)	\$ 63,473	\$ 2,532	\$ 814,918	\$ 685,374
Asset-backed U.S. commercial paper conduit facilities	304,091	(9,178)	15,781	672	311,366	286,205
Unconsolidated VIEs						
Asset-backed Canadian commercial paper conduit facility	155,240	(3,048)	11,025	382	163,599	141,013
Total on-balance sheet assets and liabilities	<u>\$ 1,231,483</u>	<u>\$ (35,465)</u>	<u>\$ 90,279</u>	<u>\$ 3,586</u>	<u>\$ 1,289,883</u>	<u>\$ 1,112,592</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 transaction and are not available to pay other obligations or claims of the Company's creditors until the associated secured debt and other obligations are satisfied. Restricted cash balances held by the SPEs are used only to support the securitizations. There are no amortization schedules for the secured notes; however, the debt is reduced monthly as available collections on the related U.S. retail motorcycle finance receivables are applied to outstanding principal. The secured notes' contractual lives have various maturities ranging from 2020 to 2022.

The Company is the primary beneficiary of its on-balance sheet asset-backed securitization VIEs because it retains servicing rights and a residual interest in the VIEs in the form of a debt security. As the servicer, the Company is the variable

interest holder with the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. As a residual interest holder, the Company has the obligation to absorb losses and the right to receive benefits which could potentially be significant to the VIE.

There were no on-balance sheet asset-backed securitization transactions during the first quarter of 2018 or 2017.

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

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

Under the U.S. Conduit Facilities, the Company may transfer U.S. retail motorcycle finance receivables to an SPE, which in turn may issue debt to the third party bank-sponsored asset-backed commercial paper conduit. The assets of the SPE are restricted as collateral for the payment of the debt or other obligations arising in the transaction and are not available to pay other obligations or claims of the Company's creditors. The terms for this debt provide for interest on the outstanding principal based on prevailing commercial paper rates or LIBOR to the extent the advance is not funded by a conduit lender through the issuance of commercial paper plus, in each case, a program fee based on outstanding principal. The U.S. Conduit Facilities also provide for an unused commitment fee based on the unused portion of the total aggregate commitment of \$900.0 million. There is no amortization schedule; however, the debt will be reduced monthly as available collections on the related finance receivables are applied to outstanding principal. Upon expiration of the U.S. Conduit Facilities, any outstanding principal will continue to be reduced monthly through available collections. The contractual maturity of the debt is approximately 5 years. Unless earlier terminated or extended by mutual agreement of the Company and the lenders, as of April 1, 2018, the U.S. Conduit Facilities have an expiration date of December 12, 2018.

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

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

	2018		2017	
	Transfers	Proceeds	Transfers	Proceeds
First quarter	\$ 32,900	\$ 29,300	\$ 333,400	\$ 300,000

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

In June 2017, the Company amended its facility agreement (Canadian Conduit) with a Canadian bank-sponsored asset-backed commercial paper conduit. Under the agreement, the Canadian Conduit is contractually committed, at the Company's option, to purchase eligible Canadian retail motorcycle finance receivables for proceeds up to C\$220.0 million. The transferred assets are restricted as collateral for the payment of the debt. The terms for this debt provide for interest on the outstanding principal based on prevailing market interest rates plus a specified margin. The Canadian Conduit also provides for a program fee and an unused commitment fee based on the unused portion of the total aggregate commitment of C\$220.0 million. There is no amortization schedule; however, the debt is reduced monthly as available collections on the related finance receivables are applied to outstanding principal. Upon expiration of the Canadian Conduit, any outstanding principal will continue to be reduced monthly through available collections. The contractual maturity of the debt is approximately 5 years. Unless earlier terminated or extended by mutual agreement between the Company and the lenders, as of April 1, 2018, the Canadian Conduit has an expiration date of June 30, 2018.

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, was \$32.7 million at April 1, 2018. 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):

	2018		2017	
	Transfers	Proceeds	Transfers	Proceeds
First quarter	\$ 7,600	\$ 6,200	\$ 6,300	\$ 5,500

Off-Balance Sheet Asset-Backed Securitization VIE

There were no off-balance sheet asset-backed securitization transactions during first quarter of 2018 or 2017. During the second quarter of 2016, the Company sold retail motorcycle finance receivables with a principal balance of \$301.8 million into a securitization VIE that was not consolidated, recognized a gain of \$9.3 million and received cash proceeds of \$312.6 million. Similar to an on-balance sheet asset-backed securitization, the Company transferred U.S. retail motorcycle finance receivables to an SPE which in turn issued secured notes to investors, with various maturities and interest rates, secured by future collections of the purchased U.S. retail motorcycle finance receivables. The off-balance sheet asset-backed securitization SPE is a separate legal entity, and the U.S. retail motorcycle finance receivables included in the asset-backed securitization are only available for payment of the secured debt and other obligations arising from the asset-backed securitization transaction and are not available to pay other obligations or claims of the Company's creditors. In an on-balance sheet asset-backed securitization, the Company retains a financial interest in the VIE in the form of a debt security. As part of this off-balance sheet securitization, the Company did not retain any financial interest in the VIE beyond servicing rights and ordinary representations and warranties and related covenants.

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

At April 1, 2018, the assets of this off-balance sheet asset-backed securitization VIE were \$127.6 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 April 1, 2018. 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 Statement of Income. The fees the Company is paid for servicing represent adequate compensation, and consequently, the Company does not recognize a servicing asset or liability. The Company recognized servicing fee income of \$0.4 million and \$0.6 million during the first quarter of 2018 and 2017, respectively.

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

	April 1, 2018	December 31, 2017	March 26, 2017
On-balance sheet retail motorcycle finance receivables	\$ 5,923,564	\$ 5,993,185	\$ 5,867,143
Off-balance sheet retail motorcycle finance receivables	127,643	146,425	212,764
Total serviced retail motorcycle finance receivables	<u>\$ 6,051,207</u>	<u>\$ 6,139,610</u>	<u>\$ 6,079,907</u>

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

	Amount 30 days or more past due:		
	April 1, 2018	December 31, 2017	March 26, 2017
On-balance sheet retail motorcycle finance receivables	\$ 166,560	\$ 227,127	\$ 162,386
Off-balance sheet retail motorcycle finance receivables	1,652	2,106	1,476
Total serviced retail motorcycle finance receivables	<u>\$ 168,212</u>	<u>\$ 229,233</u>	<u>\$ 163,862</u>

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

	Three months ended	
	April 1, 2018	March 26, 2017
On-balance sheet retail motorcycle finance receivables	\$ 32,173	\$ 32,902
Off-balance sheet retail motorcycle finance receivables	361	414
Total serviced retail motorcycle finance receivables	<u>\$ 32,534</u>	<u>\$ 33,316</u>

12. Fair Value

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

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

Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates, foreign currency exchange rates and commodity prices. The Company uses the market approach to derive the fair value for its Level 2 fair value measurements. Forward contracts for foreign currency and commodities are valued using current quoted forward rates and prices; investments in marketable securities and cash equivalents are valued using publicly quoted prices.

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

Recurring Fair Value Measurements

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

April 1, 2018				
	Balance	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	\$ 653,124	\$ 326,324	\$ 326,800	\$ —
Marketable securities	49,402	49,402	—	—
Derivatives	3,613	—	3,613	—
Total	\$ 706,139	\$ 375,726	\$ 330,413	\$ —
Liabilities:				
Derivatives	\$ 22,850	\$ —	\$ 22,850	\$ —
December 31, 2017				
	Balance	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	\$ 488,432	\$ 358,500	\$ 129,932	\$ —
Marketable securities	48,006	48,006	—	—
Derivatives	1,769	—	1,769	—
Total	\$ 538,207	\$ 406,506	\$ 131,701	\$ —
Liabilities:				
Derivatives	\$ 21,308	\$ —	\$ 21,308	\$ —
March 26, 2017				
	Balance	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	\$ 628,895	\$ 370,084	\$ 258,811	\$ —
Marketable securities	46,678	41,674	5,004	—
Derivatives	12,446	—	12,446	—
Total	\$ 688,019	\$ 411,758	\$ 276,261	\$ —
Liabilities:				
Derivatives	\$ 1,052	\$ —	\$ 1,052	\$ —

Nonrecurring Fair Value Measurements

Repossessioned inventory is recorded at the lower of cost or net realizable value through a nonrecurring fair value measurement. Repossessed inventory was \$23.8 million, \$19.6 million and \$20.1 million at April 1, 2018, December 31, 2017 and March 26, 2017, respectively, for which the fair value adjustment was \$8.3 million, \$9.0 million and \$6.3 million, respectively. Fair value is estimated using Level 2 inputs based on the recent market values of repossessioned inventory.

Fair Value of Financial Instruments Measured at Cost

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

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

	April 1, 2018		December 31, 2017		March 26, 2017	
	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
Assets:						
Finance receivables, net	\$ 7,195,908	\$ 7,126,442	\$ 7,021,549	\$ 6,965,086	\$ 7,225,210	\$ 7,146,122
Liabilities:						
Unsecured commercial paper	\$ 1,036,976	\$ 1,036,976	\$ 1,273,482	\$ 1,273,482	\$ 953,357	\$ 953,357
Asset-backed U.S. commercial paper conduit facilities	\$ 281,311	\$ 281,311	\$ 279,457	\$ 279,457	\$ 286,205	\$ 286,205
Asset-backed Canadian commercial paper conduit facility	\$ 158,162	\$ 158,162	\$ 174,779	\$ 174,779	\$ 141,013	\$ 141,013
Medium-term notes	\$ 4,486,399	\$ 4,514,798	\$ 4,189,092	\$ 4,165,706	\$ 4,234,664	\$ 4,163,797
Senior unsecured notes	\$ 750,440	\$ 742,126	\$ 784,433	\$ 741,961	\$ 755,646	\$ 741,469
Asset-backed securitization debt	\$ 283,591	\$ 284,793	\$ 351,767	\$ 352,624	\$ 685,953	\$ 685,374

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

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

13. Product Warranty and Recall Campaigns

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

	Three months ended	
	April 1, 2018	March 26, 2017
Balance, beginning of period	\$ 94,202	\$ 79,482
Warranties issued during the period	14,606	16,752
Settlements made during the period	(16,638)	(19,333)
Recalls and changes to pre-existing warranty liabilities	2,905	1,310
Balance, end of period	<u>\$ 95,075</u>	<u>\$ 78,211</u>

The liability for recall campaigns was \$32.3 million, \$35.3 million and \$10.3 million as of April 1, 2018, December 31, 2017 and March 26, 2017, respectively.

14. Employee Benefit Plans

The Company has a defined benefit qualified pension plan and postretirement healthcare benefit plans that cover certain employees of the Motorcycles segment. The Company also has unfunded supplemental employee retirement plan agreements (SERPA) with certain employees which were instituted to replace benefits lost under the Tax Revenue Reconciliation Act of 1993. Service cost is allocated among selling, administrative and engineering expense, cost of goods sold and inventory. Amounts capitalized in inventory are not significant. Non-service cost components of net periodic benefit cost are presented in other income (expense), net. Refer to Note 2 regarding the adoption of ASU 2017-07 for further discussion of the impact on net periodic benefit costs. Components of net periodic benefit costs were as follows (in thousands):

	Three months ended	
	April 1, 2018	March 26, 2017
<u>Pension and SERPA Benefits</u>		
Service cost	\$ 8,155	\$ 7,896
Interest cost	20,590	21,269
Expected return on plan assets	(36,891)	(35,345)
Amortization of unrecognized:		
Prior service (credit) cost	(106)	254
Net loss	15,819	10,998
Curtailment loss	1,018	—
Net periodic benefit cost	<u>\$ 8,585</u>	<u>\$ 5,072</u>
<u>Postretirement Healthcare Benefits</u>		
Service cost	\$ 1,812	\$ 1,875
Interest cost	2,897	3,412
Expected return on plan assets	(3,541)	(3,156)
Amortization of unrecognized:		
Prior service credit	(460)	(543)
Net loss	454	815
Net periodic benefit cost	<u>\$ 1,162</u>	<u>\$ 2,403</u>

During the three months ended April 1, 2018, the qualified pension plan and certain postretirement healthcare plan assets and obligations were remeasured as a result of a curtailment of benefits related to the planned closure of the Company's motorcycle assembly plant in Kansas City, Missouri, discussed further in Note 4. As a result of the remeasurement, the Company recorded a benefit of \$96.4 million before income taxes in other comprehensive income during the three months ended April 1, 2018.

There are no required or planned qualified pension plan contributions for 2018. The Company expects it will continue to make ongoing benefit payments under the SERPA and postretirement healthcare plans.

15. Commitments and Contingencies

The Company is subject to lawsuits and other claims related to environmental, product and other matters. In determining costs to accrue related to these items, the Company carefully analyzes cases and considers the likelihood of adverse judgments

or outcomes, as well as the potential range of possible loss. Any amounts accrued for these matters are monitored on an ongoing basis and are updated based on new developments or new information as it becomes available for each matter.

Environmental Protection Agency Notice:

In December 2009, the Company received formal, written requests for information from the United States Environmental Protection Agency (EPA) regarding: (i) certificates of conformity for motorcycle emissions and related designations and labels, (ii) aftermarket parts, and (iii) warranty claims on emissions related components. The Company promptly submitted written responses to the EPA's inquiry and has engaged in information exchanges and discussions with the EPA. In August 2016, the Company entered into a consent decree with the EPA regarding these issues, and the consent decree was subsequently revised in July 2017 (the Settlement). In the Settlement, the Company agreed to, among other things, pay a fine, and not sell tuning products unless they are approved by the EPA or California Air Resources Board. In December 2017, the EPA filed the Settlement with the U.S. District Court for the District of Columbia for the purpose of obtaining court approval of the Settlement. Three amicus briefs opposing portions of the Settlement were filed with the court by the deadline of January 31, 2018. On March 1, 2018, the Company and the EPA each filed separate response briefs. The Company anticipates the court will make a decision whether or not to finalize the Settlement in the following months. The Company has an accrual associated with this matter which is included in accrued liabilities in the Consolidated Balance Sheets, and as a result, if it is finalized, the Settlement would not have a material adverse effect on the Company's financial condition or results of operations. The Settlement is not final until it is approved by the court, and if it is not approved by the court, the Company cannot reasonably estimate the impact of any remedies the EPA might seek beyond the Company's current reserve for this matter.

York Environmental Matters:

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

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

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

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

Product Liability Matters:

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

National Highway Traffic Safety Administration Matters:

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

2008-2011 Touring and V-ROD® motorcycles. In late April 2018, the Company received the closing resume from NHTSA which officially closes the investigation. The Company believes the accrued liability it has recorded will adequately cover the cost of the recall.

16. Accumulated Other Comprehensive Loss

The following tables set forth the changes in accumulated other comprehensive loss (AOCL) (in thousands):

	Three months ended April 1, 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 income (loss) before reclassifications	6,915	—	(5,906)	96,374	97,383
Income tax benefit (expense)	—	—	1,387	(22,629)	(21,242)
Net other comprehensive income (loss) before reclassifications	6,915	—	(4,519)	73,745	76,141
Reclassifications:					
Realized (gains) losses - foreign currency contracts ^(a)	—	—	6,709	—	6,709
Realized (gains) losses - commodity contracts ^(a)	—	—	73	—	73
Realized (gains) losses - treasury rate locks ^(b)	—	—	126	—	126
Prior service credits ^(c)	—	—	—	(566)	(566)
Actuarial losses ^(c)	—	—	—	16,273	16,273
Total reclassifications before tax	—	—	6,908	15,707	22,615
Income tax expense	—	—	(1,624)	(3,687)	(5,311)
Net reclassifications	—	—	5,284	12,020	17,304
Other comprehensive income	6,915	—	765	85,765	93,445
Balance, end of period	\$ (14,937)	\$ —	\$ (16,489)	\$ (375,178)	\$ (406,604)

	Three months ended March 26, 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	15,633	(16)	(11,903)	—	3,714
Income tax (expense) benefit	(76)	6	4,409	—	4,339
Net other comprehensive income (loss) before reclassifications	15,557	(10)	(7,494)	—	8,053
Reclassifications:					
Realized (gains) losses - foreign currency contracts ^(a)	—	—	(2,516)	—	(2,516)
Realized (gains) losses - commodity contracts ^(a)	—	—	(48)	—	(48)
Realized (gains) losses - treasury rate locks ^(b)	—	—	90	—	90
Prior service credits ^(c)	—	—	—	(289)	(289)
Actuarial losses ^(c)	—	—	—	11,813	11,813
Total reclassifications before tax	—	—	(2,474)	11,524	9,050
Income tax benefit (expense)	—	—	916	(4,268)	(3,352)
Net reclassifications	—	—	(1,558)	7,256	5,698
Other comprehensive income (loss)	15,557	(10)	(9,052)	7,256	13,751
Balance, end of period	\$ (52,575)	\$ (1,204)	\$ 3,472	\$ (501,323)	\$ (551,630)

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

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

(c) Amounts reclassified are included in the computation of net periodic benefit cost. See Note 14 for information related to pension and postretirement benefit plans.

17. Business Segments

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

	Three months ended	
	April 1, 2018	March 26, 2017
Motorcycles net revenue	\$ 1,363,947	\$ 1,328,711
Gross profit	473,773	474,823
Selling, administrative and engineering expense	254,093	238,277
Restructuring expense	46,842	—
Operating income from Motorcycles	172,838	236,546
Financial Services revenue	178,174	173,221
Financial Services expense	114,595	120,585
Operating income from Financial Services	63,579	52,636
Operating income	\$ 236,417	\$ 289,182

As discussed in Note 2, the Company adopted ASU 2017-07 on January 1, 2018 which required the Company to record the non-service cost components of net periodic benefit plan costs in non-operating income on a prospective and retrospective basis. As a result, operating income from Motorcycles excludes these costs for all periods presented.

18. Supplemental Consolidating Data

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

	Three months ended April 1, 2018			
	HDMC Entities	HDFS Entities	Eliminations	Consolidated
Revenue:				
Motorcycles and Related Products	\$ 1,366,246	\$ —	\$ (2,299)	\$ 1,363,947
Financial Services	—	178,460	(286)	178,174
Total revenue	1,366,246	178,460	(2,585)	1,542,121
Costs and expenses:				
Motorcycles and Related Products cost of goods sold	890,174	—	—	890,174
Financial Services interest expense	—	48,450	—	48,450
Financial Services provision for credit losses	—	30,052	—	30,052
Selling, administrative and engineering expense	254,401	38,391	(2,606)	290,186
Restructuring expense	46,842	—	—	46,842
Total costs and expenses	1,191,417	116,893	(2,606)	1,305,704
Operating income	174,829	61,567	21	236,417
Other income (expense), net	220	—	—	220
Investment income	111,203	—	(110,000)	1,203
Interest expense	7,690	—	—	7,690
Income before provision for income taxes	278,562	61,567	(109,979)	230,150
Provision for income taxes	40,233	15,154	—	55,387
Net income	\$ 238,329	\$ 46,413	\$ (109,979)	\$ 174,763
	Three months ended March 26, 2017			
	HDMC Entities	HDFS Entities	Eliminations	Consolidated
Revenue:				
Motorcycles and Related Products	\$ 1,330,618	\$ —	\$ (1,907)	\$ 1,328,711
Financial Services	—	173,557	(336)	173,221
Total revenue	1,330,618	173,557	(2,243)	1,501,932
Costs and expenses:				
Motorcycles and Related Products cost of goods sold	853,888	—	—	853,888
Financial Services interest expense	—	43,289	—	43,289
Financial Services provision for credit losses	—	43,589	—	43,589
Selling, administrative and engineering expense	238,630	35,614	(2,260)	271,984
Total costs and expenses	1,092,518	122,492	(2,260)	1,212,750
Operating income	238,100	51,065	17	289,182
Other income (expense), net	2,296	—	—	2,296
Investment income	106,879	—	(106,000)	879
Interest expense	7,673	—	—	7,673
Income before provision for income taxes	339,602	51,065	(105,983)	284,684
Provision for income taxes	79,157	19,158	—	98,315
Net income	\$ 260,445	\$ 31,907	\$ (105,983)	\$ 186,369

	April 1, 2018			
	HDMC Entities	HDFS Entities	Eliminations	Consolidated
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 403,009	\$ 350,508	\$ —	\$ 753,517
Accounts receivable, net	686,265	—	(331,158)	355,107
Finance receivables, net	—	2,341,918	—	2,341,918
Inventories	564,571	—	—	564,571
Restricted cash	—	54,569	—	54,569
Other current assets	108,613	44,724	(2,865)	150,472
Total current assets	1,762,458	2,791,719	(334,023)	4,220,154
Finance receivables, net	—	4,784,524	—	4,784,524
Property, plant and equipment, net	887,522	47,123	—	934,645
Prepaid pension costs	122,230	—	—	122,230
Goodwill	56,524	—	—	56,524
Deferred income taxes	36,140	42,543	(1,059)	77,624
Other long-term assets	145,344	23,514	(86,938)	81,920
	<u>\$ 3,010,218</u>	<u>\$ 7,689,423</u>	<u>\$ (422,020)</u>	<u>\$ 10,277,621</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	\$ 297,162	\$ 353,036	\$ (331,158)	\$ 319,040
Accrued liabilities	462,279	106,149	(2,020)	566,408
Short-term debt	—	1,036,976	—	1,036,976
Current portion of long-term debt, net	—	1,872,679	—	1,872,679
Total current liabilities	759,441	3,368,840	(333,178)	3,795,103
Long-term debt, net	742,126	3,366,385	—	4,108,511
Pension liability	54,921	—	—	54,921
Postretirement healthcare liability	113,031	—	—	113,031
Other long-term liabilities	171,389	35,899	2,818	210,106
Commitments and contingencies (Note 15)				
Shareholders' equity	1,169,310	918,299	(91,660)	1,995,949
	<u>\$ 3,010,218</u>	<u>\$ 7,689,423</u>	<u>\$ (422,020)</u>	<u>\$ 10,277,621</u>

	December 31, 2017			
	HDMC Entities	HDFS Entities	Eliminations	Consolidated
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 338,186	\$ 349,335	\$ —	\$ 687,521
Accounts receivable, net	483,709	—	(153,723)	329,986
Finance receivables, net	—	2,105,662	—	2,105,662
Inventories	538,202	—	—	538,202
Restricted cash	—	47,518	—	47,518
Other current assets	132,999	48,521	(5,667)	175,853
Total current assets	1,493,096	2,551,036	(159,390)	3,884,742
Finance receivables, net	—	4,859,424	—	4,859,424
Property, plant and equipment, net	922,280	45,501	—	967,781
Prepaid pension costs	19,816	—	—	19,816
Goodwill	55,947	—	—	55,947
Deferred income taxes	66,877	43,515	(1,319)	109,073
Other long-term assets	138,344	23,593	(86,048)	75,889
	<u>\$ 2,696,360</u>	<u>\$ 7,523,069</u>	<u>\$ (246,757)</u>	<u>\$ 9,972,672</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	\$ 214,263	\$ 167,057	\$ (153,723)	\$ 227,597
Accrued liabilities	444,028	90,942	(5,148)	529,822
Short-term debt	—	1,273,482	—	1,273,482
Current portion of long-term debt, net	—	1,127,269	—	1,127,269
Total current liabilities	658,291	2,658,750	(158,871)	3,158,170
Long-term debt, net	741,961	3,845,297	—	4,587,258
Pension liability	54,606	—	—	54,606
Postretirement healthcare liability	118,753	—	—	118,753
Other long-term liabilities	171,200	35,503	2,905	209,608
Commitments and contingencies (Note 15)				
Shareholders' equity	951,549	983,519	(90,791)	1,844,277
	<u>\$ 2,696,360</u>	<u>\$ 7,523,069</u>	<u>\$ (246,757)</u>	<u>\$ 9,972,672</u>

	March 26, 2017			
	HDMC Entities	HDFS Entities	Eliminations	Consolidated
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 479,439	\$ 360,261	\$ —	\$ 839,700
Marketable securities	5,004	—	—	5,004
Accounts receivable, net	740,231	—	(404,653)	335,578
Finance receivables, net	—	2,354,095	—	2,354,095
Inventories	485,476	—	—	485,476
Restricted cash	—	75,705	—	75,705
Other current assets	102,298	40,064	—	142,362
Total current assets	1,812,448	2,830,125	(404,653)	4,237,920
Finance receivables, net	—	4,792,027	—	4,792,027
Property, plant and equipment, net	913,462	39,582	—	953,044
Goodwill	53,967	—	—	53,967
Deferred income taxes	98,291	68,306	(1,401)	165,196
Other long-term assets	137,712	25,790	(83,801)	79,701
	<u>\$ 3,015,880</u>	<u>\$ 7,755,830</u>	<u>\$ (489,855)</u>	<u>\$ 10,281,855</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	\$ 333,227	\$ 430,110	\$ (404,653)	\$ 358,684
Accrued liabilities	442,181	105,060	396	547,637
Short-term debt	—	953,357	—	953,357
Current portion of long-term debt, net	—	697,061	—	697,061
Total current liabilities	775,408	2,185,588	(404,257)	2,556,739
Long-term debt, net	741,469	4,579,328	—	5,320,797
Pension liability	52,559	—	—	52,559
Postretirement healthcare liability	171,143	—	—	171,143
Other long-term liabilities	152,974	31,506	2,728	187,208
Commitments and contingencies (Note 15)				
Shareholders' equity	1,122,327	959,408	(88,326)	1,993,409
	<u>\$ 3,015,880</u>	<u>\$ 7,755,830</u>	<u>\$ (489,855)</u>	<u>\$ 10,281,855</u>

	Three months ended April 1, 2018			
	HDMC Entities	HDFS Entities	Eliminations	Consolidated
Cash flows from operating activities:				
Net income	\$ 238,329	\$ 46,413	\$ (109,979)	\$ 174,763
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization of intangibles	61,405	1,068	—	62,473
Amortization of deferred loan origination costs	—	20,116	—	20,116
Amortization of financing origination fees	165	1,863	—	2,028
Provision for long-term employee benefits	9,747	—	—	9,747
Employee benefit plan contributions and payments	(5,486)	—	—	(5,486)
Stock compensation expense	7,072	890	—	7,962
Net change in wholesale finance receivables related to sales	—	—	(239,902)	(239,902)
Provision for credit losses	—	30,052	—	30,052
Deferred income taxes	2,469	979	(260)	3,188
Other, net	(2,081)	200	(21)	(1,902)
Changes in current assets and liabilities:				
Accounts receivable, net	(195,123)	—	177,435	(17,688)
Finance receivables - accrued interest and other	—	4,758	—	4,758
Inventories	(21,542)	—	—	(21,542)
Accounts payable and accrued liabilities	121,833	201,056	(173,966)	148,923
Derivative instruments	666	36	—	702
Other	9,935	6,269	(2,802)	13,402
Total adjustments	(10,940)	267,287	(239,516)	16,831
Net cash provided by operating activities	227,389	313,700	(349,495)	191,594

	Three months ended April 1, 2018			
	HDMC Entities	HDFS Entities	Eliminations	Consolidated
Cash flows from investing activities:				
Capital expenditures	(25,746)	(2,690)	—	(28,436)
Origination of finance receivables	—	(1,786,309)	988,242	(798,067)
Collections on finance receivables	—	1,558,547	(748,747)	809,800
Other	(4,948)	—	—	(4,948)
Net cash used by investing activities	(30,694)	(230,452)	239,495	(21,651)
Cash flows from financing activities:				
Proceeds from issuance of medium-term notes	—	347,553	—	347,553
Repayments of securitization debt	—	(67,955)	—	(67,955)
Borrowings of asset-backed commercial paper	—	35,504	—	35,504
Repayments of asset-backed commercial paper	—	(45,907)	—	(45,907)
Net decrease in credit facilities and unsecured commercial paper	—	(234,145)	—	(234,145)
Dividends paid	(62,731)	(110,000)	110,000	(62,731)
Purchase of common stock for treasury	(72,968)	—	—	(72,968)
Issuance of common stock under employee stock option plans	1,719	—	—	1,719
Net cash used by financing activities	(133,980)	(74,950)	110,000	(98,930)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	2,108	(74)	—	2,034
Net increase in cash, cash equivalents and restricted cash	\$ 64,823	\$ 8,224	\$ —	\$ 73,047
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	64,823	8,224	—	73,047
Cash, cash equivalents and restricted cash—end of period	\$ 403,009	\$ 416,248	\$ —	\$ 819,257

	Three months ended March 26, 2017			
	HDMC Entities	HDFS Entities	Eliminations	Consolidated
Cash flows from operating activities:				
Net income	\$ 260,445	\$ 31,907	\$ (105,983)	\$ 186,369
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization of intangibles	53,241	1,659	—	54,900
Amortization of deferred loan origination costs	—	20,078	—	20,078
Amortization of financing origination fees	163	1,913	—	2,076
Provision for long-term employee benefits	7,475	—	—	7,475
Employee benefit plan contributions and payments	(29,957)	—	—	(29,957)
Stock compensation expense	6,317	675	—	6,992
Net change in wholesale finance receivables related to sales	—	—	(317,087)	(317,087)
Provision for credit losses	—	43,589	—	43,589
Deferred income taxes	6,728	(2,230)	(509)	3,989
Other, net	(6,728)	1,411	(17)	(5,334)
Changes in current assets and liabilities:				
Accounts receivable, net	(278,803)	—	239,573	(39,230)
Finance receivables - accrued interest and other	—	5,142	—	5,142
Inventories	23,476	—	—	23,476
Accounts payable and accrued liabilities	154,372	263,011	(234,455)	182,928
Derivative instruments	3,120	—	—	3,120
Other	5,537	5,925	(49)	11,413
Total adjustments	(55,059)	341,173	(312,544)	(26,430)
Net cash provided by operating activities	205,386	373,080	(418,527)	159,939
Cash flows from investing activities:				
Capital expenditures	(21,686)	(2,281)	—	(23,967)
Origination of finance receivables	—	(1,932,599)	1,087,907	(844,692)
Collections on finance receivables	—	1,556,534	(775,380)	781,154
Other	52	—	—	52
Net cash used by investing activities	(21,634)	(378,346)	312,527	(87,453)
Cash flows from financing activities:				
Proceeds from issuance of medium-term notes	—	497,406	—	497,406
Repayments of medium-term notes	—	(400,000)	—	(400,000)
Repayments of securitization debt	—	(111,359)	—	(111,359)
Borrowings of asset-backed commercial paper	—	305,209	—	305,209
Repayments of asset-backed commercial paper	—	(29,383)	—	(29,383)
Net decrease in credit facilities and unsecured commercial paper	—	(101,702)	—	(101,702)
Dividends paid	(64,611)	(106,000)	106,000	(64,611)
Purchase of common stock for treasury	(79,753)	—	—	(79,753)
Issuance of common stock under employee stock option plans	7,336	—	—	7,336
Net cash (used) provided by financing activities	(137,028)	54,171	106,000	23,143
Effect of exchange rate changes on cash, cash equivalents and restricted cash	7,175	44	—	7,219
Net increase in cash, cash equivalents and restricted cash	\$ 53,899	\$ 48,949	\$ —	\$ 102,848
Cash, cash equivalents and restricted cash:				
Cash, cash equivalents and restricted cash—beginning of period	\$ 425,540	\$ 401,591	\$ —	\$ 827,131
Net increase in cash, cash equivalents and restricted cash	53,899	48,949	—	102,848
Cash, cash equivalents and restricted cash—end of period	\$ 479,439	\$ 450,540	\$ —	\$ 929,979

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Harley-Davidson, Inc. is the parent company of the groups of companies doing business as Harley-Davidson Motor Company (HDMC) and Harley-Davidson Financial Services (HDFS). Unless the context otherwise requires, all references to the "Company" include Harley-Davidson, Inc. and all its subsidiaries. The Company operates in two segments: Motorcycles & 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 at wholesale on-road Harley-Davidson motorcycles as well as a line of motorcycle parts, accessories, general merchandise and related services. The Company's products are sold to retail customers through a network of independent dealers. The Company conducts business on a global basis, with sales in the United States, Canada, Latin America, Europe/Middle East/Africa (EMEA) and the Asia Pacific region.

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 United States and Canada.

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

(1) Note Regarding Forward-Looking Statements

The Company intends that certain matters discussed in this report are "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements can generally be identified as such by reference to this footnote or because the context of the statement will include words such as the Company "believes," "anticipates," "expects," "plans," or "estimates" or words of similar meaning. Similarly, statements that describe future plans, objectives, outlooks, targets, guidance or goals are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially 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 "Cautionary Statements" and in Item 1A "Risk Factors" of the Company's Annual Report on Form 10-K for the year ended December 31, 2017. 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 the Overview and Outlook section are only made as of April 24, 2018, the remaining forward-looking statements in this report are made as of the date of the filing of this report (May 10, 2018) 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 was \$174.8 million, or \$1.03 per diluted share, for the first quarter of 2018 compared to \$186.4 million, or \$1.05 per diluted share, in the first quarter of 2017. Operating income from the Motorcycles segment decreased \$63.7 million or 26.9% compared to last year's first quarter primarily due to restructuring expenses of \$46.8 million and higher selling, administrative and engineering expenses. Motorcycle segment revenue in the first quarter of 2018 was up over the prior year, despite lower motorcycle shipments, due to favorable product mix, favorable foreign currency exchange rates and model-year price increases. Operating income from the Financial Services segment in the first quarter of 2018 was \$63.6 million, up 20.8% compared to the year-ago quarter due primarily to a lower provision for credit losses.

Worldwide retail sales of new Harley-Davidson motorcycles in the first quarter of 2018 were down 7.2% compared to the first quarter of 2017. In the U.S., retail sales were down 12.0%, while retail sales in international markets were up 0.2%, compared to the prior year first quarter. In the first quarter of 2018, U.S. retail sales continued to be adversely impacted by very weak U.S. industry sales. In international markets, retail sales grew behind strong performance in Europe and Latin America.

During the first quarter of 2018, the Company continued to focus on its 2027 objectives of building two million new riders in the U.S., growing its international business to 50 percent of annual volume, launching 100 new high impact motorcycles and doing so profitably and sustainably. In addition, considering the prolonged softness in the U.S. industry and given what the Company believes is untapped potential in international markets and in certain high-growth spaces globally, the Company is crafting strategy accelerants to deliver value through 2022 and beyond. The Company plans to leverage its core business more fully and expand in new directions to accelerate value creation as it pursues its long-term objectives. The

Company is currently refining its plans and, in the summer of 2018, intends to reveal significant additional steps to improve performance and value creation through 2022 and beyond.

Outlook⁽¹⁾

On April 24, 2018, the Company provided the following information concerning its expectations for the Company for 2018:

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

Operating income as a percent of revenue for the Motorcycles segment is expected to be approximately 9.5% to 10.5% for the full year 2018. This reduction of approximately 2 to 3 percentage points compared to 2017, is primarily due to expected manufacturing optimization plan costs of \$120 to \$140 million. Refer to "Manufacturing Optimization Costs and Savings" below for further information.

Gross margin as a percent of revenue in 2018 is expected to benefit from pricing on model-year 2018 and 2019 motorcycles, a more favorable foreign currency exchange environment throughout the year and positive mix. However, the Company expects these positive impacts to be more than offset by rising steel and aluminum costs and increased manufacturing expense. Recently announced U.S. tariffs may also put additional pressure on the Company's steel and aluminum costs for the remainder of 2018; however, based on its current estimates of these incremental costs, the Company expects it will be able to mitigate these costs. Manufacturing expense is expected to be higher than in 2017, due to \$20 to \$25 million of temporary inefficiencies related to the manufacturing optimization plan and higher depreciation.

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

Given strong first quarter 2018 results, the Company now expects operating income for the Financial Services segment to be flat to down modestly in 2018 as compared to 2017. The Company continues to expect 2018 results to be impacted by lower net interest income offset by a lower provision for credit losses.

As described in Note 2 of the Notes to the Financial Statements, the Company adopted ASU 2017-07 in 2018 which requires the Company to record the non-service cost components of net periodic retirement plan costs in non-operating income and to recast prior periods to reflect the new classification. The Company expects 2018 full year non-operating income related to net periodic retirement plan costs of approximately \$2 million in 2018 compared to \$9.2 million in 2017. The reduction is due to an increase in the amortization of actuarial losses following the 2018 first-quarter remeasurement of the Company's qualified pension plan. The remeasurement was required as a result of the curtailment of qualified pension plan benefits associated with the manufacturing optimization plan.

The Company continues to expect its full year effective tax rate will be approximately 23.5% to 25.0%, down approximately 10 percentage points from the rate that would have been expected excluding the impact of the 2017 Tax Cuts and Jobs Act (2017 Tax Act). This guidance excludes the effect of potential future adjustments associated with revisions to the tax expense recorded in the fourth quarter of 2017 related to the enactment of the 2017 Tax Act, other new tax legislation or audit settlements. The Company continues to regard its income tax estimates related to the 2017 Tax Act as provisional under SAB 118. The Company believes future guidance, interpretations and pronouncements will add clarity to the numerous aspects of the 2017 Tax Act that may impact the Company which may result in revisions to the Company's provisional estimates.

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

In the second quarter of 2018, the Company expects to ship approximately 67,500 to 72,500 motorcycles, which is down 11% to 18% compared to 2017. Given actual 2018 first-quarter shipments and the Company's expectations for shipments in the second quarter, first-half shipments in 2018 are expected to be down 11% to 14% compared to 2017. Consequently, to achieve the 2018 full-year shipment guidance, the Company expects shipments in the second half of 2018 to be up approximately 12% over 2017. The Company believes this shipment cadence will result in tight U.S retail inventories through the 2018 selling

season and an improved level of model year 2018 carry-over inventory. The timing of 2018 shipments is also expected to result in flat year-end retail inventory in the U.S. in support of the Company's disciplined supply strategy which it believes is delivering the intended results. Finally, the Company expects this shipment cadence will also impact the timing of operating margin in each of the remaining quarters of 2018.

In the second quarter of 2018, the Company expects operating margin for the Motorcycles segment to be down approximately 5 percentage points versus 2017 and to be impacted by an unfavorable shipment mix, approximately \$20 million of manufacturing optimization plan costs, higher fixed costs per unit on lower production and shipments (which the Company expects to recover in the third quarter of 2018) and higher marketing and product development expense as compared to 2017.

Manufacturing Optimization Plan Costs and Savings⁽¹⁾

In 2018, the Company commenced a significant, multi-year manufacturing optimization plan anchored by the consolidation of its final assembly plant in Kansas City, Missouri into its plant in York, Pennsylvania. As the operations are consolidated, the Company expects approximately 800 jobs will be eliminated with the closure of Kansas City operations and approximately 450 jobs will be added in York by 2019. As part of this manufacturing optimization plan, the Company will also close its wheel operations in Adelaide, Australia resulting in the elimination of approximately 90 jobs. The following table summarizes the expected costs and savings associated with the manufacturing optimization plan.

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

The Company expects restructuring expenses to include the cost of employee termination benefits, accelerated depreciation and other project implementation costs of \$50 to \$60 million, \$45 to \$50 million and \$40 to \$45 million, respectively. The timing of cash payments for restructuring may not occur in the same fiscal period as the expense.

During the first quarter of 2018, the Company recorded restructuring expenses totaling \$46.8 million and costs related to temporary inefficiencies of \$0.7 million. Refer to Note 4 of the Notes to the Consolidated Financial Statements for additional information concerning restructuring expenses. The Company expects total capital expenditures of \$75 million associated with the manufacturing optimization plan through 2019, including \$50 million in 2018.

Results of Operations for the Three Months Ended April 1, 2018 Compared to the Three Months Ended March 26, 2017

Consolidated Results

(in thousands, except earnings per share)	Three months ended		(Decrease)	%
	April 1, 2018	March 26, 2017	Increase	Change
Operating income from Motorcycles	\$ 172,838	\$ 236,546	\$ (63,708)	(26.9)%
Operating income from Financial Services	63,579	52,636	10,943	20.8
Operating income	236,417	289,182	(52,765)	(18.2)
Other income (expense), net	220	2,296	(2,076)	(90.4)
Investment income	1,203	879	324	36.9
Interest expense	7,690	7,673	17	0.2
Income before income taxes	230,150	284,684	(54,534)	(19.2)
Provision for income taxes	55,387	98,315	(42,928)	(43.7)
Net income	\$ 174,763	\$ 186,369	\$ (11,606)	(6.2)%
Diluted earnings per share	\$ 1.03	\$ 1.05	\$ (0.02)	(1.9)%

Consolidated operating income was down 18.2% in the first quarter of 2018 due to a decrease in operating income from the Motorcycles segment of \$63.7 million, or 26.9%, compared to the first quarter of 2017. Operating income from the Financial Services segment improved by \$10.9 million in the first quarter of 2018 compared to the same period last year. Please refer to the “Motorcycles & Related Products Segment” and “Financial Services Segment” discussions following for a more detailed discussion of the factors affecting operating income.

Other income in the first quarter was adversely impacted by higher amortization of actuarial losses and pension curtailment expense following a 2018 first-quarter remeasurement of the qualified pension plan.

The effective income tax rate for the first quarter of 2018 was 24.1% compared to 34.5% for same period in 2017. The lower effective income tax rate was primarily due to the impact of the 2017 Tax Act enacted in December 2017. The 2017 Tax Act reduced the federal corporate income tax rate beginning in 2018 from 35% to 21%.

Diluted earnings per share were \$1.03 in the first quarter of 2018, down 1.9% from the same period in the prior year on lower net income partially offset by the positive impact of lower diluted weighted average shares outstanding. Diluted weighted average shares outstanding decreased from 177.1 million in the first quarter of 2017 to 169.2 million in the first quarter of 2018, driven by the Company's repurchases of common stock. Please refer to "Liquidity and Capital Resources" for additional information concerning the Company's share repurchase activity.

Motorcycles Retail Sales and Registration Data

Harley-Davidson Motorcycle Retail Sales^(a)

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

	Three months ended			
	March 31, 2018	March 31, 2017	(Decrease) Increase	% Change
United States	29,309	33,316	(4,007)	(12.0)%
Europe ^(b)	9,716	8,984	732	8.1
EMEA - Other	1,146	1,183	(37)	(3.1)
Total EMEA	10,862	10,167	695	6.8
Asia Pacific ^(c)	4,452	4,897	(445)	(9.1)
Asia Pacific - Other	1,877	1,966	(89)	(4.5)
Total Asia Pacific	6,329	6,863	(534)	(7.8)
Latin America	2,506	2,342	164	7.0
Canada	2,080	2,361	(281)	(11.9)
Total International Retail Sales	21,777	21,733	44	0.2
Total Worldwide Retail Sales	51,086	55,049	(3,963)	(7.2)%

- (a) Data source for retail sales figures shown above is new sales warranty and registration information provided by Harley-Davidson dealers and compiled by the Company. The Company must rely on information that its dealers supply concerning new retail sales, and the Company does not regularly verify the information that its dealers supply. This information is subject to revision.
- (b) Includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.
- (c) Includes Japan, Australia, New Zealand and Korea. Prior period Asia Pacific retail sales have been reclassified to conform to the current year presentation.

Retail sales of new Harley-Davidson motorcycles in the U.S. were down 12.0% in the first quarter of 2018, which was within the Company's range of expectations, but at the less favorable end of the range. The Company's retail sales were adversely impacted by a continued weak U.S. industry which was down 11.1% in the first quarter, as compared to the first quarter of 2017. The Company believes that industry sales of new motorcycles continued to be adversely impacted by soft used motorcycle prices. Retail sales of used Harley-Davidson motorcycles in the U.S. through February 2018 were down compared

to prior year, but continued to outperform sales of new motorcycles despite increased used motorcycle prices for the third straight quarter in dealerships and the broader market. The Company believes used sales are an important indicator of overall demand for the Company's motorcycles.

In addition, wholesale prices of used Harley-Davidson motorcycles at auction during the first quarter of 2018 increased above year-ago levels, and third-party pricing services continued to publish higher retail values year-over-year for used Harley-Davidson motorcycles. Stronger used bike prices reinforce the Company's disciplined focus on driving premium value for its riders, dealers and the brand.

The Company's U.S. market share of new 601+cc motorcycles for the first quarter of 2018 was 50.4%, down 0.9 percentage points compared to the same period last year (Source: Motorcycle Industry Council) on limited availability of new motorcycles and a highly competitive marketplace. While market share remains a key focus, the slight contraction during the first quarter of 2018 came with a more profitable mix of motorcycles and less promotional support than in the prior year quarter.

In EMEA, retail sales during the first quarter of 2018 grew across most western European markets, partially offset by slightly lower retail sales in emerging markets as compared to last year. The Company's market share of new 601+cc motorcycles in Europe was 10.4% through March, up 1.3 percentage points compared to the prior year quarter (Source: Association des Constructeurs Europeens de Motocycles). Harley-Davidson retail sales and market share gains in Europe were driven by strong retail sales growth of the Company's new Softail motorcycles.

Retail sales in the Asia Pacific region continued to be soft in the first quarter of 2018; however, the year over year rate of decline decreased compared to the fourth quarter of 2017. During the first quarter of 2018, Asia Pacific retail sales were adversely impacted by lower sales in Australia and Japan.

During the first quarter of 2018, retail sales in Latin America were up over prior year driven by higher sales in Brazil. In Canada, retail sales during the first quarter of 2018 declined 11.9% compared to the prior year quarter.

Motorcycle Registration Data^(a)

The following table includes industry retail motorcycle registration data:

	Three months ended		Decrease	% Change
	March 31, 2018	March 31, 2017		
United States ^(b)	57,100	64,220	(7,120)	(11.1)%
Europe ^(c)	93,217	100,533	(7,316)	(7.3)%

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

Motorcycles & Related Products Segment

Motorcycle Unit Shipments

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

	Three months ended				Unit (Decrease) Increase	Unit % Change
	April 1, 2018		March 26, 2017			
	Units	Mix %	Units	Mix %		
United States	38,797	60.7%	45,784	64.6%	(6,987)	(15.3)%
International	25,147	39.3%	25,047	35.4%	100	0.4
Harley-Davidson motorcycle units	63,944	100.0%	70,831	100.0%	(6,887)	(9.7)%
Touring motorcycle units	30,857	48.3%	29,068	41.0%	1,789	6.2 %
Cruiser motorcycle units	21,554	33.7%	25,154	35.5%	(3,600)	(14.3)
Sportster® / Street motorcycle units	11,533	18.0%	16,609	23.5%	(5,076)	(30.6)
Harley-Davidson motorcycle units	63,944	100.0%	70,831	100.0%	(6,887)	(9.7)%

The Company shipped 63,944 Harley-Davidson motorcycles worldwide during the first quarter of 2018, which was 9.7% lower than the same period in 2017. Shipments of Touring motorcycles as a percent of total shipments were significantly higher compared to last year's first quarter when the Company limited Touring shipments to allow dealers to focus on selling through the model year 2016 Touring motorcycles ahead of the 2017 models which featured the new Milwaukee-Eight engine. In the second quarter of 2018, the Company expects Touring as a percent of total shipments to be down compared to prior year as the overall product mix returns to a more normal allocation.⁽¹⁾

At the end of the first quarter of 2018, U.S. dealer retail inventory of new motorcycles was down approximately 9,100 motorcycles compared to the prior year quarter. The Company believes its discipline to reduce supply and improve model-year mix in the U.S. retail channel has delivered the intended results and retail inventory is well-positioned as dealers move into the selling season.

Segment Results

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

	Three months ended				% Change
	April 1, 2018	March 26, 2017	Increase (Decrease)		
Revenue ^(a) :					
Motorcycles	\$ 1,121,673	\$ 1,083,639	\$ 38,034		3.5 %
Parts & Accessories	169,075	168,023	1,052		0.6
General Merchandise	56,601	55,836	765		1.4
Licensing	8,358	9,275	(917)		(9.9)
Other	8,240	11,938	(3,698)		(31.0)
Total revenue	1,363,947	1,328,711	35,236		2.7
Cost of goods sold	890,174	853,888	36,286		4.2
Gross profit	473,773	474,823	(1,050)		(0.2)
Operating expenses:					
Selling & administrative expense	207,544	200,016	7,528		3.8
Engineering expense	46,549	38,261	8,288		21.7
Restructuring expense	46,842	—	46,842		—
Operating expense	300,935	238,277	62,658		26.3
Operating income from Motorcycles	\$ 172,838	\$ 236,546	\$ (63,708)		(26.9)%

- (a) In connection with the adoption of ASU 2014-09, the Company has changed its presentation of disaggregated Motorcycles segment revenue and the prior period has been reclassified to reflect the new presentation.

The following table includes the estimated impact of significant factors affecting the comparability of net revenue, cost of goods sold and gross profit from the first quarter of 2017 to the first quarter of 2018 (in millions):

	Net Revenue	Cost of Goods Sold	Gross Profit
Three months ended March 26, 2017	\$ 1,328.7	\$ 853.9	\$ 474.8
Volume	(119.2)	(75.7)	(43.5)
Price, net of related costs	29.0	20.2	8.8
Foreign currency exchange rates and hedging	39.6	24.1	15.5
Shipment mix	85.8	49.4	36.4
Raw material prices	—	4.2	(4.2)
Manufacturing and other costs	—	14.0	(14.0)
Total	35.2	36.2	(1.0)
Three months ended April 1, 2018	\$ 1,363.9	\$ 890.1	\$ 473.8

The following factors affected the comparability of net revenue, cost of goods sold and gross profit from the first quarter of 2017 to the first quarter of 2018:

- The decrease in volume was due to lower wholesale motorcycle shipments.
- On average, wholesale prices for motorcycles shipped in the current period were higher than in the same period last 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 the current period as compared to the same period last year.
- Revenue was positively impacted by stronger weighted-average foreign currency exchange rates, relative to the U.S. dollar, as compared to the same period last year. The favorable revenue impact was partially offset by higher costs associated with unfavorable losses on currency hedging and the remeasurement of foreign-denominated balance sheet accounts, as compared to the prior year quarter.
- Shipment mix changes resulted in a positive impact on gross profit resulting from favorable changes in the mix of motorcycle families.
- Raw material prices were higher primarily due to increased steel and aluminum costs.
- Manufacturing costs were negatively impacted by lower fixed cost absorption due to lower production, higher depreciation and temporary inefficiencies associated with the manufacturing optimization plan.

The increase in operating expenses during the first quarter of 2018 was due to higher selling, administrative and engineering expenses on increased investments in marketing and product development and a \$46.8 million restructuring expense related to the Company's manufacturing optimization plan.

Financial Services Segment

Segment Results

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

	Three months ended		Increase (Decrease)	% Change
	April 1, 2018	March 26, 2017		
Interest income	\$ 154,041	\$ 150,728	\$ 3,313	2.2 %
Securitization and servicing income	352	574	(222)	(38.7)
Other income	23,781	21,919	1,862	8.5
Financial Services revenue	178,174	173,221	4,953	2.9
Interest expense	48,450	43,289	5,161	11.9
Provision for credit losses	30,052	43,589	(13,537)	(31.1)
Operating expenses	36,093	33,707	2,386	7.1
Financial Services expense	114,595	120,585	(5,990)	(5.0)
Operating income from Financial Services	\$ 63,579	\$ 52,636	\$ 10,943	20.8 %

Interest income was favorable in the first quarter of 2018 due to higher average retail receivables at a higher average yield. Other income was favorable due to increased licensing revenue and investment income.

Interest expense increased due to a higher cost of funds and higher average outstanding debt.

The provision for credit losses decreased \$13.5 million compared to the first quarter of 2017. The retail motorcycle provision decreased \$14.2 million driven by lower credit losses and a decrease in the retail reserve rate as compared to an increase in the reserve rate during the first quarter of 2017. The wholesale provision increased \$0.6 million due to a slight increase in the reserve rate compared to the first quarter of 2017.

Annualized credit losses for the Company's retail motorcycle loans were 2.15% through April 1, 2018 compared to 2.31% through March 26, 2017. The 30-day delinquency rate for retail motorcycle loans at April 1, 2018 was 3.31% compared to 3.17% at March 26, 2017.

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

	Three months ended	
	April 1, 2018	March 26, 2017
Balance, beginning of period	\$ 192,471	\$ 173,343
Provision for credit losses	30,052	43,589
Charge-offs, net of recoveries	(32,173)	(32,902)
Balance, end of period	\$ 190,350	\$ 184,030

Other Matters

Contractual Obligations

The Company has updated the contractual obligations table under the caption “Contractual Obligations” in Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Company’s Annual Report on Form 10-K for the year ended December 31, 2017 as of April 1, 2018 to reflect the new projected principal and interest payments for the remainder of 2018 and beyond as follows (in thousands):

	2018	2019-2020	2021-2022	Thereafter	Total
Principal payments on debt	\$ 2,088,427	\$ 2,682,631	\$ 1,168,009	\$ 1,100,000	\$ 7,039,067
Interest payments on debt	148,330	205,800	102,764	367,841	824,735
	<u>\$ 2,236,757</u>	<u>\$ 2,888,431</u>	<u>\$ 1,270,773</u>	<u>\$ 1,467,841</u>	<u>\$ 7,863,802</u>

Interest obligations for floating rate instruments, as calculated above, assume rates in effect at April 1, 2018 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 debt issuance costs. Refer to Note 10 for a breakout of the finance costs consistent with ASU No. 2015-03.

As of April 1, 2018, there have been no other material changes to the Company’s summary of expected payments for significant contractual obligations in the contractual obligations table in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017.

Commitments and Contingencies

Environmental Protection Agency Notice:

In December 2009, the Company received formal, written requests for information from the United States Environmental Protection Agency (EPA) regarding: (i) certificates of conformity for motorcycle emissions and related designations and labels, (ii) aftermarket parts, and (iii) warranty claims on emissions related components. The Company promptly submitted written responses to the EPA’s inquiry and has engaged in information exchanges and discussions with the EPA. In August 2016, the Company entered into a consent decree with the EPA regarding these issues, and the consent decree was subsequently revised in July 2017 (the Settlement). In the Settlement, the Company agreed to, among other things, pay a fine, and not sell tuning products unless they are approved by the EPA or California Air Resources Board. In December 2017, the EPA filed the Settlement with the U.S. District Court for the District of Columbia for the purpose of obtaining court approval of the Settlement. Three amicus briefs opposing portions of the Settlement were filed with the court by the deadline of January 31, 2018. On March 1, 2018, the Company and the EPA each filed separate response briefs. The Company anticipates the court will make a decision whether or not to finalize the Settlement in the following months. The Company has an accrual associated with this matter which is included in accrued liabilities in the Consolidated Balance Sheets, and as a result, if it is finalized, the Settlement would not have a material adverse effect on the Company’s financial condition or results of operations. The Settlement is not final until it is approved by the court, and if it is not approved by the court, the Company cannot reasonably estimate the impact of any remedies the EPA might seek beyond the Company’s current reserve for this matter.

York Environmental Matters:

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

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

The Company has an accrual for its estimate of its share of the future Response Costs at the York facility which is included in other long-term liabilities in the Consolidated Balance Sheets. While much of the work on the RI/FS is complete, it is still under agency review and given the uncertainty that exists concerning the nature and scope of additional environmental

investigation and remediation that may ultimately be required under the RI/FS that is finally approved or otherwise at the York facility, the Company is unable to make a reasonable estimate of those additional costs, if any, that may result.

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

Product Liability Matters:

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

National Highway Traffic Safety Administration Matters:

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

Off-Balance Sheet Arrangements

The Company participates in asset-backed financing both through asset-backed securitization transactions and through asset-backed commercial paper conduit facilities. In the Company's asset-backed financing programs, the Company transfers retail motorcycle finance receivables to special purpose entities (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 SPEs are separate legal entities that assume the risks and rewards of ownership of the retail motorcycle finance receivables they hold. The assets of the VIEs are not available to pay other obligations or claims of the Company's creditors. The Company's economic exposure related to the VIEs is generally limited to restricted cash reserve accounts, retained interests and ordinary representations and warranties and related covenants. The VIEs have a limited life and generally terminate upon final distribution of amounts owed to investors.

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

During the second quarter of 2016, the Company sold finance receivables with a principal balance of \$301.8 million into a securitization VIE. The transaction met the criteria to be treated as a sale for accounting purposes and resulted in an off-balance sheet arrangement because the Company did not retain any financial interest in the VIE beyond servicing rights and ordinary representations and warranties and related covenants. Upon sale, the retail motorcycle finance receivables were removed from the Company's balance sheet, and a gain of \$9.3 million was recognized in Financial Services revenue. For more information, see Note 11.

Liquidity and Capital Resources as of April 1, 2018⁽¹⁾

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

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

	April 1, 2018
Cash and cash equivalents	\$ 753,517
Credit facilities	528,024
Asset-backed U.S. commercial paper conduit facilities ^(a)	618,689
Asset-backed Canadian commercial paper conduit facility ^(a)	12,534
Total availability under credit and conduit facilities	1,159,247
Total	\$ 1,912,764

(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. 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

The following table summarizes the cash flow activity for the periods indicated (in thousands):

	Three months ended	
	April 1, 2018	March 26, 2017
Net cash provided by operating activities	\$ 191,594	\$ 159,939
Net cash used by investing activities	(21,651)	(87,453)
Net cash (used) provided by financing activities	(98,930)	23,143
Effect of exchange rate changes on cash, cash equivalents and restricted cash	2,034	7,219
Net increase in cash, cash equivalents and restricted cash	\$ 73,047	\$ 102,848

Operating Activities

The increase in cash provided by operating activities for the first quarter of 2018 compared to the same period in 2017 was primarily due to a decrease in cash outflows related to wholesale financing and lower cash outflows for retirement plans offset by less favorable changes in working capital. During the first quarter of 2017, the Company made a \$25.0 million voluntary contribution to its qualified pension plan. There was no comparable voluntary contribution in the first quarter of 2018 and there are none are planned for the remainder of 2018.⁽¹⁾

Investing Activities

The Company's investing activities consist primarily of capital expenditures and net changes in finance receivables. Capital expenditures were \$28.4 million in the first quarter of 2018 compared to \$24.0 million in the same period last year. Net cash flows for finance receivables for the first quarter of 2018 were \$75.3 million favorable compared to the same period last year due primarily to a decrease in retail lending activity.

Financing Activities

The Company's financing activities consist primarily of share repurchases, dividend payments and debt activity. Cash outflows for share repurchases were \$73.0 million in the first quarter of 2018 compared to \$79.8 million in the same period last year. Share repurchases during the first three months of 2018 totaled 1.4 million shares of common stock related to discretionary share repurchases and 0.2 million shares of common stock that employees surrendered to satisfy withholding taxes in connection with the vesting of restricted stock units. As of April 1, 2018, there were 24.2 million shares remaining on board-approved share repurchase authorizations. The Company paid dividends of \$0.370 and \$0.365 per share totaling \$62.7 million and \$64.6 million during the first quarters of 2018 and 2017, respectively.

Financing cash flows related to debt activity resulted in net cash inflows of \$35.1 million in the first three months of 2018 compared to net cash inflows of \$160.2 million in the first three months of 2017. The Company's total outstanding debt consisted of the following (in thousands):

	April 1, 2018	March 26, 2017
Unsecured commercial paper	\$ 1,036,976	\$ 953,357
Asset-backed Canadian commercial paper conduit facility	158,162	141,013
Asset-backed U.S. commercial paper conduit facilities	281,311	286,205
Medium-term notes, net	4,514,798	4,163,797
Senior unsecured notes, net	742,126	741,469
Asset-backed securitization debt, net	284,793	685,374
Total debt	<u>\$ 7,018,166</u>	<u>\$ 6,971,215</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 April 1, 2018 were as follows:

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

Credit Facilities – On April 6, 2018, the Company entered into a \$780.0 million five-year credit facility to replace the \$675.0 million five-year credit facility that was due to mature in April 2019 and also terminated the \$100.0 million 364-day credit facility that would have matured at the end of April 2018. The new five-year credit facility matures in April 2023. The Company also has a \$765.0 million five-year credit facility which matures in April 2021. The two 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. During the second quarter of 2017, the Company renewed its \$25.0 million credit facility which had expired in May 2017. The \$25.0 million credit facility bears interest at variable interest rates, and the Company pays a fee based on the unused portion of the \$25.0 million commitment. This credit facility expires in May 2018.

Unsecured Commercial Paper – Subject to limitations, the Company could issue unsecured commercial paper of up to \$1.54 billion as of April 1, 2018 supported by the Global Credit Facilities, as discussed above. Outstanding unsecured commercial paper may not exceed the unused portion of the Global Credit Facilities. Maturities may range up to 365 days from the issuance date. The Company intends to repay unsecured commercial paper as it matures with additional unsecured commercial paper or through other means, such as borrowing under the Global Credit Facilities, borrowing under its asset-backed U.S. commercial paper conduit facility or through the use of operating cash flow and cash on hand.⁽¹⁾

Medium-Term Notes – The Company had the following medium-term notes (collectively, the Notes) issued and outstanding at April 1, 2018 (in thousands):

Principal Amount	Rate	Issue Date	Maturity Date
\$877,488	6.80%	May 2008	June 2018
\$600,000	2.25%	January 2016	January 2019
\$150,000	Floating-rate ^(a)	March 2017	March 2019
\$600,000	2.40%	September 2014	September 2019
\$600,000	2.15%	February 2015	February 2020
\$350,000	2.40%	March 2017	June 2020
\$600,000	2.85%	January 2016	January 2021
\$400,000	2.55%	June 2017	June 2022
\$350,000	3.35%	February 2018	February 2023

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

The fixed rate Notes provide for semi-annual interest payments and the floating rate Note provides for quarterly interest payments. Principal on the Notes is due at maturity. Unamortized discount and debt issuance costs on the Notes reduced the outstanding balance by \$12.7 million and \$13.7 million at April 1, 2018 and March 26, 2017, respectively. There were no medium-term note maturities during the first quarter of 2018. During the first quarter of 2017, \$400.0 million of 2.70% medium-term notes matured, and the principal and accrued interest were paid in full.

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

On-Balance Sheet Asset-Backed Canadian Commercial Paper Conduit Facility – The Company has a revolving facility agreement (Canadian Conduit) with a Canadian bank-sponsored asset-backed commercial paper conduit. Under the agreement, the Canadian Conduit is contractually committed, at the Company's option, to purchase from the Company eligible Canadian retail motorcycle finance receivables for proceeds up to C\$220.0 million. The transferred assets are restricted as collateral for the payment of the debt. The terms for this facility provide for interest on the outstanding principal based on prevailing market interest rates plus a specified margin. The Canadian Conduit also provides for a program fee and an unused commitment fee based on the unused portion of the total aggregate commitment of C\$220.0 million. There is no amortization schedule; however, the debt is reduced monthly as available collections on the related finance receivables are applied to outstanding principal. Upon expiration of the Canadian Conduit, any outstanding principal will continue to be reduced monthly through available collections. Unless earlier terminated or extended by mutual agreement between the Company and the lenders, as of April 1, 2018, the Canadian Conduit has an expiration date of June 30, 2018.

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

	2018		2017	
	Transfers	Proceeds	Transfers	Proceeds
First quarter	\$ 7,600	\$ 6,200	\$ 6,300	\$ 5,500

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

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

	2018		2017	
	Transfers	Proceeds	Transfers	Proceeds
First quarter	\$ 32,900	\$ 29,300	\$ 333,400	\$ 300,000

The terms for this debt provide for interest on the outstanding principal based on prevailing commercial paper rates or LIBOR to the extent the advance is not funded by a conduit lender through the issuance of commercial paper plus, in each case, a program fee based on outstanding principal. The U.S. Conduit Facilities also provide for an unused commitment fee based on the unused portion of the total aggregate commitment of \$900.0 million. There is no amortization schedule; however, the debt will be reduced monthly as available collections on the related finance receivables are applied to outstanding principal. Upon expiration of the U.S. Conduit Facilities, any outstanding principal will continue to be reduced monthly through available collections. Unless earlier terminated or extended by mutual agreement of the Company and the lenders, as of April 1, 2018, the U.S. Conduit Facilities have an expiration date of December 12, 2018.

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

The accounting treatment for asset-backed securitizations depends on the terms of the related transaction and the Company's continuing involvement with the VIE. Most of the Company's asset-backed securitizations do not meet the criteria to be accounted for as a sale because, in addition to retaining servicing rights, the Company retains a financial interest in the VIE in the form of a debt security. These transactions are treated as secured borrowings. As secured borrowings, the retail motorcycle finance receivables remain on the balance sheet with a corresponding obligation reflected as debt. There is no amortization schedule for the secured notes; however, the debt is reduced monthly as available collections on the related retail motorcycle finance receivables are applied to outstanding principal. The secured notes' contractual lives have various maturities ranging from 2020 to 2022.

There were no on or off-balance sheet asset-backed securitization transactions during the first quarter of 2018 or 2017.

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

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

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

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

Under the current financial covenants of the Global Credit Facilities, the ratio of HDFS's consolidated debt, excluding secured debt, to HDFS's consolidated shareholder's equity, excluding accumulated other comprehensive income (or loss), 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 excludes accumulated other comprehensive income (or loss)), cannot exceed 0.70 to 1.00 as of the end of any fiscal quarter. No financial covenants are required under the Notes or the U.S. or Canadian asset-backed commercial paper conduit facilities.

At April 1, 2018, HDFS and the Company remained in compliance with all of the then existing covenants.

Cautionary Statements

The Company's ability to meet the targets and expectations noted depends upon, among other factors, the Company's ability to (i) develop and execute its business strategy, (ii) execute its strategy of growing ridership, globally, (iii) effectively execute its manufacturing optimization initiative within expected costs and timing, (iv) develop and introduce products, services and experiences that are successful in the marketplace, (v) manage the impact that new or adjusted tariffs may have on the cost of raw materials and components and our ability to sell product internationally, (vi) manage the impact that prices for and supply of used motorcycles may have on its business, including on retail sales of new motorcycles, (vii) balance production volumes for its new motorcycles with consumer demand, including in circumstances where competitors may be supplying new

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

In addition, the Company could experience delays or disruptions in its operations as a result of work stoppages, strikes, natural causes, terrorism or other factors. Further, actual foreign currency exchange rates may vary from underlying assumptions. Other factors are described in risk factors that the Company has disclosed in documents previously filed with the Securities and Exchange Commission. 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.

Refer to "Risk Factors" under Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2017 for a discussion of additional risk factors and a more complete discussion of some of the cautionary statements noted above.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company's earnings related to its operations outside the U.S. are impacted by changes in foreign currency exchange rates. The majority of the Company's exposure relates to the Euro, the Australian dollar, the Japanese yen, Canadian dollar, Mexican peso and the Brazilian real. A weakening in foreign currencies relative to the U.S. dollar will generally have an adverse effect on revenue related to sales made in those foreign currencies offset by a corresponding positive impact from natural hedges created by the operating costs incurred in those same foreign currencies. As the majority of the Company's manufacturing occurs in the U.S., the Company's operating expenses paid in foreign currencies generally include limited manufacturing costs and the selling and administrative costs incurred at the Company's international locations. In addition, to the extent the Company carries foreign-denominated cash, receivables or accounts payable, those amounts are also exposed to foreign currency remeasurements that can impact the Company's earnings.

The Company also uses derivative financial instruments to hedge a portion of the forecasted cash flows in its key foreign currencies. These instruments generally have terms of up to 12 months and are purchased over time so that at any point in time

some portion of the next 12 months of expected foreign currency exposure is hedged. The hedging instruments allow the Company to lock in the exchange rate on future foreign currency cash flows based on the forward rates available at the time of purchase. The level of gain or loss on these instruments will depend on the spread between the forward rate and the corresponding spot rate at the date the instruments are settled.

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

Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2017 for further information concerning the Company's market risk. There have been no material changes to the market risk information included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Item 4. 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 Quarterly Report on Form 10-Q, 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 Quarterly Report on Form 10-Q 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 Senior Vice President and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure.

Changes in Internal Controls

There were no changes in the Company's internal control over financial reporting during the quarter ended April 1, 2018 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1 – Legal Proceedings

The information required under this Item 1 of Part II is contained in Item 1 of Part I of this Quarterly Report on Form 10-Q in Note 15 of the Notes to Consolidated Financial Statements, and such information is incorporated herein by reference in this Item 1 of Part II.

Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds

The following table contains detail related to the Company's repurchase of its common stock based on the date of trade during the quarter ended April 1, 2018:

<u>2018 Fiscal Month</u>	<u>Total Number of Shares Purchased (a)</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</u>
January 1 to February 4	1,141	\$ 51	1,141	10,594,144
February 5 to March 4	767,624	\$ 47	767,624	24,988,413
March 5 to April 1	834,536	\$ 44	834,536	24,155,467
Total	1,603,301	\$ 46	1,603,301	

(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 2016, the Company's Board of Directors authorized the Company to repurchase up to 20.0 million shares of its common stock with no dollar limit or expiration date which superseded the share repurchase authority granted by the Board of Directors in December 1997. The Company repurchased 1.4 million shares on a discretionary basis during the quarter ended April 1, 2018 under this authorization. In February 2018, the Company's Board of Directors authorized the Company to repurchase up to 15.0 million additional shares of its common stock with no dollar limit or expiration date. As of April 1, 2018, 24.2 million shares remained under these authorizations.

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

The Harley-Davidson, Inc. 2014 Incentive Stock Plan and predecessor stock plans permit participants to satisfy all or a portion of the statutory federal, state and local withholding tax obligations arising in connection with plan awards by electing to (a) have the Company withhold shares otherwise issuable under the award, (b) tender back shares received in connection with such award or (c) deliver other previously owned shares, in each case having a value equal to the amount to be withheld. During the first quarter of 2018, the Company acquired 164,624 shares of common stock that employees presented to the Company to satisfy withholding taxes in connection with the vesting of restricted stock units.

Item 6 – Exhibits

Refer to the Exhibit Index immediately following this page.

Harley-Davidson, Inc.
Exhibit Index to Form 10-Q

<u>Exhibit No.</u>	<u>Description</u>
4.1	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
10.1*	Form of Transition Agreement between the Registrant and Ms. Kumbier dated February 1, 2018
31.1	Chief Executive Officer Certification pursuant to Rule 13a-14(a)
31.2	Chief Financial Officer Certification pursuant to Rule 13a-14(a)
32.1	Written Statement of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. §1350
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HARLEY-DAVIDSON, INC.

Date: May 10, 2018

/s/ John A. Olin

John A. Olin
Senior Vice President and
Chief Financial Officer
(Principal financial officer)

Date: May 10, 2018

/s/ Mark R. Kornetzke

Mark R. Kornetzke
Chief Accounting Officer
(Principal accounting officer)

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

Pursuant to Sections 102 and 301 of the Indenture

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

Pursuant to Sections 102 and 301 of the Indenture, the undersigned, James Darrell Thomas and William S. Jue, in their respective capacities as Vice President, Chief Financial Officer and Treasurer of the Company, and Vice President, General Counsel and Secretary of the Company, hereby certify that:

(1) There is hereby established a new series of Securities under the Indenture titled 3.350% Medium-Term Notes due 2023 (the "Notes").

(2) The Notes shall be in substantially the form of Exhibit A hereto.

(3) In addition to the terms provided in, or established pursuant to, the Indenture and the offering memorandum and the pricing supplement, both dated as of February 6, 2018, relating to the Notes (together referred to as the "Offering Memorandum"), the Notes, as authenticated and delivered, shall have the terms set forth in Exhibit A hereto (which terms are incorporated herein by reference and deemed to be set forth herein in full); provided, however, that in the event of a conflict between the provisions of the Notes and the Offering Memorandum, the provisions of the Notes shall prevail.

(4) The Notes shall be registered in the name set forth on Exhibit A hereto and the Notes shall be delivered in the manner specified in the Administrative Procedures attached as Exhibit A to the Company Order delivered as of the date hereof and as described in the Private Placement Agency Agreement dated as of March 1, 2011, among the Company, the Guarantor and the agents party thereto.

(5) The issuance of Notes designated as 3.350% Medium-Term Notes due 2023, in an initial aggregate principal amount of \$350,000,000, has been approved and authorized in accordance with the provisions of the Indenture pursuant to resolutions adopted by the Board of Directors of the Company by unanimous written consent dated as of January 22, 2018 and by this Officers' Certificate; provided, however, that the Company shall have the right to reopen the series of the Notes and issue additional Securities, which shall be part of the same series as the Notes initially issued (except for the issue date, the public offering price and, in some cases, the first interest payment date).

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

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

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

[Signature page follows]

IN WITNESS WHEREOF, each of the undersigned officers of the Company has affixed his signature this 9th day February, 2018.

/s/ J. Darrell Thomas

Name: J. Darrell Thomas

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

/s/ William S. Jue

Name: William S. Jue

Title: Vice President, General Counsel and Secretary of Harley-Davidson Financial Services, Inc.

[HDFS Officers' Certificate Pursuant to Sections 102 and 301 of the Indenture]

Exhibit A

to

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

HARLEY-DAVIDSON FINANCIAL SERVICES, INC.
3.350% MEDIUM-TERM NOTES DUE 2023

Fully and Unconditionally Guaranteed
by Harley-Davidson Credit Corp.

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

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

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND, ACCORDINGLY, NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY OTHER APPLICABLE JURISDICTION. BY ITS ACCEPTANCE HEREOF, THE HOLDER OF THIS SECURITY OR ANY INTEREST OR PARTICIPATION HEREIN (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, AND (2) AGREES TO OFFER, SELL OR OTHERWISE TRANSFER

SUCH SECURITY, PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE THEREOF WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) ONLY (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHICH NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN ACCREDITED INVESTOR WITHIN THE MEANING OF SUBPARAGRAPH (a)(1), (2), (3) OR (7) OF RULE 501 OF REGULATION D UNDER THE SECURITIES ACT THAT IS ACQUIRING THIS SECURITY OR ANY INTEREST OR PARTICIPATION HEREIN FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN ACCREDITED INVESTOR, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY’S AND THE TRUSTEE’S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (i) PURSUANT TO CLAUSES (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (ii) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY BE COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

THE HOLDER OF THIS SECURITY WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE SECURITY EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH ABOVE.

HARLEY-DAVIDSON FINANCIAL SERVICES, INC.
3.350% MEDIUM-TERM NOTES DUE 2023

Fully and Unconditionally Guaranteed
by Harley-Davidson Credit Corp.

No. A001 Principal Amount \$341,038,000
CUSIP No. 41283L AS4 as revised by the Schedule of
ISIN US41283LAS43 Increases and Decreases in Global
Common Code No. 173569807 Note attached hereto

Issue Price: 99.912%

Maturity Date: February 15, 2023

Original Issue Date: February 9, 2018

Index Maturity:

☐ Original Issue Discount Note

Total Amount of OID:

Yield to Maturity: %

Initial Accrual Period OID:

☒ Fixed Rate

Interest Rate: 3.350%

☐ Floating Rate

Interest Rate Basis:

☐ CD Rate

Specified Currency (if other than U.S. dollars): N/A

☐ CMT Rate

☐ CMT Reuters Page FRBCMT:

☐ CMT Reuters Page FEDCMT:

Option To Receive Payments In Specified Currency (non-U.S. dollar denominated Note): N/A

☐ Commercial Paper Rate

☐ Federal Funds Rate

☐ LIBOR

Authorized Denomination: Minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof

☐ Prime Rate

Place of Payment (if other than as set forth in the Indenture): N/A

___ Treasury Rate

___ Other

Spread (Plus Or Minus):

Initial Redemption Date:

Initial Redemption Percentage:

Annual Redemption Percentage Reduction:

Repayment Date:

Spread Multiplier: %

Renewable: ☐ Yes ☐ No

Extendible: ☐ Yes ☐ No

Interest Category:

☐ Regular Floating Rate Note

Final Maturity Date:

☐ Floating Rate/Fixed Rate Note

Fixed Rate Commencement Date:

Fixed Interest Rate: %

☐ Inverse Floating Rate Note

Initial Interest Rate:

Initial Interest Reset Date:

Maximum Interest Rate: %

Interest Reset Dates:

Minimum Interest Rate: %

Interest Payment Dates (in the case of a Floating Rate Note and, in the case of a Fixed Rate Note, other than as set forth below): N/A

Regular Record Dates (if other than as set forth below): N/A

Interest Determination Dates (if other than as set forth below): N/A

Additional Amounts applicable for Company:

☐ Yes

☒ No

Additional Amounts applicable for Guarantor:

☐ Yes

☒ No

Addendum Attached

☐ Yes

Other Provisions:

[X] No

Authorized Denomination (only if non-U.S. dollar denominated Note): N/A

Calculation Agent (if other than the Trustee): N/A

Interest Payment Period: N/A

Harley-Davidson Financial Services, Inc., a corporation duly organized under the laws of the State of Delaware (herein called the “Company,” which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the Principal Amount specified above, as revised by the Schedule of Increases and Decreases in Global Note attached hereto, on the Maturity Date specified above and to pay to the registered holder of this Note (the “Holder”) interest on said Principal Amount at a rate per annum specified above and upon the terms provided below under either the heading “Provisions Applicable to Fixed Rate Notes Only” or “Provisions Applicable to Floating Rate Notes Only.”

This Note is one of the Company’s duly authorized issue of notes in the series titled 3.350% Medium-Term Notes due 2023 (herein referred to as the “Notes”), all issued or to be issued under an indenture, dated as of March 4, 2011 (as may be supplemented from time to time, the “Indenture”), among the Company, Harley-Davidson Credit Corp. (the “Guarantor”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee,” which term includes any successor trustee under the Indenture), to which Indenture reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Trustee, the Company, the Guarantor and the Holders of the Notes and of the terms upon which the Notes are, and are to be, authenticated and delivered. The Notes of this series are limited (except as otherwise provided in the Indenture) to the aggregate principal amount established from time to time by the Company Board of Directors. The Notes of this series may be issued at various times with different maturity dates and different principal repayment provisions, may bear interest at different rates and may otherwise vary, all as provided in the Indenture. The Notes of this series may be subject to redemption upon notice and in accordance with the provisions of this Note and the Indenture. The Company and the Guarantor may defease the Notes of this series in accordance with the provisions of the Indenture.

To secure the due and punctual payment of principal, any premium, any interest and Additional Amounts (as defined in the Indenture) on this Note by the Company under the Indenture, when and as the same shall become due and payable, whether at the Maturity Date, by declaration of acceleration, call for redemption or otherwise, the Guarantor has unconditionally guaranteed this Note pursuant to the terms of the Guarantee endorsed hereon and in Section 1401 of the Indenture (the “Guarantee”).

As used herein, the term “Business Day” means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banks are authorized or

required by law, regulation or executive order to close in the City of New York; *provided, however*, that if a Specified Currency is specified above, the day is also not a day on which commercial banks are authorized or required by law, regulation or executive order to close in the Principal Financial Center (as defined below) of the country issuing such Specified Currency or, if such Specified Currency is the Euro, the day is also a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open; *provided further* that if LIBOR is indicated above to be an applicable Interest Rate Basis, the day is also a London Banking Day (as defined below).

“Principal Financial Center” means, unless otherwise provided in this Note, the capital city of the country issuing the Specified Currency; except that with respect to United States dollars, Australian dollars, Canadian dollars, South African rand and Swiss francs, the “Principal Financial Center” will be the City of New York, Sydney and (solely in the case of the Specified Currency) Melbourne, Toronto, Johannesburg and Zurich, respectively.

“London Banking Day” means a day which commercial banks are open for business, including dealings in U.S. dollars, in London.

Provisions Applicable To Fixed Rate Notes Only:

If the “Fixed Rate” line above is checked, unless otherwise specified above, the Company will pay interest semiannually on February 15 and August 15 of each year (each such date fixed for the payment of interest, an “Interest Payment Date”) commencing on August 15, 2018, and ending on the Maturity Date or upon earlier redemption or repayment to the person to whom principal is payable. Interest shall accrue from the Original Issue Date, or from the most recent Interest Payment Date to which interest has been paid or duly provided for on this Note to, but excluding, the next following Interest Payment Date, Maturity Date, or earlier date of redemption or repayment, as the case may be. Interest on Fixed Rate Notes will be computed by the Company on the basis of a 360-day year consisting of twelve 30-day months.

If any Interest Payment Date or the Maturity Date (or the date of earlier redemption or repayment) of this Fixed Rate Note falls on a day that is not a Business Day, the payment will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amount so payable for the period from and after such Interest Payment Date or the Maturity Date (or the date of earlier redemption or repayment), as the case may be.

Provisions Applicable To Floating Rate Notes Only:

If the “Floating Rate” line above is checked, the Company will pay interest on the Interest Payment Dates shown specified above at the Initial Interest Rate specified above until the first Interest Reset Date specified above following the Original Issue Date specified above and thereafter at a rate determined in accordance with the provisions hereinafter set forth under the headings “Determination of CD Rate,” “Determination of CMT Rate,” “Determination of Commercial Paper Rate,” “Determination of Federal Funds Rate,” “Determination of LIBOR,” “Determination of Prime Rate” or “Determination of Treasury Rate,” depending on whether the

Interest Rate Basis is the CD Rate, the CMT Rate, the Commercial Paper Rate, the Federal Funds Rate, LIBOR, the Prime Rate, the Treasury Rate or other Interest Rate Basis.

An interest payment shall be the amount of interest accrued from and including the Original Issue Date, or from and including the last Interest Payment Date to which interest has been paid, to, but excluding, the next following Interest Payment Date, Maturity Date, or date of earlier redemption or repayment, as the case may be (an “Interest Period”). Notwithstanding any provision herein to the contrary, the interest rate hereon shall not be greater than the Maximum Interest Rate, if any, or less than the Minimum Interest Rate, if any, specified above.

If any Interest Payment Date for any Floating Rate Note, other than an Interest Payment Date at maturity, would fall on a day that is not a Business Day, such Interest Payment Date will be the following day that is a Business Day, and interest will continue to accrue to the following Business Day, except that if LIBOR is the applicable Interest Rate Basis, if such Business Day is in the next succeeding calendar month, such Interest Payment Date will be the immediately preceding day that is a Business Day. If the Maturity Date (or date of earlier redemption or repayment) of any Floating Rate Note would fall on a day that is not a Business Day, the payment of interest and principal (and premium, if any) may be made on the next succeeding Business Day, and no interest on such payment will accrue for the period from and after the Maturity Date (or the date of earlier redemption or repayment).

Commencing with the first Interest Reset Date specified above following the Original Issue Date, the rate at which interest on this Note is payable shall be adjusted daily, weekly, monthly, quarterly, semi-annually or annually as specified above under “Interest Reset Dates.”

The interest rate borne by this Note will be determined as follows:

(i) Unless the Interest Category of this Note is specified above as a “Floating Rate/Fixed Rate Note” or an “Inverse Floating Rate Note” or in the event either “Other Provisions” or an Addendum hereto applies, in each case, relating to a different interest rate formula, this Note shall be designated as a “Regular Floating Rate Note” and, except as set forth below or specified above under “Other Provisions” or in an Addendum hereto, shall bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the applicable Spread Multiplier, if any; in each case as specified above. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note shall be payable shall be reset as of each Interest Reset Date specified above; *provided, however*, that the interest rate in effect for the period, if any, from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate.

(ii) If the Interest Category of this Note is specified above as a “Floating Rate/Fixed Rate Note” then, except as set forth below or specified above under “Other Provisions” or in an Addendum hereto, this Note shall bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the Spread Multiplier, if any, in each case as specified above. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note shall be payable shall be reset as of each Interest Reset Date; *provided, however*, that (y) the interest rate in effect for the

period, if any, from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate and (z) the interest rate in effect for the period commencing on, and including, the Fixed Rate Commencement Date specified above to the Maturity Date (or date of earlier redemption or repayment) shall be the Fixed Interest Rate specified above or, if no Fixed Interest Rate is so specified, the interest rate in effect on the day immediately preceding the Fixed Rate Commencement Date.

(iii) If the Interest Category of this Note is specified above as an “Inverse Floating Rate Note” then, except as set forth below or specified above under “Other Provisions” or in an Addendum hereto, this Note shall bear interest at (a) the Fixed Interest Rate specified above minus (b) the rate determined by reference to the applicable Interest Rate Basis or Bases:

(x) plus or minus the applicable Spread, if any, and/or

(y) multiplied by the applicable Spread Multiplier, if any, in each case as specified above;

provided, however, that, unless otherwise specified above under “Other Provisions” or in an Addendum hereto, the interest rate hereon shall not be less than zero. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note shall be payable shall be reset on each Interest Reset Date; *provided, however*, that the interest rate in effect for the period, if any, from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate set forth above.

The “Spread” is the number of basis points (one basis point equals one-hundredth of a percentage point) specified above to be added to or subtracted from the Interest Rate Basis for a Floating Rate Note, and the “Spread Multiplier” is the percentage specified above by which the Interest Rate Basis for such Floating Rate Note will be multiplied. Both a Spread and/or a Spread Multiplier may be applicable to the Interest Rate Basis for a particular Floating Rate Note, as set forth above.

Each such adjusted Interest Rate Basis shall be applicable on and after the Interest Reset Date to which it relates but not including the next succeeding Interest Reset Date. If any Interest Reset Date is a day that is not a Business Day, such Interest Reset Date shall be postponed to the next day that is a Business Day, except that if the rate of interest on this Note shall be determined by reference to LIBOR and such Business Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Business Day. In addition, if the Treasury Rate is the applicable Interest Rate Basis and the Interest Determination Date would otherwise fall on an Interest Reset Date, then the Interest Reset Date will be postponed to the next succeeding Business Day. Subject to applicable provisions of law (including usury laws) and except as specified in this Note, on each Interest Reset Date, the rate of interest on this Note shall be the rate determined in accordance with the provisions of the applicable heading below.

With respect to a Floating Rate Note, accrued interest shall be calculated by multiplying the principal amount thereof by an accrued interest factor. Such accrued interest factor will be computed by adding the interest factors calculated for each day in the Interest Period or from the

last date from which accrued interest is being calculated. The interest factor for each such day is computed by dividing the interest rate applicable to such day by 360, in the cases of CD Rate Notes, Commercial Paper Rate Notes, Federal Funds Rate Notes, LIBOR Notes and Prime Rate Notes or by the actual number of days in the year, in the cases of CMT Rate Notes and Treasury Rate Notes. The interest rate applicable to any day that is an Interest Reset Date will be the interest rate effective on such Interest Reset Date. The interest rate applicable to any other day will be the interest rate for the immediately preceding Interest Reset Date (or, if none, the Initial Interest Rate, as specified above).

The “Calculation Date,” where applicable, pertaining to an Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest Determination Date or, if any such day is not a Business Day, the next succeeding Business Day or (ii) the Business Day preceding the applicable Interest Payment Date or the Maturity Date (or the date of earlier redemption or repayment), as the case may be.

For Floating Rate Notes, The Bank of New York Mellon Trust Company, N.A. shall be the calculation agent unless another calculation agent is specified above (the “Calculation Agent”). The interest rate applicable to each interest period will be determined by the Calculation Agent on or prior to the applicable Calculation Date. At the request of the Holder, the Calculation Agent will provide the interest rate then in effect and, if determined, the interest rate which will become effective on the next Interest Reset Date.

All percentages resulting from any calculation of the rate of interest on a Floating Rate Note will be rounded, if necessary, to the nearest one hundred-thousandth of a percent (.0000001), with five one-millionths of a percentage point rounded upward, and all dollar amounts used in or resulting from such calculation on Floating Rate Notes will be rounded to the nearest cent (with one-half cent being rounded upward).

Determination of CD Rate. If the Interest Rate Basis, as specified above, is, or is calculated by reference to, the CD Rate, unless otherwise specified above, the “CD Rate” for each Interest Reset Date will be determined by the Calculation Agent as of the second Business Day prior to such Interest Reset Date (a “CD Interest Determination Date”) and shall be the rate on the applicable CD Interest Determination Date for negotiable United States dollar certificates of deposit having the Index Maturity specified above as published in H.15(519) (as defined below) on such CD Interest Determination Date under the heading “CDs (secondary market).” If the rate referred to in the preceding sentence is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date, the CD Rate shall be the rate on the applicable CD Interest Determination Date for negotiable United States dollar certificates of deposit of the Index Maturity specified above as published in H.15 Daily Update (as defined below), or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “CDs (secondary market).” If the rate referred to in the preceding sentence is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date, the CD Rate shall be the rate on the applicable CD Interest Determination Date calculated by the Calculation Agent on the Notes as the arithmetic mean of the secondary market offered rates as of 10:00 a.m., New York City time, on the applicable CD Interest Determination Date, of three leading

non-bank dealers in negotiable United States dollar certificates of deposit in the City of New York (which may include an agent or its affiliates) selected by the Company for negotiable United States dollar certificates of deposit of major United States money market banks with a remaining maturity closest to the Index Maturity specified above in an amount that is representative for a single transaction in that market at that time. If the dealers selected by the Company as provided in the preceding sentence are not quoting as mentioned in such sentence, the CD Rate shall be the CD Rate in effect on the applicable CD Interest Determination Date.

“H.15(519)” means the weekly statistical release designated as H.15(519), or any successor publication, published by the Board of Governors of the Federal Reserve System.

“H.15 Daily Update” means the daily update of H.15(519), available through the world-wide-web site of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/h15/update>, or any successor site or publication.

Determination of CMT Rate. If the Interest Rate Basis, as specified above, is, or is calculated by reference to, the CMT Rate, unless otherwise specified above, the “CMT Rate” for each Interest Reset Date will be determined by the Calculation Agent as of the second Business Day prior to such Interest Reset Date (a “CMT Interest Determination Date”) and shall be, if “CMT Reuters Page FRBCMT” is specified above, the percentage equal to the yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, as the yield is displayed on Reuters, Inc. (or any successor or similar service), on page FRBCMT (or any other page as may replace the specified page on that service under the caption “Treasury Constant Maturities”) (“Reuters Page FRBCMT”). If the rate referred to in the preceding sentence does not appear on Reuters Page FRBCMT, the CMT Rate for such CMT Interest Determination Date will be a percentage equal to the yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, and for the applicable CMT Interest Determination Date as published in H.15(519) under the caption “Treasury Constant Maturities.” In the event the rate referred to in the preceding sentence does not appear in H.15(519), then the CMT Rate for such CMT Interest Determination Date will be the rate on the applicable CMT Interest Determination Date for the period of the Index Maturity specified above, as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate which would otherwise have been published in H.15(519). In the event the rate referred to in the preceding sentence is not published, the CMT Rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 p.m., New York City time, on the applicable CMT Interest Determination Date of three leading primary United States government securities dealers in the City of New York, which may include an agent of the Company or such agent’s affiliates (each a “Reference Dealer”), selected by the Company (from five Reference Dealers selected by the Company and eliminating the highest quotation (or, in the event of equality, one of the highest), and the lowest quotation (or, in the event of equality, one of the lowest)), for United States Treasury securities with an original maturity equal to the Index Maturity specified above, a remaining term to maturity no more than one year shorter than the Index Maturity specified above and in a principal amount that is

representative for a single transaction in the securities in the market at that time. If fewer than five but more than two of the prices referred to in the above sentence are provided as requested, the CMT Rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of the quotations shall be eliminated; *provided, however*, that if fewer than three prices referred to above are provided as requested, the CMT Rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m., New York City time, on the applicable CMT Interest Determination Date of three Reference Dealers selected by the Company from five Reference Dealers selected by the Company and eliminating the highest quotation or, in the event of equality, one of the highest and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity greater than the Index Maturity specified above, and a remaining term to maturity closest to the Index Maturity specified above, and in a principal amount that is representative for a single transaction in the securities in the market at that time. However, if fewer than five but more than two prices referred to above are provided as requested, the CMT Rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of the quotations will be eliminated. If fewer than three prices referred to above are provided as requested, the CMT Rate on the applicable CMT Interest Determination Date will be the CMT Rate in effect on the applicable CMT Interest Determination Date. If the CMT Reuters Page FEDCMT is specified above, the CMT Rate for such CMT Interest Determination Date will be a percentage equal to the one-week or one-month, as specified above, and will be the average yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, as the yield is displayed on Reuters, Inc. (or any successor service) on page FEDCMT (or any other page as may replace that specified page on that service) (“Reuters Page FEDCMT”), for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which the related CMT Interest Determination Date falls. If the rate referred to in the preceding sentence does not appear on Reuters Page FEDCMT, then the CMT Rate for such CMT Interest Determination Date will be a percentage equal to the one-week or one-month, as specified above, average yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, and for the week or month, as applicable, preceding the applicable CMT Interest Determination Date as published in H.15(519) opposite the caption “Treasury Constant Maturities.” If the rate referred to in the preceding sentence does not appear in H.15(519), then the CMT Rate for such CMT Interest Determination Date will be the one-week or one-month, as specified above, average yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, as otherwise announced by the Federal Reserve Bank of New York for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which the related CMT Interest Determination Date falls. If the Federal Reserve Bank of New York does not publish the rate referred to above, the rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 p.m., New York City time, on the applicable CMT Interest Determination Date of three Reference Dealers selected by the Company (from five Reference Dealers selected by the Company and eliminating the highest quotation (or, in the

event of equality, one of the highest), and the lowest quotation (or, in the event of equality, one of the lowest)), for United States Treasury securities with an original maturity equal to the Index Maturity specified above, and a remaining term to maturity no more than one year shorter than the Index Maturity specified above, and in a principal amount that is representative for a single transaction in the securities in the market at that time. If fewer than five but more than two of the prices referred to above are provided as requested, the rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of the quotations shall be eliminated. If fewer than three prices referred to above are provided as requested, the rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m., New York City time, on the applicable CMT Interest Determination Date of three Reference Dealers selected by the Company (from five Reference Dealers selected by the Company and eliminating the highest quotation or (in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for United States Treasury securities with an original maturity greater than the Index Maturity specified above, and a remaining term to maturity closest to the Index Maturity specified above and will be in a principal amount that is representative for a single transaction in the securities in the market at that time. If fewer than five but more than two prices referred to above are provided as requested, the rate will be calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of the quotations will be eliminated, or if fewer than three prices referred to above are provided as requested, the CMT Rate will be the CMT Rate in effect on the applicable CMT Interest Determination Date. If two United States Treasury securities with an original maturity greater than the Index Maturity as specified above have remaining terms to maturity equally close to the Index Maturity specified above, the quotes for the United States Treasury security with the shorter original remaining term to maturity will be used.

Determination of Commercial Paper Rate. If the Interest Rate Basis, as specified above, is, or is calculated by reference to, the Commercial Paper Rate, unless otherwise specified above, the “Commercial Paper Rate” for each Interest Reset Date will be determined by the Calculation Agent as of the second Business Day prior to such Interest Reset Date (a “Commercial Paper Interest Determination Date”) and shall be the Money Market Yield (as defined below) on such date of the rate for commercial paper having the Index Maturity as indicated above, as such rate shall be published in H.15(519) under the caption “Commercial Paper-Nonfinancial.” In the event that such rate is not published prior to 3:00 p.m., New York City time, on the applicable Calculation Date, then the Commercial Paper Rate shall be calculated by the Calculation Agent as the Money Market Yield of the Commercial Paper Rate on the applicable Commercial Paper Interest Determination Date for commercial paper having the Index Maturity specified above, published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “Commercial Paper-Nonfinancial.” If by 3:00 p.m., New York City time, on the applicable Calculation Date, such rate is not yet published as provided in the preceding sentence, then the Commercial Paper Rate on the applicable Commercial Paper Interest Determination Date shall be calculated by the Calculation Agent as the Money Market Yield of the arithmetic mean of the

offered rates at approximately 11:00 a.m., New York City time, on the applicable Commercial Paper Interest Determination Date of three leading dealers of United States dollar commercial paper in the City of New York, which may include an agent of the Company or such agent's affiliates, selected by the Calculation Agent for commercial paper having the Index Maturity specified above, placed for industrial issuers whose bond rating is "Aa," or the equivalent, from a nationally recognized statistical rating organization; *provided, however*, that if the dealers selected as aforesaid by the Company are not quoting offered rates as mentioned in this sentence, the Commercial Paper Rate will be the Commercial Paper Rate in effect on the applicable Commercial Paper Interest Determination Date.

"Money Market Yield" shall be a yield calculated in accordance with the following formula and expressed as a percentage:

$$\text{Money market yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal; and "M" refers to the actual number of days in the interest period for which interest is being calculated.

Determination of Federal Funds Rate. If the Interest Rate Basis, as specified above, is, or is calculated by reference to the Federal Funds Rate, unless otherwise specified above, the "Federal Funds Rate" with respect to each Interest Reset Date will be determined by the Calculation Agent as of the first Business Day prior to such Interest Reset Date (a "Federal Funds Interest Determination Date") and shall be the rate on that date for United States dollar Federal Funds as published in H.15(519) under the heading "Federal Funds (Effective)," as displayed on Reuters, Inc. (or any successor service) on page FEDFUND01 (or any other page as may replace the applicable page on that service) ("Reuters Page FEDFUND01") or, if such rate does not appear on Reuters Page FEDFUND01, or is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date, the rate on the applicable Federal Funds Interest Determination Date for United States dollar Federal Funds will be the rate on such Federal Funds Interest Determination Date as published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption "Federal Funds (Effective)." If such rate is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date, the Federal Funds Rate will be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight United States dollar Federal Funds arranged by three leading brokers of United States dollar Federal Funds transactions in the City of New York, which may include an agent of the Company or such agent's affiliates, selected by the Company before 9:00 a.m., New York City time, on the applicable Federal Funds Interest Determination Date; *provided, however*, that if the brokers selected as aforesaid by the Company are not quoting as mentioned in this sentence, the Federal Funds Rate will be the Federal Funds Rate in effect on the applicable Federal Funds Interest Determination Date.

Determination of LIBOR. If the Interest Rate Basis, as specified above, is, or is calculated by reference to, LIBOR, unless otherwise specified above, "LIBOR" for each Interest

Reset Date will be determined by the Calculation Agent as of the second London Banking Day prior to such Interest Reset Date (a “LIBOR Interest Determination Date”) and shall be the rate (expressed as a percentage per annum) for deposits in U.S. dollars having a three-month maturity that appears on Reuters LIBOR01 at approximately 11:00 a.m., London time, on the applicable LIBOR Interest Determination Date, or if Reuters LIBOR01 is not available on such date, the Calculation Agent will obtain such rate from Bloomberg’s page “BBAM.” If such rate does not appear on Reuters LIBOR01 or Bloomberg’s page “BBAM” on such LIBOR Interest Determination Date at approximately 11:00 a.m., London time, then the Calculation Agent will request the principal London office of each of four major banks in the London interbank market, as selected by the Company, to provide a quotation of the rate (expressed as a percentage per annum) offered by it to prime banks in the London interbank market for three-month deposits in U.S. dollars in a principal amount of at least \$1,000,000 at approximately 11:00 a.m., London time, on such LIBOR Interest Determination Date. If at least two such offered quotations are so provided, LIBOR determined on the applicable LIBOR Interest Determination Date calculated by the Calculation Agent will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Company will request each of three major banks in New York City, as selected by the Company, to provide a quotation of the rate (expressed as a percentage per annum), offered by it for loans in U.S. dollars to leading European banks having a three-month maturity in a principal amount of at least \$1,000,000 at approximately 11:00 a.m., New York City time, on such LIBOR Interest Determination Date. If at least two such rates are so provided, LIBOR determined on the applicable LIBOR Interest Determination Date calculated by the Calculation Agent will be the arithmetic mean of such rates. If fewer than two such rates are so provided, then LIBOR determined on the applicable LIBOR Interest Determination Date calculated by the Calculation Agent will be the rate in effect on the applicable LIBOR Interest Determination Date.

“Reuters LIBOR01” means the Capital Markets Report Screen LIBOR01 of Reuters, Inc. (or any successor or similar service or page), for the purpose of displaying the London interbank rates of major banks for U.S. dollars.

Determination of Prime Rate. If the Interest Rate Basis, as specified above, is, or is calculated by reference to, the Prime Rate, unless otherwise specified above, the “Prime Rate” with respect to each Interest Reset Date will be determined by the Calculation Agent as of the first Business Day prior to such Interest Reset Date (a “Prime Interest Determination Date”) and shall be the rate set forth on such date as published in H.15(519) under the caption “Bank Prime Loan,” or if not so published prior to 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Prime Interest Determination Date, then the Prime Rate will be as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying the applicable rate under the caption “Bank Prime Loan,” or if not so published prior to 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Prime Interest Determination Date, then the Prime Rate will be determined by the Calculation Agent as the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen US PRIME 1 Page (as defined below) as the particular bank’s prime rate or base lending rate as of 11:00 a.m., New York City time, on the applicable Prime Interest Determination Date. If fewer than four such rates are so published by 3:00 p.m.,

New York City time, on the applicable Calculation Date as shown on the Reuters Screen US PRIME 1 Page for the Prime Interest Determination Date, the Prime Rate will be determined by the Calculation Agent as the arithmetic mean of the prime rates or base lending rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on the applicable Prime Interest Determination Date by three major banks, which may include an agent of the Company or such agent's affiliates, in the City of New York selected by the Company. However, if the banks selected by the Company are not quoting as mentioned in the preceding sentence, the Prime Rate will be the Prime Rate in effect on the applicable Prime Interest Determination Date.

“Reuters Screen US PRIME 1 Page” means the display on the Reuter Money 3000 Service or any successor service on the “US PRIME 1 Page” or other page as may replace US PRIME 1 Page on that service for the purpose of displaying prime rates or base lending rates of major United States banks).

Determination of Treasury Rate. If the Interest Rate Basis, as specified above, is, or is calculated by reference to the Treasury Rate, unless otherwise specified above, the “Treasury Rate” for each Interest Reset Date will be the rate from the auction held on the applicable Interest Determination Date (the “Auction”) of direct obligations of the United States (“Treasury Bills”) having the Index Maturity, as specified above, as published under the caption “INVESTMENT RATE” on the display on Reuters, Inc. or any successor or similar service on page USAUCTION 10 or any other page as may replace page USAUCTION 10 on that service (“Reuters Page USAUCTION 10”) or page USAUCTION 11 on that service (“Reuters Page USAUCTION 11”), or, if the rate is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Treasury Rate Determination Date (as defined below), the Bond Equivalent Yield of the rate for the applicable Treasury Bills as published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “U.S. Government Securities/Treasury Bills/Auction High,” or, if the rate is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Treasury Rate Determination Date, the Bond Equivalent Yield of the auction rate of the applicable Treasury Bills announced by the United States Department of the Treasury, or, if the rate is not announced by the United States Department of the Treasury, or if the Auction is not held, the Bond Equivalent Yield of the rate on the applicable Treasury Rate Determination Date of Treasury Bills having the Index Maturity specified above, published in H.15(519) under the caption “U.S. Government Securities/Treasury Bills/Secondary Market,” or, if the rate is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Treasury Rate Determination Date, the rate on the applicable Treasury Rate Determination Date of the applicable Treasury Bills as published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “U.S. Government Securities/Treasury Bills/Secondary Market.” In the event that the results of the auction of Treasury Bills having the applicable Index Maturity specified above are not published or reported, as provided above, by 3:00 p.m., New York City time, on the applicable Calculation Date or if no such auction is held on such Treasury Rate Determination Date, then the Treasury Rate on the applicable Treasury Rate Determination Date shall be calculated by the Calculation Agent and shall be the Bond Equivalent Yield of the arithmetic

mean of the secondary market bid rates, as of approximately 3:30 p.m., New York City time, on the applicable Treasury Rate Determination Date, of three primary United States government securities dealers, which may include the agent or its affiliates, selected by the Company, for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity specified above; *provided, however*, that if the dealers selected as aforesaid by the Company are not quoting as mentioned in this sentence, the Treasury Rate will be the Treasury Rate in effect on the applicable Treasury Rate Determination Date.

The “Treasury Rate Determination Date” for any Interest Reset Date will be the day of the week in which such Interest Reset Date falls on which Treasury Bills would normally be auctioned. Treasury Bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except such auction may be held on the preceding Friday. If, as the result of a legal holiday, an auction is so held on the preceding Friday, such Friday will be the Treasury Rate Determination Date pertaining to the Interest Reset Date occurring in the next succeeding week.

“Bond Equivalent Yield” means a yield calculated in accordance with the following formula and expressed as a percentage:

$$\text{Bond Equivalent Yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where “D” refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis and expressed as a decimal; “N” refers to 365 or 366, as the case may be, and “M” refers to the actual number of days in the interest period for which interest is being calculated.

Provisions Applicable To Both Fixed Rate Notes And Floating Rate Notes:

The interest so payable on any Interest Payment Date will, subject to certain exceptions in the Indenture hereinafter referred to, be paid to the person in whose name this Note is registered at the close of business on the Regular Record Date (as defined below) immediately preceding such Interest Payment Date or, if the Interest Payment Date is the Maturity Date or the date of earlier redemption or repayment, to the person in whose name this Note is registered at the close of business on the Maturity Date or such earlier date of redemption or repayment; *provided, however*, that if the Original Issue Date is between a Regular Record Date and an Interest Payment Date or on an Interest Payment Date, interest for the period from and including the Original Issue Date to, but excluding, the Interest Payment Date relating to such Regular Record Date shall be paid on the next succeeding Interest Payment Date to the person in whose name this Note is registered on the close of business on the Regular Record Date preceding such Interest Payment Date. If this Note bears interest at a Fixed Rate, as specified above, unless otherwise specified above, the “Regular Record Date” with respect to any Interest Payment Date shall be the 1st day of February and the 1st day of August, whether or not a Business Day, immediately preceding the related Interest Payment Date. If this Note bears interest at a Floating Rate, as specified above, the “Regular Record Date” with respect to any Interest Payment Date

shall be the fifteenth calendar day next preceding such Interest Payment Date, whether or not such date shall be a Business Day.

Payment of principal, premium, if any, and interest in respect of this Note due on the Maturity Date or any earlier redemption or repayment date will be made in immediately available funds upon presentation and surrender of this Note; *provided, however*, that if a Specified Currency is specified above and such payment is to be made in such Specified Currency in accordance with the provisions set forth below, such payment will be made by wire transfer of immediately available funds to an account with a bank designated by the Holder hereof at least 15 calendar days prior to the Maturity Date or such earlier redemption or repayment date, as the case may be, provided that such bank has appropriate facilities therefor and that this Note is presented and surrendered at the Place of Payment specified above in time for the Trustee to make such payment in such funds in accordance with its normal procedures. Payment of interest due on any Interest Payment Date, other than the Maturity Date or any earlier redemption or repayment date, will be made at the Place of Payment specified above.

Whenever in this Note or in the Indenture there is a reference, in any context, to the payment of the principal of, or interest, if any, on, or in respect of, the Notes, such payment shall be deemed to include the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect of such payment pursuant to the provisions hereof or thereof and express mention of the payment of Additional Amounts (if applicable) in any provision hereof or thereof shall not be construed as excluding Additional Amounts in those provisions hereof where such express mention is not made.

The Company is obligated to make payment of principal, premium, if any, and interest in respect of this Note in United States dollars or, if a Specified Currency is indicated above, in such Specified Currency (or, if such Specified Currency is not at the time of such payment legal tender for the payment of public and private debts of the country issuing such currency or, in the case of the Euro, in the member states of the European Union that have adopted the single currency in accordance with the Treaty Establishing the European Community, as amended by the Treaty on European Union, such other currency which is then such legal tender in such country or in the adopting member states of the European Union, as the case may be). If a Specified Currency is specified above, except as otherwise provided below, any such amounts so payable by the Company will be converted by a New York clearing house bank designated by the Company (the “Exchange Rate Agent”) into United States dollars for payment to the Holder of this Note.

If a Specified Currency is specified above, the Holder of this Note may elect to receive any amount payable hereunder in such Specified Currency. If the Holder of this Note shall not have duly made an election to receive all or a specified portion of any payment of principal, premium, if any, and/or interest in respect of this Note in such Specified Currency, any United States dollar amount to be received by the Holder of this Note will be based on the highest bid quotation in the City of New York received by the Exchange Rate Agent at approximately 11:00 a.m., New York City time, on the second Business Day preceding the applicable payment date from three recognized foreign exchange dealers (one of whom may be the Exchange Rate Agent)

selected by the Exchange Rate Agent and approved by the Company for the purchase by the quoting dealer of the Specified Currency for United States dollars for settlement on such payment date in the aggregate amount of the Specified Currency payable to all Holders of Notes scheduled to receive United States dollar payments and at which the applicable dealer commits to execute a contract. All currency exchange costs will be borne by the Holder of this Note by deductions from such payments. If three such bid quotations are not available, payments on this Note will be made in the Specified Currency.

If a Specified Currency is specified above, the Holder of this Note may elect to receive all or a specified portion of any payment of principal, premium, if any, and/or interest in respect of this Note in such Specified Currency by submitting a written request for such payment to the Trustee at the Place of Payment on or prior to the applicable Record Date or at least 15 calendar days prior to the Maturity Date (or any earlier redemption or repayment date), as the case may be. Such written request may be mailed or hand delivered or sent by facsimile transmission. The Holder of this Note may elect to receive all or a specified portion of all future payments in the Specified Currency in respect of such principal, premium, if any, and/or interest and need not file a separate election for each payment. Such election will remain in effect until revoked by written notice to the Trustee, but written notice of any such revocation must be received by the Trustee on or prior to the applicable Record Date or at least 15 calendar days prior to the Maturity Date (or any earlier redemption or repayment date), as the case may be.

If a Specified Currency is specified above and the Holder of this Note shall have duly made an election to receive all or a specified portion of any payment of principal, premium, if any, and/or interest in respect of this Note in such Specified Currency, but such Specified Currency is not available for such payment due to the imposition of exchange controls or other circumstances beyond the control of the Company, the Company will be entitled to satisfy its obligations to the Holder of this Note by making such payment in United States dollars on the basis of the Market Exchange Rate (as defined below) determined by the Exchange Rate Agent on the second Business Day prior to such payment date or, if such Market Exchange Rate is not then available, on the basis of the most recently available Market Exchange Rate on or before the date on which such payment is due. The “Market Exchange Rate” for the Specified Currency means the noon dollar buying rate in the City of New York for cable transfers of the Specified Currency as certified for customs purposes (or, if not so certified, as otherwise determined) by the Federal Reserve Bank of New York. Any payment made in United States dollars under such circumstances shall not constitute an Event of Default (as defined in the Indenture).

All determinations referred to above made by the Exchange Rate Agent shall be at its sole discretion and shall, in the absence of manifest error, be conclusive for all purposes and binding on the Holder of this Note.

In case an Event of Default (as defined in the Indenture) with respect to Notes of this series shall occur and be continuing, the principal amount (or, if the Note is an Original Issue Discount Note, such lesser portion of the principal amount as may be applicable) of the Notes of this series may be declared due and payable, and, with respect to certain Events of Default, shall automatically become due and payable, in each case in the manner and with the effect provided

in the Indenture. If this Note is an Original Issue Discount Note, in the event of an acceleration of the Maturity Date hereof, the amount payable to the Holder of this Note upon such acceleration will be determined by this Note but will be an amount less than the amount payable at the Maturity Date of this Note.

The Indenture permits, with certain exceptions as therein provided, the modification of the rights and obligations of the Company and the Guarantor and the rights of the Holders of the Securities (as defined in the Indenture) of each series to be affected by such modification under the Indenture at any time by the Company and the Guarantor with the consent of the holders of not less than a majority in aggregate principal amount of the Outstanding Securities (as defined in the Indenture) of each series to be affected by such modification. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Outstanding Securities of each series, on behalf of the Holders of all Securities of such series, to waive compliance by the Company and the Guarantor with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences.

This Note is issuable only in registered form without coupons in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof or other Authorized Denomination specified above.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note may be registered in the Security Register of this series upon surrender of this Note for registration of transfer at the Place of Payment specified above, duly endorsed by or accompanied by, a written instrument of transfer in form satisfactory to the Company and the Trustee, duly executed by the Holder hereof or his attorney duly authorized in writing, and thereupon a new Note or Notes of this series of Authorized Denomination and for the same aggregate principal amount, with the Guarantee endorsed thereon, will be issued to the designated transferee or transferees.

No service charge shall be made for any such registration of transfer, exchange or redemption of the Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Trustee, and any agent of the Company or the Trustee may treat the person in whose name this Note is registered in the Security Register as the owner of this Note for all purposes (other than for the determination of any Additional Amounts payable) and neither the Company nor the Trustee nor any such agent shall be affected by any notice to the contrary.

If so specified above, this Note will be redeemable at the Company's option on the date or dates specified prior to the Maturity Date at a price or prices, each as specified above, together with accrued interest to the date of redemption. This Note will not be subject to any sinking fund. If so redeemable, the Company may redeem this Note either in whole or from time to time in part, upon not less than 30, nor more than 60, days' notice before the date of redemption. If less than all of the Notes with like tenor and terms are to be redeemed, the Notes to be redeemed shall be selected by the Trustee by such method as the Trustee shall deem fair and appropriate.

This Note will be subject to redemption at the option of the Company, in whole or in part at any time prior to January 15, 2023, at a redemption price equal to the greater of (i) 100% of the principal amount of this Note to be redeemed, and (ii) as determined by the Quotation Agent (as defined below), the sum of the present values of the remaining scheduled payments of principal and interest on this Note to be redeemed (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus 15 basis points, plus accrued interest on the principal amount redeemed to, but not including, the date of redemption. In addition, this Note will be subject to redemption at the option of the Company, in whole or in part, at any time on or after January 15, 2023 until the Maturity Date at a redemption price equal to 100% of the principal amount of this Note, plus accrued interest on the principal amount redeemed to, but not including, the date of redemption.

If any redemption date falls on a day that is not a Business Day, the related payment of the redemption price and interest will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next Business Day.

“Comparable Treasury Issue” means the U.S. Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

“Comparable Treasury Price” means, with respect to any redemption date, (i) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if fewer than five such Reference Treasury Dealer Quotations are obtained by the Quotation Agent, the average of all such quotations.

“Quotation Agent” means the Reference Treasury Dealer appointed by the Company.

“Reference Treasury Dealer” means (1) each of J.P. Morgan Securities LLC, Mizuho Securities USA LLC and Wells Fargo Securities, LLC (and their respective successors) and (2) two other nationally recognized investment banking firms that are Primary Treasury Dealers specified from time to time by the Company; provided, however, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a “Primary Treasury Dealer”), the Company shall substitute therefor another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

“Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield-to-maturity of the Comparable Treasury Issue, assuming a price for

the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Notice of any redemption will be delivered at least 30 days but not more than 60 days before the redemption date to the Holder hereof at its address as such address shall appear in the Security Register of the Company, except that redemption notices may be provided more than 60 days prior to the redemption date if the notice is issued in connection with the defeasance or discharge of the Notes and/or the Indenture. Unless the Company defaults in the payment of the redemption price on and after the redemption date, interest will cease to accrue on the principal amount of this Note called for redemption. Notwithstanding anything to the contrary in the foregoing, notice of any redemption to the Holder hereof may, in the Company's discretion, be subject to one or more conditions precedent, including completion of a corporate transaction. In such event, the related notice of redemption will describe each such condition and, if applicable, will state that, in the Company's discretion, the date of redemption may be delayed until such time as any or all such conditions shall be satisfied or waived, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied or waived by the date of redemption, or by the date of redemption as so delayed.

Subject to Section 403 of the Indenture, if an HDI Change of Control Triggering Event (as defined below) occurs, unless the Company has exercised its option to redeem this Note as described above, the Company will be required to make an offer (the "Change of Control Offer") to each Holder of the Notes to repurchase all or any part (equal to \$2,000 or an integral multiple of \$1,000 in excess thereof) of such Holder's Notes on the terms set forth herein. In the Change of Control Offer, the Company will be required to offer payment in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest, if any, on the Notes repurchased to the date of repurchase (the "Change of Control Payment").

Subject to Section 403 of the Indenture, within 30 days following any HDI Change of Control Triggering Event or, at the Company's option, prior to any HDI Change of Control (as defined below), but after public announcement by HDI (as defined below) of the transaction that constitutes, or would constitute upon consummation thereof, an HDI Change of Control, a notice will be delivered to Holders of the Notes describing the transaction that constitutes, or would constitute upon consummation thereof, the HDI Change of Control Triggering Event and offering to repurchase such Notes on the date specified in the notice. Such date will be no earlier than 30 days and no later than 60 days from the date such notice is delivered, other than as may be required by law (the "Change of Control Payment Date"). The notice will, if delivered prior to the date of consummation of the HDI Change of Control, state that the offer to purchase is conditioned on the HDI Change of Control Triggering Event occurring on or prior to the Change of Control Payment Date.

If any Change of Control Payment Date falls on a day that is not a Business Day, the related payment of the Change of Control Payment will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next Business Day.

On the Change of Control Payment Date, the Company will, to the extent lawful, (i) accept for payment all Notes or portions of Notes properly tendered and not validly withdrawn pursuant to the Change of Control Offer; (ii) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all such Notes or portions of Notes properly tendered and not validly withdrawn; and (iii) deliver or cause to be delivered to the Trustee such Notes properly accepted together with a Company Officers' Certificate (as defined in the Indenture) stating the aggregate principal amount of such Notes or portions of Notes being repurchased.

The Company will not be required to comply with the obligations relating to repurchasing the Notes if a third-party instead satisfies them.

The Company must comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any other securities laws and regulations applicable to the repurchase of the Notes. To the extent that the provisions of any such securities laws or regulations conflict with the Change of Control Offer provisions of the Notes, the Company will comply with those securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control Offer provisions of the Notes by virtue of any such compliance.

If Holders of not less than 95% in aggregate principal amount of the outstanding Notes properly tender and do not validly withdraw such amount of the Notes in a Change of Control Offer, and the Company, or any third-party making an offer to purchase the Notes in connection with an HDI Change of Control Triggering Event in lieu of the Company, purchase such amount of the Notes properly tendered and not validly withdrawn by such Holders, then the Company will have the right, upon notice described above, given not more than 30 days following the Change of Control Payment Date, to redeem all (but not less than all) of the aggregate principal amount of the Notes that remains outstanding following such purchase at a redemption price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date (subject to the right of Holders of record as of the close of business on the relevant Regular Record Date to receive interest on the applicable Interest Payment Date). If the redemption date falls on a day that is not a Business Day, the related payment of the redemption price and interest will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next Business Day.

For purposes of the Change of Control Offer provisions of the Notes, the following terms will be applicable:

"Below Investment Grade Rating Event" means the Notes cease to be rated an Investment Grade Rating by each of the Rating Agencies on any day within the 60-day period after the earlier of (1) the occurrence of an HDI Change of Control and (2) the first public announcement by Harley-Davidson, Inc. ("HDI") of the intention of HDI to effect an HDI Change of Control (which 60-day period will be extended for so long as any of the Rating Agencies has publicly announced that it is considering a possible downgrade of the rating of the notes of such series); *provided* that a Below Investment Grade Rating Event otherwise arising by

virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular HDI Change of Control (and thus shall not be deemed a Below Investment Grade Rating Event for purposes of the definition of HDI Change of Control Triggering Event hereunder) if any of the Rating Agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform the Trustee in writing at the Company's or its request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable HDI Change of Control (whether or not the applicable HDI Change of Control shall have occurred at the time of the Below Investment Grade Rating Event). The Trustee has no obligation to monitor the ratings of the Notes for purposes of determining the occurrence of a Below Investment Grade Rating Event.

“Fitch” means Fitch Ratings, Inc. and its successors.

“HDI Change of Control” means the occurrence of any of the following: (1) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any “person” (as that term is used in Section 13(d)(3) of the Exchange Act), other than HDI or one of its subsidiaries, becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the Voting Stock of HDI or other Voting Stock into which the Voting Stock of HDI is reclassified, consolidated, exchanged or changed, measured by voting power rather than number of shares; or (2) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation or as a pledge for security purposes only), in one or a series of related transactions, of all or substantially all of the assets of HDI and the assets of the subsidiaries of HDI, taken as a whole, to one or more “persons” (as that term is defined in the Indenture), other than HDI or one of its subsidiaries and other than any such transaction or series of related transactions where holders of Voting Stock of HDI outstanding immediately prior thereto hold voting stock of the transferee person representing a majority of the voting power of the transferee person's voting stock immediately after giving effect thereto. Notwithstanding the foregoing, a transaction will not be deemed to be an HDI Change of Control if (1) HDI becomes a direct or indirect wholly-owned subsidiary of a holding company and (2)(A) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Voting Stock of HDI immediately prior to that transaction or (B) immediately following that transaction no “person” (as that term is used in Section 13(d)(3) of the Exchange Act) (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company.

“HDI Change of Control Triggering Event” means the occurrence of both an HDI Change of Control and a Below Investment Grade Rating Event. Notwithstanding anything to the contrary, no HDI Change of Control Triggering Event will be deemed to have occurred in connection with any particular HDI Change of Control unless and until such HDI Change of Control has actually been consummated.

“Investment Grade Rating” means a rating equal to or higher than Baa3 by Moody’s (or its equivalent under any successor rating category of Moody’s), BBB– by S&P (or its equivalent under any successor rating category of S&P) and BBB– by Fitch (or its equivalent under any successor rating category of Fitch), and the equivalent investment grade credit rating from any replacement Rating Agency or Rating Agencies selected by the Company.

“Moody’s” means Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors.

“Rating Agencies” means (1) each of Moody’s, S&P and Fitch, and (2) if any of Moody’s, S&P or Fitch (or in each case any replacement thereof appointed pursuant to this definition) ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons outside of the Company’s control, a “nationally recognized statistical rating organization” as defined under Section 3(a)(62) of the Exchange Act selected by the Company as a replacement agency for Moody’s, S&P and/or Fitch, as the case may be; provided that the Company shall give notice of any such replacement to the Trustee.

“S&P” means S&P Global Ratings, a division of S&P Global Inc. and its successors.

“Voting Stock” means, with respect to any specified “person” (as that term is used in Section 13(d)(3) of the Exchange Act), as of any date, the capital stock of such person that is at the time entitled to vote generally in the election of the board of directors of such person.

In lieu of Section 1005 of the Indenture, the following covenant shall apply:

Limitation on Liens. The Company and the Guarantor will not, nor will they permit any Subsidiary of the Company or the Guarantor to, issue or assume any Indebtedness secured by a Lien upon any Property (now owned or hereinafter acquired) of the Company or the Guarantor or any such Subsidiary without in any such case effectively providing concurrently with the issuance or assumption of any such Indebtedness that the Notes (together with, if the Company or the Guarantor shall so determine, any other Indebtedness of the Company or the Guarantor or any such Subsidiary ranking equally with the Notes then existing or thereafter created) shall be secured equally and ratably with such Indebtedness. The restrictions set forth in the immediately preceding sentence will not, however, apply if the aggregate amount of Indebtedness issued or assumed by the Company, the Guarantor or such Subsidiaries and so secured by Liens, together with all other Indebtedness of the Company, the Guarantor or such Subsidiaries which (if originally issued or assumed at such time) would otherwise be subject to such restrictions, but not including Indebtedness permitted to be secured under clauses (i) through (xiv) of the immediately following paragraph, does not at the time such secured Indebtedness is incurred exceed 15% of the Consolidated Net Tangible Assets.

The restrictions set forth above shall not apply to Indebtedness secured by:

(i) Liens existing on the date of the original issuance of the Notes;

(ii) Liens on any Property of any company existing at the time such company becomes a Subsidiary of the Company or the Guarantor, which Liens are not created in contemplation of such company becoming a Subsidiary of the Company or the Guarantor;

(iii) Liens on any Property existing at the time such Property is acquired by the Company, the Guarantor or a Subsidiary of the Company or the Guarantor, or Liens to secure the payment of all or any part of the purchase price of such Property upon the acquisition of such Property by the Company, the Guarantor or a Subsidiary of the Company or the Guarantor or to secure any Indebtedness incurred prior to, at the time of, or within 180 days after, the later of the date of acquisition of such Property and the date such Property is placed in service, for the purpose of financing all or any part of the purchase price thereof, or Liens to secure any Indebtedness incurred for the purpose of financing the cost to the Company, the Guarantor or a Subsidiary of the Company or the Guarantor of improvements to such acquired Property or to secure any Indebtedness incurred for the purpose of financing all or any part of the purchase price of the cost of construction of the Property subject to such Liens;

(iv) Liens securing any Indebtedness of the Company, a Subsidiary of the Company or the Guarantor owing to the Company, the Guarantor or to another Subsidiary of the Company or the Guarantor;

(v) Liens created in connection with a securitization or other asset-based financing;

(vi) Liens with respect to the payment of taxes, assessments or governmental charges in all cases which are not yet due or which are being contested in good faith;

(vii) statutory Liens of landlords and Liens of suppliers, mechanics, carriers, materialmen, warehousemen or workmen and other similar Liens imposed by law created in the ordinary course of business for amounts not yet due or which are being contested in good faith;

(viii) Liens incurred or deposits made in the ordinary course of business in connection with worker's compensation, unemployment insurance or other types of social security benefits or to secure the performance of bids, tenders, sales, contracts (other than for the repayment of borrowed money), surety, appeal and performance bonds;

(ix) Liens arising with respect to zoning restrictions, easements, licenses, reservations, covenants, rights-of-way, utility easements, building restrictions and other similar charges or encumbrances on the use of real property which do not interfere with the ordinary conduct of the business of the Company, the Guarantor or any of their respective Subsidiaries;

(x) Liens of attachment or judgment with respect to judgments, writs or warrants of attachment, or similar process against the Company, the Guarantor or any of their respective Subsidiaries;

(xi) Liens arising from leases, subleases or licenses granted to others which do not interfere in any material respect with the business of the Company, the Guarantor or any of their respective Subsidiaries;

(xii) any interest or title of the lessor in the Property subject to any operating lease (as determined in accordance with GAAP as in effect as of the date of the Indenture) entered into by the Company, the Guarantor or any of their respective Subsidiaries in the ordinary course of business;

(xiii) Liens, if any, in connection with any sale/leaseback transaction;

(xiv) Liens on assets pledged in respect of Indebtedness that has been defeased in accordance with the provisions thereof through the deposit of cash, cash equivalents or marketable securities (it being understood that cash collateral shall be deemed to include cash deposited with a trustee with respect to third party indebtedness); and

(xv) any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Lien referred to in the foregoing clauses (i) - (xiv); provided, however, that such new Lien is limited to the Property which was subject to the prior Lien immediately before such extension, renewal or replacement, and provided, further, that the principal amount of Indebtedness secured by the prior Lien immediately before such extension, renewal or replacement is not increased.

The Company may “reopen” a previously issued tranche of Notes and issue additional Notes of such tranche or establish additional terms of such tranche or issue notes with the same terms as previously issued Notes (except for the Original Issue Date, Issue Price and, if applicable, the initial Interest Payment Date).

The Company may at any time purchase this Note at any price in the open market or otherwise. Notes so purchased by the Company may be held or resold or, at the discretion of the Company, may be surrendered to the Trustee for cancellation.

For the avoidance of doubt, Article 4 of the Indenture, including without limitation Section 403 thereof, shall apply to the Notes.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligations of the Company and the Guarantor, which are absolute and unconditional, to pay the principal of, premium, if any, and interest on this Note, at the times, place and rate, and in the coin or currency, herein and in the Indenture prescribed.

This Note shall be governed by and construed in accordance with the laws of the State of New York.

By acceptance of this Note, the Holder hereof agrees to be bound by the provisions of the Indenture. Terms used herein which are defined in the Indenture shall have the respective meanings assigned thereto in the Indenture. This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by or on behalf of the Trustee under the Indenture.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed, manually or by facsimile by an authorized signatory.

HARLEY-DAVIDSON FINANCIAL SERVICES, INC.

By: _____

Name:

Title:

By: _____

Name:

Title:

Dated:

TRUSTEE’S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated herein and referred to in the within-mentioned Indenture.

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

By: _____

Authorized Signatory

GUARANTEE

For value received, undersigned hereby fully, irrevocably and unconditionally guarantees, pursuant to the terms of the Guarantee contained in Article Fourteen of the Indenture, to the Holder of this Note and to the Trustee, on behalf of the Holder, the due and punctual payment of the principal of, and any premium, interest and any Additional Amounts on, this Note, when and as the same shall become due and payable, whether at the stated maturity, by declaration of acceleration, call for redemption or otherwise, in accordance with the terms of this Note and the Indenture. This Guarantee will not be valid or obligatory for any purpose until the Trustee duly executes the certificate of authentication on the Note upon which this Guarantee is endorsed.

Dated:

HARLEY-DAVIDSON CREDIT CORP.,
a Nevada corporation

By:_____
Name:
Title:

Attest:

By:_____
Name:
Title:

ABBREVIATIONS

The following abbreviations, when used in the inscription on this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

UNIF GIFT MIN ACT - _____ Custodian _____
(Cust) (Minor)

TEN ENT - as tenants by the entirety

under Uniform Gifts to Minors Act

JT TEN - as joint tenants with right of
survivorship and not as tenant
in common

(State)

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto:

(Please insert social security or other identifying number of assignee)

(Name and address of assignee, including zip code,
must be printed or typewritten)

the within Note, and all rights thereunder, hereby irrevocably constituting and appointing
_____ attorney to transfer said Note on the books of the within Company, with full
power of substitution in the premises.

Dated:

NOTICE: The signature to this assignment must correspond with the name as it
appears upon the within Note in every particular, without alteration or enlargement
or any change whatever and must be guaranteed.

SIGNATURE(S) GUARANTEED:

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS,
STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN
APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM) PURSUANT TO SEC RULE 17Ad-15.

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE

The following increases or decreases in this Global Note have been made

Date of Exchange	Amount of increase in Principal Amount of this Global Note	Amount of decrease in Principal Amount of this Global Note	Principal Amount of this Global Note following each decrease or increase	Signature of authorized signatory of Trustee
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HARLEY-DAVIDSON FINANCIAL SERVICES, INC.
3.350% MEDIUM-TERM NOTES DUE 2023

Fully and Unconditionally Guaranteed
by Harley-Davidson Credit Corp.

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

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

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND, ACCORDINGLY, NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY OTHER APPLICABLE JURISDICTION. BY ITS ACCEPTANCE HEREOF, THE HOLDER OF THIS SECURITY OR ANY INTEREST OR PARTICIPATION HEREIN (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, AND (2) AGREES TO OFFER, SELL OR OTHERWISE TRANSFER

SUCH SECURITY, PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE THEREOF WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) ONLY (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHICH NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN ACCREDITED INVESTOR WITHIN THE MEANING OF SUBPARAGRAPH (a)(1), (2), (3) OR (7) OF RULE 501 OF REGULATION D UNDER THE SECURITIES ACT THAT IS ACQUIRING THIS SECURITY OR ANY INTEREST OR PARTICIPATION HEREIN FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN ACCREDITED INVESTOR, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY’S AND THE TRUSTEE’S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (i) PURSUANT TO CLAUSES (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (ii) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY BE COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

THE HOLDER OF THIS SECURITY WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE SECURITY EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH ABOVE.

THE RIGHTS ATTACHING TO THIS REGULATION S TEMPORARY GLOBAL NOTE, AND THE CONDITIONS AND PROCEDURES GOVERNING ITS EXCHANGE FOR DEFINITIVE NOTES, ARE AS SPECIFIED IN THE INDENTURE (AS DEFINED HEREIN). NEITHER THE HOLDER NOR THE BENEFICIAL OWNERS OF THIS REGULATION S TEMPORARY GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF INTEREST HEREON.

PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE

UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), UNLESS SUCH TRANSACTION IS EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT.

HARLEY-DAVIDSON FINANCIAL SERVICES, INC.
3.350% MEDIUM-TERM NOTES DUE 2023

Fully and Unconditionally Guaranteed
by Harley-Davidson Credit Corp.

No. S001 Principal Amount \$8,962,000
CUSIP No. U24652 AM8 as revised by the Schedule of
ISIN USU24652AM81 Increases and Decreases in Global
Common Code No. 173569785 Note attached hereto

Issue Price: 99.912%

Maturity Date: February 15, 2023

Original Issue Date: February 9, 2018

Index Maturity:

☐ Original Issue Discount Note

Total Amount of OID:

Yield to Maturity: %

Initial Accrual Period OID:

☒ Fixed Rate

Interest Rate: 3.350%

☐ Floating Rate

Interest Rate Basis:

___ CD Rate

Specified Currency (if other than U.S. dollars): N/A

___ CMT Rate

☐ CMT Reuters Page FRBCMT:

☐ CMT Reuters Page FEDCMT:

Option To Receive Payments In Specified Currency (non-U.S. dollar denominated Note): N/A

___ Commercial Paper Rate

___ Federal Funds Rate

___ LIBOR

Authorized Denomination: Minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof

___ Prime Rate

Place of Payment (if other than as set forth in the Indenture): N/A

___ Treasury Rate

___ Other

Spread (Plus Or Minus):

Initial Redemption Date:

Initial Redemption Percentage:

Annual Redemption Percentage Reduction:

Repayment Date:

Spread Multiplier: %

Renewable: ☐ Yes ☐ No

Extendible: ☐ Yes ☐ No

Interest Category:

☐ Regular Floating Rate Note

Final Maturity Date:

☐ Floating Rate/Fixed Rate Note
Fixed Rate Commencement Date:

Fixed Interest Rate: %

☐ Inverse Floating Rate Note

Initial Interest Rate:

Initial Interest Reset Date:

Maximum Interest Rate: %

Interest Reset Dates:

Minimum Interest Rate: %

Interest Payment Dates (in the case of a Floating Rate Note and, in the case of a Fixed Rate Note, other than as set forth below): N/A

Regular Record Dates (if other than as set forth below): N/A

Interest Determination Dates (if other than as set forth below): N/A

Additional Amounts applicable for Company:

☐ Yes

☒ No

Additional Amounts applicable for Guarantor:

☐ Yes

☒ No

Addendum Attached

Other Provisions:

☐ Yes

☒ No

Authorized Denomination (only if non-U.S. dollar denominated Note): N/A

Calculation Agent (if other than the Trustee): N/A

Interest Payment Period: N/A

Harley-Davidson Financial Services, Inc., a corporation duly organized under the laws of the State of Delaware (herein called the “Company,” which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the Principal Amount specified above, as revised by the Schedule of Increases and Decreases in Global Note attached hereto, on the Maturity Date specified above and to pay to the registered holder of this Note (the “Holder”) interest on said Principal Amount at a rate per annum specified above and upon the terms provided below under either the heading “Provisions Applicable to Fixed Rate Notes Only” or “Provisions Applicable to Floating Rate Notes Only.”

This Note is one of the Company’s duly authorized issue of notes in the series titled 3.350% Medium-Term Notes due 2023 (herein referred to as the “Notes”), all issued or to be issued under an indenture, dated as of March 4, 2011 (as may be supplemented from time to time, the “Indenture”), among the Company, Harley-Davidson Credit Corp. (the “Guarantor”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee,” which term includes any successor trustee under the Indenture), to which Indenture reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Trustee, the Company, the Guarantor and the Holders of the Notes and of the terms upon which the Notes are, and are to be, authenticated and delivered. The Notes of this series are limited (except as otherwise provided in the Indenture) to the aggregate principal amount established from time to time by the Company Board of Directors. The Notes of this series may be issued at various times with different maturity dates and different principal repayment provisions, may bear interest at different rates and may otherwise vary, all as provided in the Indenture. The Notes of this series may be subject to redemption upon notice and in accordance with the provisions of this Note and the Indenture. The Company and the Guarantor may defease the Notes of this series in accordance with the provisions of the Indenture.

To secure the due and punctual payment of principal, any premium, any interest and Additional Amounts (as defined in the Indenture) on this Note by the Company under the Indenture, when and as the same shall become due and payable, whether at the Maturity Date, by declaration of acceleration, call for redemption or otherwise, the Guarantor has unconditionally guaranteed this Note pursuant to the terms of the Guarantee endorsed hereon and in Section 1401 of the Indenture (the “Guarantee”).

As used herein, the term “Business Day” means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banks are authorized or required by law, regulation or executive order to close in the City of New York; *provided, however*, that if a Specified Currency is specified above, the day is also not a day on which commercial banks are authorized or required by law, regulation or executive order to close in the Principal Financial Center (as defined below) of the country issuing such Specified Currency or, if such Specified Currency is the Euro, the day is also a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open; *provided further* that if LIBOR is indicated above to be an applicable Interest Rate Basis, the day is also a London Banking Day (as defined below).

“Principal Financial Center” means, unless otherwise provided in this Note, the capital city of the country issuing the Specified Currency; except that with respect to United States dollars, Australian dollars, Canadian dollars, South African rand and Swiss francs, the “Principal Financial Center” will be the City of New York, Sydney and (solely in the case of the Specified Currency) Melbourne, Toronto, Johannesburg and Zurich, respectively.

“London Banking Day” means a day which commercial banks are open for business, including dealings in U.S. dollars, in London.

Provisions Applicable To Fixed Rate Notes Only:

If the “Fixed Rate” line above is checked, unless otherwise specified above, the Company will pay interest semiannually on February 15 and August 15 of each year (each such date fixed for the payment of interest, an “Interest Payment Date”) commencing on August 15, 2018, and ending on the Maturity Date or upon earlier redemption or repayment to the person to whom principal is payable. Interest shall accrue from the Original Issue Date, or from the most recent Interest Payment Date to which interest has been paid or duly provided for on this Note to, but excluding, the next following Interest Payment Date, Maturity Date, or earlier date of redemption or repayment, as the case may be. Interest on Fixed Rate Notes will be computed by the Company on the basis of a 360-day year consisting of twelve 30-day months.

If any Interest Payment Date or the Maturity Date (or the date of earlier redemption or repayment) of this Fixed Rate Note falls on a day that is not a Business Day, the payment will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amount so payable for the period from and after such Interest Payment Date or the Maturity Date (or the date of earlier redemption or repayment), as the case may be.

Provisions Applicable To Floating Rate Notes Only:

If the “Floating Rate” line above is checked, the Company will pay interest on the Interest Payment Dates shown specified above at the Initial Interest Rate specified above until the first Interest Reset Date specified above following the Original Issue Date specified above and thereafter at a rate determined in accordance with the provisions hereinafter set forth under the headings “Determination of CD Rate,” “Determination of CMT Rate,” “Determination of Commercial Paper Rate,” “Determination of Federal Funds Rate,” “Determination of LIBOR,”

“Determination of Prime Rate” or “Determination of Treasury Rate,” depending on whether the Interest Rate Basis is the CD Rate, the CMT Rate, the Commercial Paper Rate, the Federal Funds Rate, LIBOR, the Prime Rate, the Treasury Rate or other Interest Rate Basis.

An interest payment shall be the amount of interest accrued from and including the Original Issue Date, or from and including the last Interest Payment Date to which interest has been paid, to, but excluding, the next following Interest Payment Date, Maturity Date, or date of earlier redemption or repayment, as the case may be (an “Interest Period”). Notwithstanding any provision herein to the contrary, the interest rate hereon shall not be greater than the Maximum Interest Rate, if any, or less than the Minimum Interest Rate, if any, specified above.

If any Interest Payment Date for any Floating Rate Note, other than an Interest Payment Date at maturity, would fall on a day that is not a Business Day, such Interest Payment Date will be the following day that is a Business Day, and interest will continue to accrue to the following Business Day, except that if LIBOR is the applicable Interest Rate Basis, if such Business Day is in the next succeeding calendar month, such Interest Payment Date will be the immediately preceding day that is a Business Day. If the Maturity Date (or date of earlier redemption or repayment) of any Floating Rate Note would fall on a day that is not a Business Day, the payment of interest and principal (and premium, if any) may be made on the next succeeding Business Day, and no interest on such payment will accrue for the period from and after the Maturity Date (or the date of earlier redemption or repayment).

Commencing with the first Interest Reset Date specified above following the Original Issue Date, the rate at which interest on this Note is payable shall be adjusted daily, weekly, monthly, quarterly, semi-annually or annually as specified above under “Interest Reset Dates.”

The interest rate borne by this Note will be determined as follows:

(i) Unless the Interest Category of this Note is specified above as a “Floating Rate/Fixed Rate Note” or an “Inverse Floating Rate Note” or in the event either “Other Provisions” or an Addendum hereto applies, in each case, relating to a different interest rate formula, this Note shall be designated as a “Regular Floating Rate Note” and, except as set forth below or specified above under “Other Provisions” or in an Addendum hereto, shall bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the applicable Spread Multiplier, if any; in each case as specified above. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note shall be payable shall be reset as of each Interest Reset Date specified above; *provided, however*, that the interest rate in effect for the period, if any, from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate.

(ii) If the Interest Category of this Note is specified above as a “Floating Rate/Fixed Rate Note” then, except as set forth below or specified above under “Other Provisions” or in an Addendum hereto, this Note shall bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the Spread Multiplier, if any, in each case as specified above. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note shall be payable shall be

reset as of each Interest Reset Date; *provided, however*, that (y) the interest rate in effect for the period, if any, from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate and (z) the interest rate in effect for the period commencing on, and including, the Fixed Rate Commencement Date specified above to the Maturity Date (or date of earlier redemption or repayment) shall be the Fixed Interest Rate specified above or, if no Fixed Interest Rate is so specified, the interest rate in effect on the day immediately preceding the Fixed Rate Commencement Date.

(iii) If the Interest Category of this Note is specified above as an “Inverse Floating Rate Note” then, except as set forth below or specified above under “Other Provisions” or in an Addendum hereto, this Note shall bear interest at (a) the Fixed Interest Rate specified above minus (b) the rate determined by reference to the applicable Interest Rate Basis or Bases:

(x) plus or minus the applicable Spread, if any, and/or

(y) multiplied by the applicable Spread Multiplier, if any, in each case as specified above;

provided, however, that, unless otherwise specified above under “Other Provisions” or in an Addendum hereto, the interest rate hereon shall not be less than zero. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note shall be payable shall be reset on each Interest Reset Date; *provided, however*, that the interest rate in effect for the period, if any, from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate set forth above.

The “Spread” is the number of basis points (one basis point equals one-hundredth of a percentage point) specified above to be added to or subtracted from the Interest Rate Basis for a Floating Rate Note, and the “Spread Multiplier” is the percentage specified above by which the Interest Rate Basis for such Floating Rate Note will be multiplied. Both a Spread and/or a Spread Multiplier may be applicable to the Interest Rate Basis for a particular Floating Rate Note, as set forth above.

Each such adjusted Interest Rate Basis shall be applicable on and after the Interest Reset Date to which it relates but not including the next succeeding Interest Reset Date. If any Interest Reset Date is a day that is not a Business Day, such Interest Reset Date shall be postponed to the next day that is a Business Day, except that if the rate of interest on this Note shall be determined by reference to LIBOR and such Business Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Business Day. In addition, if the Treasury Rate is the applicable Interest Rate Basis and the Interest Determination Date would otherwise fall on an Interest Reset Date, then the Interest Reset Date will be postponed to the next succeeding Business Day. Subject to applicable provisions of law (including usury laws) and except as specified in this Note, on each Interest Reset Date, the rate of interest on this Note shall be the rate determined in accordance with the provisions of the applicable heading below.

With respect to a Floating Rate Note, accrued interest shall be calculated by multiplying the principal amount thereof by an accrued interest factor. Such accrued interest factor will be

computed by adding the interest factors calculated for each day in the Interest Period or from the last date from which accrued interest is being calculated. The interest factor for each such day is computed by dividing the interest rate applicable to such day by 360, in the cases of CD Rate Notes, Commercial Paper Rate Notes, Federal Funds Rate Notes, LIBOR Notes and Prime Rate Notes or by the actual number of days in the year, in the cases of CMT Rate Notes and Treasury Rate Notes. The interest rate applicable to any day that is an Interest Reset Date will be the interest rate effective on such Interest Reset Date. The interest rate applicable to any other day will be the interest rate for the immediately preceding Interest Reset Date (or, if none, the Initial Interest Rate, as specified above).

The “Calculation Date,” where applicable, pertaining to an Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest Determination Date or, if any such day is not a Business Day, the next succeeding Business Day or (ii) the Business Day preceding the applicable Interest Payment Date or the Maturity Date (or the date of earlier redemption or repayment), as the case may be.

For Floating Rate Notes, The Bank of New York Mellon Trust Company, N.A. shall be the calculation agent unless another calculation agent is specified above (the “Calculation Agent”). The interest rate applicable to each interest period will be determined by the Calculation Agent on or prior to the applicable Calculation Date. At the request of the Holder, the Calculation Agent will provide the interest rate then in effect and, if determined, the interest rate which will become effective on the next Interest Reset Date.

All percentages resulting from any calculation of the rate of interest on a Floating Rate Note will be rounded, if necessary, to the nearest one hundred-thousandth of a percent (.0000001), with five one-millionths of a percentage point rounded upward, and all dollar amounts used in or resulting from such calculation on Floating Rate Notes will be rounded to the nearest cent (with one-half cent being rounded upward).

Determination of CD Rate. If the Interest Rate Basis, as specified above, is, or is calculated by reference to, the CD Rate, unless otherwise specified above, the “CD Rate” for each Interest Reset Date will be determined by the Calculation Agent as of the second Business Day prior to such Interest Reset Date (a “CD Interest Determination Date”) and shall be the rate on the applicable CD Interest Determination Date for negotiable United States dollar certificates of deposit having the Index Maturity specified above as published in H.15(519) (as defined below) on such CD Interest Determination Date under the heading “CDs (secondary market).” If the rate referred to in the preceding sentence is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date, the CD Rate shall be the rate on the applicable CD Interest Determination Date for negotiable United States dollar certificates of deposit of the Index Maturity specified above as published in H.15 Daily Update (as defined below), or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “CDs (secondary market).” If the rate referred to in the preceding sentence is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date, the CD Rate shall be the rate on the applicable CD Interest Determination Date calculated by the Calculation Agent on the Notes as the arithmetic mean of the secondary market offered rates as of 10:00

a.m., New York City time, on the applicable CD Interest Determination Date, of three leading non-bank dealers in negotiable United States dollar certificates of deposit in the City of New York (which may include an agent or its affiliates) selected by the Company for negotiable United States dollar certificates of deposit of major United States money market banks with a remaining maturity closest to the Index Maturity specified above in an amount that is representative for a single transaction in that market at that time. If the dealers selected by the Company as provided in the preceding sentence are not quoting as mentioned in such sentence, the CD Rate shall be the CD Rate in effect on the applicable CD Interest Determination Date.

“H.15(519)” means the weekly statistical release designated as H.15(519), or any successor publication, published by the Board of Governors of the Federal Reserve System.

“H.15 Daily Update” means the daily update of H.15(519), available through the world-wide-web site of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/h15/update>, or any successor site or publication.

Determination of CMT Rate. If the Interest Rate Basis, as specified above, is, or is calculated by reference to, the CMT Rate, unless otherwise specified above, the “CMT Rate” for each Interest Reset Date will be determined by the Calculation Agent as of the second Business Day prior to such Interest Reset Date (a “CMT Interest Determination Date”) and shall be, if “CMT Reuters Page FRBCMT” is specified above, the percentage equal to the yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, as the yield is displayed on Reuters, Inc. (or any successor or similar service), on page FRBCMT (or any other page as may replace the specified page on that service under the caption “Treasury Constant Maturities”) (“Reuters Page FRBCMT”). If the rate referred to in the preceding sentence does not appear on Reuters Page FRBCMT, the CMT Rate for such CMT Interest Determination Date will be a percentage equal to the yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, and for the applicable CMT Interest Determination Date as published in H.15(519) under the caption “Treasury Constant Maturities.” In the event the rate referred to in the preceding sentence does not appear in H.15(519), then the CMT Rate for such CMT Interest Determination Date will be the rate on the applicable CMT Interest Determination Date for the period of the Index Maturity specified above, as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate which would otherwise have been published in H.15(519). In the event the rate referred to in the preceding sentence is not published, the CMT Rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 p.m., New York City time, on the applicable CMT Interest Determination Date of three leading primary United States government securities dealers in the City of New York, which may include an agent of the Company or such agent’s affiliates (each a “Reference Dealer”), selected by the Company (from five Reference Dealers selected by the Company and eliminating the highest quotation (or, in the event of equality, one of the highest), and the lowest quotation (or, in the event of equality, one of the lowest)), for United States Treasury securities with an original maturity equal to the Index Maturity specified above, a remaining term to maturity no more than

one year shorter than the Index Maturity specified above and in a principal amount that is representative for a single transaction in the securities in the market at that time. If fewer than five but more than two of the prices referred to in the above sentence are provided as requested, the CMT Rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of the quotations shall be eliminated; *provided, however*, that if fewer than three prices referred to above are provided as requested, the CMT Rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m., New York City time, on the applicable CMT Interest Determination Date of three Reference Dealers selected by the Company from five Reference Dealers selected by the Company and eliminating the highest quotation or, in the event of equality, one of the highest and the lowest quotation or, in the event of equality, one of the lowest, for United States Treasury securities with an original maturity greater than the Index Maturity specified above, and a remaining term to maturity closest to the Index Maturity specified above, and in a principal amount that is representative for a single transaction in the securities in the market at that time. However, if fewer than five but more than two prices referred to above are provided as requested, the CMT Rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of the quotations will be eliminated. If fewer than three prices referred to above are provided as requested, the CMT Rate on the applicable CMT Interest Determination Date will be the CMT Rate in effect on the applicable CMT Interest Determination Date. If the CMT Reuters Page FEDCMT is specified above, the CMT Rate for such CMT Interest Determination Date will be a percentage equal to the one-week or one-month, as specified above, and will be the average yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, as the yield is displayed on Reuters, Inc. (or any successor service) on page FEDCMT (or any other page as may replace that specified page on that service) (“Reuters Page FEDCMT”), for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which the related CMT Interest Determination Date falls. If the rate referred to in the preceding sentence does not appear on Reuters Page FEDCMT, then the CMT Rate for such CMT Interest Determination Date will be a percentage equal to the one-week or one-month, as specified above, average yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, and for the week or month, as applicable, preceding the applicable CMT Interest Determination Date as published in H.15(519) opposite the caption “Treasury Constant Maturities.” If the rate referred to in the preceding sentence does not appear in H.15(519), then the CMT Rate for such CMT Interest Determination Date will be the one-week or one-month, as specified above, average yield for United States Treasury securities at “constant maturity” having the Index Maturity specified above, as otherwise announced by the Federal Reserve Bank of New York for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which the related CMT Interest Determination Date falls. If the Federal Reserve Bank of New York does not publish the rate referred to above, the rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 p.m., New York City time, on the applicable CMT Interest Determination Date of three Reference Dealers selected by the Company (from

five Reference Dealers selected by the Company and eliminating the highest quotation (or, in the event of equality, one of the highest), and the lowest quotation (or, in the event of equality, one of the lowest)), for United States Treasury securities with an original maturity equal to the Index Maturity specified above, and a remaining term to maturity no more than one year shorter than the Index Maturity specified above, and in a principal amount that is representative for a single transaction in the securities in the market at that time. If fewer than five but more than two of the prices referred to above are provided as requested, the rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of the quotations shall be eliminated. If fewer than three prices referred to above are provided as requested, the rate on the applicable CMT Interest Determination Date will be calculated by the Calculation Agent as a yield-to-maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m., New York City time, on the applicable CMT Interest Determination Date of three Reference Dealers selected by the Company (from five Reference Dealers selected by the Company and eliminating the highest quotation or (in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for United States Treasury securities with an original maturity greater than the Index Maturity specified above, and a remaining term to maturity closest to the Index Maturity specified above and will be in a principal amount that is representative for a single transaction in the securities in the market at that time. If fewer than five but more than two prices referred to above are provided as requested, the rate will be calculated by the Calculation Agent based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of the quotations will be eliminated, or if fewer than three prices referred to above are provided as requested, the CMT Rate will be the CMT Rate in effect on the applicable CMT Interest Determination Date. If two United States Treasury securities with an original maturity greater than the Index Maturity as specified above have remaining terms to maturity equally close to the Index Maturity specified above, the quotes for the United States Treasury security with the shorter original remaining term to maturity will be used.

Determination of Commercial Paper Rate. If the Interest Rate Basis, as specified above, is, or is calculated by reference to, the Commercial Paper Rate, unless otherwise specified above, the “Commercial Paper Rate” for each Interest Reset Date will be determined by the Calculation Agent as of the second Business Day prior to such Interest Reset Date (a “Commercial Paper Interest Determination Date”) and shall be the Money Market Yield (as defined below) on such date of the rate for commercial paper having the Index Maturity as indicated above, as such rate shall be published in H.15(519) under the caption “Commercial Paper-Nonfinancial.” In the event that such rate is not published prior to 3:00 p.m., New York City time, on the applicable Calculation Date, then the Commercial Paper Rate shall be calculated by the Calculation Agent as the Money Market Yield of the Commercial Paper Rate on the applicable Commercial Paper Interest Determination Date for commercial paper having the Index Maturity specified above, published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “Commercial Paper-Nonfinancial.” If by 3:00 p.m., New York City time, on the applicable Calculation Date, such rate is not yet published as provided in the preceding sentence, then the Commercial Paper Rate on the applicable Commercial Paper Interest Determination Date shall

be calculated by the Calculation Agent as the Money Market Yield of the arithmetic mean of the offered rates at approximately 11:00 a.m., New York City time, on the applicable Commercial Paper Interest Determination Date of three leading dealers of United States dollar commercial paper in the City of New York, which may include an agent of the Company or such agent's affiliates, selected by the Calculation Agent for commercial paper having the Index Maturity specified above, placed for industrial issuers whose bond rating is "Aa," or the equivalent, from a nationally recognized statistical rating organization; *provided, however*, that if the dealers selected as aforesaid by the Company are not quoting offered rates as mentioned in this sentence, the Commercial Paper Rate will be the Commercial Paper Rate in effect on the applicable Commercial Paper Interest Determination Date.

"Money Market Yield" shall be a yield calculated in accordance with the following formula and expressed as a percentage:

$$\text{Money market yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal; and "M" refers to the actual number of days in the interest period for which interest is being calculated.

Determination of Federal Funds Rate. If the Interest Rate Basis, as specified above, is, or is calculated by reference to the Federal Funds Rate, unless otherwise specified above, the "Federal Funds Rate" with respect to each Interest Reset Date will be determined by the Calculation Agent as of the first Business Day prior to such Interest Reset Date (a "Federal Funds Interest Determination Date") and shall be the rate on that date for United States dollar Federal Funds as published in H.15(519) under the heading "Federal Funds (Effective)," as displayed on Reuters, Inc. (or any successor service) on page FEDFUND01 (or any other page as may replace the applicable page on that service) ("Reuters Page FEDFUND01") or, if such rate does not appear on Reuters Page FEDFUND01, or is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date, the rate on the applicable Federal Funds Interest Determination Date for United States dollar Federal Funds will be the rate on such Federal Funds Interest Determination Date as published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption "Federal Funds (Effective)." If such rate is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date, the Federal Funds Rate will be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight United States dollar Federal Funds arranged by three leading brokers of United States dollar Federal Funds transactions in the City of New York, which may include an agent of the Company or such agent's affiliates, selected by the Company before 9:00 a.m., New York City time, on the applicable Federal Funds Interest Determination Date; *provided, however*, that if the brokers selected as aforesaid by the Company are not quoting as mentioned in this sentence, the Federal Funds Rate will be the Federal Funds Rate in effect on the applicable Federal Funds Interest Determination Date.

Determination of LIBOR. If the Interest Rate Basis, as specified above, is, or is calculated by reference to, LIBOR, unless otherwise specified above, “LIBOR” for each Interest Reset Date will be determined by the Calculation Agent as of the second London Banking Day prior to such Interest Reset Date (a “LIBOR Interest Determination Date”) and shall be the rate (express as a percentage per annum) for deposits in U.S. dollars having a three-month maturity that appears on Reuters LIBOR01 at approximately 11:00 a.m., London time, on the applicable LIBOR Interest Determination Date, or if Reuters LIBOR01 is not available on such date, the Calculation Agent will obtain such rate from Bloomberg’s page “BBAM.” If such rate does not appear on Reuters LIBOR01 or Bloomberg’s page “BBAM” on such LIBOR Interest Determination Date at approximately 11:00 a.m., London time, then the Calculation Agent will request the principal London office of each of four major banks in the London interbank market, as selected by the Company, to provide a quotation of the rate (expressed as a percentage per annum) offered by it to prime banks in the London interbank market for three-month deposits in U.S. dollars in a principal amount of at least \$1,000,000 at approximately 11:00 a.m., London time, on such LIBOR Interest Determination Date. If at least two such offered quotations are so provided, LIBOR determined on the applicable LIBOR Interest Determination Date calculated by the Calculation Agent will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Company will request each of three major banks in New York City, as selected by the Company, to provide a quotation of the rate (expressed as a percentage per annum), offered by it for loans in U.S. dollars to leading European banks having a three-month maturity in a principal amount of at least \$1,000,000 at approximately 11:00 a.m., New York City time, on such LIBOR Interest Determination Date. If at least two such rates are so provided, LIBOR determined on the applicable LIBOR Interest Determination Date calculated by the Calculation Agent will be the arithmetic mean of such rates. If fewer than two such rates are so provided, then LIBOR determined on the applicable LIBOR Interest Determination Date calculated by the Calculation Agent will be the rate in effect on the applicable LIBOR Interest Determination Date.

“Reuters LIBOR01” means the Capital Markets Report Screen LIBOR01 of Reuters, Inc. (or any successor or similar service or page), for the purpose of displaying the London interbank rates of major banks for U.S. dollars.

Determination of Prime Rate. If the Interest Rate Basis, as specified above, is, or is calculated by reference to, the Prime Rate, unless otherwise specified above, the “Prime Rate” with respect to each Interest Reset Date will be determined by the Calculation Agent as of the first Business Day prior to such Interest Reset Date (a “Prime Interest Determination Date”) and shall be the rate set forth on such date as published in H.15(519) under the caption “Bank Prime Loan,” or if not so published prior to 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Prime Interest Determination Date, then the Prime Rate. will be as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying the applicable rate under the caption “Bank Prime Loan,” or if not so published prior to 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Prime Interest Determination Date, then the Prime Rate will be determined by the Calculation Agent as the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen US PRIME 1 Page (as defined below) as the particular

bank's prime rate or base lending rate as of 11:00 a.m., New York City time, on the applicable Prime Interest Determination Date. If fewer than four such rates are so published by 3:00 p.m., New York City time, on the applicable Calculation Date as shown on the Reuters Screen US PRIME 1 Page for the Prime Interest Determination Date, the Prime Rate will be determined by the Calculation Agent as the arithmetic mean of the prime rates or base lending rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on the applicable Prime Interest Determination Date by three major banks, which may include an agent of the Company or such agent's affiliates, in the City of New York selected by the Company. However, if the banks selected by the Company are not quoting as mentioned in the preceding sentence, the Prime Rate will be the Prime Rate in effect on the applicable Prime Interest Determination Date.

"Reuters Screen US PRIME 1 Page" means the display on the Reuter Money 3000 Service or any successor service on the "US PRIME 1 Page" or other page as may replace US PRIME 1 Page on that service for the purpose of displaying prime rates or base lending rates of major United States banks).

Determination of Treasury Rate. If the Interest Rate Basis, as specified above, is, or is calculated by reference to the Treasury Rate, unless otherwise specified above, the "Treasury Rate" for each Interest Reset Date will be the rate from the auction held on the applicable Interest Determination Date (the "Auction") of direct obligations of the United States ("Treasury Bills") having the Index Maturity, as specified above, as published under the caption "INVESTMENT RATE" on the display on Reuters, Inc. or any successor or similar service on page USAUCTION 10 or any other page as may replace page USAUCTION 10 on that service ("Reuters Page USAUCTION 10") or page USAUCTION 11 on that service ("Reuters Page USAUCTION 11"), or, if the rate is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Treasury Rate Determination Date (as defined below), the Bond Equivalent Yield of the rate for the applicable Treasury Bills as published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption "U.S. Government Securities/Treasury Bills/Auction High," or, if the rate is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Treasury Rate Determination Date, the Bond Equivalent Yield of the auction rate of the applicable Treasury Bills announced by the United States Department of the Treasury, or, if the rate is not announced by the United States Department of the Treasury, or if the Auction is not held, the Bond Equivalent Yield of the rate on the applicable Treasury Rate Determination Date of Treasury Bills having the Index Maturity specified above, published in H.15(519) under the caption "U.S. Government Securities/Treasury Bills/Secondary Market," or, if the rate is not so published by 3:00 p.m., New York City time, on the applicable Calculation Date pertaining to such Treasury Rate Determination Date, the rate on the applicable Treasury Rate Determination Date of the applicable Treasury Bills as published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption "U.S. Government Securities/Treasury Bills/Secondary Market." In the event that the results of the auction of Treasury Bills having the applicable Index Maturity specified above are not published or reported, as provided above, by 3:00 p.m., New York City time, on the applicable Calculation Date or if no such auction is held on such Treasury Rate Determination

Date, then the Treasury Rate on the applicable Treasury Rate Determination Date shall be calculated by the Calculation Agent and shall be the Bond Equivalent Yield of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 p.m., New York City time, on the applicable Treasury Rate Determination Date, of three primary United States government securities dealers, which may include the agent or its affiliates, selected by the Company, for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity specified above; *provided, however*, that if the dealers selected as aforesaid by the Company are not quoting as mentioned in this sentence, the Treasury Rate will be the Treasury Rate in effect on the applicable Treasury Rate Determination Date.

The “Treasury Rate Determination Date” for any Interest Reset Date will be the day of the week in which such Interest Reset Date falls on which Treasury Bills would normally be auctioned. Treasury Bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except such auction may be held on the preceding Friday. If, as the result of a legal holiday, an auction is so held on the preceding Friday, such Friday will be the Treasury Rate Determination Date pertaining to the Interest Reset Date occurring in the next succeeding week.

“Bond Equivalent Yield” means a yield calculated in accordance with the following formula and expressed as a percentage:

$$\text{Bond Equivalent Yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where “D” refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis and expressed as a decimal; “N” refers to 365 or 366, as the case may be, and “M” refers to the actual number of days in the interest period for which interest is being calculated.

Provisions Applicable To Both Fixed Rate Notes And Floating Rate Notes:

The interest so payable on any Interest Payment Date will, subject to certain exceptions in the Indenture hereinafter referred to, be paid to the person in whose name this Note is registered at the close of business on the Regular Record Date (as defined below) immediately preceding such Interest Payment Date or, if the Interest Payment Date is the Maturity Date or the date of earlier redemption or repayment, to the person in whose name this Note is registered at the close of business on the Maturity Date or such earlier date of redemption or repayment; *provided, however*, that if the Original Issue Date is between a Regular Record Date and an Interest Payment Date or on an Interest Payment Date, interest for the period from and including the Original Issue Date to, but excluding, the Interest Payment Date relating to such Regular Record Date shall be paid on the next succeeding Interest Payment Date to the person in whose name this Note is registered on the close of business on the Regular Record Date preceding such Interest Payment Date. If this Note bears interest at a Fixed Rate, as specified above, unless otherwise specified above, the “Regular Record Date” with respect to any Interest Payment Date shall be the 1st day of February and the 1st day of August, whether or not a Business Day,

immediately preceding the related Interest Payment Date. If this Note bears interest at a Floating Rate, as specified above, the “Regular Record Date” with respect to any Interest Payment Date shall be the fifteenth calendar day next preceding such Interest Payment Date, whether or not such date shall be a Business Day.

Payment of principal, premium, if any, and interest in respect of this Note due on the Maturity Date or any earlier redemption or repayment date will be made in immediately available funds upon presentation and surrender of this Note; *provided, however,* that if a Specified Currency is specified above and such payment is to be made in such Specified Currency in accordance with the provisions set forth below, such payment will be made by wire transfer of immediately available funds to an account with a bank designated by the Holder hereof at least 15 calendar days prior to the Maturity Date or such earlier redemption or repayment date, as the case may be, provided that such bank has appropriate facilities therefor and that this Note is presented and surrendered at the Place of Payment specified above in time for the Trustee to make such payment in such funds in accordance with its normal procedures. Payment of interest due on any Interest Payment Date, other than the Maturity Date or any earlier redemption or repayment date, will be made at the Place of Payment specified above.

Whenever in this Note or in the Indenture there is a reference, in any context, to the payment of the principal of, or interest, if any, on, or in respect of, the Notes, such payment shall be deemed to include the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect of such payment pursuant to the provisions hereof or thereof and express mention of the payment of Additional Amounts (if applicable) in any provision hereof or thereof shall not be construed as excluding Additional Amounts in those provisions hereof where such express mention is not made.

The Company is obligated to make payment of principal, premium, if any, and interest in respect of this Note in United States dollars or, if a Specified Currency is indicated above, in such Specified Currency (or, if such Specified Currency is not at the time of such payment legal tender for the payment of public and private debts of the country issuing such currency or, in the case of the Euro, in the member states of the European Union that have adopted the single currency in accordance with the Treaty Establishing the European Community, as amended by the Treaty on European Union, such other currency which is then such legal tender in such country or in the adopting member states of the European Union, as the case may be). If a Specified Currency is specified above, except as otherwise provided below, any such amounts so payable by the Company will be converted by a New York clearing house bank designated by the Company (the “Exchange Rate Agent”) into United States dollars for payment to the Holder of this Note.

If a Specified Currency is specified above, the Holder of this Note may elect to receive any amount payable hereunder in such Specified Currency. If the Holder of this Note shall not have duly made an election to receive all or a specified portion of any payment of principal, premium, if any, and/or interest in respect of this Note in such Specified Currency, any United States dollar amount to be received by the Holder of this Note will be based on the highest bid quotation in the City of New York received by the Exchange Rate Agent at approximately 11:00

a.m., New York City time, on the second Business Day preceding the applicable payment date from three recognized foreign exchange dealers (one of whom may be the Exchange Rate Agent) selected by the Exchange Rate Agent and approved by the Company for the purchase by the quoting dealer of the Specified Currency for United States dollars for settlement on such payment date in the aggregate amount of the Specified Currency payable to all Holders of Notes scheduled to receive United States dollar payments and at which the applicable dealer commits to execute a contract. All currency exchange costs will be borne by the Holder of this Note by deductions from such payments. If three such bid quotations are not available, payments on this Note will be made in the Specified Currency.

If a Specified Currency is specified above, the Holder of this Note may elect to receive all or a specified portion of any payment of principal, premium, if any, and/or interest in respect of this Note in such Specified Currency by submitting a written request for such payment to the Trustee at the Place of Payment on or prior to the applicable Record Date or at least 15 calendar days prior to the Maturity Date (or any earlier redemption or repayment date), as the case may be. Such written request may be mailed or hand delivered or sent by facsimile transmission. The Holder of this Note may elect to receive all or a specified portion of all future payments in the Specified Currency in respect of such principal, premium, if any, and/or interest and need not file a separate election for each payment. Such election will remain in effect until revoked by written notice to the Trustee, but written notice of any such revocation must be received by the Trustee on or prior to the applicable Record Date or at least 15 calendar days prior to the Maturity Date (or any earlier redemption or repayment date), as the case may be.

If a Specified Currency is specified above and the Holder of this Note shall have duly made an election to receive all or a specified portion of any payment of principal, premium, if any, and/or interest in respect of this Note in such Specified Currency, but such Specified Currency is not available for such payment due to the imposition of exchange controls or other circumstances beyond the control of the Company, the Company will be entitled to satisfy its obligations to the Holder of this Note by making such payment in United States dollars on the basis of the Market Exchange Rate (as defined below) determined by the Exchange Rate Agent on the second Business Day prior to such payment date or, if such Market Exchange Rate is not then available, on the basis of the most recently available Market Exchange Rate on or before the date on which such payment is due. The “Market Exchange Rate” for the Specified Currency means the noon dollar buying rate in the City of New York for cable transfers of the Specified Currency as certified for customs purposes (or, if not so certified, as otherwise determined) by the Federal Reserve Bank of New York. Any payment made in United States dollars under such circumstances shall not constitute an Event of Default (as defined in the Indenture).

All determinations referred to above made by the Exchange Rate Agent shall be at its sole discretion and shall, in the absence of manifest error, be conclusive for all purposes and binding on the Holder of this Note.

In case an Event of Default (as defined in the Indenture) with respect to Notes of this series shall occur and be continuing, the principal amount (or, if the Note is an Original Issue Discount Note, such lesser portion of the principal amount as may be applicable) of the Notes of

this series may be declared due and payable, and, with respect to certain Events of Default, shall automatically become due and payable, in each case in the manner and with the effect provided in the Indenture. If this Note is an Original Issue Discount Note, in the event of an acceleration of the Maturity Date hereof, the amount payable to the Holder of this Note upon such acceleration will be determined by this Note but will be an amount less than the amount payable at the Maturity Date of this Note.

The Indenture permits, with certain exceptions as therein provided, the modification of the rights and obligations of the Company and the Guarantor and the rights of the Holders of the Securities (as defined in the Indenture) of each series to be affected by such modification under the Indenture at any time by the Company and the Guarantor with the consent of the holders of not less than a majority in aggregate principal amount of the Outstanding Securities (as defined in the Indenture) of each series to be affected by such modification. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Outstanding Securities of each series, on behalf of the Holders of all Securities of such series, to waive compliance by the Company and the Guarantor with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences.

This Note is issuable only in registered form without coupons in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof or other Authorized Denomination specified above.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note may be registered in the Security Register of this series upon surrender of this Note for registration of transfer at the Place of Payment specified above, duly endorsed by or accompanied by, a written instrument of transfer in form satisfactory to the Company and the Trustee, duly executed by the Holder hereof or his attorney duly authorized in writing, and thereupon a new Note or Notes of this series of Authorized Denomination and for the same aggregate principal amount, with the Guarantee endorsed thereon, will be issued to the designated transferee or transferees.

No service charge shall be made for any such registration of transfer, exchange or redemption of the Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Trustee, and any agent of the Company or the Trustee may treat the person in whose name this Note is registered in the Security Register as the owner of this Note for all purposes (other than for the determination of any Additional Amounts payable) and neither the Company nor the Trustee nor any such agent shall be affected by any notice to the contrary.

If so specified above, this Note will be redeemable at the Company's option on the date or dates specified prior to the Maturity Date at a price or prices, each as specified above, together with accrued interest to the date of redemption. This Note will not be subject to any sinking fund. If so redeemable, the Company may redeem this Note either in whole or from time to time in part, upon not less than 30, nor more than 60, days' notice before the date of redemption. If less

than all of the Notes with like tenor and terms are to be redeemed, the Notes to be redeemed shall be selected by the Trustee by such method as the Trustee shall deem fair and appropriate.

This Note will be subject to redemption at the option of the Company, in whole or in part at any time prior to January 15, 2023, at a redemption price equal to the greater of (i) 100% of the principal amount of this Note to be redeemed, and (ii) as determined by the Quotation Agent (as defined below), the sum of the present values of the remaining scheduled payments of principal and interest on this Note to be redeemed (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus 15 basis points, plus accrued interest on the principal amount redeemed to, but not including, the date of redemption. In addition, this Note will be subject to redemption at the option of the Company, in whole or in part, at any time on or after January 15, 2023 until the Maturity Date at a redemption price equal to 100% of the principal amount of this Note, plus accrued interest on the principal amount redeemed to, but not including, the date of redemption.

If any redemption date falls on a day that is not a Business Day, the related payment of the redemption price and interest will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next Business Day.

“Comparable Treasury Issue” means the U.S. Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

“Comparable Treasury Price” means, with respect to any redemption date, (i) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if fewer than five such Reference Treasury Dealer Quotations are obtained by the Quotation Agent, the average of all such quotations.

“Quotation Agent” means the Reference Treasury Dealer appointed by the Company.

“Reference Treasury Dealer” means (1) each of J.P. Morgan Securities LLC, Mizuho Securities USA LLC and Wells Fargo Securities, LLC (and their respective successors) and (2) two other nationally recognized investment banking firms that are Primary Treasury Dealers specified from time to time by the Company; provided, however, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a “Primary Treasury Dealer”), the Company shall substitute therefor another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

“Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield-to-maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Notice of any redemption will be delivered at least 30 days but not more than 60 days before the redemption date to the Holder hereof at its address as such address shall appear in the Security Register of the Company, except that redemption notices may be provided more than 60 days prior to the redemption date if the notice is issued in connection with the defeasance or discharge of the Notes and/or the Indenture. Unless the Company defaults in the payment of the redemption price on and after the redemption date, interest will cease to accrue on the principal amount of this Note called for redemption. Notwithstanding anything to the contrary in the foregoing, notice of any redemption to the Holder hereof may, in the Company’s discretion, be subject to one or more conditions precedent, including completion of a corporate transaction. In such event, the related notice of redemption will describe each such condition and, if applicable, will state that, in the Company’s discretion, the date of redemption may be delayed until such time as any or all such conditions shall be satisfied or waived, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied or waived by the date of redemption, or by the date of redemption as so delayed.

Subject to Section 403 of the Indenture, if an HDI Change of Control Triggering Event (as defined below) occurs, unless the Company has exercised its option to redeem this Note as described above, the Company will be required to make an offer (the “Change of Control Offer”) to each Holder of the Notes to repurchase all or any part (equal to \$2,000 or an integral multiple of \$1,000 in excess thereof) of such Holder’s Notes on the terms set forth herein. In the Change of Control Offer, the Company will be required to offer payment in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest, if any, on the Notes repurchased to the date of repurchase (the “Change of Control Payment”).

Subject to Section 403 of the Indenture, within 30 days following any HDI Change of Control Triggering Event or, at the Company’s option, prior to any HDI Change of Control (as defined below), but after public announcement by HDI (as defined below) of the transaction that constitutes, or would constitute upon consummation thereof, an HDI Change of Control, a notice will be delivered to Holders of the Notes describing the transaction that constitutes, or would constitute upon consummation thereof, the HDI Change of Control Triggering Event and offering to repurchase such Notes on the date specified in the notice. Such date will be no earlier than 30 days and no later than 60 days from the date such notice is delivered, other than as may be required by law (the “Change of Control Payment Date”). The notice will, if delivered prior to the date of consummation of the HDI Change of Control, state that the offer to purchase is conditioned on the HDI Change of Control Triggering Event occurring on or prior to the Change of Control Payment Date.

If any Change of Control Payment Date falls on a day that is not a Business Day, the related payment of the Change of Control Payment will be made on the next Business Day as if it

were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next Business Day.

On the Change of Control Payment Date, the Company will, to the extent lawful, (i) accept for payment all Notes or portions of Notes properly tendered and not validly withdrawn pursuant to the Change of Control Offer; (ii) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all such Notes or portions of Notes properly tendered and not validly withdrawn; and (iii) deliver or cause to be delivered to the Trustee such Notes properly accepted together with a Company Officers' Certificate (as defined in the Indenture) stating the aggregate principal amount of such Notes or portions of Notes being repurchased.

The Company will not be required to comply with the obligations relating to repurchasing the Notes if a third-party instead satisfies them.

The Company must comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any other securities laws and regulations applicable to the repurchase of the Notes. To the extent that the provisions of any such securities laws or regulations conflict with the Change of Control Offer provisions of the Notes, the Company will comply with those securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control Offer provisions of the Notes by virtue of any such compliance.

If Holders of not less than 95% in aggregate principal amount of the outstanding Notes properly tender and do not validly withdraw such amount of the Notes in a Change of Control Offer, and the Company, or any third-party making an offer to purchase the Notes in connection with an HDI Change of Control Triggering Event in lieu of the Company, purchase such amount of the Notes properly tendered and not validly withdrawn by such Holders, then the Company will have the right, upon notice described above, given not more than 30 days following the Change of Control Payment Date, to redeem all (but not less than all) of the aggregate principal amount of the Notes that remains outstanding following such purchase at a redemption price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date (subject to the right of Holders of record as of the close of business on the relevant Regular Record Date to receive interest on the applicable Interest Payment Date). If the redemption date falls on a day that is not a Business Day, the related payment of the redemption price and interest will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next Business Day.

For purposes of the Change of Control Offer provisions of the Notes, the following terms will be applicable:

"Below Investment Grade Rating Event" means the Notes cease to be rated an Investment Grade Rating by each of the Rating Agencies on any day within the 60-day period after the earlier of (1) the occurrence of an HDI Change of Control and (2) the first public announcement by Harley-Davidson, Inc. ("HDI") of the intention of HDI to effect an HDI

Change of Control (which 60-day period will be extended for so long as any of the Rating Agencies has publicly announced that it is considering a possible downgrade of the rating of the notes of such series); *provided* that a Below Investment Grade Rating Event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular HDI Change of Control (and thus shall not be deemed a Below Investment Grade Rating Event for purposes of the definition of HDI Change of Control Triggering Event hereunder) if any of the Rating Agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform the Trustee in writing at the Company's or its request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable HDI Change of Control (whether or not the applicable HDI Change of Control shall have occurred at the time of the Below Investment Grade Rating Event). The Trustee has no obligation to monitor the ratings of the Notes for purposes of determining the occurrence of a Below Investment Grade Rating Event.

“Fitch” means Fitch Ratings, Inc. and its successors.

“HDI Change of Control” means the occurrence of any of the following: (1) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any “person” (as that term is used in Section 13(d)(3) of the Exchange Act), other than HDI or one of its subsidiaries, becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the Voting Stock of HDI or other Voting Stock into which the Voting Stock of HDI is reclassified, consolidated, exchanged or changed, measured by voting power rather than number of shares; or (2) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation or as a pledge for security purposes only), in one or a series of related transactions, of all or substantially all of the assets of HDI and the assets of the subsidiaries of HDI, taken as a whole, to one or more “persons” (as that term is defined in the Indenture), other than HDI or one of its subsidiaries and other than any such transaction or series of related transactions where holders of Voting Stock of HDI outstanding immediately prior thereto hold voting stock of the transferee person representing a majority of the voting power of the transferee person's voting stock immediately after giving effect thereto. Notwithstanding the foregoing, a transaction will not be deemed to be an HDI Change of Control if (1) HDI becomes a direct or indirect wholly-owned subsidiary of a holding company and (2)(A) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Voting Stock of HDI immediately prior to that transaction or (B) immediately following that transaction no “person” (as that term is used in Section 13(d)(3) of the Exchange Act) (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company.

“HDI Change of Control Triggering Event” means the occurrence of both an HDI Change of Control and a Below Investment Grade Rating Event. Notwithstanding anything to the contrary, no HDI Change of Control Triggering Event will be deemed to have occurred in

connection with any particular HDI Change of Control unless and until such HDI Change of Control has actually been consummated.

“Investment Grade Rating” means a rating equal to or higher than Baa3 by Moody’s (or its equivalent under any successor rating category of Moody’s), BBB– by S&P (or its equivalent under any successor rating category of S&P) and BBB– by Fitch (or its equivalent under any successor rating category of Fitch), and the equivalent investment grade credit rating from any replacement Rating Agency or Rating Agencies selected by the Company.

“Moody’s” means Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors.

“Rating Agencies” means (1) each of Moody’s, S&P and Fitch, and (2) if any of Moody’s, S&P or Fitch (or in each case any replacement thereof appointed pursuant to this definition) ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons outside of the Company’s control, a “nationally recognized statistical rating organization” as defined under Section 3(a)(62) of the Exchange Act selected by the Company as a replacement agency for Moody’s, S&P and/or Fitch, as the case may be; provided that the Company shall give notice of any such replacement to the Trustee.

“S&P” means S&P Global Ratings, a division of S&P Global Inc. and its successors.

“Voting Stock” means, with respect to any specified “person” (as that term is used in Section 13(d)(3) of the Exchange Act), as of any date, the capital stock of such person that is at the time entitled to vote generally in the election of the board of directors of such person.

In lieu of Section 1005 of the Indenture, the following covenant shall apply:

Limitation on Liens. The Company and the Guarantor will not, nor will they permit any Subsidiary of the Company or the Guarantor to, issue or assume any Indebtedness secured by a Lien upon any Property (now owned or hereinafter acquired) of the Company or the Guarantor or any such Subsidiary without in any such case effectively providing concurrently with the issuance or assumption of any such Indebtedness that the Notes (together with, if the Company or the Guarantor shall so determine, any other Indebtedness of the Company or the Guarantor or any such Subsidiary ranking equally with the Notes then existing or thereafter created) shall be secured equally and ratably with such Indebtedness. The restrictions set forth in the immediately preceding sentence will not, however, apply if the aggregate amount of Indebtedness issued or assumed by the Company, the Guarantor or such Subsidiaries and so secured by Liens, together with all other Indebtedness of the Company, the Guarantor or such Subsidiaries which (if originally issued or assumed at such time) would otherwise be subject to such restrictions, but not including Indebtedness permitted to be secured under clauses (i) through (xiv) of the immediately following paragraph, does not at the time such secured Indebtedness is incurred exceed 15% of the Consolidated Net Tangible Assets.

The restrictions set forth above shall not apply to Indebtedness secured by:

(i) Liens existing on the date of the original issuance of the Notes;

(ii) Liens on any Property of any company existing at the time such company becomes a Subsidiary of the Company or the Guarantor, which Liens are not created in contemplation of such company becoming a Subsidiary of the Company or the Guarantor;

(iii) Liens on any Property existing at the time such Property is acquired by the Company, the Guarantor or a Subsidiary of the Company or the Guarantor, or Liens to secure the payment of all or any part of the purchase price of such Property upon the acquisition of such Property by the Company, the Guarantor or a Subsidiary of the Company or the Guarantor or to secure any Indebtedness incurred prior to, at the time of, or within 180 days after, the later of the date of acquisition of such Property and the date such Property is placed in service, for the purpose of financing all or any part of the purchase price thereof, or Liens to secure any Indebtedness incurred for the purpose of financing the cost to the Company, the Guarantor or a Subsidiary of the Company or the Guarantor of improvements to such acquired Property or to secure any Indebtedness incurred for the purpose of financing all or any part of the purchase price of the cost of construction of the Property subject to such Liens;

(iv) Liens securing any Indebtedness of the Company, a Subsidiary of the Company or the Guarantor owing to the Company, the Guarantor or to another Subsidiary of the Company or the Guarantor;

(v) Liens created in connection with a securitization or other asset-based financing;

(vi) Liens with respect to the payment of taxes, assessments or governmental charges in all cases which are not yet due or which are being contested in good faith;

(vii) statutory Liens of landlords and Liens of suppliers, mechanics, carriers, materialmen, warehousemen or workmen and other similar Liens imposed by law created in the ordinary course of business for amounts not yet due or which are being contested in good faith;

(viii) Liens incurred or deposits made in the ordinary course of business in connection with worker's compensation, unemployment insurance or other types of social security benefits or to secure the performance of bids, tenders, sales, contracts (other than for the repayment of borrowed money), surety, appeal and performance bonds;

(ix) Liens arising with respect to zoning restrictions, easements, licenses, reservations, covenants, rights-of-way, utility easements, building restrictions and other similar charges or encumbrances on the use of real property which do not interfere with the ordinary conduct of the business of the Company, the Guarantor or any of their respective Subsidiaries;

(x) Liens of attachment or judgment with respect to judgments, writs or warrants of attachment, or similar process against the Company, the Guarantor or any of their respective Subsidiaries;

(xi) Liens arising from leases, subleases or licenses granted to others which do not interfere in any material respect with the business of the Company, the Guarantor or any of their respective Subsidiaries;

(xii) any interest or title of the lessor in the Property subject to any operating lease (as determined in accordance with GAAP as in effect as of the date of the Indenture) entered into by the Company, the Guarantor or any of their respective Subsidiaries in the ordinary course of business;

(xiii) Liens, if any, in connection with any sale/leaseback transaction;

(xiv) Liens on assets pledged in respect of Indebtedness that has been defeased in accordance with the provisions thereof through the deposit of cash, cash equivalents or marketable securities (it being understood that cash collateral shall be deemed to include cash deposited with a trustee with respect to third party indebtedness); and

(xv) any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Lien referred to in the foregoing clauses (i) - (xiv); provided, however, that such new Lien is limited to the Property which was subject to the prior Lien immediately before such extension, renewal or replacement, and provided, further, that the principal amount of Indebtedness secured by the prior Lien immediately before such extension, renewal or replacement is not increased.

The Company may “reopen” a previously issued tranche of Notes and issue additional Notes of such tranche or establish additional terms of such tranche or issue notes with the same terms as previously issued Notes (except for the Original Issue Date, Issue Price and, if applicable, the initial Interest Payment Date).

The Company may at any time purchase this Note at any price in the open market or otherwise. Notes so purchased by the Company may be held or resold or, at the discretion of the Company, may be surrendered to the Trustee for cancellation.

For the avoidance of doubt, Article 4 of the Indenture, including without limitation Section 403 thereof, shall apply to the Notes.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligations of the Company and the Guarantor, which are absolute and unconditional, to pay the principal of, premium, if any, and interest on this Note, at the times, place and rate, and in the coin or currency, herein and in the Indenture prescribed.

This Note shall be governed by and construed in accordance with the laws of the State of New York.

By acceptance of this Note, the Holder hereof agrees to be bound by the provisions of the Indenture. Terms used herein which are defined in the Indenture shall have the respective meanings assigned thereto in the Indenture. This Note shall not be valid or become obligatory for

any purpose until the certificate of authentication hereon shall have been signed by or on behalf of the Trustee under the Indenture.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed, manually or by facsimile by an authorized signatory.

HARLEY-DAVIDSON FINANCIAL SERVICES, INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

Dated:

TRUSTEE’S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated herein and referred to in the within-mentioned Indenture.

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

By: _____
Authorized Signatory

GUARANTEE

For value received, undersigned hereby fully, irrevocably and unconditionally guarantees, pursuant to the terms of the Guarantee contained in Article Fourteen of the Indenture, to the Holder of this Note and to the Trustee, on behalf of the Holder, the due and punctual payment of the principal of, and any premium, interest and any Additional Amounts on, this Note, when and as the same shall become due and payable, whether at the stated maturity, by declaration of acceleration, call for redemption or otherwise, in accordance with the terms of this Note and the Indenture. This Guarantee will not be valid or obligatory for any purpose until the Trustee duly executes the certificate of authentication on the Note upon which this Guarantee is endorsed.

Dated:

HARLEY-DAVIDSON CREDIT CORP.,
a Nevada corporation

By:_____
Name:
Title:

Attest:

By:_____
Name:
Title:

ABBREVIATIONS

The following abbreviations, when used in the inscription on this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

UNIF GIFT MIN ACT - _____ Custodian _____
(Cust) (Minor)

TEN ENT - as tenants by the entireties

under Uniform Gifts to Minors Act

JT TEN - as joint tenants with right of
survivorship and not as tenant
in common

(State)

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto:

(Please insert social security or other identifying number of assignee)

(Name and address of assignee, including zip code,
must be printed or typewritten)

the within Note, and all rights thereunder, hereby irrevocably constituting and appointing
_____ attorney to transfer said Note on the books of the within Company, with full
power of substitution in the premises.

Dated:

NOTICE: The signature to this assignment must correspond with the name as it
appears upon the within Note in every particular, without alteration or enlargement
or any change whatever and must be guaranteed.

SIGNATURE(S) GUARANTEED:

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS,
STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN
APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM) PURSUANT TO SEC RULE 17Ad-15.

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE

The following increases or decreases in this Global Note have been made

Date of Exchange	Amount of increase in Principal Amount of this Global Note	Amount of decrease in Principal Amount of this Global Note	Principal Amount of this Global Note following each decrease or increase	Signature of authorized signatory of Trustee
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TRANSITION AGREEMENT

AGREEMENT dated the 1st day of **February 2018**, between Harley-Davidson, Inc., a Wisconsin corporation (the "Corporation"), and **Michelle A. Kumbier** (the "Executive"). Unless otherwise indicated, terms used herein and defined in Schedule A shall have the meanings assigned to them in Schedule A.

WHEREAS, the HDI Group desires to continue to attract and retain a highly-qualified and strong leadership team, consistent with achieving the best possible price for its stockholders in any transition period or change in ownership and control of the Corporation; and

WHEREAS, the Executive has specific duties and unique talents which are of benefit to the HDI Group both presently and in any transition period; and

WHEREAS, the HDI Group and the Executive desire that the Executive be free of any conflict of interest with regard to the performance of the Executive's duties in evaluating any proposed change in ownership or control; and

WHEREAS, the Executive and the Corporation desire to enter into this Transition Agreement;

NOW, THEREFORE, it is agreed as follows

1. The HDI Group currently employs the Executive as the **HDMC Chief Operating Officer**, Harley-Davidson, Inc., upon the terms and conditions currently reflected in the Executive's personnel file or in various minutes of the Board.

2. This Agreement shall become effective on the date hereof and shall terminate on the second anniversary of the occurrence of a Change of Control Event; provided, however, that no benefits shall be payable or accrue pursuant to this Agreement prior to the occurrence of a Change of Control Event.

3. During the two year period following a Change of Control Event, so long as the Executive remains employed by the HDI Group, the Executive shall devote his or her full time, attention, and energies to the business of the HDI Group and shall not engage in any other business activity whether or not such business activity is pursued for gain, profit, or other pecuniary advantage; but this shall not be construed as preventing the Executive from (a) investing the Executive's assets in such form or manner as will not materially affect the Executive's ability to perform his or her duties and obligations to the HDI Group; or (b) continuing to serve as a director of any corporation of which he or she was a director immediately prior to the Change of Control Event. The Executive agrees that once a Change of Control Event occurs he or she will not voluntarily terminate his or her employment with the HDI Group until ten days after such Change of Control Event has occurred.

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4. The HDI Group agrees that following a Change of Control Event no termination of the Executive's employment with the HDI Group will be effective, unless it provides the Executive ten days prior written notice of such termination; provided, however, that the Executive shall provide the HDI Group Employer with ten days prior written notice of any termination by the Executive of the Executive's employment with the HDI Group. The Executive may waive the notice requirement for the HDI Group.

5. The Executive recognizes and acknowledges that the list of the HDI Group's customers, its product plans, forecasts and financial information, as well as other Confidential Information, as it may exist from time to time, is a valuable, special, and unique asset of the HDI Group's business. The Executive shall not, except for the benefit of the HDI Group or as otherwise expressly authorized by the HDI Group, during or at any time within two (2) years after the termination of the Executive's employment from the HDI Group, disclose any such information or any part thereof to any person, firm, corporation, association, or other entity, or use such information or any part thereof for any reason or purpose whatsoever, in either case under any circumstances in which such disclosure or use is reasonably likely to affect adversely the interests of the HDI Group in any country of the world in which the HDI Group then distributes its products. This Section is not intended to limit in any way the Executive's independent obligation to preserve and not to misappropriate Trade Secrets of the HDI Group. In the event of a breach or threatened breach by the Executive of the provisions of this Section, the HDI Group shall be entitled to an injunction restraining the Executive from disclosing or using, in whole or in part, this information. The HDI Group will be free to pursue any other remedies as may in its discretion be deemed appropriate under the circumstances.

6. Upon the happening of a Change of Control Event, the HDI Group agrees, while the Executive is employed hereunder, that the Executive shall be compensated at a level that is at least comparable in the aggregate to the Executive's highest level of Compensation in effect during the 180-day period immediately prior to the Change of Control Event and in a manner that satisfies each of the following:

(a) The Executive shall receive an annual base salary in cash equivalent of not less than the Executive's highest annual base salary as in effect during the 180-day period immediately prior to the Change of Control Event, subject to any deferral election then in effect.

(b) The Executive (and with respect to medical, dental and vision coverage, the Executive's eligible dependents) shall be included in any and all employee benefit or fringe benefit plans, practices, policies or programs providing benefits for the HDI Group's salaried employees in general, including but not limited to retirement, savings, group life insurance, hospitalization, medical, dental, vision, profit sharing and 401(k) plans, and in all plans, practices, policies or programs providing additional benefits to executives of the HDI Group of comparable status and position to the Executive, including but not limited to deferred compensation, split-dollar life insurance, supplemental retirement, pension restoration, stock option, stock appreciation, stock bonus and similar or comparable programs; provided, however, that, in no event shall the

aggregate level of benefits under such plans, practices, policies or programs in which the Executive is included be less than the aggregate level of benefits under plans, policies, practices and programs of the HDI Group in which the Executive was participating at any time during the 180-day period immediately prior to the Change of Control Event. It is understood that if the Executive's hire date is on or after August 1, 2006, then the HDI Group shall not be required to include the Executive in a qualified or non-qualified defined benefit, pension restoration or similar program unless such programs are made available to executives of the HDI Group whose date of hire occurred on or after August 1, 2006 and who are of comparable status and position to the Executive.

(c) The Executive shall annually be entitled to not less than the amount of paid vacation and not fewer than the number of paid holidays to which the Executive was entitled annually at any time during the 180-day period immediately prior to the Change of Control Event or such greater amount of paid vacation and number of paid holidays as may be made available annually to other executives of the HDI Group of comparable status and position to the Executive.

(d) The Executive shall be included in any annual or long-term or other bonus plan of the HDI Group which shall satisfy the standards described below (any such plan, the "Bonus Plan"). Bonuses under any such Bonus Plan shall be payable with respect to achieving such financial or other goals reasonably related to the business of the HDI Group as the HDI Group shall establish (the "Goals"), all of which Goals shall be attainable, prior to the second anniversary of the date of the Change of Control Event, with approximately the same degree of probability as the goals under any bonus plan or plans of the HDI Group as in effect at any time during the 180-day period immediately prior to the Change of Control Event (whether one or more, the "Prior Bonus Plan"). The amount of the bonus (the "Bonus Amount") that the Executive is eligible to earn under any such Bonus Plan shall be no less than the amount of the Executive's percentage of base salary available as incentive compensation (assuming performance at target) (the "Target Bonus Percentage") provided in such Prior Bonus Plan, and in the event the Goals are not achieved such that the entire Target Bonus Percentage is not payable, any such Bonus Plan shall provide for a payment of a Bonus Amount equal to a portion of the Target Bonus Percentage reasonably related to that portion of the Goals which were achieved.

7. Benefits Following an Eligible Termination.

In the event of Termination, the Executive shall be entitled, subject to the limitation set forth in Section 8 and subject to the Executive's compliance with the requirement of Section 22 regarding the Executive's execution of a release and waiver of claims, to the following benefits:

(%2) Lump Sum Severance Payment.

The Executive shall be entitled to receive, in cash or cash equivalent on the first business day of the month following the month in which occurs the six month

anniversary of the date of Termination, a lump-sum payment equal to the product of two multiplied by the sum of:

- (i) the Executive's highest annual rate of base salary during the five-year period preceding Termination; and
 - (ii) the Executive's bonus opportunity (at target) for the year in which occurs the Change of Control Event.
- (b) Vesting of Certain Benefits.

At the time the ten days written notice prior to Termination is given:

(i) the Executive will be fully and immediately vested in his or her accrued benefit and any minimum years of service or age requirement for vesting will be deemed to have been satisfied under any qualified or nonqualified pension, savings or other retirement programs that are maintained by the HDI Group and in which the Executive was entitled to participate at the time of the Change of Control Event or at any time prior to Termination, with the benefits under each such plan in which the Executive participates being distributed in accordance with the terms of the relevant plan; provided, however, that if the HDI Group reasonably concludes that it is unable to take the actions contemplated under this subparagraph (i) with respect to any plan that is intended to be qualified under Code Section 401(a) without violating the requirements of Code Section 401(a)(4) or any similar provision, then the Executive shall be entitled to receive, with respect to any such plan, a single sum payment equal to the account balance that the Executive forfeits under any defined contribution plan or the actuarial present value (determined using the interest and mortality assumption in effect under Code Section 417(e)(3), or any successor to such provision, on the date of Termination) of any accrued benefit that the Executive forfeits under any defined benefit plan as a result of not being fully vested at the time of Termination, with such payment to be made on the first business day of the month following the month in which occurs the six month anniversary of the date of Termination;

(ii) all restricted stock or restricted stock unit awards made to the Executive pursuant to the Harley-Davidson, Inc. 2014 Incentive Stock Plan, as amended, or made pursuant to any successor or predecessor plan, including, without limitation, any plan of the HDI Group that is in effect following the date of the Change of Control Event, will be fully and immediately vested to the extent not already vested;

(iii) all stock options or stock appreciation rights granted pursuant to the Harley-Davidson, Inc. 2014 Incentive Stock Plan, as amended, or granted pursuant to any successor or predecessor plan, including, without limitation, any plan of the HDI Group that is in effect following the date of the Change of

Control Event, will be fully vested and will become immediately exercisable to the extent not already vested and exercisable;

(iv) all performance or other awards granted to the Executive pursuant to any HDI long-term incentive plan, or granted pursuant to any successor plan, including, without limitation, any plan of the HDI Group that is in effect following the date of the Change of Control Event, if not already vested pursuant to the terms of such long-term incentive plan, will be fully and immediately vested, as if all performance requirements have been satisfied at the target level of performance, and with payment to the Executive to be made on the first business day of the month following the month in which occurs the six month anniversary of the date of Termination; and

(v) the HDI Group Employer will pay to the Executive, on the first business day of the month following the month in which occurs the six month anniversary of the date of Termination, an amount in respect of any bonus under a short-term incentive or other annual bonus plan of the HDI Group equal to the higher of (1) the Executive's incentive compensation assuming performance at target for the fiscal year in which the date of Termination falls, or (2) the bonus the Executive received for the year prior to the Change of Control Event, which amount shall be pro-rated by a fraction, the numerator of which is the number of days elapsed in the HDI Group's fiscal year on the date of Termination and the denominator of which is 365.

(c) Welfare Benefits.

The Executive will also receive:

(i) A lump sum cash payment of \$20,000 for the Executive's use in securing outplacement services. The HDI Group will not provide any other form of outplacement assistance. If (or to the extent) that the payment is exempt from Code Section 409A or otherwise eligible for accelerated distribution in accordance with Section 1.409A-1(b) or Section 1.409A-3(j) of the Income Tax Regulations, payment will be made as soon as practicable following (and in any event within two and one-half months following the last day of the month in which occurs) the Executive's date of Termination. Otherwise, the lump sum payment will be paid on the first business day of the month following the month in which occurs the six-month anniversary of the Executive's date of Termination.

(ii) A lump sum cash payment of \$20,000 for the Executive's use in securing financial planning assistance. The HDI Group will not provide any other form of financial planning assistance. If (or to the extent) that the payment is exempt from Code Section 409A or otherwise eligible for accelerated distribution in accordance with Section 1.409A-1(b) or Section 1.409A-3(j) of the Income Tax Regulations, payment will be made as soon as practicable following (and in any event within two and one-half months following the last day of the month in

which occurs) the Executive's date of Termination. Otherwise, the lump sum payment will be paid on the first business day of the month following the month in which occurs the six-month anniversary of the Executive's date of Termination.

(iii) For two years from the date of Termination, and provided that the Executive pays the applicable contribution amount required to be paid by similarly-situated active employees for such coverage, continued coverage under HDI Group medical, dental, vision and life insurance benefit plans, including executive life insurance (but not disability coverage or continued coverage under any other benefit plan); provided, however, that any period of continued medical, dental or vision coverage pursuant to this provision shall be credited against (reduce) the maximum period of continuation coverage that the Executive (or any other qualified beneficiary with respect to the Executive) is permitted to elect in accordance with COBRA, or any successor provision thereto; and provided further, that in the event of the Participant's death after Termination, for a period of one year following the Executive's date of death (but in no event more than two years following the date of Termination), the HDI Group shall provide continued coverage under the HDI Group hospital, medical, dental and vision plans for the Executive's covered dependents, but all other welfare benefit plan coverage shall cease. For purposes of this subparagraph (iii), if medical, dental, or vision coverage or benefits are provided under a plan that is subject to Code Section 105(h), then, for any period of coverage following the end of the COBRA continuation period, the benefits payable under such plan shall comply with the requirements of Sections 1.409A-3(i)(1)(A) and (B) of the Income Tax Regulations (or any successor thereto) and, if and to the extent necessary, the HDI Group shall amend such plan to comply therewith. Also, with respect to the first six months following the Termination during which the Executive's life insurance coverage is extended under this subparagraph (iii), if the premiums payable by the HDI Group for group life insurance coverage during such period and the portion of the premiums payable during such period that represents current life insurance protection (as determined in accordance with Internal Revenue Service requirements) for the Executive under a split-dollar insurance arrangement, in the aggregate (the "Life Insurance Coverage Value") exceed the amount of the "limited payments" exemption set forth in Section 1.409A-1(b)(9)(v)(B) of the Income Tax Regulations (or any successor thereto), then, to the extent required to comply with Code Section 409A, the Executive, in advance, shall pay the HDI Group an amount equal to the Life Insurance Coverage Value, and promptly following the end of such six month period, the HDI Group Employer shall make a cash payment to the Executive equal to the amount paid to the HDI Group by the Executive. Thereafter such life insurance coverage shall be provided at the expense of the HDI Group for the remainder of the period specified above.

(d) Payment of Accrued Compensation.

The Executive shall also be entitled to all amounts earned or accrued through the date of Termination but not paid as of such date, including base salary, reimbursement for reasonable and necessary expenses incurred by the Executive on behalf of the HDI Group during the period ending on the date of Termination, vacation pay, and sick leave (collectively, "Accrued Compensation"). All Accrued Compensation shall be paid to the Executive within ten (10) days following Termination.

(e) Continuation of Section 409A Elections.

Notwithstanding anything in Paragraphs (a) through (g) to the contrary, Termination does not affect deferral or distribution elections that the Executive may have in place with respect to the payment of any benefits that are subject to Code Section 409A, and payment of such amounts will be made pursuant to the terms of the applicable plan or program under which the deferral election was made.

(f) Death of the Executive.

If the Executive dies prior to the payments of amounts due to the Executive under this Agreement, then the amounts that otherwise would have been paid to the Executive will be paid, as soon as practicable following the Executive's death, to the Executive's estate.

(g) Agreement Not a Guarantee of Employment.

Nothing in this Agreement shall be construed to prevent the HDI Group Employer or the Board from terminating the Executive's employment under this Agreement either for Cause or without Cause or to prevent the Executive from terminating the Executive's employment under this Agreement either for Good Reason or without Good Reason. A termination by the HDI Group Employer for Cause or a termination by the Executive without Good Reason shall relieve the HDI Group of its obligation to make any payments under this Agreement, except for the Accrued Compensation and those that may be payable under then existing employee benefit programs. For the Executive to be terminated for Cause, the existence of Cause must be determined by a written resolution adopted by the affirmative vote of not less than two-thirds of all the Continuing Directors, excluding for this purpose the Executive, or in the event there are no Continuing Directors, by a unanimous vote of all of the directors of the Board, at a meeting duly called and held for that purpose after reasonable notice to the Executive and opportunity for the Executive and his or her counsel to be heard. Any such determination shall require that the Continuing Directors (or the entire Board) find that in their reasonable good faith judgment the conduct which was the basis for the hearing in fact occurred and is sufficient to warrant a termination for Cause.

8. Payment Limitation.

(a) Notwithstanding any other provision of this Agreement, if any portion of the payments or benefits under this Agreement, or under any other agreement with or plan of the HDI Group (in the aggregate, the “Total Payments”), would constitute an “excess parachute payment” that is subject to the tax imposed by Code Section 4999, then the Total Payments to be made to the Executive shall be reduced such that the value of the aggregate Total Payments that the Executive is entitled to receive shall be One Dollar (\$1) less than the maximum amount which the Executive may receive without becoming subject to the tax imposed by Code Section 4999; provided that the foregoing reduction in the amount of Total Payments shall not apply if the after-tax value to the Executive of the Total Payments prior to reduction in accordance with this Paragraph (a) (including the tax imposed by Code Section 4999) is greater than the after-tax value to the Executive if the Total Payments are reduced in accordance with this Paragraph (a).

(b) For purposes of this Section, the terms “excess parachute payment” and “parachute payments” shall have the meanings assigned to them in Code Section 280G, and such “parachute payments” shall be valued as provided therein. Present value shall be calculated in accordance with Code Section 280G(d)(4). The Executive and the HDI Group Employer, at the HDI Group Employer’s expense, shall obtain the opinion (which need not be unqualified) of nationally recognized tax counsel (“National Tax Counsel”) selected by the HDI Group Employer’s independent auditors and acceptable to the Executive, which opinion sets forth:

- (i) the amount of the Base Period Income,
- (ii) the amount and present value of the Total Payments,
- (iii) the amount and present value of any excess parachute payments determined without regard to the limitations of this Section 8,
- (iv) the after-tax value of the Total Payments if the reduction in Total Payments contemplated under Paragraph (a) of this Section 8 did not apply, and
- (v) the after-tax value of the Total Payments taking into account the reduction in Total Payments contemplated under Paragraph (a) of this Section 8.

(c) The term “Base Period Income” means an amount equal to the Executive’s “annualized includible compensation for the base period” as defined in Section 280G(d)(1) of the Code (or any successor provision). For purposes of such opinion of National Tax Counsel, the value of any noncash benefits or any deferred payment or benefit shall be determined by the HDI Group Employer’s independent auditors in accordance with the principles of Code Sections 280G(d)(3) and (4), which determination shall be evidenced in a certificate of such auditors addressed to the HDI Group Employer and the Executive. For purposes of determining the after-tax value of the Total Payments, the Executive shall be deemed to pay federal income taxes and employment taxes at the highest marginal rate of federal income and employment taxation on the date on which the determination is being made and state and local income taxes at the highest marginal

rates of taxation in the state and locality of the Executive's domicile for income tax purposes on the date on which the determination is being made, net of the maximum reduction in federal income taxes that may be obtained from deduction of such state and local taxes. The opinion of National Tax Counsel shall be dated as of the date of Termination and addressed to the HDI Group Employer and the Executive and shall be binding upon the HDI Group Employer and the Executive. If such opinion determines that there would be an excess parachute payment and that the after-tax value of the Total Payments taking into account the reduction contemplated under Paragraph (a) of this Section 8 is greater than the after-tax value of the Total Payments if the reduction in the Total Payments contemplated under Paragraph (a) of this Section 8 did not apply, then the payments and benefits hereunder or any other payment or benefit determined by such counsel to be includible in the Total Payments shall be reduced or eliminated so that under the bases of calculations set forth in such opinion there will be no excess parachute payment. If such National Tax Counsel so requests in connection with its opinion, the Executive and the HDI Group Employer shall obtain, at the HDI Group Employer's expense, and the National Tax Counsel may rely on in providing the opinion, the advice of a firm of recognized executive compensation consultants as to the reasonableness of any item of compensation to be received by the Executive. If the provisions of Code Sections 280G and 4999 are repealed without succession, then this Section 8 shall be of no further force or effect.

9. The Executive agrees that for a period of two (2) years from Termination, regardless of whether the termination of the Executive's employment is voluntary or involuntary or the reason therefor, she will not directly or indirectly recruit, solicit or induce, or assist in any manner in the recruitment, solicitation or inducement of, any employee of the HDI Group whom the Executive directly or indirectly supervised or about whom the Executive received Confidential Information, in either event during any part of the two years preceding Termination, to accept any employment, consulting, contracting or other confidential relationship with a Competitive Business, as defined in Section 10, below. The Executive shall contact the Vice President, Human Resources for the Corporation for confirmation of the expectations set forth in this Section if the Executive has any concern that any of the Executive's proposed actions may be considered a violation of this Section. Any understanding between the Executive and the Vice President, Human Resources detailing specific conduct permitted under this Section 9 shall be binding on the Corporation only if it is reduced to writing and signed by both parties. If the Executive breaks the covenant set forth in this Section and/or any additional written understanding as set forth above, then the Executive will reimburse the Corporation for the benefits provided under Section 7.

10. The Executive further agrees that, during the twenty-four (24) month period following Termination, regardless of whether Termination is voluntary or involuntary or the reason therefor, the 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 the Executive's knowledge of the HDI Group's Confidential Information or Trade Secrets of the HDI Group or personal association with the goodwill of the

HDI Group could reasonably be considered useful. In this regard, the parties expressly agree that, by virtue of her prior, high-level duties for the HDI Group, the foregoing necessarily and at a minimum precludes the Executive from holding a senior level executive position relating to motorcycles for a Competitive Business. "Competitive Business" as used in this Agreement means any person, firm, corporation, or entity of any type other than the HDI Group 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 the Executive's 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 HDI Group, at any time during the twenty-four (24) months preceding the date of Termination: (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 have been abandoned). The Executive further agrees:

- a. If the Executive fails to comply with this noncompete covenant, the Corporation will suffer irreparable harm and shall be entitled to an immediate injunction requiring the Executive's strict compliance with this covenant.
- b. If the Executive breaks the covenant set forth in this Section and/or any additional written understanding as set forth below in Subsection 10.e., then the Executive will reimburse the Corporation for the benefits provided under Section 7. The Executive further promises that in the event the Executive violates the noncompete covenant above, the Executive shall pay the Corporation a sum of \$10,000 for every occasion that the Executive engages in any conduct that fails to comply with this covenant. The Executive agrees that this covenant is a material consideration for the Corporation's willingness to enter into this Agreement and that the repayment of such monies in the event of a breach is a reasonable estimate of damages.
- c. In the event that a court of competent jurisdiction determines that any aspect of this covenant not to compete is unenforceable, then the parties agree that this

Agreement has failed of its essential purpose, that it would be inequitable for the Executive to retain the benefits provided under Section 7, and that the court should require the Executive to immediately reimburse the Corporation for all the benefits provided under Section 7.

d. The Executive shall provide reasonable advance written notice to the current or acting Vice President, Human Resources for the Corporation before the Executive becomes otherwise employed or performs any services for any person, firm, corporation or entity during the non-compete period (i.e., through the twenty-four (24) month period following Termination).

e. The Executive shall contact the Vice President, Human Resources for the Corporation for confirmation of the expectations set forth in this Section if the Executive has any concern that any of the Executive's actions may be considered a violation of this Section. Any understanding between the Executive and the Vice President, Human Resources detailing specific conduct permitted under this Section shall be reduced to writing and signed by both parties.

11. Any dispute or controversy arising under or in connection with this Agreement, other than an action to enforce the provisions of Sections 5, 9 and/or 10 of this Agreement or to protect trade secrets of the HDI Group, shall be settled exclusively by arbitration in Milwaukee, Wisconsin or, at the option of the Executive, in the county where the Executive resides, in accordance with the Rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. Executive and the HDI Group hereby irrevocably waive any right either of them may have to a trial by jury of any claim arising under or in connection with this Agreement. Executive hereby consents and agrees to submit to the exclusive personal and subject matter jurisdiction and venue of the Wisconsin Circuit Court for Milwaukee County with respect to any action to enforce the provisions of Sections 5, 9 and/or 10 of this Agreement or to protect trade secrets of the HDI Group.

12. The HDI Group shall pay or reimburse all costs and expenses, including attorneys' fees and disbursements, of the HDI Group and, at least monthly, the Executive in connection with any legal services or proceedings (including, but not limited to, arbitration), whether or not instituted by the HDI Group or the Executive, relating to the interpretation or enforcement of any provision of this Agreement. The HDI Group also agrees to pay prejudgment interest on any money judgment obtained by the Executive as a result of such proceedings, calculated at the reference rate or prime rate, as the case may be, of US Bank Milwaukee, National Association, Milwaukee, Wisconsin (or any successor thereto) as in effect from time to time from the date that payment should have been made to the Executive under this Agreement. Notwithstanding anything to the contrary, to comply with Code Section 409A, the Executive must timely submit any such cost of expense for reimbursement so that it can be reimbursed no later than the end of the calendar year following the calendar year in which the expense was incurred; no reimbursement can be made after that time.

13. This Agreement shall be binding upon, inure to the benefit of and be enforceable by the HDI Group and the Executive and their respective heirs, legal representatives, successors and assigns. If the HDI Group or any member of the HDI Group shall be merged into or consolidated with another entity, the provisions of this Agreement shall be binding upon and inure to the benefit of the entity surviving such merger or resulting from such consolidation. The HDI Group will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the HDI Group or the HDI Group Employer, by agreement in form and substance satisfactory to the Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the HDI Group would be required to perform it if no such succession had taken place. The provisions of this Section 13 shall continue to apply to each subsequent employer of the Executive hereunder in the event of any subsequent merger, consolidation or transfer of assets of such subsequent employer. From and after the date of any such purchase, merger, consolidation, transfer of assets or other transaction, the term HDI Group as used in this Agreement shall also include any such person or entity that is the successor or subsequent employer for purposes of this Section 13, or which otherwise becomes bound by the terms and provisions of this Agreement by operation of law.

14. The HDI Group Employer will indemnify the Executive against expenses (including attorney's fees), amounts paid in settlement (whether with or without court approval), judgments and fines actually and reasonably incurred by him or her in connection with a threatened or actual action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the HDI Group, and with respect to any criminal action or proceeding, if he or she had no reasonable cause to believe that his or her conduct was unlawful, if he or she becomes a party to, or is threatened with, a pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigation (if not by or in the right of the HDI Group Employer) by reason of the fact that he or she is or was a director, officer, employee or agent of the HDI Group or is or was serving at the request of the HDI Group as a director, officer, employee or agent or in any other capacity or in another corporation, or a partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or not taken by him while acting in any such capacity, to the fullest extent permitted by the HDI Group Employer's Articles of Incorporation and By-Laws. Notwithstanding anything to the contrary, to comply with Code Section 409A, the Executive must timely submit any such cost or expense for reimbursement so that it can be reimbursed no later than the end of the calendar year following the calendar year in which the item was incurred; no reimbursement can be made after that time.

15. Any provision of this Agreement which is held to be unenforceable or invalid in any respect in any jurisdiction shall be ineffective in such jurisdiction to the extent that it is unenforceable or invalid without affecting the remaining provisions hereof, which shall continue in full force and effect. The unenforceability or invalidity of a provision of this Agreement in one jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

16. This Agreement shall be governed by and construed in accordance with the laws of the State of Wisconsin applicable to contracts made and to be performed therein, without regard to conflict of law principles.

17. This instrument contains the entire agreement of the parties, and supersedes any earlier agreement between them, relative to a transition period or termination in the event of a Change of Control Event. It may not be changed orally but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extension, or discharge is sought. Notwithstanding anything in this Agreement to the contrary, the Corporation may unilaterally amend this Agreement prior to the occurrence of a Change of Control Event to make changes that the Corporation reasonably determines are necessary or appropriate for purposes of causing this Agreement to comply with the requirements of Code Section 409A and regulations proposed or promulgated thereunder, so long as the Corporation makes the same changes to corresponding agreements to which other Corporation executives are parties.

18. The Executive shall not be required to mitigate damages or the amount of any payment to the Executive provided for under this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by the Executive as a result of employment by another employer after Termination.

19. If the Executive is also a participant in the Harley-Davidson, Inc. Executive Severance Plan ("Executive Severance Plan") (or any similar plan or agreement) with the Corporation (or an Affiliate) upon the occurrence of a Change of Control Event (whether such Executive Severance Plan or similar plan or agreement was entered into or amended prior to or after the date of this Agreement), then the Executive's rights and obligations upon a termination of Executive's employment during the term of this Agreement will be governed by this Agreement rather than the Executive Severance Plan or similar plan or agreement.

20. The HDI Group shall be entitled to withhold from amounts to be paid to the Executive hereunder any federal, state or local withholding or other taxes or charges which it is from time to time required to withhold; provided, that the amount so withheld shall not exceed the minimum amount required to be withheld by law. In addition, if prior to the date of payment of the benefits hereunder, the Federal Insurance Contributions Act (FICA) tax imposed under Sections 3101, 3121(a) and 3121(v)(2), where applicable, becomes due, the HDI Group may provide for an immediate payment of the amount needed to pay the Executive's portion of such tax (plus an amount equal to the income taxes that will be due on such amount) and the Executive's remaining benefits under this Agreement shall be reduced accordingly. The HDI Group shall be entitled to rely on an opinion of nationally recognized tax counsel if any question as to the amount or requirement of any such withholding shall arise.

21. In the event that neither the Corporation nor any Affiliate has outstanding any stock which is publicly traded on an established securities market or otherwise, any references in this Agreement to distribution being made on the first day of the month following the month in which occurs the six-month anniversary of the date of Termination shall

automatically be modified to provide for distribution within ten days following the date of Termination.

22. As a condition of reviewing benefits hereunder following a Termination, the Executive must execute (and not revoke) a release and waiver of claims in a form acceptable to the HDI Group.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

HARLEY-DAVIDSON, INC.

By: __
/s/ Matthew Levatich

ATTEST:

/s/ Tchernavia Rocker

EXECUTIVE:

/s/ Michelle Kumbier

Schedule A

CERTAIN DEFINITIONS

As used in this Agreement, and unless the context requires a different meaning, the following terms have the meanings indicated. Additional terms are defined in the Agreement.

“AFFILIATE” means each corporation, trade or business that, with the Corporation, constitutes a controlled group of corporations or group of trades or businesses under common control within the meaning of Code Sections 414(b) or (c), applied by substituting “at least 50 percent” for “at least 80 percent” each place it appears.

“BOARD” means the Corporation’s board of directors.

“CAUSE” means the commission by the Executive of one or more acts for which the Executive is convicted of a felony under United States federal, state or local criminal law, or willful and gross misconduct on the part of the Executive that is materially and demonstrably detrimental to the HDI Group taken as a whole.

“CHANGE OF CONTROL EVENT” means any one of the following: (a) the Continuing Directors no longer constitute at least two-thirds (2/3) of the directors of the Board; (b) any person or group of persons (as defined in Rule 13d-5 under the Securities Exchange Act of 1934, as amended), together with its affiliates, become the beneficial owner, directly or indirectly, of twenty percent (20%) or more of the Corporation’s then outstanding Common Stock or twenty percent (20%) or more of the voting power of the Corporation’s then outstanding securities entitled generally to vote for the election of the Corporation’s Directors; (c) the consummation of the merger or consolidation of the Corporation with any other corporation, the sale of substantially all of the assets of the Corporation, or the liquidation or dissolution of the Corporation, unless, in the case of a merger or consolidation, the then Continuing Directors in office immediately prior to such merger or consolidation will constitute at least two-thirds (2/3) of the directors constituting the board of directors of the surviving corporation of such merger or consolidation and any parent (as such term is defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended) of such corporation; or (d) at least two-thirds (2/3) of the then Continuing Directors in office immediately prior to any other action proposed to be taken by the Corporation’s stockholders or by the Board determines that such proposed action, if taken, would constitute a change of control of the Corporation and such action is taken.

“CODE” means the Internal Revenue Code of 1986, as amended.

“COMPENSATION” means the sum of all remuneration to which the Executive is entitled, including, but not limited to salary, participation in HDI Group bonus and benefit plans, programs or arrangements and awards under any HDI Group bonus plans, long-term incentive compensation plans, stock option plans, restricted stock plans or any other deferred compensation plans that the HDI Group Employer maintained or adopted prior to the Change of Control Event, the use of automobiles or vehicles (or allowances in respect thereof), and all amounts in respect of club, association or similar fees and dues covering the Executive. In the

event that the HDI Group cannot provide the Executive with one or more benefits which it is obligated to provide to the Executive, pursuant to this Agreement, under its employee benefit plans, programs or arrangements then the HDI Group shall provide the Executive with equivalent benefits at the expense of the HDI Group Employer.

“CONFIDENTIAL INFORMATION” means any information that is not generally known outside the HDI Group relating to any phase of business of the HDI Group, whether existing or foreseeable, including information conceived, discovered or developed by the Executive. Confidential Information includes, but is not limited to: project files, product designs, drawings, sketches and processes; production characteristics; testing procedures and results thereof; manufacturing methods, processes, techniques and test results; plant layouts, tooling, engineering evaluations and reports; business plans, financial statements and projections; operating forms (including contracts) and procedures; payroll and personnel records; non-public marketing materials, plans and proposals; customer lists and information, and target lists for new clients and information relating to potential clients; software codes and computer programs; training manuals; policy and procedure manuals; raw materials sources, price and cost information; administrative techniques and documents; and any information received by the HDI Group under an obligation of confidentiality to a third party.

“CONTINUING DIRECTOR” means any individual who is either (i) a member of the Board on the date hereof or (ii) a member of the Board whose election or nomination to the Board was approved by a vote of at least two-thirds of the Continuing Directors (other than a person whose election was as a result of an actual or threatened proxy or other control contest).

“CORPORATION” means Harley-Davidson, Inc., a Wisconsin corporation, or any successor thereto.

“GOOD REASON” means the occurrence of any one of the following events, as determined by the Executive in good faith:

(a) any breach of this Agreement by the Corporation, including specifically any breach by the Corporation of its agreement contained in Section 6, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith that the Corporation remedies promptly after receipt of notice thereof given by the Executive;

(b) any reduction in the Executive’s base salary, percentage of base salary available as incentive compensation or benefits, in each case relative to those most favorable to the Executive in effect at any time during the 180-day period prior to the Change of Control Event or, to the extent more favorable to the Executive, those in effect after the Change of Control Event;

(c) a material adverse change, without the Executive’s prior written consent, in the Executive’s working conditions or status with the Corporation or the HDI Group Employer from such working conditions or status in effect during the 180-day period prior to the Change of Control Event or, to the extent more favorable to the Executive, those in effect after the Change of Control Event, including but not limited to (i) a material change in the nature or scope of the Executive’s titles, authority, powers, functions, duties, reporting requirements or responsibilities,

or (ii) a material reduction in the level of support services, staff, secretarial and other assistance, office space and accoutrements, but excluding for this purpose an isolated, insubstantial and inadvertent event not occurring in bad faith that the Corporation remedies promptly after receipt of notice thereof given by the Executive;

(d) the relocation of the Executive's principal place of employment to a location more than 50 miles from the Executive's principal place of employment on the date 180 days prior to the Change of Control Event;

(e) the HDI Group Employer requires the Executive to travel on employer business to a materially greater extent than was required during the 180-day period prior to the Change of Control Event; or

(f) failure by the Corporation to obtain the agreement referred to in Section 13 as provided therein;

Provided, however, that any such event occurs following the Change of Control Event. In the event of a dispute regarding whether the Executive terminated the Executive's employment for "Good Reason" in accordance with this Agreement, no claim by the Corporation that such termination does not constitute a Termination shall be given effect unless the Corporation establishes by clear and convincing evidence that such termination does not constitute a Termination. Any election by the Executive to terminate the Executive's employment for Good Reason shall not be deemed a voluntary termination of employment by the Executive for purposes of any other employee benefit or other plan.

"HDI GROUP" means Harley-Davidson, Inc. and its Affiliates.

"HDI GROUP EMPLOYER" means the member of the HDI Group that employed the Executive immediately prior to the Change of Control Event.

"SEPARATION FROM SERVICE" means the date on which the Executive separates from service (within the meaning of Code Section 409A) from the HDI Group. A Separation from Service occurs when the HDI Group and the Executive reasonably anticipate that no further services will be performed by the Executive for the HDI Group after that date or that the level of *bona fide* services the Executive will perform after such date as an employee of the HDI Group will permanently decrease to no more than 20% of the average level of bona fide services performed by the Executive (whether as an employee or independent contractor) for the HDI Group over the immediately preceding 36-month period (or such lesser period of services). The Executive is not considered to have incurred a Separation from Service if the Executive is absent from active employment due to military leave, sick leave or other bona fide reason if the period of such leave does not exceed the greater of (i) six months, or (ii) the period during which the Executive's right to reemployment by the HDI Group is provided either by statute or by contract; provided that if the leave of absence is due to a medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than six months, where such impairment causes the Executive to be unable to perform the duties of his or her position of employment or any substantially similar position of employment, the leave

may be extended for up to 29 months without causing the Executive to have incurred a Separation from Service.

“TERMINATION” means a termination of the Executive’s employment with the HDI Group while this Agreement is in effect, if such termination constitutes a Separation from Service and such termination satisfies either Paragraph (a) or (b) below:

(a) any termination by the HDI Group of the Executive’s employment following the occurrence of any Change of Control Event, other than termination of the Executive’s employment for Cause or as a result of the death of the Executive; or

(b) any termination by the Executive of the Executive’s employment for Good Reason following the occurrence of a Change of Control Event.

“TRADE SECRETS” means any information, including any data, plan, drawing, specification, pattern, procedure, method, computer data, system, program or design, device, list, tool, or compilation, that relates to the present or planned business of the HDI Group and which: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means to, other persons who can obtain economic value from their disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain their secrecy. To the extent that the foregoing definition is inconsistent with a definition of "trade secret" under applicable law, the latter definition shall control.

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 quarterly report on Form 10-Q 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: May 10, 2018

/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 quarterly report on Form 10-Q 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: May 10, 2018

/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 Quarterly Report on Form 10-Q of the Company for the quarter ended April 1, 2018 (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: May 10, 2018

/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